An Alternative Investment Company

ASTOR CAPITAL MANAGEMENT

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Astor Capital Management's Monthly Update - September 2011

Written by Astor Capital Management

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Summary of Indices

Index	Sep-11	YTD
S&P 500	-7.2%	-10.0%
DJIA	-6.0%	-5.7%
Nasdaq Composite	-6.4%	-9.0%
FTSE 100	-4.9%	-13.1%
S&P GSCI Index	-12.2%	-9.3%
MSCI EAFE	-9.9%	-17.2%
10 yr US Treasury	-13.5%	-42.0%
Barclay Hedge CTA*	+0.3%*	-0.5%*

**=as of 10/12/11 (data is self-reporting. 72.69% 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 Managed Programs

Astor Capital offers investors two professionally Managed Programs. Both of the Programs allow for one day liquidity and redemption and do not have lock-ups, gates or other requirements or penalties.

The ***Knox FX Program*** is actively involved in trading off-exchange traded currencies ("Forex") as an asset class with the goal of capital appreciation. The focus is on G-10 currencies, which are more actively traded.

The ***Martello Program*** is actively involved in trading exchange traded asset classes that may include contracts of currencies (G-10), U.S. equity indexes and U.S. interest rates.

Astor Capital is excited about both of its investment offerings. If you would like more details on the Programs, including a Program Disclosure Document, please contact us at clientservices@astorcm.com or click here to receive more information.

Market Activity

September opened with continued negative headlines out of Europe. The ongoing woes of various EU members and the Euro itself continued to make headlines. From a global markets perspective, stock valuations fell in many countries and interest rates in the intermediate and long term sectors of the U.S. yield curve fell (not much room for short term rates to fall further). By the end of the first week, U.S. equity markets gyrated and ended down 13% from mid-July levels, the volatility index, VIX, which is often termed, "the Wall Street fear gauge" was up 90% and global stock markets combined to lose $2.5 Trillion in market capitalization. By the end of the month, the 10 year U.S. Treasury (UST) yield was around 1.85% (showing a drop of approximately 130 bp in the last two months, making it the lowest rate since the Federal Reserve Bank of St. Louis began keeping records beginning in 1962), U.S. equities were lower, oil prices were lower, gold prices were lower, market volatility (VIX index) was higher and the U.S. dollar (USD) was stronger against the Swiss franc (CHF), the Euro (EUR) and the Japanese yen (JPY).

According to the Stock Trader's Almanac, September is often the biggest percentage loser for the Dow Jones Industrial Average (DJIA), the S&P 500 and the NASDAQ. Although September 2008 sticks out for many as a bad September, September 2002 was worse, with the DJIA having fallen 12.4%. For the full September performances, see above.

For the year, major U.S. and European stock indexes show a loss in the range of 6% to 13%, while U.S. note and bond yields are much lower. A research report released by Cogent Research (September '11) indicated that 78% of all retail financial advisors are currently using Alternative Investments within their clients' portfolios. Given the performance of equity markets for the year, investors would have benefited from that diversification. At Astor Capital, we offer investors two Alternative Investment Managed Programs. If you haven't already reviewed our investment offering and had a serious conversation with our team, we encourage you to do so.

Looking forward from a markets perspective, our focus remains on the EU contagion crisis. It starts with Greece and spills over to several of the other nations. We are also watching developments of the U.S. “Super Committee” assigned the task of making recommendations on cutting $1.5 Trillion off the U.S. Budget Deficit over 10 years. Cuts of entitlement programs will be required, but S&P rating agency requires some form of tax increase as well to keep them from it not downgrading the U.S. long term debt ratings even further. Recommendations are due later this fall. It is our opinion that, in part, the U.S. crisis is that our elected officials are not making good on their obligations as public servants, which we define as finding ways to solve problems rather than create them. The private sector has healthy balance sheets to be able to potentially add new jobs – the companies need an environment where they believe the government will not interfere.

Below are some of the events that shaped the month of September.

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

- **U.S.** Employment Report and Non-Farm / Private Payrolls for September were released on the first Friday of the month. The unemployment rate remained at 9.1%. Non-Farm Payrolls were flat (i.e. 0 new jobs), which was below market expectations, while Private Payrolls rose by 154,000, which was above market expectations (113,000). Immediately following the jobs release, values of U.S. equity indexes fell and UST yields fell;
- **U.S.** President Obama unveiled a USD 447 Billion jobs package. The plan, which was larger than expected, includes USD 240 Billion in tax relief and incentives for employers to boost hiring out of work citizens and veterans;
- **U.S.** Congress passed a bill approving funding for a short time period to the U.S., as the U.S. government’s fiscal year came to a close on September 30;
- **U.S.** Federal Reserve Bank announced “Operation Twist”. Not a board game, but rather a program by the Fed to bring down longer term interest rates and flatten the yield curve;
- **U.S.** GDP for Q2 was revised to 1.3% from 1.0%, beating market expectations of 1.2%;
- **U.S.** Capital Goods Orders for August were 1.1%, beating market expectations of 0.4%;
- **U.S.** Retail Sales for August were flat, which was less than the 0.2% market expectations;
- **U.S.** CPI for August rose 0.4%, which was above market expectations of 0.2%. The higher than expected CPI for the second month in a row led to some market participants to think about effects of “stagflation” (where prices rise despite poor economic fundamentals);
- **U.S.** Producer Price Index for August rose 0.1%, less than market expectations of 0.2% and a drop of 0.3% vs. July;
- **U.S.** Durable Goods Orders for August fell 0.1%, which was better than market expectations of -0.2%;
- **U.S.** Consumer Confidence for August fell to 44.5, from a downwardly revised 59.2 in July;
- **U.S.** Personal Income for August fell 0.1%, which was worse than market expectations;
- **U.S.** Personal Spending for August rose 0.2%, which was in line with market expectations;

- **U.S.** Housing Starts for August fell 5.0%, which was worse than market expectations;
- **U.S.** SEC announced that it is investigating the possibility the ETFs helped fuel the violent stock market swings in the month of August;
- **Canadian** dollar (CAD) has weakened and is approaching parity with the USD;

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

- **Eurozone:**
    - European Central Bank (ECB) cut its 2011 and 2012 growth forecasts. Following the announcement, the EUR weakened sharply;
    - ECB Executive Board member Stark (from Germany) resigned on opposition to government bond purchases;
    - ECB President Trichet stated, "the economic outlook has moved to the downside";
    - ECB President-designate Draghi stated, "we are in a less positive mood than we were in April";
    - European Union (EU) Finance Ministers met and for the first time and U.S. Treasury Secretary (Geithner) attended;
    - Eurozone manufacturing PMI fell in August to 49 from 50.4. The export orders index contracted for the first time in two years;
    - Eurozone GDP for Q2 was +0.2% vs. Q1 of +0.8%;
    - The EUR weakened against the CHF to record lows over the course of the month;
    - The month began with renewed EU debt concerns. Following the market's concerns, equities globally fell and gold prices hit new highs;
- **United Kingdom**:
    - Bank of England (BOE), the nation's central bank, voted to keep the benchmark interest rate unchanged. Immediately following the release, the British pound (GBP) strengthened;
    - BOE minutes released showed that looser monetary conditions were becoming "increasingly probable". Some market participants see a rate cut in October. Following the release of the minutes, the GBP weakened;
- **Switzerland:**
    - The Swiss National Bank (SNB), the country's central bank, responding to its continued unwanted strengthening of the Swiss franc (CHF), aggressively intervened in the currency markets, selling CHF against EUR;
    - SNB announced it was setting a minimum exchange rate of 1.20 CHF/EUR. The statement went on the read that the SNB has pledged to buy foreign currencies in "unlimited quantities". Following the announcement, Swiss equity prices rose and the CHF fell over 8% against the EUR;
    - SNB left its Target Rate at 0.0%. It stated that it would take further measures to avoid CHF strength;

- **Norway:**
    - Norway's Central Bank Chief stated that the Norwegian kroner (NOK) does not have enough liquidity to be seen as a safe haven for investors;
- **France:**
    - Moody's credit rating agency cut debt and deposit ratings on two French Banks (SocGen and Credit Agricole) by one notch;
- **Germany:**
    - Chancellor Merkel stated (following ECB's Stark's resignation) that Greece is taking the correct steps to get its next bailout package;
- **Greece:**
    - Greece worked toward solidifying a sixth installment of EUR 8 Billion in incremental aid from the EU and IMF;
- **Russia:**
    - Russian Prime Minister Putin announced that he will "run" for President in 2012, unopposed by current President Medvedev. Really;
- **Italy:**
    - The Italian government passed an austerity plan;
    - Standard & Poor's downgraded Italian debt to "A", from "A+". S&P cited worsening growth outlooks and the inability for Berlusconi's government to mount an effective response to their crisis;
- **Turkey:**
    - Standard & Poor's upgraded Turkey's local currency rating to investment grade;

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

- China revised upward its 2010 economic growth (GDP) to 10.4%, from 10.3%;
- China Premier Wen Jiabao stated that, "economies cannot rely on Chinese bailouts". Separately the Premier urged countries to, "put their own houses in order";
- China's Manufacturing PMI for August was 50.9, vs. market expectations of 51, making it the third straight month of contraction;
- The People's Bank of China (PBOC), the nation's central bank, set the reference midpoint exchange rate at an all time high Chinese yuan (CNY) against the USD;
- The PBOC announced that it has stopped some FX dealings with several French banks;

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

- **Australia:**
    - Less than expected Q2 GDP growth was announced at 1.2%. Following the announcement, the Australian dollar (AUD) weakened to below parity with the USD;
    - The unemployment rate for August hit a 10 month high of 5.3%;

- **New Zealand:**
  - The Central Bank kept rates unchanged, citing risks for a sharp global economic slowing. Following the announcement, the New Zealand dollar (NZD) weakened;
- **South Korea:**
  - The Finance Minister pledged to support the South Korean won (SKW). Following the announcement, the SKW approached four month highs;
  - CPI for August was 5.3% vs. market expectations of 4.8%. This is a 3 year high;
- **India & Indonesia:**
  - The nations' Central Banks intervened in currency markets to strengthen their weakened currencies;
  - Reserve Bank of India (RBI) Governor Gokarn announced that a rapid decline of the Indian rupee (INR) is a concern;

Some other news included**:**

- **International Monetary Fund** (IMF) chief Lagarde stated that Europe's banks should be recapitalized by force if necessary;

Some **commodity** news included**:**

- **Gold** prices traded to a record high of over $1,920/oz in August. Gold prices fell immediately following the CME Group announcement it was raising margin requirements on gold futures contracts;
- **Crude oil (WTI &Bent)** prices fell over the course of the month. The Canadian dollar (CAD) and Russian ruble (RUB) weakened off pronounced falls in oil prices.

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

Investor Confidence – what the Research Says

According to a new Associated Press-NBC poll, nearly one-third (31%) of U.S. residents believe they would need a minimum savings of $100,0000 to $500,000 if retiring this year in order to be confident of living comfortably in retirement, while 22% believe the minimum is $1 Million or more to retire comfortably. The U.S. has more than 10 million millionaires now and that number is growing. The poll also revealed that 65% of those who own stocks, bond and mutual funds are less confident about investing than they were in the prior year.

According to a report from the Deloitte Center for Financial Services (May '11), the number of millionaire households in the U.S. will more than double to 20.5 Million in 2020, with a combined wealth of $87 Trillion, up from $39 Trillion in 2011.

According to a CNBC article, in most cases, the road to financial security in retirement comes with steady savings, strategic investing, and probably a later retirement date than you may have envisioned at the start of your career. CNBC says to keep these three rules in mind:

- First, live within your means.
- Second, commit to saving a certain amount every month and stick to that goal.
- Third, have a diversified investment portfolio—a mix of stocks, bonds and Alternative Investments and rebalance that mix to attain your goals for growth.

Astor Capital agrees with CBNC's three rules. It is our opinion that if you're only holding stocks and bonds, you may be unnecessarily exposed to market swings. If you want to learn more about investments that tend to have a lower correlation to the broader market, contact us. We've been speaking with a lot of investors and investment advisors and we'd welcome the opportunity to speak with you as well.

Here's an example to use in your retirement savings plan. If you start with an initial $10,000 investment and your portfolio grows by 5 percent every year, here's how much you need to save each month to reach your $1 million goal by age 70.

- 25-year-olds have to save $450 a month. (Which is $15/day for the rest of your working years.)
- 35-year-olds have to save $850 a month.
- 45-year-olds have to save $1,700 a month.
- 55-year-olds have to save $4,000 a month. (With an average inflation rate of 3 percent, that $1,000,000 nest egg will only be worth $642,000 in today's dollars. Which means you'll likely wind up having to save even more.)

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

RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING COMMODITY INTERESTS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:

IF YOU PURCHASE A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.

IF YOU PURCHASE OR SELL A COMMODITY FUTURES CONTRACT OR SELL A COMMODITY OPTION OR ENGAGE IN OFF-EXCHANGE FOREIGN CURRENCY TRADING YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS OR SECURITY DEPOSIT AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR

BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.

UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A “LIMIT MOVE.”

THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A “STOP-LOSS” OR “STOP-LIMIT” ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.

A “SPREAD” POSITION MAY NOT BE LESS RISKY THAN A SIMPLE “LONG” OR “SHORT” POSITION.

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 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 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 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.