



# THE FULL SPECTRUM

Spectrum Financial, Inc.

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## GENERAL MARKET COMMENTARY

Financial assets exhibited strong gains in 2023's first quarter, with considerable volatility along the way. Despite a banking crisis and plenty of uncertainty around interest rates, stocks and bonds finished up in the first quarter of the year, while gold approached record high prices. Cryptocurrencies began to recover from last year's crash, with major cryptos gaining more than 50%, but still down over 50% from their highs.

Stock and bond markets rallied in January amid optimism that global central banks, led by the Federal Reserve, might soon halt interest rate hikes—perhaps even setting the stage for rate cuts by the end of the year. But stronger-than-anticipated February economic data dashed those hopes. Then, in March, two large US banks failed and Swiss regulators forced the takeover of banking giant

Credit Suisse. That triggered fears of a global banking contagion that caused investors to flee stocks for safer assets running toward government bonds.

By the end of the month, those fears eased, with investors again raising their expectations that the Fed would cut rates by the end of the year—especially after hinting at a pause in interest rate increases. Ever changing news of lower inflation (good for bonds) has been fighting with news of higher employment figures (bad for bonds) in a continuous whipsaw for markets. It is obvious that the Fed has no clue where we are going. Investors don't either. We expect a recession will eventually present itself, after which it will be time to invest with both feet again. Both stock and bond investors could potentially make some serious returns after the past two years of disappointments.

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## IT'S TIME FOR BONDS (NOT ALL BOND FUNDS ARE THE SAME)

The past 12 months have been a nightmare for all bond classes-- government, high yield, municipals, and corporate bonds, etc. as the Federal Reserve raised interest rates to combat inflation. Money market funds were about the only fixed income investment able to eke out a small gain. Many unsophisticated investors are putting their funds in money market, but the majority of market damage has already taken place. This type of move can be shortsighted, since the peak in interest rates is likely here. As soon as the Federal Reserve begins to reduce rates, the money market rates can go down as fast as they went up. Not the case with bonds. A bond locks in a rate and continues to pay that rate until maturity, even as rates drop. In addition to locking in a rate, they can appreciate in value. As they become more valuable investors get a

“double return” (yield + appreciation), while money market investors end up holding a declining yield.

**Spectrum's Low Volatility Fund (SVARX)** is a bond fund that is actively managed, allocating into the bond classes that have the most potential profit utilizing corporates, municipal, high yield, government, floating rate, securitized credit, as well as T-Bills (money market) if everything else becomes too risky. This active management can be seen in the chart above and it compares the different variety of bonds for the past 5 years. The combination of low drawdowns (risk) and returns is what makes this Fund a bond solution for advisors and individual investors. Investors should not be shortsighted. We believe a favorable bond market may begin shortly. A potential recession normally hurts stocks, while bonds typically perform well.

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

## The Spectrum Funds

Spectrum Low Volatility Fund - SVARX			Annualized			
As of 3/31/2023	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception†
SVARX	0.51%	0.51%	-1.73%	6.92%	6.15%	6.27%
Morningstar LSTA US Lev Loan TR	2.96%	2.96%	2.42%	6.50%	3.37%	3.28%
50/50 iBoxx USD Liquid HY Index/Morningstar LSTA US Lev Loan 100 TR Index	3.30%	3.30%	-0.41%	5.63%	3.14%	3.34%
Portfolio Composition			12/31/2022	3/31/2023		
High Yield			0.00%	30.19%		
HY Credit Default Swaps			0.00%	20.08%		
Floating Rate			39.67%	9.96%		
Municipal			10.00%	16.03%		
Government			0.00%	0.00%		
Mortgage-Backed			0.00%	0.00%		
Bond - Other			0.00%	10.18%		
Preferred			0.00%	0.00%		
†Inception date: 12/16/2013. Expense Ratio: 2.67%			49.67%	86.44%		

Spectrum Active Advantage - SAPEX			Annualized			
As of 3/31/2023	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception††
SAPEX	0.38%	0.38%	-24.87%	3.93%	2.86%	4.14%
S&P 500 TR	7.50%	7.50%	-7.73%	18.60%	11.17%	10.93%
New York Stock Composite Index (NYSE)	1.90%	1.90%	-5.45%	16.95%	6.85%	6.88%
Portfolio Composition			12/31/2022	3/31/2023		
S&P 500 Index Exposure			0.00%	19.30%		
NASDAQ 100 Index Exposure			0.00%	21.27%		
Russell 2000 Index Exposure			0.00%	9.67%		
Individual Stock Exposure			0.00%	0.00%		
Cash Management			0.00%	0.00%		
††Inception date: 6/1/2015. Expense Ratio: 1.69%			0.00%	50.24%		

The Fund changed from the Spectrum Advisors Preferred Fund on April 14, 2022.

## The Hundredfold Select Alternative Fund

Hundredfold Select Alternative Fund			Annualized					
As of 3/31/2023	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception†††
SFHYX	-0.05%	-0.05%	-10.08%	8.45%	7.13%	5.83%	7.08%	6.10%
S&P 500 TR	7.50%	7.50%	-7.73%	18.60%	11.17%	12.22%	10.05%	9.49%
Bloomberg Agg Bond Index	2.96%	2.96%	-4.78%	-2.77%	0.90%	1.36%	2.71%	3.11%
Portfolio Composition			12/31/2022	3/31/2023				
High Yield			0.00%	40.58%				
Floating Rate			10.39%	10.04%				
Bond Other			0.00%	10.04%				
Managed Futures (net)			7.66%	0.00%				
Alternative			5.16%	0.00%				
Equity			0.00%	24.40%				
Expense Ratio: SFHYX 2.39%			23.22%	85.07%				

†††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 *Ultimus Fund Solutions, LLC* 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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**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.

**Morningstar 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.  
**Bloomberg U.S. AGG Bond Index:** The Bloomberg 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.

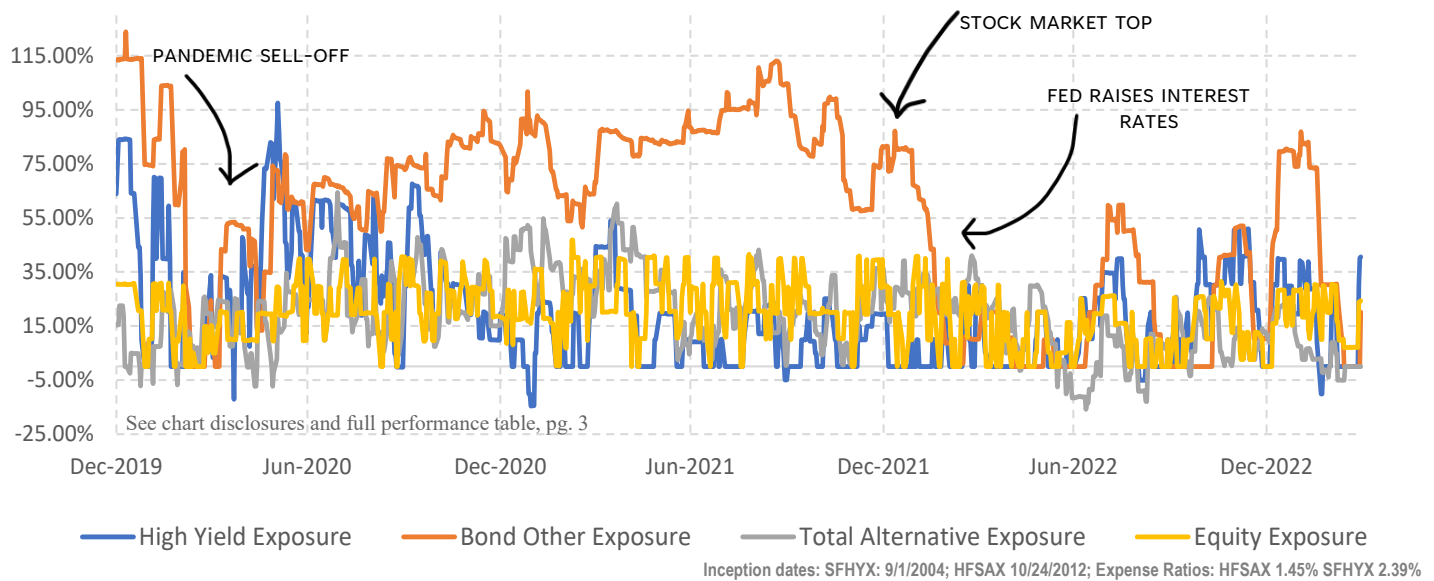
**50/50 "iBoxx USD Liquid HY Bond TR Index/Morningstar LSTA US Lev Loan 100 TR Index":** 50/50 iBoxx USD Liquid High Yield Bond TR Index/Morningstar LSTA U.S. Leveraged Loan 100 TR Index: This benchmark gives 50% weight to the iBoxx USD Liquid High Yield Bond TR Index and 50% weight to the Morningstar LSTA U.S. Leveraged Loan 100 TR Index. The iBoxx USD Liquid High Yield TR Index: is market-value weighted with an issuer cap of 3% and consists of liquid USD high yield bonds, selected to provide a balanced representation of the high yield corporate bond universe. Morningstar LSTA U.S. Leveraged Loan 100 TR Index is designed to reflect the performance of the largest facilities in the leveraged loan market.

**New York Stock Composite Index (NYSE):** The NYSE Composite Index (NYATR) 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.

## ACTIVE INVESTMENT MANAGEMENT

The Hundredfold Select Alternative Fund (SFHYX) is designed to invest in many different asset types where returns may not be directly tied to the stock market, but historically have produced stock market returns with less volatility. Active management and diversification are the keys to its success. Stock exposure varies from 0% to 40% using 4 separate trading strategies. Bonds are utilized from around

0% to 120% by monitoring ten different bond categories and rotating exposure into the strongest ones. Commodities are also included to further add noncorrelated exposure to reduce risk and volatility. The chart below shows percent exposure of the Fund's various categories since 2020 through March 31, 2023, illustrating how exposure is managed during market pain points.



## PERSONAL PERSPECTIVE by Ralph Doudera

I recently attended a wedding in New Jersey where I grew up and thought it would be interesting to attend a service at my childhood church. Although I received perfect attendance pins every year, I was overcome with thoughts that no one could have known it by my actions. I was arrested for shoplifting, I cheated in school, destroyed other's property, and got notes sent home from my teachers at the beginning of every school year. I had a sinful nature that wouldn't quit. It was about 15 years later before I would come face to face with a forgiving God who brought me to see my fallen nature, His forgiveness, and begin a new journey with Him. Undeserved forgiveness—Amazing Grace.

John Newton was the captain of an English slave ship in the 1700s, and author of the hymn *Amazing Grace*. His biography (*Amazing Grace*, by Steve Turner) is a truly riveting story of how God can pursue the worst of us and turn our lives into something awesome. Newton was raised with a philosophy that it was possible to believe in God and live a virtuous life without being guided by the teachings of Jesus. He reasoned that true morality must be rooted in human instinct rather than divine laws, and he did not handle discipline well. His impulsive behavior landed him in one unfortunate situation after another. As a deserter, he was demoted and was imprisoned in Africa where he considered suicide as a viable option. Later in life he stated "according to the wicked system I had adopted, this would put a period to all my sorrows at once. But the secret hand of God restrained me." He continued, "the dreary coast of Africa was

the university to which the Lord was pleased to send me." Escaping, he found himself a captain of slave trader ships, working in line with his philosophy that uncivilized Africans are better off being slaves, which was the common philosophy of the day, even in the Christian community.

While on one journey, a great storm almost sank his ship and had him convinced that he committed unforgivable sins. He started deal making with God and asked that he might be given "a more humane calling." He began to read the teaching of the New Testament and referred to himself as a prodigal son, dealing with his own repentance. He later wrote the hymn, *Amazing Grace*, where every word had been carefully chosen from his life and soon after that he entered full time clergy.

William Wilberforce knew Newton well and was greatly influenced by both his writings and relationship. As a gifted British politician and a Christian, Wilberforce was able to eventually pass the very unpopular legislation to abolish slavery, and it nearly destroyed the economics of Britain more than 50 years before it was abolished in America. Newton wrote his marble epitaph: "Once an Infidel and Libertine, a servant of slaves in Africa, was, by the rich mercy of our Lord and Savior JESUS CHRIST, preserved, restored, pardoned and appointed to preach the faith he had long laboured to destroy..."

The popularity of this song is attributed to the fact that it can be everyone's story. I know it is mine--*saved a wretch like me*.....

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

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