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Astor Capital Management's Monthly Update – March 2012

Written by Astor Capital Management

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Summary of Indices

Index	Mar-12	YTD
S&P 500	3.1%	12.0%
DJIA	2.0%	8.1%
Nasdaq Composite	4.2%	18.7%
FTSE 100	-1.8%	3.5%
MSCI EAFE	-0.9%	10.0%
10 yr US Treasury	12.1%	18.7%

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 futures contracts of U.S. equity indexes, U.S. interest rates and currencies (G-10). Astor Capital is excited about both of our 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

Quarter One comes to a close and with it March experienced the first triple digit drop of the year in the DJIA. By the end of the month, Q1 stock performance in the U.S. produced a strong positive performance. The S&P500 climbed above 1,400 for the first time in four years and the NASDAQ closed above 3,000 for the first time in a decade. For March, the DJIA and S&P 500 Indexes were up, VIX volatility was down, U.S. interest rates across the curve were up, gold prices were down and crude oil benchmark prices were mixed (Brent Crude up and WTI Crude down MoM). Below are some of the other events that shaped the month of March.

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

- **U.S.** Employment Report and Non-Farm Payroll Report for February were pushed back one week and released on the second Friday of the month. Non-farm payrolls rose by 227,000 new jobs, while private payrolls rose 233,000. Additionally, there was a net 61,000 upward revision to the prior two months. Following the announcement, U.S. equity futures rose (just off four year highs) and U.S. interests rates rose;
- **U.S.** GDP for Q4 '11 was revised upward to 3.0% from 2.8%, which was the sharpest growth since Q2 '10. Following the announcement, U.S. equity futures rose;
- **U.S.** Retail Sales in February increased 1.1%, which beat market expectations and was a five month high. The core (excluding autos and gas) was up 0.6%;
- **U.S.** Industrial Production for February was slightly less than market expectations;
- **U.S.** Housing Starts for March (698K newly constructed homes annualized) showed a slight dip from the February rate, which was at a three year high. Building Permits increased to a 717K annual pace, the highest increase since October 2008;
- **U.S.** CPI for February rose to 2.9%, which was within market expectations;
- **U.S.** Durable Goods for February rose 2.2%, which was less than market expectations of a 3.0% rise. This is the fourth increase in Durable Goods in the last five months;
- **U.S.** Personal Income for February rose 0.3%, vs. market expectations of 0.5%;
- **U.S.** Personal Spending for February rose 0.2%, vs. market expectations of 0.4%;

- **U**.S. Consumer Spending for February rose 0.8%, vs. market expectations of 0.6%. This is the sharpest rise in seven months;
- **U.S.** FOMC met and released a statement which contained very little in the way of fresh information as the Fed paused to evaluate improving economic conditions domestically and increased headwinds abroad. Following the FOMC announcement, U.S. interest rates rose to a four month high (UST 10yr yield around 2.34 – this is a 32 bp run up on the week and 48bp increase from March's recent low);
- **U.S.** Federal Reserve Bank, the nation's central bank, released bank stress test results earlier than expected. Most of the largest U.S. intuitions "passed" what were relatively dire recession scenarios: 15 of 19 banks demonstrated sufficient capital to weather a significant financial shock;

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

- **Eurozone**:
    - Eurozone Manufacturing contracted for the seventh straight month;
    - Eurozone Manufacturing PMI in March fell to 47.7 from 49.0 in February;
    - Eurozone Unemployment Rate for February was 10.7%. This is a 15 year high;
    - European Central Bank (ECB) President Draghi cautioned against prematurely enjoying a false sense of security;
    - ECB President Draghi later in the month said that the worst of the Eurozone crisis is over and that the ECB will act if inflation risks grow in an effort to ease anxiety in Germany about price rises;
    - ECB's Long Term Refinancing Operation (LTRO) program generated interest of approximately EUR 530 Billion from the European financial sector, which was within market expectations;
    - Eurozone Composite PMI in February fell to 49.3 from January's 50.4;
    - Eurozone GDP in Q4 '11 contracted 0.3%. As it was the second consecutive quarter of negative growth, the Eurozone is technically in its second recession in less than three years. Following the announcement, the EUR weakened;
    - Eurozone borrowers, especially those in Spain and Portugal, have said that loans remain elusive despite the twin long-term LTRO's in place;
    - European Commission (EC) recommended increasing the size of the Eurozone's rescue system to EUR 940 Billion by combining the *European System of Financial Supervisors (*EFSF) and the *European Stability Mechanism (*ESM);
- **United Kingdom**:
    - UK Chambers of Commerce cut its growth forecast for the U.K. economy. Following the announcement, the British pound (GBP) weakened;
    - UK CPI slowed less than market expectations. Following the announcement, the GBP strengthened against the EUR;

- The Bank of England (BoE), the nation's central bank, left its benchmark interest rate unchanged at 1.0%;

- **Germany:**
  - German Investor Confidence rose to a 21 month high, beating market expectations. Following the announcement, the EUR actually weakened;
  - German business sentiment for February rose to 108.8 from 108.3 in January. This is the fourth straight gain and the highest level in seven months. Following the announcement, the EUR strengthened;
- **France:**
  - France had a strong showing on its government debt auction of EUR 8 Billion;
- **Portugal:**
  - The International Monetary Fund (IMF) stated that Portugal should be able to return to the bond markets late next year and private creditors aren't expected to take write downs on their nation's debt;
  - Moody's rating agency downgraded four Portuguese bank ratings;
- **Italy:**
  - Italian Prime Minister Monti stated that European woes are "almost over". Monti went on to say that Italy's debt/GDP ratio is modest compared to that of Japan. He also said that he is confident that the fiscal compact and the enlarged firewalls will prevent further crisis;
- **Greece:**
  - Greece's second bailout was approved by the EU finance ministers;
  - Moody's rating agency stated that Greece faces significant challenges to achieve fiscal targets meriting international support;
  - The International Swap and Derivatives Association (ISDA), the governing body for over-the-counter (OTC) swap activity, formally declared a credit event under Greek Credit Default Swaps (CDS) with regards to the invoking of collective action clauses;
  - The EC said that Greece has more work to do in 2013 and 2014 to meet fiscal targets associated with bailouts. The report states that a further 5.5% of GDP would be necessary in terms of government spending;
  - S&P rating agency stated that Greece will be forced to restructure its debt again and this may involve the official sector, including the IMF. S&P also said that it expects that it will take at least a decade to complete Greece's economic restructuring;
- **Spain:**
  - Spain said it will make further cuts to spending this year, but that it is unlikely to reduce its deficit target to the level agreed upon with the EU;
  - Spain had a strong showing on its government debt auction of EUR 4.5 Billion;

  - Spain's Economic Minister stated that his country is fully committed to reducing its budget deficit to 5.3% of GDP this year and 3.0% next year. He added that any comparisons with Greece were "total nonsense";

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

- China cut its growth target to 7.5% from 8.0%. The 8.0% growth target goal had been in place since 2005;
- China Manufacturing PMI in March fell to 48.1 from 49.6 in February;
- China Premier Wen Jiabao stated that China needs to seek "higher quality development over a longer period of time";
- China announced that it is set to extend yuan-denominated loans to BRIC (i.e. Brazil, Russia, India and China) nations as part of its ongoing effort to internationalize its currency;
- China announced that it had its largest trade deficit in 20 years. Following the announcement, Governor Zhou Xiaochuan of the People's Bank of China (PBOC), the nation's central bank, said that there is ample room to cut reserve requirements further;
- PBOC eased lending restrictions on three of the larger banks to combat a four year low in new loans;
- PBOC Governor Zhou Xiaochuan stated that China will start making it easier for foreign investors to put money into China's stock market. The announcement is seen as a slight loosening of more than a decade of tight capital controls;

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

- **Japan:**
  - CPI for February decreased. Following the announcement, the Japanese yen (JPY) weakened;
  - GDP came out a bit stronger than expected;
- **Australia:**
  - The Reserve Bank of Australia (RBA), the nation's central bank left benchmark interest rates unchanged, but left the door open for future rate cuts. Following the announcement, the Australian dollar (AUD) weakened;

Some market related events from the **commodity sector** included**:**

- **Natural Gas:** Early in the month Natural Gas prices dropped nearly 8%, which makes Nat gas down 17% for all of 2012.

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

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.