

# WARRINGTON

## ASSET MANAGEMENT

### June 2009 Market Commentary

The month of June began with a gap higher opening of 1.5% on the first day of the month. From there, however, the S&P 500 traded in a relatively tight range. The fund manager positioned the portfolio to potentially profit on a decline in the stock market. Given the evidence showing that the S&P 500 had been unable to trade meaningfully higher for two weeks after making new highs for the year at the beginning of the month, the probability was high that a pullback in the S&P 500 would occur.

With ratio put spreads in the fund's portfolio, the S&P 500 declined 5.5% in only five trading days. That decline coincided with options expiration week and the manager was able to successfully close out the fund's positions to lock in profits for the month.

The positive performance in June propelled the fund into double-digit positive returns for the year. The trading activity in the S&P 500 so far has been conducive to Warrington's trading strategy and the manager believes such favorable conditions can continue for the foreseeable future.