



ASTOR
CAPITAL
MANAGEMENT

An Alternative Investment Company



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Astor Capital Management
UPDATE
Month ending
February '10

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Index Definitions

S&P 500 Index - A stock market index containing the stocks of 500 Large-Cap corporations, most of which are American U.S. domiciled. The Index is owned and maintained by Standard & Poor's, a division of McGraw-Hill.

DJIA Index - The Dow Jones Industrial Average is a stock market index, to gauge the performance of the industrial sector of the U.S. stock market. The average consists of 30 of

Astor Capital Management Update

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Summary

| Index | Feb 2010 | YTD |
|------------------------|----------|-------|
| S&P 500 | †2.9% | -1.0% |
| DJIA | †2.6% | -1.0% |
| NASDAQ | †4.2% | -1.4% |
| FTSE 100 | †3.2% | -1.1% |
| GSCI Index | †5.6% | -2.8% |
| MSCI EAFE Index | -0.9% | -5.3% |
| CMT 10 yr US Treasury | †0.6% | †6.2% |
| BarclayHedge CTA Index | †0.2% | -1.4% |

Past performance is not necessarily indicative of future results. An investment in alternative investments, including Managed Forex is subject to a substantial risk of loss and may not be suitable for all investors. The material contained herein is for informational purposes only and is not a solicitation for investing. Investors should consult financial advisors before investing.

Trading Activity of the Hudson FX Program*

Trading activity on the *Hudson FX Program* was halted, pending the results of internal research on the trading. We expect the *Hudson FX Program* to be trading in March.

**= Astor Capital is the designer and Advisor of Hudson FX Program. It is traded in conjunction with CIML, the appointed Sub-Advisor. See the National Futures Association ("NFA") reviewed and accepted Disclosure Document (Nov 30, 2009) for details.*

Trading Activity of the Gibraltar FX Program**

Of the 20 trading days in February, there were 9 days of positive performance and 11 days of negative performance. Daily returns had a tight dispersion, with 16 of the 20 days up or down no more than 1.0%. There were eight currency pairs traded with four of the pairs involving the New

the largest and most widely held public companies in the U.S. The average is price-weighted, which gives higher priced stocks more influence over the value of the index.

Nasdaq Composite Index - A stock market index of all of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market, meaning that it has over 3,000 components. It is highly followed in the U.S. as an indicator of the performance of stocks of technology companies and growth companies. Since both U.S. and non-U.S. companies are listed on the NASDAQ stock market, the index is not an exclusively U.S. index. It is a broad based index which is calculated under a market capitalization weighted methodology.

FTSE 100 Index - The Financial Times Stock Exchange Index is a share index of the 100 most highly capitalized companies listed on the London Stock Exchange. FTSE 100 companies represent about 80% of the market capitalization of the whole London Stock Exchange. Even though the FTSE All-Share Index is more comprehensive, the FTSE 100 is the most widely used UK stock market indicator.

Goldman Sachs Commodity Index - The GSCI is a world-production weighted index composed of 24 commodity futures contracts. The index is a composite index of commodity sector returns and represents an unleveraged investment through broadly diversified long positions in commodity futures. The GSCI primarily serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time.

MSCI EAFE Index - A stock

Zealand dollar ("NZD"). The three currency pairs with the largest volumes were EUR/NZD, AUD/NZD and NZD/USD. Of the three highest volumes, two were poor performers and one was a top performer. The *Gibraltar FX Program* was down for the month.

***= FKA Strategy II and Aurora. Astor Capital is the designer and Advisor of Gibraltar FX Program. It is traded in conjunction with Trillian Advisors, LLC, the appointed Sub-Advisor. See the National Futures Association ("NFA") reviewed and accepted Disclosure Document (Oct 20, 2009) for details.*

Astor Capital, through its managed FX programs, is actively involved in trading spot foreign exchange currency pairs as an asset class with the goal of capital appreciation. Astor Capital offers investors professionally managed accounts that offer one day liquidity and redemption. There are no lock-ups or gates.

Market Activity

As a general market observation, the major equity indices globally were up for the month, but remain down for the year. Below are some of the market related events that shaped February, the month of the Chinese, or Lunar New Year – year 4707, the Year of the Tiger (formal name, Geng Yin). It seems only fitting and perhaps cliché, to cite the Chinese proverb, "May you live in interesting times". We most certainly appear to be in interesting times.

- The month started out with positive economic news in the U.S and worries from the Eurozone. Some events included:
 - U.S. personal spending in December increases, making it the third month in a row of increases,
 - U.S. ISM manufacturing in January increased, making it the sixth month in a row of expansion,
 - The market reacted by 1) purchasing WTI (around \$73.50/bbl), perhaps speculating that a manufacturing recovery will require energy, and 2) purchasing gold (around \$1,90/oz) , perhaps as a hedge against possible inflation. Commodity currencies including the Australian dollar ("AUD") and the New Zealand dollar ("NZD") weaken against other major currencies,
 - Greece continues to experience budget issues,
 - Spain debt issuance cost rose on their sale of 3 year Notes,
 - Portugal was forced to scale back the size of its debt auction,
 - ECB President Trichet comments that interest rates in Europe appear to be "appropriate",
 - The market reacted by buying US dollars, perhaps as investors shifted out of perceived riskier assets,
 - U.S. Nonfarm payrolls in January fell by 20,000, vs. the market expectation of rising by 15,000 jobs. The Unemployment number for

market index of foreign stocks, from the perspective of a North American investor. The index is market capitalization weighted (meaning that the weight of securities is determined based on their respective market capitalizations.) It first ranks each stock in the investable universe from largest to smallest by market capitalization. It is maintained by Morgan Stanley Capital International; the EAFE acronym stands for "Europe, Australasia, and Far East". The index includes a selection of stocks from 21 developed markets, but excludes those from the U.S. and Canada.

The 10 year US Treasury Constant Maturity

Treasury Index ("CMT") - An index published by the Federal Reserve Board based on the average yield of a range of US Treasury securities, all adjusted to the equivalent of a 10-year maturity. Yields on US Treasury securities at constant maturity are determined by the US Treasury from the daily yield curve. That is based on the closing market-bid yields on actively traded US Treasury securities in the over-the-counter market. This figure is used as a reference point to establish the price of other securities such as corporate bonds. US Treasury securities are considered risk-free since they are backed by the US government. This figure, and an added margin based upon the risk involved, is used in pricing various debt securities.

BarclayHedge CTA Index - A measure of the average return of CTA's providing BarclayHedge with their unaudited returns. There are currently over 400 CTA's reporting. It is unweighted and rebalanced at the end of the year.

January however fell to 9.7% from 10.0% the prior month. The market focused on the positive news;

- Following last month's earthquake in Haiti (7.0 magnitude) and aftershocks felt in Guatemala, nature had its hand in other regions globally. Some events included:
 - Earthquakes globally:
 - An earthquake in northern Illinois (3.8 magnitude),
 - An earthquake in Chile (8.8 magnitude). It caused a tsunami, killing several on a Chilean Island, but had weakened by the time it hit Hawaii, Polynesia, Tonga and Japan,
 - An earthquake in northwest Argentina (6.3 magnitude),
 - An earthquake in southern Taiwan (6.4 magnitude), a mountainous region. No tsunami alert was issued,
 - The U.S. Geological Survey and the University of Washington noted that the U.S. Pacific Northwest "has a long history of doing exactly what happened in Chile". The head of Active Tectonics & Seafloor Mapping Lab at Oregon State University stated there is an 80% chance the southern end of the fault off southern Oregon and Northern California would break in the next 50 years and produce a mega quake.
 - Blizzard conditions on a few occasions across the U.S. Eastern seaboard. This caused snow days for students, market participants, other workers and over 230,000 federal employees in the D.C. area. In fact, 49 states in the U.S. got snow (the lone holdout was Hawaii),
 - Mudslides caused evacuations in towns north of Los Angeles,
 - Landslides on Indonesia's main island of Java,
 - The highest temperatures in five decades in Rio de Janeiro during Carnival;
- On the political front several new heads of state came on board. Some included:
 - Uruguay elected Jose Mujica. The former guerrilla leader becomes the second consecutive leftist president in a country which, until 2005, had been ruled by right-wing parties or the military for 150 years. Uruguay's currency is the New Peso ("UYU"),
 - Costa Rica elected their first woman president. Laura Chinchilla, a protégé of Nobel peace laureate President Oscar Arias and his VP, won a landslide election victory. Costa Rica's currency is the Colon ("CRC"),
 - Ukraine elected opposition leader Viktor Yanukovich. As president, it is believed that Yanukovich would try to balance relations with Moscow against Europe, tilting to Moscow. Ukraine's currency is the Hryvnia

("UAH"),

- The Bank of England lowered its GDP forecast, stating it is "far too soon" to rule out new purchases through the bond program. The British pound ("GBP") weakens against the US dollar ("USD"). Later in the month, U.K. unemployment rises to its highest level in 13 years. Following the announcement, GBP falls slightly against the USD. Bank of England ("BOE") Governor Mervyn King says the BOE is prepared to do "whatever seems appropriate" to prevent a relapse in the UK economy;
- China increased its bank reserve requirements for the second time in a month to try to slow down what appears to be an overheating economy. Commodity prices fall potentially on the market's view that a slow Chinese economy will result in a lower demand for raw materials, including commodities. The Chinese Yuan, or Renminbi is unchanged, as it is not a freely floating currency, the Chinese Central Bank manages its value against other currencies;
- Later in the month, reports indicated that China has sold substantial holdings of U.S. Treasury debt in December to the point that Japan is once again the largest holder of U.S. government debt. As of December '09 end, Japan holds \$768.8 Billion and China holds \$755.4 Billion of U.S. government debt. In 2008, China surpassed Japan as the largest holder of U.S. debt. China has stated that it was considering diversifying its currency reserve holdings. All things held equal, fewer buyers, or a lower demand for U.S. government debt issues will increase the borrowing costs of the U.S.. Near the end of the month, the U.S. Treasury auctioned off \$100 Billion in government debt;
- Eurozone GDP for Q4, '09 rose 0.1%, missing market expectations. Following the announcement, the Euro ("EUR") weakened around 0.9% against the USD;
- Greek Finance Minister Papaconsantinou states the Greece is "ahead of its own deficit reduction targets" and explicitly states that Greece will not require a bailout from the European Union ("EU"). Later on, Greek Central Bank Governor Protopoulos re-iterated his confidence in the Greek government to satisfy "very ambitious" deficit-reduction goals. The new EU Monetary Affairs Commissioner Olli Rehn urged Greece to unveil serious budget reductions soon. Separately, Eurostat is asking Greece to provide more details on its off-balance sheet liabilities, including currency swaps;
- Both Standard & Poor's and Moody's credit rating agencies announce they may cut Greek credit ratings within a month due to concerns over its rising deficit. If the debt is downgraded, Greece would be ineligible to post Greek government debt as collateral at the European Central Bank ("ECB"). Following the announcement, the USD strengthens against the EUR perhaps as investors seek flight to safety out of the Eurozone and into the U.S. market;
- Around mid-month, The U.S. Federal Reserve Bank increased the Discount Rate 0.25%. The Fed stated that the move represents no shift in policy implications. Following the Fed rate hike, the USD

strengthened against its G-10 counterparts. The Discount Rate is the rate charged by the Fed to banks for temporary loans. As banks tend not to borrow from the Fed, this is more symbolic than substantive. There is currently around \$14 Billion in discount window borrowings, down from the peak of over \$110 Billion in October, 2008. At the time of the hike, the difference in yield between the 2 year and 10 year US Treasury Note was around 2.90% - the wider the "2's, 10's spread", the more the market is indicating inflation may be a concern and that rates need to rise;

- A moment of reflection for this month's passing of several notable people and events. They include:
 - In the U.S., the Superbowl was played. When the game wasn't taking the viewers' attention the commercials were. Out with one season and in with another – pitchers and catchers reported to spring training. In Brazil, another Carnival festivity came and went. In Canada, Vancouver hosted the Winter Olympics – Ariel Skiing, downhill skiing and short track speed skating, what's crazier? You're right – luge and skeleton,
 - The U.S. Post Office is renewing its drive to drop Saturday delivery. The Post Office is trying to fend off a projected \$7 billion loss this year. Without drastic action the agency could face a cumulative loss of \$238 billion over 10 years, Postmaster General John Potter said in releasing a series of consultant reports on agency operations and its outlook,
 - U.S. inventor, Walter Fredrick Morrison, age 90, the person credited with inventing the Frisbee, passed away,
 - British fashion designer Alexander McQueen, age 40, whose creations adorned such celebrities as Sarah Jessica Parker, Rihanna and Lady Gaga, died,
 - Former U.S. Secretary of State Alexander Haig, age 85, a four-star general who served as a top adviser to three presidents died. He doesn't appear to be in charge at this point.

Please note: all known news has already been factored in the price of underlying foreign currency valuations.

Activities of the National Futures Association ("NFA")

The NFA, which operates as the Self Regulatory Organization for activities governed by the Commodity Futures Trading Commission ("CFTC"), requires that all firms trading exchange traded futures contracts be members of the NFA. It is not, however, a requirement for a firm engaged in trading off-exchange Forex, also called cash, or spot or over-the-counter FX to be a member. As a NFA member, Astor Capital is required to adhere to the NFA's rules and is subject to NFA on-site compliance audits, which go through all facets of the

business activities. In February, the NFA concluded its compliance audit with Astor Capital.

In addition to Astor Capital being a member of the NFA, we are a member of the Better Business Bureau (“BBB”) and have been awarded the highest designation possible, given the length of time we have been a member in the BBB.

Investors Responsibility – Due Diligence

We encourage those interested in this asset sector to contact their own due diligence. There are some questions that you may wish to ask to get a better understanding of the Commodity Trading Advisor prior to them trading FX in your account. Some questions may include:

- Has the entity/CTA and its people at the Firm registered with the CFTC? (check online at www.cftc.gov)
- Is the entity/CTA and are the people members of the NFA? (check online at www.nfa.futures.org/basic)
- Does the entity/CTA have a Disclosure Document that has been reviewed and accepted by the NFA available for the investor to review?
- Does the entity/CTA have a performance track record?
- Is the performance record compiled by an independent, outside auditor?
- What kind of viewing transparency is available to the investor of the trades executed? (e.g. real time?)
- What kind of redemption liquidity is there? (e.g. daily?)
- What kind of lock-up period is there? (e.g., no, its daily)

We welcome the opportunity to discuss with you any aspect of what we do. You can contact us by calling **877-ASTOR 10**, or emailing us at info@astorcm.com. We offer two different managed FX Programs for investors interested in diversifying their investment portfolio.

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