



July 2011 Market Commentary

The S&P futures started July with a continuation of the June rally, climbing almost 3% over the first six trading days. From that peak, the market declined approximately 4.6% over the next ten days. Warrington held smaller than normal position sizes in the beginning of July due to low levels in the VIX from the end of June. Accordingly, these moderate market gyrations had little impact on the fund's profitability at July's expiration.

As the end of the month approached and volatility started to expand due to the debate in congress over raising the debt ceiling, Warrington initiated positions for August options expiration cycle. As volatility continued to expand toward the end of the month (and the S&P futures declined 5.1% to end the month down about 2.8%), the options that Warrington held in its portfolio marked-to-marked negatively, causing the fund's loss for the month.