WARRINGTON
ASSET MANAGEMENT

May 2009 Market Commentary

The beginning of May saw the rally from the March lows continue unabated. From the first of the month to May 8th (six trading days), the S&P 500 rallied 6.63% and was actually up slightly for the year at that point. In response to this move, which the manager felt had become somewhat extended, the fund's positions were adjusted using ratio put spreads to capture any potential decline in the S&P 500.

Over the next week, such a decline did indeed take place, with the index falling 5.5% from the intraday high earlier in the month. The manager was able to capture this decline, earning profits for the fund. This accounted for the bulk of the gains for the month.

After options expiration, the manager stayed with a very light position for a few days while the market resumed it climb. Once again, the S&P reached levels where the manager felt the index had become extended and ratio put spreads expiring in June were purchased, seeking to capture profits should the market decline.