



## **Astor Investment Management LLC**

Form ADV Part 2A

Appendix 1

Wrap Fee Program Brochure

February 29, 2020

This wrap fee program brochure provides information about the qualification and business practices of Astor Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at 800.899.8230 or by email at [info@astorim.com](mailto:info@astorim.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC"), or by any state securities authority.

Additional information about us is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2: Summary of Material Changes**

Since the initial Astor Investment Management LLC Wrap Fee Program Brochure dated October 31, 2019 there have been no material changes.

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## Item 4: Services, Fees and Compensation

### Firm Description

Astor Investment Management LLC (“Astor”) specializes in providing proprietary tactical allocation strategies focused on macroeconomic theory. Astor’s services are primarily offered to clients through (1) separately managed accounts, (2) mutual funds via third-party brokerage firms and financial advisors, (3) models provided to outside parties, or relationships with model delivery platforms or (4) wrap fee programs. The Firm was formally organized in 2013 in connection with a corporate restructuring of Astor Asset Management LLC which was founded in 2001. Astor’s principal owner is Lakewood Investment Management LLC and Robert Stein is the majority beneficial owner of that entity. Astor manages approximately \$626,000,000 in client assets on a discretionary basis.

### Wrap Fee Program Service

Astor offers a wrap fee program (the “Program”) to Retail Clients (the “Clients”). The Program is designed to permit Clients to allocate their investments between equity and fixed income securities based on each Client’s risk tolerance. Based on Astor’s analysis of various economic data points, Astor will provide each Client with suggested allocations between the S & P Total Market Index which gives investors exposure to the entire stock market and the Bloomberg Barclays Aggregate Index which provides exposure to the investment grade fixed income market.

Astor has created five risk based portfolios that have differing allocations to the S & P Total Market Index and Bloomberg Barclays Aggregate Index. The Program collects investment objectives, risk tolerance and other information from each Client. Based on the information provided by the Client, the Program determines which of the five risk based portfolios is best suited for the Client. The Program is implemented in an automatic fashion and Clients’ portfolios are continually monitored and automatically rebalance as determined by Astor portfolio management.

The Program requires the Client to authorize Astor to open an account at Apex Clearing Corporation (“Apex”), an unaffiliated broker-dealer. Although, Astor maintains trading authority over these accounts, it is intended that Apex will execute Client portfolio transactions and also serve as the custodian. Astor does not maintain custody of client assets.

### Fees and Compensation

In this program, fees may be negotiable and may vary, but generally Astor charges an annual management fee as designated by the Investment Management Agreement that ranges from 0.05% to 1.0%. The overall cost you will incur if you participate in the Program may be higher or lower than you might incur by separately purchasing the securities available in the Program due to varying commission rates, custodial fees, and other factors.

The specific manner in which fees are calculated by Astor is set forth in the Investment Management Agreement between the Client and Astor. Generally, fees are calculated in arrears, based on the total market value of the securities in the managed account on the last day of the period. This fee generally includes fees for advisory services, transaction costs for trade execution, custodial services, and reporting services. Approximately 75% of your fee is associated with portfolio management services. Your fees are immediately due at the end of each billing period. Fees for any partial period shall be prorated according to the portion of the period in which the account was managed. The client is solely responsible for verifying the accuracy of the fee calculation and notifying Astor, in writing, of any inaccuracy or objection within thirty days of the end of the period.

The Client authorizes the custodian, Apex, to directly debit Astor’s Program fee from their account. The custodian then remits the fee to Astor. If insufficient cash is available to pay such fee, securities in an amount equal to the balance of unpaid fees will be liquidated to pay the unpaid balance.

As Astor absorbs certain transaction costs in wrap fee accounts, Astor may have a financial incentive not to place transactions orders in these accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. Nevertheless, Astor is committed to placing transactions in Client accounts when it believes such transactions are appropriate. Astor does not receive compensation from any third-party for placing Clients in the Program.

## **Other Fees and Expenses**

Astor seeks to achieve its investment objectives by purchasing exchanged-traded funds (“ETFs”) which have embedded expenses. As a shareholder, you bear these expenses through the net asset value of the ETF. These expenses are separate from and in addition to the Program fee. You should consult the prospectuses of the invested ETFs for a complete description of all fees and expenses. You can invest directly in ETFs without the services of Astor, but you would not receive Astor’s portfolio management services.

## **Item 5: Account Requirements and Types of Clients**

Astor provides investment advice to individual retail Clients. Clients are not required to have a certain amount of investment experience, personal wealth, or sophistication. The minimum investment requirement may be negotiable, but generally the Program requires a minimum investment of \$20,000.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **Portfolio Management**

The Program does not utilize outside portfolio managers. All Client accounts are managed by Astor. Based on the information provided by the Client, including the Client’s investment objective and risk tolerance, the Program will provide each Client with investment advice regarding which portfolio is best suited for their objective. This advice is automated and provided directly through the website. Once the Client agrees on an investment portfolio that is best suited for their objectives, the Program is implemented in an automatic fashion based on the investment decision provided by Astor’s Investment Committee. Astor’s Investment Committee acts as the portfolio manager for the Program and is responsible for making the allocations in each of the five portfolios. In addition, the Committee is responsible for the continuous monitoring and rebalancing of the each Client’s portfolio.

### **Advisory Business**

Astor specializes in providing proprietary tactical allocation strategies focused on macroeconomic theory. A Client’s assets are managed within a given Strategy based upon the Client’s overall investment objectives. Astor’s services are primarily offered to clients through (1) separately managed accounts, (2) mutual funds via third-party brokerage firms and financial advisors, (3) models provided to outside parties, or relationships with model delivery platforms or (4) wrap fee programs.

Astor’s investment philosophy revolves around identifying the current phase of the economic cycle through statistical analysis of a specific set of economic data deemed relevant to medium and long-term financial market performance by Astor’s Investment Committee. Astor maintains a disciplined process of identifying trends in the economy, market, and various assets or asset classes while continuously monitoring risk. Financial markets experience drawdowns from time-to-time due to market and economic factors. While static allocation strategies are bound by set mandates during all periods, tactical allocation strategies seek to provide investment flexibility in order to maneuver through these various periods. Allocations are typically limited to ETFs.

### **Performance Based Fees and Side by Side Management**

Astor does not charge performance based fees and does not engage in side by side management.

### **Method of Analysis, Investment Strategies and Risk of Loss**

#### Methods of Analysis

Astor uses publicly available information as its primary source of data for analysis. Astor’s focus is to determine trends within datasets and not on absolute levels at a given point in time. While an absolute level is important and can provide information for comparison, Astor believes analyzing the direction of the data to determine whether the level represents an increase or decrease in the strength of the data point is vital.

*Fundamental (Economic)* – Astor’s investment philosophy is focused on top-down macroeconomic analysis. Astor uses information from federal and other data collection agencies to build macroeconomic models for its strategies.

The central data points for Astor's economic models are readings on output and employment within the U.S. economy.

*Quantitative* – Astor uses quantitative analysis to evaluate the price momentum of various asset classes. Often, these asset classes have a wide range of factors impacting price movement. Astor believes momentum provides an aggregate view of the interaction of these factors. Other numerical indicators such as the slope of the yield curve, risk forecasts, and implied volatility add value for risk control and allocation.

*Qualitative* – Astor also uses qualitative items such as expectations or guidance on Federal Reserve interest rate policy to determine appropriate allocations to certain asset classes.

### Investment Strategy

Astor's investment strategy is based on the Astor Beta 100 Index. It is a proprietary index that allocates between equity and fixed income based on economic fundamentals. The goal is to have a heavier allocation to stocks during periods of economic expansion, while reducing risk and limiting exposure to stocks during periods of economic weakness. The index seeks to capture positive returns for investors as equity prices are rising while limiting losses during significant equity market drawdowns. The Index is a broad asset allocation tool that splits its positions between two broad indexes, the S & P Total Market Index (equity) and the Bloomberg Barclays Aggregated Index (fixed income).

### Material Risks

All investments involve risk. Astor does not guarantee the results of advice given. Significant losses can occur by investing in any security, or by following any strategy, including those recommend or applied by Astor.

*Investment Philosophy:* Astor's investment philosophy is based on the belief that economic data can provide valuable information for portfolio construction. Astor's strategies are managed according to this belief and thus, there is a risk the environment will change and the data no longer produces the same results in future periods as in the past. As the proprietary models and research rely on available data from various sources, there is a risk the necessary pieces of information are no longer made available or the data collection changes. Our methods rely on the assumption the provided data is unbiased and accurate. There is a risk our analysis is compromised by inaccurate or misleading information.

*Valuation Forecasts:* Our judgment about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities we select will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, or our approach may fail to produce the intended results. Our estimate of a security's intrinsic value may be wrong or, even if our estimate of intrinsic value is correct, it may take a long time before the market price and intrinsic value converge. As a result, there is a risk of loss on the assets we manage. We seek to reduce your risk through diversification. Although we will do our best in managing your assets, we cannot guarantee any level of performance or that you will not experience a loss in the value of your assets.

*Economic & Market Conditions:* Astor's models are sensitive to economic and market environments. If economic data diverges from market sentiment, Astor's strategies can experience difficulty. The decision to invest or not invest in certain securities can lead to higher levels of risk than desired and/or the strategies can experience underperformance relative to their respective benchmarks.

*Exchange Traded Funds:* Astor invests in Exchange-Traded Funds ("ETFs"). An ETF is a type of registered Investment Company under the Investment Company Act of 1940 that attempts to achieve a return similar to a set benchmark or index. The value of an ETF is dependent on the value of the underlying assets held. ETFs are subject to investment advisory and other expenses which results in a layering of fees for clients. ETFs can trade for less than their net asset value and the performance can deviate from the underlying index or benchmark due to fees, expenses, management, market volatility and other factors.

### Voting Securities

Astor's Proxy Voting Policy establishes the practices by which Astor fulfills its responsibility to monitor corporate actions, receive and vote client proxies, disclose any related potential conflicts of interest, make information available to clients about the voting of proxies for their portfolio securities, and maintain relevant and required records.

Unless required by a written agreement, Astor is not required and will not take any action with regard to voting proxies for securities currently or previously held by clients in any account Astor has discretionary control over. If Astor is obligated to vote proxies for certain clients, only securities held within Astor's strategies will be voted. All votes cast will be done in the best interest of clients and a record of the vote will be maintained by Astor according to applicable regulations. Generally, Astor will follow management recommendations unless a conflict of interest is present. Astor does not have voting authority over accounts where it does not have trading discretion.

In the case of any conflict of interest that is raised by Astor's voting discretion, Astor will do one of the following, as determined by the specific situation:

- (i) disclose the conflict to you and obtain your consent before voting;
- (ii) suggest that you engage another party to determine how to vote; or
- (iii) vote the proxy according to the recommendation of an independent third party, such as a proxy consultant.

You can obtain a copy of Astor's Proxy Voting Policy and a record of the Firm's proxy voting record for your account, both free of charge, by calling the phone number on the cover page of this Brochure.

## **Item 7: Client Information Provided to Portfolio Managers**

Client Information may be shared with Astor's Investment Committee.

## **Item 8: Client Contact with Portfolio Managers**

Clients receive automated investment advice directly through the website and as such they do not have contact with Astor's Investment Committee.

## **Item 9: Additional Information**

### **Disciplinary information**

Astor has no pending or prior legal or disciplinary events that are material to a Client's evaluation of Astor or the integrity of Astor's management.

### **Other Financial Industry Activities and Affiliations**

#### Registered Commodity Pool Operator

Astor is a Commodity Pool Operator ("CPO") registered with the National Futures Association ("NFA") and the Commodity Futures Trading Commission ("CFTC"). In the capacity of CPO, Astor advises two Commodity Pools.

#### Benefits from ETF Providers

Astor attends conferences and other industry events which are sponsored by companies ("ETF Providers") that manage the assets of the ETFs purchased in Astor's strategies. On certain occasions, Astor receives tickets to these events, co-sponsors the event, or participates in discussion panels. Additionally, the ETF Providers distribute research reports, trade data, and other beneficial information to Astor. As such, there is a conflict of interest where Astor is incentivized to use the investment products of certain ETF Providers due to the aforementioned items or other benefits. Astor's Investment Committee maintains an unbiased view of the ETF providers in relation to these benefits. The Committee will only select securities based upon the merits of the securities within Astor's products and not based upon any additional benefits which will be provided or made available to Astor from the ETF Provider that manages the security.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### Code of Ethics

Astor has adopted a Code of Ethics (the "Code") that sets the standard of conduct expected to comply with SEC Rule 204(A)-1 and other applicable securities laws. The Code is designed to ensure Astor fulfills its fiduciary duties, guards against violations of securities laws including insider trading, establishes procedures for Supervised Persons to comply with the provisions of the Code, prevents the misuse or dissemination of material non-public information about you or your account holdings, maintains the integrity of our business, and provides a means for building a trusting relationship with our clients. The Code sets limits on gifts and entertainment, political contributions, outside business activities, and other items which pose a conflict of interest or impede Astor's fiduciary duty. In addition, the

Code imposes certain pre-clearance and reporting requirements on Astor employees related to personal securities transactions. The Code requires all personal securities transactions be conducted in a manner that avoids any actual or potential conflict of interest.

#### Investments in Client Held Securities

Astor, its employees, and other related persons can buy or sell for their own accounts the same securities recommended to advisory clients. These personal securities transactions raise potential conflicts of interest between Astor and its clients. For example, a conflict exists when we have the ability to trade ahead of you and potentially receive more favorable prices than you do. Astor's Code is designed to prevent such conflicts of interest and prevent violations of Astor's fiduciary duties to its clients. The Code includes procedures to ensure that its policy regarding front-running, insider trading, and other conflicts is observed by Astor's employees and related persons.

#### **Review of Client Accounts**

Astor's periodically reviews Client accounts to ensure that they are in-line with the expected portfolio output based on Client inputs. Astor reviews trades proposed by its software prior to trade execution for Clients. In addition, the Chief Compliance Officer or a designee will conduct limited sample testing of client accounts to ensure client accounts are being managed correctly with regards to strategy, fees, and other items.

The Client's custodian, Apex, provides Clients with monthly or quarterly reports containing schedules of investments and transactional information during such time period. The frequency of such reports is dependent upon the custodian's policies and procedures. Astor does not send investment reports to clients.

#### **Client Referrals and Other Compensation**

Astor has entered into a third party Marketing Selling Agency Agreement with Rock Harbor LLC and Foreside Fund Services LLC to provide marketing services for the purpose of marketing Astor Dynamic Allocation, Sector Allocation and Macro Alternative Funds to Financial Intermediaries. As compensation, Astor will pay to Foreside, for the benefit of Rock Harbor representatives a specified percentage fee on average daily assets on any investments made by investors.

#### **Financial Information**

Astor must disclose any financial condition that could impair our ability to meet our contractual obligations to you. Astor must also disclose if it has been the subject of any bankruptcy proceeding within the last 10 years.

Astor has no such financial condition to disclose to you, and we have never been the subject of any bankruptcy proceeding.



