



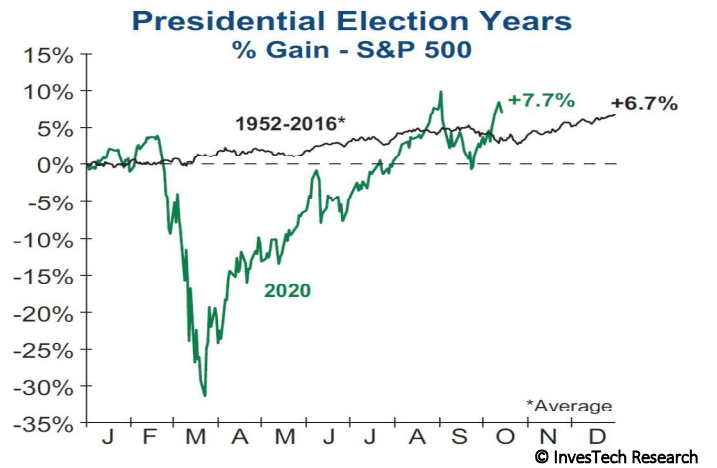
# THE FULL SPECTRUM

Spectrum Financial, Inc.

October 2020

## GENERAL COMMENTARY

This year has been like no other for investors. Large-cap tech stocks are hitting all-time highs, while smaller company stocks show losses, and volatility is causing investors to freeze up “like a deer in headlights”. Now that an unpredictable election is upon us let's look at some historical precedent to help guide us through the probable outcome. Although polls indicate a Democratic victory is likely, historically, the stock market has had the ability to forecast which party is likely to win the White House. Since 1928 a positive S&P 500 performance in the 3 months prior to election day has earned an 87% accuracy of forecasting that the current president will be re-elected.

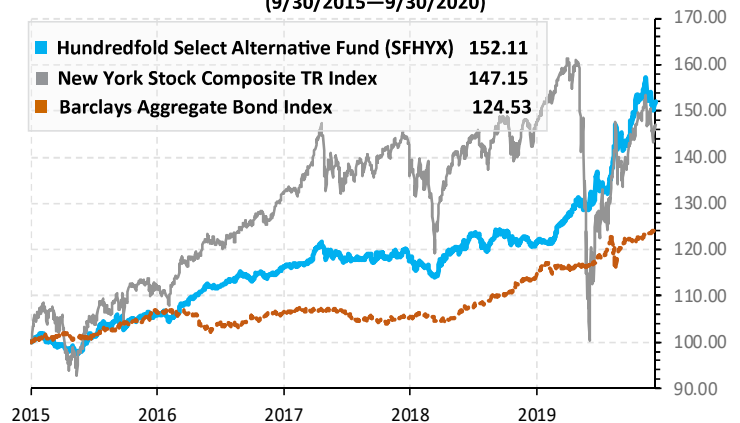


## HUNDREDFOLD SELECT ALTERNATIVE FUND (SFHYX)—THE ALL-SEASON INVESTMENT

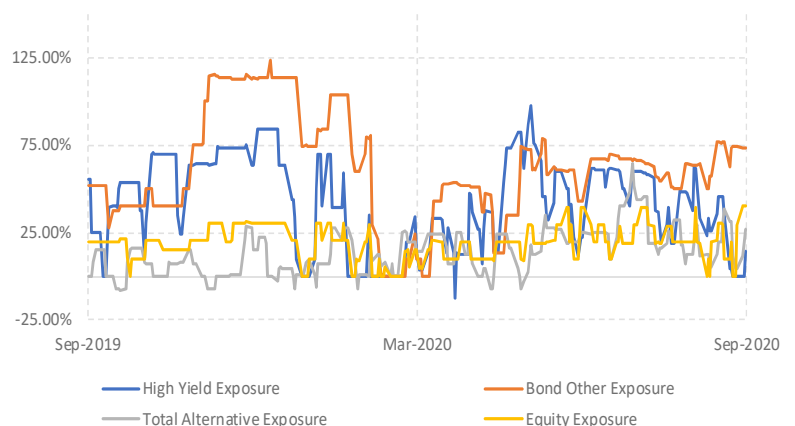
Navigating through one of the most challenging investment seasons in 2020 has once again proven to our investors that our active asset allocation strives to give them the peace of mind they require. Price declines of nearly 40% or more can make life-altering financial plans for investors. This has occurred three times since 2000. Changing market conditions happen so quickly now, that investors may not be able to handle the risks involved in a conventional portfolio. The Select Alternative Fund was created to utilize alternative investments where returns are not directly tied to the stock market, yet still provide comparable returns. Active management and diversification are the keys to its success. Formed with philosophy of King Solomon: “A cord of three strands is not quickly broken.” (Ecc. 4:13) the portfolio is divided into three parts, and diversified further within those categories. Currently, stocks are employed from 0% to 40%, using four 10% trading strategies; Bonds, from 0 to 120% using about ten different bond categories and rotational strategies; And commodities, from -50% to +50% using 10 different types of diverse commodities which may be either long or short positions. These strategies work together to complement each other with the objective of reducing risk and volatility, so the performance should not directly correlate to the stock market. For the first 9 months of 2020, SFHYX had a return +21.39% with a maximum drawdown of -4.3%. In contrast, the New York Stock Composite Index had a negative return of -6.94% for the first 9 months of 2020 with a maximum drawdown of -37.5%. The chart on the top right illustrates the past 5-year performance of SFHYX compared to the New York

Stock Composite Index as well as the Aggregate Bond Index. The second chart below illustrates how actively the Fund is managed, showing asset class investments at various times over the last year, taking advantage of market opportunities when they present themselves, while reducing risk at other times. See page 2 and 3 for performance and rating details.

**Hundredfold Select Alternative Fund 5-Year Performance Comparison (9/30/2015—9/30/2020)**



**Hundredfold Select Alternative Fund 1-Year Exposure (9/30/2019—9/30/2020)**



# AssetMaxx<sup>SM</sup>—Actively Managed Mutual Fund Performance Review

## The Spectrum Funds

Spectrum Low Volatility Fund - SVARX			Annualized			
As of 9/30/2020	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception <sup>1</sup>
SVARX	5.35%	16.49%	18.76%	8.04%	9.67%	7.66%
S&P Lev Loan TR <sup>5</sup>	3.54%	-0.53%	1.71%	3.36%	4.13%	3.14%
50/50 Barclays VLI HY/S&P Lev Loan TR Index <sup>7</sup>	4.04%	-0.31%	2.18%	3.67%	5.30%	3.87%
Portfolio Composition			6/30/2020	9/30/2020		
High Yield			18.66%	14.15%		
HY Credit Default Swaps			0.00%	0.00%		
Floating Rate			0.00%	0.41%		
Municipal			10.03%	0.00%		
Government			0.00%	0.00%		
Mortgage-Backed			35.13%	36.18%		
Bond - Other			21.29%	14.62%		
Preferred			0.00%	12.67%		
			85.11%	78.02%		

<sup>1</sup>Inception date: 12/16/2013  
Expense Ratio: 2.95%

Spectrum Advisors Preferred Fund - SAPEX			Annualized			
As of 9/30/2020	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception <sup>2</sup>
SAPEX	5.44%	6.94%	16.46%	10.63%	10.09%	7.97%
S&P 500 TR <sup>4</sup>	8.93%	5.57%	15.15%	12.26%	14.13%	11.34%
60/40 NYSE TR & Barclays US AGG TR <sup>8</sup>	4.70%	-1.45%	2.88%	4.43%	6.48%	4.77%
Portfolio Composition			6/30/2020	9/30/2020		
Large Cap Equity			106.06%	128.16%		
Mid Cap Equity			0.00%	0.00%		
Small Cap Equity			34.52%	10.14%		
International Equity			0.00%	0.00%		
Fixed Income			34.89%	33.88%		
			175.47%	172.18%		

<sup>2</sup>Inception date: 6/1/2015  
Expense Ratio: 2.45%

## The Hundredfold Select Alternative Fund

Hundredfold Select Alternative Fund			Annualized					
As of 9/30/2020	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception <sup>3</sup>
SFHXY	7.23%	21.39%	25.19%	9.54%	8.74%	6.95%	6.89%	6.47%
S&P 500 TR <sup>4</sup>	8.93%	5.57%	15.15%	12.26%	14.13%	13.73%	9.19%	9.40%
Barclays Agg Bond Index <sup>6</sup>	0.62%	6.79%	6.98%	5.23%	4.17%	3.63%	4.48%	4.37%
Portfolio Composition			6/30/2020	9/30/2020				
High Yield			22.09%	14.75%				
Floating Rate			0.00%	16.54%				
Bond Other			43.15%	56.86%				
Managed Futures (net)			15.06%	7.47%				
Alternative			10.01%	19.65%				
Equity			39.69%	40.45%				
Expense Ratio: SFHXY 2.93%			130.00%	155.71%				

<sup>3</sup>Inception date: 9/1/2004, fund name changed from Spectrum High Yield Plus on June 11, 2008. Additionally, the Fund was reorganized on October 3, 2011 from a predecessor fund (the "Select Alternative Predecessor Fund") to a series of Northern Lights Fund Trust II, a Delaware statutory trust (the "Reorganization"). The Fund is a continuation of the Select Alternative Predecessor Fund and, therefore, the performance information includes performance of the Select Alternative Predecessor Fund.

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. For performance current to the most recent month end, please call 1-888-572-8868. An investor should carefully consider the investment objectives, risks, charges and expenses prior to investing.

The prospectus and summary prospectus contain this and other information about the Funds and should be read carefully prior to investing. To obtain a prospectus and summary prospectus, please call Gemini Fund Services at 855-582-8006 or access [www.thespectrumfunds.com](http://www.thespectrumfunds.com) or [www.hundredfoldselect.com](http://www.hundredfoldselect.com).

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<sup>4</sup>S&P 500 TR Index is a capitalization weighted index of 500 stocks representing all major domestic industry groups and assumes the reinvestment of dividends and capital gains. It is not possible to directly invest in any index.

<sup>5</sup>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 (Short Name: S&P Leveraged Loan Index)

<sup>6</sup>Barclays U.S. AGG: Bond Index: The Barclays U.S. Aggregate Bond Index measures performance of the total U.S. investment grade bond market. It is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed-rate, publicly placed, dollar-denominated, and non-convertible investment grade debt issues with at least \$250 million par amount outstanding and with at least one year to final maturity.

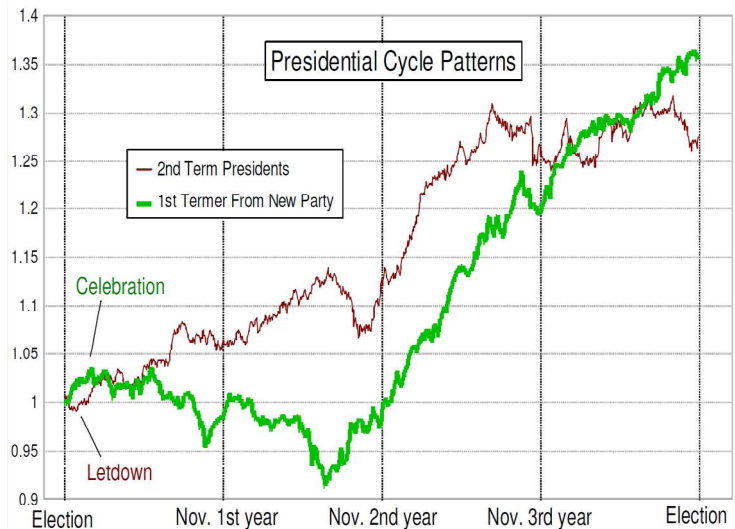
<sup>7</sup>50/50 "Barclays US High Yield Very Liquid TR Index"/ "S&P/LSTA U.S. Leveraged Loan 100 Index": This benchmark gives 50% weight to the Barclays VLI HY Index and 50% weight to the S&P Leveraged Loan Index. Barclays High Yield VL Index benchmark includes publicly issued U.S. dollar denominated 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 has a minimum amount outstanding of \$500 million or more (face value) and less than five years from issue date.

<sup>8</sup>60/40 NYSE Composite/Barclays U.S. AGG Bond Index: This benchmark gives 60% weight to the NYSE Composite Index and 40% weight to the Barclays U.S. Agg. Bond Index. The NYSE Composite Index (NYA) measures the performance of all stocks listed on the New York Stock Exchange. It includes more than 1,900 stocks, of which over 1,500 are U.S. companies. Its breadth therefore makes it a much better indicator of market performance than narrow indexes that have far fewer components. The weights of the index constituents are calculated on the basis of their free-float market capitalization. The index itself is calculated on the basis of price return and total return, which includes dividends.

## HISTORICAL PRESIDENTIAL MARKET CYCLE

Since investors fear the unknown more than anything, investment markets typically pause right before presidential elections. This year seems to be more upsetting to investors than previous election years. Once we get past the elections, what have we observed from history?

When the challenger beats the incumbent party candidate, the stock market typically has an initial celebration, but when the incumbent wins, there has usually not been a celebration. But afterwards things change significantly. First term presidents from a different party typically see worse performance over the first two years of office due to policies which may include tax increases and spending programs which investors do not like. When the incumbent wins, he usually does not spend any time blaming his predecessor and gets right on doing what he has done previously. The chart to the right illustrates this investment phenomenon.



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## PERSONAL PERSPECTIVE by Ralph Doudera

This year has been difficult for many of us, with challenges as well as opportunities we never expected. I have spent countless hours attempting to get “in the zone” this year with some measure of success. “The zone” is a place where knowledge, confidence, faith, and intuition all intersect. I have experienced it in many of my endeavors such as driving a race car, surfing, giving a speech, or making investment decisions. It is that place which is both secular and spiritual and cannot be logically explained. We have all seen quarterbacks who win games in the final moments of a football game, in contrast to those who are so afraid of being sacked that they are unable to throw the ball straight. Investors, as in any activity, need to act in a place of peace and confidence to make good decisions. Fear and greed only help investors make mistakes. Confidence is not an emotion. Confidence is a way of being associated with optimism, hope, and an expectation of being able to handle any resulting outcome (positive or negative).

For the past few years, I have found that spending the first hour of every day in a quiet place in prayer and meditation is essential for me to prosper. Often more than an hour. Prayer is talking. Meditation is listening. Dialogue is important. I used to talk more than listen. Then I got smarter and realized that I don’t learn much when I am talking, so now I mostly listen. I can get “in the zone” and receive insight for many of my life’s issues. Sometimes I get a revelation about what is on the other side of the mountain ahead of me even before it is visible. I have also seen answers to prayer more than ever now that I have been more specific in my requests.

In the last newsletter I mentioned the song “*The Blessing*”, which is written from a prayer for God’s favor and blessing from 3000 years ago. “*The Lord bless you and keep you, make His face shine upon you and be gracious to you; The Lord turn his face toward you and give you peace.*” (Numbers 6:24-27). Many versions of the song have been recorded from all over the world, and we have created a website with 44 unique versions for easy access to listen. I begin my quiet time each morning listening to a different version. It helps me get into “the zone” to receive insight. You can visit the website at [hundredfoldblessing.com](http://hundredfoldblessing.com). I have to say that my life has been seriously blessed since I began doing this each day. We all have choices each day to obey God’s rules and laws or to disregard them. There is a consequence of each decision we make. Some lead to life, others to death; blessing and curse. “*Choose life so that you and your children may live.*” (Deuteronomy 30:19)

In this time of emotional turmoil, it is important for me to take my eyes off political promises and focus on my true provider—God. I look past the obstacles in my life and look to the Source of my supply. Looking to government will always disappoint me. One of my favorite words of advice comes from Matthew 6:33 (paraphrased) “*But seek first the kingdom of God and be in right relationship with Him, and everything you need will be given to you as well.*” A right relationship with Him gets me “in the zone” to be in right relationship with everyone else in my life, and helps me make wise decisions and receive everything He has for me. I need to remind myself often that He is for me, not against me. And He gives great advice if I am willing to listen.

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

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