WARRINGTON
ASSET MANAGEMENT

June 2016 Market Commentary

June provided yet another example of why it is imperative for investors to maintain exposure to active investment managers that have the expertise to identify and manage risk during periods of significant, and potentially cataclysmic, unknowns. For months, the looming threat of "Brexit" was present and polls tightened as the referendum date (June 23rd) approached. Prior to the vote, stock markets rallied and the British pound strengthened, anticipating that Britain would choose to stay in the European Union. Given the uncertainty of the vote, we kept positions limited and spreads wider than normal in anticipation of sharp moves after the result was announced. This proved prescient, as world markets reacted violently after Britain voted to leave the EU (albeit by a small margin). The S&P 500 declined 5% in the overnight trading session when the results were announced, and subsequently broke those lows in the following trading days. This proactive approach allowed Warrington to manage risks prudently while also holding positions which retained significant profit potential. As the market turned and rallied from the lows, we closed our ratio put spread positions to capture profits of approximately 2.6% net of fees for the month. The S&P 500 continued to climb, essentially erasing the Brexit declines in the last three days of June, and ending the month nearly unchanged.

The ability to proactively manage market risk and position our portfolios for uncertain outcomes is a benefit of Warrington's investment methodology and long term experience. By being responsive to such events, and often profiting from them, we can provide true non-correlation at a time when a client's portfolio needs it the most.

Thank you for your continued support of Warrington Asset Management.