WARRINGTON
ASSET MANAGEMENT

May 2014 Market Commentary

The old market axiom to "Sell in May and Go Away" looked to be working until the middle of the month. The S&P index exhibited choppy trading behavior through the spot options expiration, allowing Warrington to realize gains on the ratio put spreads held in the portfolio. Immediately after expiration, the index started a slow grind higher, attaining new all-time highs in the process. The trading action was reminiscent of the majority of 2013 with almost no downside, advancing about 3% with essentially only one down day out of nine trading days. In fact, on four of the nine days after expiration, the market was never down on the day, opening up and continuing to move higher from there. The rally caused a small marked-to-market loss on open June positions, but the fund was still able to end May with gains.

This year has been another less-than-stellar one for many hedge funds. For the first time in two years, the asset class as a whole experienced back-to-back monthly declines due to losses in March and April, according to *The Wall Street Journal*. However, Warrington was solidly profitable both months, registering gains in excess of 2%, underscoring the lack of correlation that Warrington has compared to other non-traditional asset classes.