An Alternative Investment Company

ASTOR CAPITAL MANAGEMENT

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Astor Capital Management's Monthly Update – June 2011

Written by Astor Capital Management

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Summary of Indices

Index	June 2011	YTD
S&P 500	-1.8%	5.0%
Dow (DJI)	-1.2%	7.2%
Nasdaq Composite	-2.2%	4.6%
FTSE 100	-0.7%	0.8%
S&P GSCI	-5.3%	2.7%
MSCI EAFE	-1.4%	3.0%
10 year U.S. Treasury	3.6%	-4.5%
BarclayHedge CTA Index*	-1.1%	-1.4%

**=as of 7/8/11 (data is self-reporting & 62% of the CTAs reporting have reported)*

Past performance is not necessarily indicative of future results. An investment in alternative investments, including Managed Forex and Futures is subject to a substantial risk of loss and may not be suitable for all investors. This CTA is prohibited by law from accepting funds in the trading advisor's name from a client for trading. You must place all funds for trading in this trading program directly with a FCM or retail Forex dealer, as applicable. The material contained herein is for informational purposes only and is not a solicitation for investing. Investors should consult financial advisors and carefully review the information contained in the risk disclosure statement of the FCM or retail Forex dealer that you select to carry your account and in the CTA's disclosure document before investing.

Astor Capital's Program

Astor Capital, through its managed program, the ***Knox FX Program*** is actively involved in trading off-exchange traded currency pairs ("Forex") as an asset class with the goal of capital appreciation. Astor Capital offers investors a professionally managed currency program that has one day liquidity and redemption. Astor Capital offers investors a program with exposure to the currency markets that does NOT have lock-ups, gates or other requirements or penalties to get your funds.
If you would like more details on the program, including a Program Disclosure Document, please contact us at clientservices@astorcm.com or click here to receive more information.

Where are the Millionaires?

According to a recently conducted annual Merrill Lynch-Capgemini World Wealth Report, roughly 10.9 million people worldwide have at least USD 1 million in investable assets. More than half of the world's millionaires live in the U.S., Japan and Germany. The ranks of millionaires in Asia for the first time surpassed Europe. There are roughly 3.4 million millionaires in North America, 3.1 million millionaires in Europe and 3.3 million millionaires in Asia-Pacific. The millionaires' worth in the U.S. and Canada is roughly $11.6 trillion, while total millionaire wealth in Asia is roughly $10.8 trillion.

Market Activity

June began with the 10 year U.S. Treasury (UST) yield around 3.00% and a heating up of problems of government fiscal management in Greece (need for a second bailout) and in the U.S. (debt ceiling). Investors globally took the continued lack of resolution negatively, as stock prices fell. By the end of the month, Greece got its bailout, while the debate continued in the U.S. legislature on how to manage the $14.4 Trillion debt ceiling. The U.S. Federal Reserve completed its Quantitative Easing II (QE2) program at the end of June and stated that it would not begin a QE3 program immediately. With QE2 completed, the Fed is no longer there to simply buy up UST securities from the market.

For the month of June, U.S. equities ended lower, U.S. interest rates from the short end to all but the long end of the curve ended lower-while the long end ended higher (i.e. a steepening yield curve), oil ended lower, gold ended lower, market volatility (VIX index) ended higher and the U.S. dollar (USD) ended weaker against most of its trading partners.

We are mid way thru the year and it is our observation that some investors are looking at mid-year portfolio reviews. For the year, U.S stocks are up and bond yields are higher. Some investors are considering layering in low correlated assets to their existing investment portfolio. Investments including Astor Capital's managed currency program may fit into the lower correlated (to traditional investments) asset class. At Astor Capital, we are focused on working with investors (directly and through their financial advisors) on providing them with a method to invest in programs which provide a low correlation to traditional assets including stocks and bonds. From a markets perspective, we continue our focus on potential contagion issues surrounding some EU countries in light of a continued tough go in Greece. We are also focused on how U.S. elected officials will demonstrate their leadership in providing a workable, responsible and transparent solution to managing the federal Budget deficit this year and in the foreseeable future and solving the $14.3 Trillion U.S. Federal debt ceiling cap. Finally, given comments by Fed Chair Bernanke and watching recent U.S. economic releases, we are looking for signals of a potential "recovery fade" and how that may influence a Fed sponsored "QE3" program. Below are some of the events that shaped the month of June.

Some market related events from **The Americas** included:

- **U.S.** Employment Report and Non-Farm Payroll for April were released in early May. The unemployment rate rose 0.1% to 9.1%, while non-farm payrolls rose by 54,000, below market expectations of 150,000 new jobs created. It is estimated that nearly 16% of Americans were underemployed (out of work but looking, working part-time involuntarily or discouraged from searching for a job). Following the release, many prices of U.S. equities fell and U.S. Treasury prices rose (conversely, rates fell);
- **U.S**. political debate on the nation's $14.3 Trillion debt ceiling continues. The current estimate is that August 2 is the date when the U.S. government runs out of cash to pay expenses and will default on its obligations if the ceiling is not raised or the budget is not cut;
    - Early in the month, U.S. House of Representatives rejected a bill to increase the U.S. debt limit by $2.4 Trillion. The move by the Republican-controlled House is said to have demonstrated that the debt ceiling will not be increased without links to Federal Budget deficit cuts;
    - U.S. banks were reported to be considering shifting holdings out of U.S. Treasury securities to hedge against potential complications with raising the debt ceiling;
    - Federal Reserve Bank Chair Bernanke urged Republicans to support raising the nation's borrowing limit. He said threatening to block the increase to gain deeper federal spending cuts could backfire and worsen the U.S. economy. He called on the Democrats and Republicans to develop a credible long-range plan to rein in the nation's soaring budget deficit. The deficit is on track to top $1 Trillion for a third straight year;
    - The Congressional Budget Office (CBO) has projected that the deficit for this budget year, which ends September 30, will total $1.4 Trillion;
    - The CBO stated that the U.S. national debt represents roughly 69% of U.S. GDP;
- **U.S.** FOMC announced no change to interest rates, with the Fed minutes showing the Fed cut its growth forecasts at the meeting. Additionally, the Federal Reserve Bank completed its $600 Billion Quantitative Easing II (QE2) program. The Fed stated it would not immediately begin a QE3 program. Separately, Philadelphia Fed President Plossner reiterated his call for an inflation objective overnight - he stated that inflation still posed a threat and the Fed faces "daunting challenges" in its exit from QE2;
- **U.S.** consumer debt as of March 2011 was $2.43 Trillion. The Federal Reserve stated that consumer borrowing rose by nearly $7.2 Trillion in April (this excludes mortgages and loans tied to real estate);
- **U.S.** Trade Balance in April was a Deficit of $43.7 Billion, vs. a market expectation of $48.8 Billion;

- **U.S.** GDP final revision for Q1 was 1.9%;
- **U.S.** Retail Sales for May was down 0.2%, which was better than market expectations of down 0.5%;
- **U.S.** CPI for May fell 0.2% , vs. falling 0.1% in April. Core CPI rose 0.1% in May;
- **U.S.** PPI for May increased 0.2%, vs. increasing 0.8% in April;
- **U.S.** Durable Goods Orders for May posted a gain of 1.9%, which was better than market expectations of 1.5%;
- **U.S.** Housing Starts for May were better than market expectations (560K actual vs. 545K expected);
- **U.S.** Personal Spending and Personal Income for May were 0.1%, less than market expectations;
- **U.S.** Manufacturing, as measured by the Institute for Supply Management (ISM) showed a dip to 53.5 in May, after a reading of 60.4 in April. Although slowing to its slowest in 20 months, activity did grow for the 22nd month in a row;
- **U.S.** Council of Economic Advisers' Chair, Alan Goolsbee, announced that he will leave his post. Separately, Treasury Secretary Geithner stated he'll stay in his job for the "foreseeable future";
- **Canada**'s currency has been moving with oil prices recently. As oil prices have fallen, the Canadian dollar (CAD) weakened. In June, the CAD reached its weakest levels in three months;
- **Canadian** PMI for May was higher than market expectations. Following the release the CAD traded higher;

Some market related events from **Europe** included:
- **European Union** (EU):
    - European Central Bank (ECB) President Trichet suggested the creation of a Euro Finance Ministry. The organization would give authorities a greater say in policy formation for countries that aren't delivering on their austerity measures;
    - The ECB held the benchmark interest rate at 1.25% in June and signaled a potential interest rate increase in July, saying "strong vigilance" is warranted to contain inflation;
    - ECB President Trichet stated that risk signals were "flashing red", citing contagion risks associated with a Greek default to be "the most serious threat to financial stability in the European Union";
    - Eurozone PMI fell to its lowest levels since December 2010;
    - The EU has appointed Italy's Mario Draghi to take over as the next president of the ECB when President Trichet departs on October 31;
- **United Kingdom**:
    - U.K. Manufacturing in May fell to a 20 month low. Following the release, the Great British pound (GBP) weakened against several of its major trading partners;
    - U.K. Factory Orders, Industrial Output and Retail Sales were down in May. Following the releases, the GBP weakened;
    - Bank of England voted (7-2) to keep the benchmark interest rate unchanged. Following the release, the GBP weakened;

- **France:**
  - Moody's issued a warning to the three top French banks, placing them on review for a possible downgrade. The rating agency cited their significant exposure to the Greek economy as the reason for the possible downgrade;
- **Portugal:**
  - This month, in public elections, the center-right Social Democrats (PSD) began forming a coalition government;
  - Portugal faces its highest level of unemployment in three decades. Despite this, Portugal has had few strikes or protests against its recently imposed austerity measures;
- **Ireland:**
  - Finance Minister Noonas stated that the government will look to share losses on Anglo Irish Bank with senior bondholders;
- **Italy:**
  - Moody's threatened to lower its outlook for Italian sovereign debt, dropping its view from "stable" to "negative";
- **Greece:**
  - Greece's sovereign credit was downgraded three notches to Caa1 by Moody's rating agency. Following the announcement, stock values across Europe fell;
  - Greek Prime Minister Papandreou led a campaign to obtain an incremental bailout package (roughly EUR 45 Billion from the EU and IMF), which he got at month's end with 155 of 300 parliamentary votes. The austerity measures (a five year EUR 78 Billion budget cutting and privatization program) were a significant point of contention with Greek workers, sending them into the streets;
  - It is our opinion that the focus will now be quite challenging – the implementation of the austerity measures over time in the face of potentially strong public and political resistance;

Some market related events from **China** included:

- Chinese Manufacturing PMI posted at its lowest levels since the latter half of 2010;
- A Chinese official posted an article warning China's "excessive" holdings of USD denominated assets in light of USD-weakening policies from Washington;
- China was labeled the "new dot-com" by an outgoing Hong Kong securities regulator. He stated the deluge of funds looking to ride the wave of China's economic growth risks forming a bubble as investors ignore the "normal questions" regarding fundamentals;
- Chinese Trade Surplus in May was less than market expectations;
- China's Central Bank, the People's Bank of China (PBOC), raised bank reserve requirements for the ninth time since last fall, in an attempt to slow market activity and thus potential inflation. Following the release, the Chinese yuan (CNY) rose to 17 year highs;
- China's CPI in May grew at 5.5%, which was above market expectations and the highest in almost three years. Following the release, the CNY strengthened against the USD;
- Chinese Premier Wen Jiabao embarked on a four day trip to Europe to "better assess the current situation in Europe" with regards to the debt crisis. Some estimate that one quarter of China's roughly USD 3.05 Trillion of reserves are EUR denominated;

- Chinese energy consumption increased by 11.2% in 2010, according to BP's 60th Annual Statistical Review of World Energy. China became the world's largest consumer of energy, accounting for 20.3% of global demand, compared to 19% for the U.S.;

Some market related events from the **Pacific Rim / Asia Region (ex-China)** included**:**

- **Australia:**
  - The Reserve Bank of Australia (the nation's central bank) left interest rates unchanged in June. Following the release, the Australian dollar (AUD) weakened;
- **New Zealand:**
  - The Central Bank signaled interest rate increases will be needed. Following the comments, the New Zealand dollar (NZD) strengthened;
  - The Trade Surplus narrowed more than market expectations. Following the release, the NZD weakened;

Some **International Monetary Fund (IMF)** news included**:**

- U.S. Treasury Secretary Geithner spoke at the IMF conference in Atlanta this month and stressed regulatory cooperation between international governments to avoid a "race to the bottom". It is our opinion that there continues to be lack of global concerns on the best way to create and implement regulatory changes following the global financial crisis of 2008 and highlighted in the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act;
- U.S. Federal Reserve Bank Chair Bernanke spoke at the IMF conference, where he acknowledged a lagging U.S. recovery - labeling the recovery "frustratingly slow", but fell short of tipping any inclination towards additional policy support (potentially including "QE3");
- The IMF warned the U.S. that the current economic crisis in Greece could reach the U.S.;
- French Finance Minister Lagarde replaced DSK as the head of the IMF. Lagarde, the IMF's first female head, was voted to head the organization for the next five years by the 24 member board. Prior to being France's Finance Minister, Lagarde led Chicago-based law firm Baker & McKenzie. All 11 heads of the IMF have come from Europe for the entire 66 year history of the organization;

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

Go to Your "Happy Place"

24/7 Wall St. analyzed the new Organization for Economic Co-operation and Development Better Life Index to (in their words) objectively determine the happiest countries in the world. The Index is based on measurements of quality of life. Although similar to the OECD study, this study included "economic stability" as a factor. The Top 10 Countries With the Happiest People are (from 10th place to the Top spot to live): Austria, Israel, Finland, Switzerland, Sweden, The Netherlands, Australia, Norway, Canada, and Denmark. Did your country make the list?

And for those in the U.S., a survey released by financial data publisher Bankrate.com found that only 24% of consumers have the recommended cushion of at least six months' expenses set aside. Further, another 24% of the respondents don't have any emergency savings at all. Not a happy place to be. Other survey findings included feelings of financial security, as measured by

Bankrate's monthly Financial Index. The Index declined to 97.8 in June from 98.5 in May. Any reading under 100 signifies how much less financially secure people are feeling than a year ago.

Whether its happy feelings or a happy place, Astor Capital is interested in providing investors with programs to diversify investment risk. It is our opinion that reducing risk should make an investor happy.

If you are considering reviewing a managed futures or forex program, or simply wish to discuss the markets, we welcome the opportunity to speak with all potential investors.

THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY INTEREST TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. A DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY INTEREST MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY A PROGRAM’S DISCLOSURE DOCUMENT AND COMMODITY INTEREST TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT.

YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY TRADING ADVISOR MAY ENGAGE IN OFF-EXCHANGE FOREIGN CURRENCY TRADING. SUCH TRADING IS NOT CONDUCTED IN THE INTERBANK MARKET. THE FUNDS DEPOSITED WITH A COUNTERPARTY FOR SUCH TRANSACTIONS WILL NOT RECEIVE THE SAME PROTECTIONS AS FUNDS USED TO MARGIN OR GUARANTEE EXCHANGE-TRADED FUTURES AND OPTION CONTRACTS. IF THE COUNTERPARTY BECOMES INSOLVENT AND YOU HAVE A CLAIM FOR AMOUNTS DEPOSITED OR PROFITS EARNED ON TRANSACTIONS WITH THE COUNTERPARTY, YOUR CLAIM MAY NOT BE TREATED AS A COMMODITY CUSTOMER CLAIM FOR PURPOSES OF SUBCHAPTER IV OF CHAPTER 7 OF THE BANKRUPTCY CODE AND REGULATIONS THEREUNDER. YOU MAY BE A GENERAL CREDITOR AND YOUR CLAIM MAY BE PAID, ALONG WITH THE CLAIMS OF OTHER GENERAL CREDITORS, FROM ANY MONIES STILL AVAILABLE AFTER PRIORITY CLAIMS ARE PAID. EVEN FUNDS THAT THE COUNTERPARTY KEEPS SEPARATE FROM ITS OWN FUNDS MAY NOT BE SAFE FROM THE CLAIMS OF PRIORITY AND OTHER GENERAL CREDITORS.

FURTHER, YOU SHOULD CAREFULLY REVIEW THE INFORMATION CONTAINED IN THE RISK DISCLOSURE STATEMENT OF THE FUTURES COMMISSION MERCHANT OR RETAIL FOREIGN EXCHANGE DEALER THAT YOU SELECT TO CARRY YOUR ACCOUNT.

COMMODITY TRADING ADVISORS ARE PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN A TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT OR RETAIL FOREIGN EXCHANGE DEALER, AS APPLICABLE.

Index Definitions

S&P 500 Index - A U.S. stock market index containing the stocks of Large-Cap corporations. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities. The Index is owned and maintained by Standard & Poor's, a division of McGraw-Hill.

DJIA Index - The Dow Jones Industrial Average ("DJIA") is a U.S. stock market index containing stocks of the U.S. industrial sector. Roughly two-thirds of the DJIA's 30 component companies are manufacturers of industrial and consumer goods. The average is price-weighted, which gives higher priced stocks more influence over the value of the index.

Nasdaq Composite Index - A U.S. stock market index containing of all of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market. It is a market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange. Most listings are technology and Internet-related, but there are financial, consumer, bio-tech and industrial companies as well. If a stock trades on the Nasdaq, it is included in the index. 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.

FTSE 100 Index – A British stock market index containing the stocks the 100 most highly capitalized companies listed on the London Stock Exchange. The Financial Times Stock Exchange Index ("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.

S&P Goldman Sachs Commodity Index – A world-production weighted commodity market index that contains 24 commodity futures contracts. The GSCI 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 foreign stock market index from the perspective of a North American investor. The Morgan Stanley Capital International ("MSCI") Europe, Australasia, Far East ("EAFE") index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. The index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom*. * = As of May 30, 2011.

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.

BarclayHedge CTA Index – The BarclayHedge CTA Index is an industry benchmark of representative performance of Commodity Trading Advisors. There are currently 565 programs (for 2011) included in the calculation of the BarclayHedge CTA Index, which is unweighted and rebalanced at the beginning of each year. Additionally, the program returns are self-reporting by the contributing Commodity Trading Advisors and the program returns are not audited by