



November 2011 Market Commentary

After one of the strongest months in market history in October, the S&P 500 index began November with a thud, dropping over 3% on the first day of trading. A rally then commenced, sending the index up more than five percent from the lows and into perceived resistance levels. Warrington chose to modify the portfolio's holdings to potentially capitalize on a pullback in the market from these elevated levels.

Such a decline began almost immediately, sending the S&P 500 futures index down 4.2% in one day. After bouncing a bit from those lows, the market then dropped an additional 9.0% as negative headlines from Europe buffeted U.S. markets. This decline was precisely what Warrington's position was structured to capitalize on, allowing the fund to record its best monthly return since November 2007.

The S&P 500 index climbed dramatically near the end of the month (up 8.3%) on hopes that the sovereign debt problems in Europe might be addressed. This had little impact on Warrington's monthly return as the manager had locked in gains at options expiration prior to that end-of-month rally.