THE FULL SPECTRUM

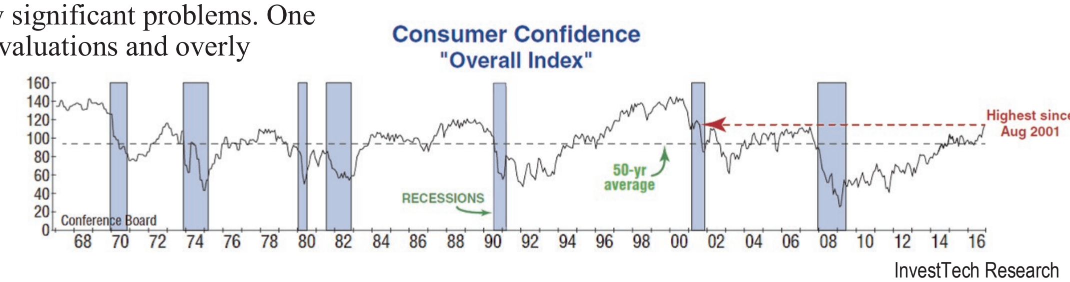
Spectrum Financial, Inc.

January 2017

GENERAL MARKET COMMENTARY

Following the presidential election, the S&P Stock Index rallied nearly 10% in about five weeks, but remained paused since the middle of December. During that same time, the 30-year government bond went from 2.6% to 3.2%, one of the fastest historical rate increases, while the market priced-in increased inflation expectations. This rally is the largest post-election gain in the S&P 500 since 1967. But this aging bull-market and extended economic recovery are not without a few significant problems. One problem would be lofty stock valuations and overly optimistic investor consensus. A second one is the pending interest rate increases by the Federal Reserve. Three more rate increases are expected this year. Another negative market omen is that stock market seasonality in the first year of a new president is historically a negative one.

However, the December Consumer Confidence Board Index showed the highest confidence by consumers since August 2001 as seen on the chart. Another leading indicator shows that market breadth continues to climb to a new all-time high, confirming the stock market new high and pointing to favorable prices ahead.



#1 RANKED FUND - SPECTRUM LOW VOLATILITY (SVARX)

We have been discussing the design and strategies of SVARX mutual fund for the past several years in this newsletter, and we are pleased to announce that we are ranked the number 1 fund for performance in Morningstar out of 236 Non-Traditional Bond Funds for the past 3 years ending December 31. This includes famous bond fund managers who comment daily on national financial TV programs.

How did the Spectrum Low Volatility Bond Fund provide a 12-month return of 16.45% in a rising interest rate environment? All bond funds are not created equal. Spectrum's Low Volatility Fund was created to solve the selection process of "what" and "when" to be invested. There are many risks unbeknownst to investors who just buy a bond fund for the yield: interest rate risk, credit risk, and, to a lesser extent, currency risk and income tax rate risk. These risks can destroy the returns of bond investors.

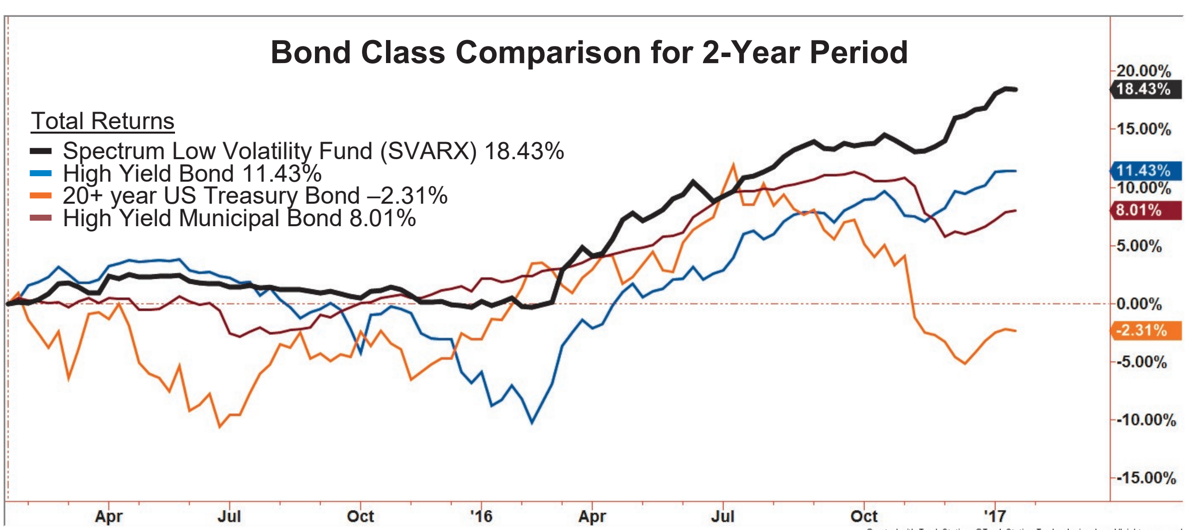
Government bonds have interest rate risk. If an investor, who holds a 30-year maturity US government bond, holds the bond for a one-year period when the rate goes from 3% (where it is today) up to 4%, the bond will drop approximately 17% in value. However, the investor will still get his 3% dividend to offset part of the loss.

High yield bonds have credit risk, which may drop in value if the economy should weaken.

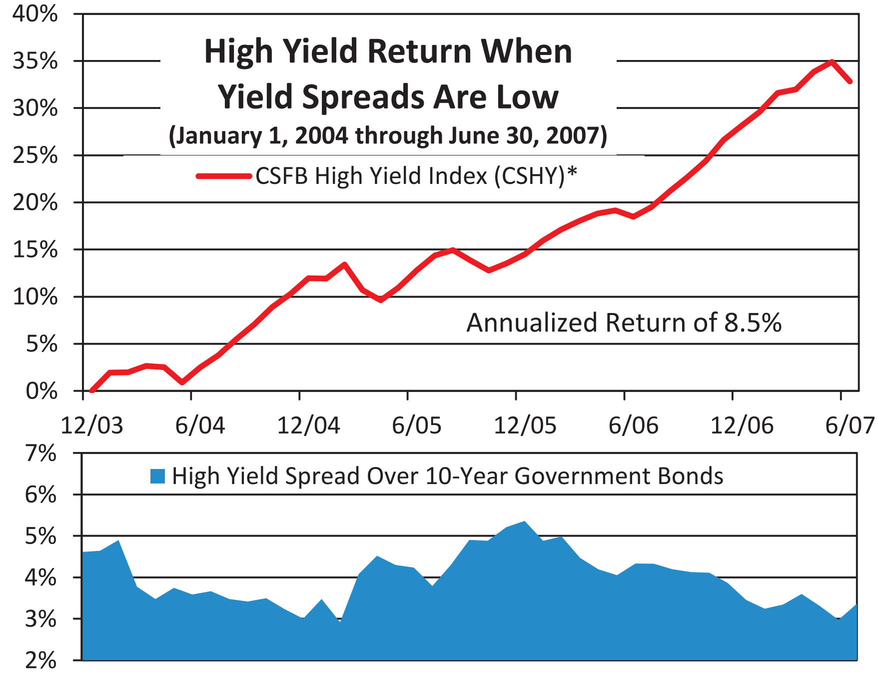
International bonds have currency risk if the dollar strengthens, plus credit risk if the foreign economy should weaken.

Municipal bonds have credit risk (e.g. Puerto Rico or Chicago), income tax rate risk (if congress lowers tax brackets), and interest rate risk.

In SVARX, Spectrum monitors all major income instruments, and selects only the ones that appear favorable, rotating out of the underperforming ones. The illustration shows the performance of the Spectrum Low Volatility Fund increasing while various other bond classes decline in periods of rising interest rate environments. You can see that not all bonds move together.



HIGH YIELD RETURNS
The yield differential between high yield bonds and US government bonds is currently only about 3.8%. This indicates that the yield on high yield bonds is paying 6.3%, where 10-year government bonds only yield 2.5%. A normal range for this yield spread is between 3% and 7%. The lower this number is, the lower the *potential* returns are. Looking at what happened in 2004, when we were midway in an economic expansion and the yield spreads were about where they are today, these charts illustrate the returns for the three years following this similar economic period. Total returns for the next few years averaged about 8.5% annually for high yield bonds. If the yield spread continues to drop, high yield bonds should continue to appreciate, but if this spread drops below 3%, a defensive strategy is likely.



*The CSFB High Yield Index is designed to mirror the investible universe of the $US-denominated high yield debt market.

PERSONAL PERSPECTIVE *by* Ralph Doudera
During an interview this week, I was asked a question which required more contemplation than just a quick answer. "What keeps you from retiring?" A thought provoking question, as I recalled my decision to retire exactly 30 years ago after the market crash in 1987. That decision was reversed shortly thereafter as I purposed to work for reasons other than to enrich myself. Maybe somehow I could make a difference by helping others accomplish success working with the poor, the sick, and the spiritually bankrupt. I set a financial goal. Instead of how much I could accumulate, I set a lifetime goal of how much I would give. It was an ambitious goal. I still remain committed to it and still see it as something I will achieve. But that is not the only reason I have not retired.

I have found that I love my work. I love being challenged. And I love competition. I also love working with my employees, seeing them develop professionally, and working with them to provide a service to our clients. I have also found very few other investment advisors who I would trust with my own investments. This is not to say that there are no others who have better performance. But on a risk adjusted basis, I have found none who have provided the consistency of low volatility and acceptable returns that we have had. This of course was the basis for how Spectrum began 30 years ago—by handling clients' investments as I would my own.

I also have found that all the trading experience I have gathered in the last 8000+ market days have helped me understand the relationship between risk and return, which many advisors often ignore. With many new investment vehicles now available, I find it more interesting than ever to continue to improve what we can do for our clients.

I will continue to attempt to provide a profitable service for clients, while having fun at work each day. I know that everyone working in our office can take credit in making a difference not only for our clients but for many less fortunate all over the world. Together we can make a difference. Retirement is not a concept I find in my Bible, but I find the word servant used 923 times. Hopefully, we will all continue to work with this standard in mind.

"Steady plodding brings prosperity; hasty speculation brings poverty" (Proverbs 21:5, LB)

Ralph J. Doudera, Editor. 2940 N. Lynnhaven Rd., Suite 200, Virginia Beach, VA 23452 (757) 463-7600 InvestSpectrum.com

1-888-572-8868
www.thespectrumfunds.com

Spectrum Low Volatility Fund

SVARX

Q4 2016 FACT SHEET

INVESTMENT PHILOSOPHY

Investment exposure and selection is a foundational element in any investor's portfolio. The Fund's subadvisor's twenty five year experience using fixed income investment strategies has been integrated into one fund which is actively managed to reduce risk and provide consistent low volatility return. These strategies create stability and reduced risk in one overall portfolio.

The Fund was created to act as a solution for fixed income exposure in all market environments. The fund's objective is total return and lower downside volatility and risk through not only high yield, but other fixed income securities selected, and applies tactical strategies to the selection of each one. The Fund seeks to provide an actively managed investment which displays low volatility characteristics and generates returns that outperform its benchmark.

INVESTMENT STRATEGY

The Fund invests in a diversified portfolio of fixed income securities such as high yield mutual funds, mortgage-backed securities, floating rate funds, and muni bond funds. The fund does not invest in individual bonds or other fixed-income securities. Instead, assets are invested in open-end investment companies and ETFs which invest primarily in fixed-rate or floating-rate income securities. The Fund employs multiple diversified, uncorrelated tactical trading strategies to manage risk to meet its objective of low volatility.

- Different categories of fixed income markets are analyzed to determine selection and exposure of securities based on market conditions, price action, momentum and sentiment and risk.
- Active allocation strategies of corporate bonds are used to determine credit quality, duration, or cash alternatives when credit spreads are widening.
- Defensive positions of cash or cash equivalents when appropriate
- Hedging the portfolio holdings against interest rate and stock market risk
- Selective use of leverage to enhance exposure through the use of credit swaps when conditions are favorable

There is no guarantee that any investment will achieve its objectives, generate profits, or avoid losses.

Total Assets: $40.9 million

Fund Advisor: Advisors Preferred, LLC

Fund Subadvisor: Spectrum Financial, Inc.

Symbol//Cusip: SVARX // 554905109

Minimum Initial/Subsequent Purchase: $5,000/$1,000

Income Distribution: Quarterly

Fund Type: Nontraditional Bond

★★★★★ OVERALL MORNINGSTAR RATING™
As of December 31, 2016

Spectrum Low Volatility Fund (SVARX) was rated against the following numbers of U.S.-domiciled Nontraditional Bond funds over the following time periods: 236 funds in the last three years. With respect to these Nontraditional Bond funds, Spectrum Low Volatility Fund received a 5 Star rating overall and 5 Stars for 3 years.

FUND PERFORMANCE
As of December 31, 2016

ANNUALIZED

	QTR	YTD	1 Year	3 Year	Since Inception*
SVARX	2.79%	16.45%	16.45%	6.43%	6.42%
S&P 500 TR Index	3.82%	11.96%	11.96%	8.87%	10.00%
S&P/LSTA U.S. Leveraged Loan 100 Index	2.19%	10.87%	10.87%	2.88%	2.92%
50/50 Barclays VLI HY/S&P Leveraged Loan Index	1.91%	13.76%	13.76%	3.50%	3.54%

*Inception Date: December 16, 2013 • Expense Ratio 3.10%

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost.

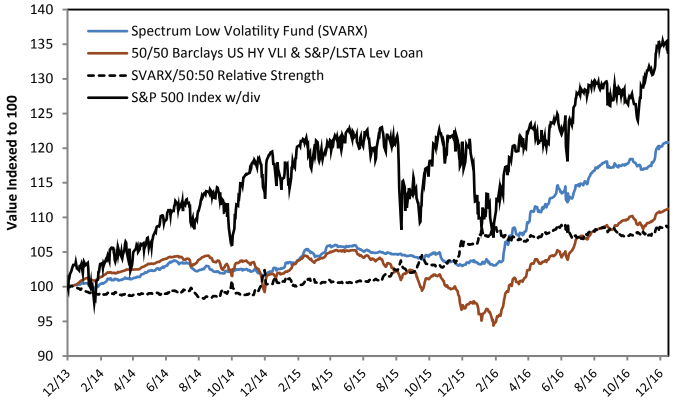
Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of any dividend or capital gains distributions. To obtain performance data current to the most recent month-end please call toll free 1-888-572-8868.

S&P 500 TR Index is a capitalization weighted index of 500 stocks representing all major domestic industry groups. The S&P 500 TR assumes the reinvestment of dividends and capital gains. It is not possible to directly invest in any index.

S&P/LSTA U.S. Leveraged Loan 100 Index: This benchmark is designed to reflect the performance of the largest facilities in the U.S. dollar leveraged loan market. Term loans from syndicated credits must meet the following criteria at issuance to be eligible for inclusion. 1) senior secured 2) minimum initial term of one year 3) minimum initial spread of LIBOR +125 basis points 4) U.S. dollar denominated 5) all constituents must have a publicly assigned CUSIP.

50/50 Barclays VLI HY/S&P Leveraged Loan Index: This benchmark gives 50% weight to the Barclays VLI HY Index and 50% weight to the S&P Leveraged Loan Index. Barclays VLI HY benchmark includes publicly issued U.S. dollar denominated non-investment grade, fixed-rate taxable corporate bonds that have a remaining maturity of at least one year, regardless of optionality. The bonds are rated high-yield (Ba1/BB+/BB+ or below) using the middle rating of Moody's, S&P, and Fitch, respectively (before July 1, 2005, the lower of Moody's and S&P was used). Included issues consist of only the three largest bonds from each issuer that have a minimum amount outstanding of $500 million or more (face value) and less than five years from issue date. S&P Leveraged Loan Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

RELATIVE STRENGTH TO BENCHMARK



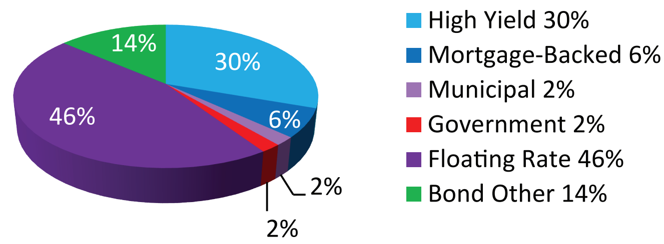
The graph above illustrates the relative strength of SVARX to the 50/50 benchmark on a dividend adjusted basis. The relative strength line is the ratio of the fund's NAV to the benchmark's price. A rising line indicates out-performance by the fund during the observed period while a declining line indicates under-performance.

	SVARX vs. S&P 500 TR	SVARX vs. 50/50*
Beta	0.19	0.74
Up Market Ratio	37.33%	79.46%
Down Market Ratio	11.03%	27.46%
R Squared	0.24	0.69
Standard Deviation	4.06	

*50/50 Barclays VLI HY/S&P Leveraged Loan Index

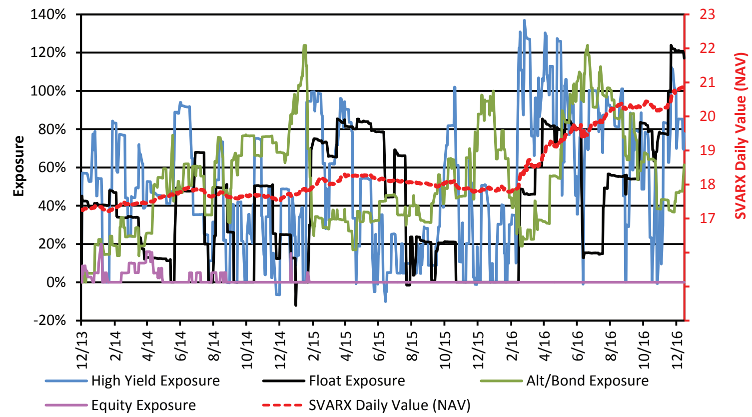
Portfolio statistics are based on a 2.5 year calculations from Bloomberg and Fasttrack Data
Beta: a statistic that measures the volatility of the fund, as compared to that of a benchmark. The market's beta is set at 1.00; a higher beta than 1.00 is considered to be more volatile than the market, while a beta lower than 1.00 is considered to be less volatile. Up Market Ratio: a statistical measure of an investment manager's overall performance in up-markets. The up-market capture ratio is used to evaluate how well an investment manager performed relative to an index during periods when that index has risen. Down Market Ratio: a statistical measure of an investment manager's overall performance in down markets. The down-market capture ratio is used to evaluate how well or poorly an investment manager performed relative to an index during periods when that index has dropped. Standard Deviation: is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility. It is a measure of the dispersion of a set of data from its mean. R-Squared: a measurement of how closely a fund's performance correlates with an index. It can range between 0.00 and 1.00. An r-squared of 1.00 indicates perfect correlation, while an r-squared of 0.00 indicates no correlation.

PORTFOLIO COMPOSITION & COMMENTARY



• Investment model exposure: 1.94 (1.0 = 100%)

EXPOSURE ALLOCATION



As indicated in the prospectus, the Fund invests in a diversified portfolio of primarily income-producing fixed income securities. Active management is the key to the success of the investment strategy by employing disciplined tactical strategies that seek to limit volatility. By monitoring various bond and other sectors of the market, the percentage allocation smoothly transitions from one fixed income class to another to catch trends and avoid significant losses.

One strategy behind SVARX is to use selective leverage and enhance exposure on select high yield and floating rate securities through the use of swap contracts during strong market environments. The leverage will be placed on or taken off based on the volatility of specific high yield securities. Leveraged loans in the form of floating rate funds, offer a unique diversification option due to attractive rates combined with seniority of credit position. They offer a floating rate that can take advantage of rising interest rates by increasing a company's rate as market rates increase. These investments offer strong and stable current income in both high and low interest rate environments, superior credit position due to being in a senior position, and lower volatility of price thanks to removal of most interest rate risk as well as credit risk. There remains, however, a time to leverage exposure as well as a time to take off leverage and go to a safe cash position. By monitoring these investments on a daily basis, the fund continues to be conservative when risk increases and maintain daily liquidity to increase cash exposure when favorable conditions change.

For each fund with at least a three-year history, Morningstar calculates a Morningstar RatingTM based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics.

An investment in mutual funds involves risk, including loss of principal. The principal risks associated with the fund are detailed in the prospectus and include risks of the Subadvisor's investment strategy, bond risk, derivatives risk, emerging market risk, foreign investment risk, junk bond risk, leverage risk, management risk, market risk, mutual fund and ETF risk, short position risk, small and medium capitalization risk and turn over risk.

Investors should consider the investment objectives, risks, charges and expenses of the Spectrum Low Volatility Fund before investing. This information can be found in the Fund's prospectus which should be read carefully prior to investing. To obtain a prospectus, please call Gemini Fund Services at 855-582-8006.

The Spectrum Low Volatility Fund is distributed by Ceros Financial Services, Inc., Member FINRA/SIPC. Ceros and Spectrum Financial, Inc. are not affiliated entities. Advisors Preferred, the Fund's Advisor, is a commonly held affiliate of Ceros. Date of first use: 1/26/2017.