

GENERAL MARKET COMMENTARY

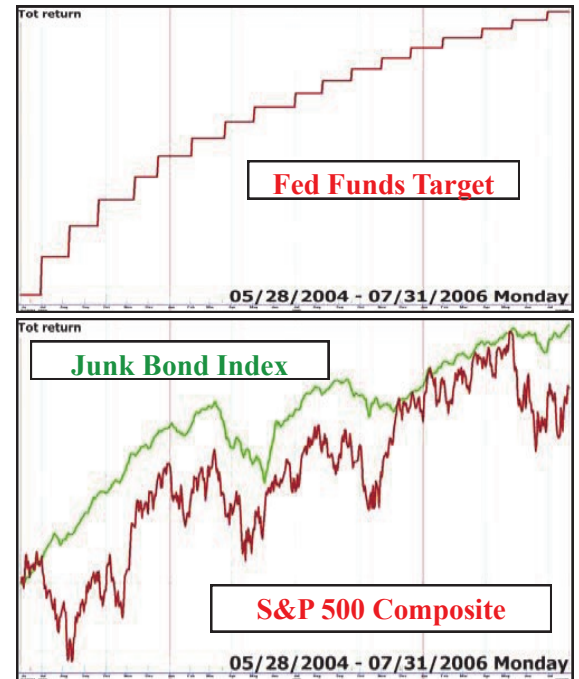
In spite of election uncertainty, consumer confidence has improved substantially, and in the US, job optimism is hitting a nine-year high. This remains the bedrock of economic growth. While businesses are slow to make decisions pending the election outcome, consumers don't seem to have a problem. Current market reaction to the outcome of the election seems to prefer a Democratic president. But, if we end up with a Democratic president as well as Democratic majority in the House and Senate, I feel that the market will definitely not react well.

Inflation may begin to rear its ugly head and the Federal Reserve

may raise short-term interest rates to combat it.

"The last time we had a series of rate increases was in 2004-06 following the 2002-03 recession/bear market. The Fed raised the Fed Funds Target Rate from 1.0% to 5.25% in 17 steps. The stock market initially sold off when the Fed started raising rates, but soon reversed course and moved higher. During the 25-month period shown on these charts, the S&P 500 gained 13.92% — and junk bonds fared even better. Junk bonds did not sell off with stocks when rates started to rise, and the ML Junk Bond Index gained 18.84% during the 25-month period — with much less volatility than the S&P 500."

—from Michael Price OnTrack Report, 2016-20



Charts from Michael Price OnTrack Report, 2016-20

FLOATING RATE FUNDS (SENIOR LOANS) VS. HIGH YIELD BONDS

A low interest rate environment creates challenging opportunities to seek out alternative investment strategies that produce respectable returns and still limit risk. Most people do not recognize the risk involved in government bonds when interest rates rise, or in high yield bonds when a recession begins.

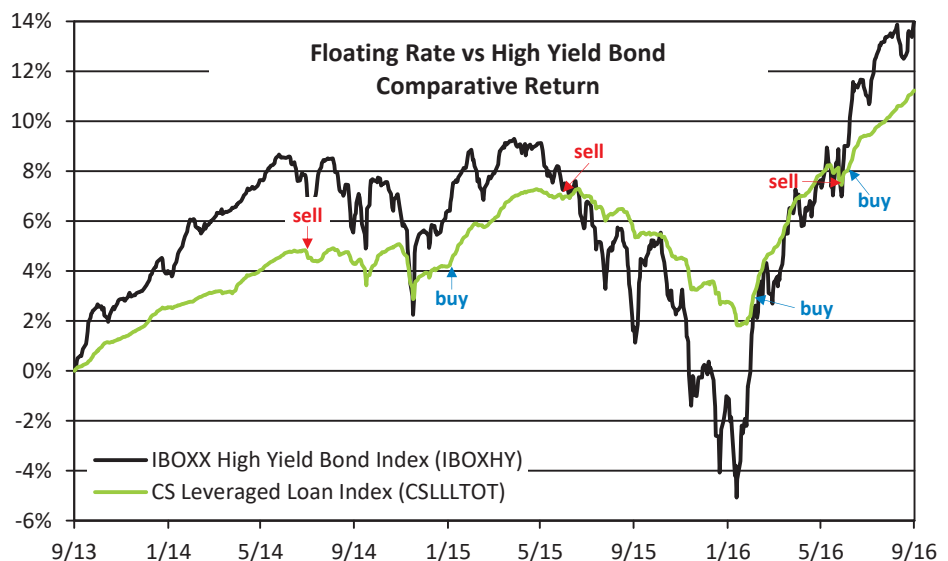
Senior loans may be a solution to this dilemma. These investments are secured corporate loans made to a company and rank in seniority ahead of other unsecured high yield bonds that the company may own. They offer a floating rate that can take advantage of rising interest rates, which we currently see on the horizon, by increasing the loan terms as interest rates increase.

These investments also 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. For example, the chart to the right illustrates the return and volatility of the floating rate Credit Suisse Leveraged Loan Index (CSLLLTOT) compared to the iBoxx High Yield Bond Index (IBOXX) for the past three years. You should note that although performance for the period is

similar, floating rate funds are much less volatile. They are also easier to trade.

In addition, since rates can adjust upward in periods of rising interest rates, they may have outperformed other fixed income securities as is shown in the chart on the bottom of page 2.

There remains, however, a time to leverage these bonds and increase exposure, as well as a time to sell them and go to a safe cash position. These sell signals can be seen on the chart. By monitoring these investment alternatives, we continue to be conservative investors when risk increases, yet we maintain liquidity to go to cash when favorable conditions change.



PERFORMANCE COMPARISON

Stocks added to modest gains in the third quarter with most classes of investments having a good quarter. The average US stock fund was up 4.80% for the quarter and up 6.26% year-to-date.

Spectrum's High Yield Bond Strategy gained an average of 2.73% for the third quarter, bringing a year-to-date return of 8.9%. Spectrum's shorter term trading strategy used in the Dynamic High Yield Bond Strategy accounts gained 0.68% with a year-to-date increase of 7.56%. The Leveraged High Yield Bond Strategy had a quarterly gain of 3.53% and a year-to-date return of 9.72%. These returns illustrate how our patient low-risk strategies work well even in a low interest rate environment. To quote our January 2016 newsletter "We are encouraged by the opportunity high yield bonds now offer, paying dividends of 7% more than government bonds. This offers profit potential that we have not seen in

five years. When this happened in December 2011, the 1-year return of the High Yield Index was over 15%."

The current spread between government bonds and high yield bonds is 4.7%, which still leaves some room for high yield bonds to continue their advance as long as the economy steers clear of a recession.

Spectrum's Core Focus was up 2.26% for the quarter with year-to-date gains of 4.95%. The low-risk Long/Short Sector was down 1.59% for the quarter and International Sectors gained 5.03% in the same period.

Spectrum's Low Volatility Fund (SVARX) was up 4.33% for the quarter and gained 13.29% so far in 2016, while Spectrum's Advisor Preferred fund (SAPEX) had a gain of 3.68% for the quarter and 6.28% year-to-date. Hundredfold Select Alternative Fund (SFHYX) was up 2.86% for the third quarter, and gained 7.05% year-to-date. Please refer to the detailed disclosures on page 3 for more details on these funds.

Spectrum Strategy Summary 2016 Third Quarter Total Return

SecurityMaxx Strategies ²	QTR	YTD	12 MO	24 MO	36 MO	48 MO	60 MO
High Yield Bond ¹	2.73%	8.90%	7.06%	5.85%	9.97%	13.82%	24.66%
High Yield Bond Annuity/UVL ¹	3.34%	9.37%	7.15%	3.80%	7.02%	10.43%	19.93%
Dynamic High Yield Bond	0.68%	7.56%	9.36%	11.99%	15.18%	21.34%	30.46%
Leveraged High Yield Bond	3.53%	9.72%	7.67%	7.52%	12.86%	20.36%	37.86%
Core Focus	2.26%	4.95%	6.92%	2.77%	11.93%	19.89%	39.36%
Long/Short Sector	-1.59%	0.29%	0.76%	1.63%	6.92%	13.32%	N/A
International Sector	5.03%	5.26%	3.19%	-8.96%	-7.96%	-0.51%	4.24%

Benchmark Summary 2016 Third Quarter Total Return³

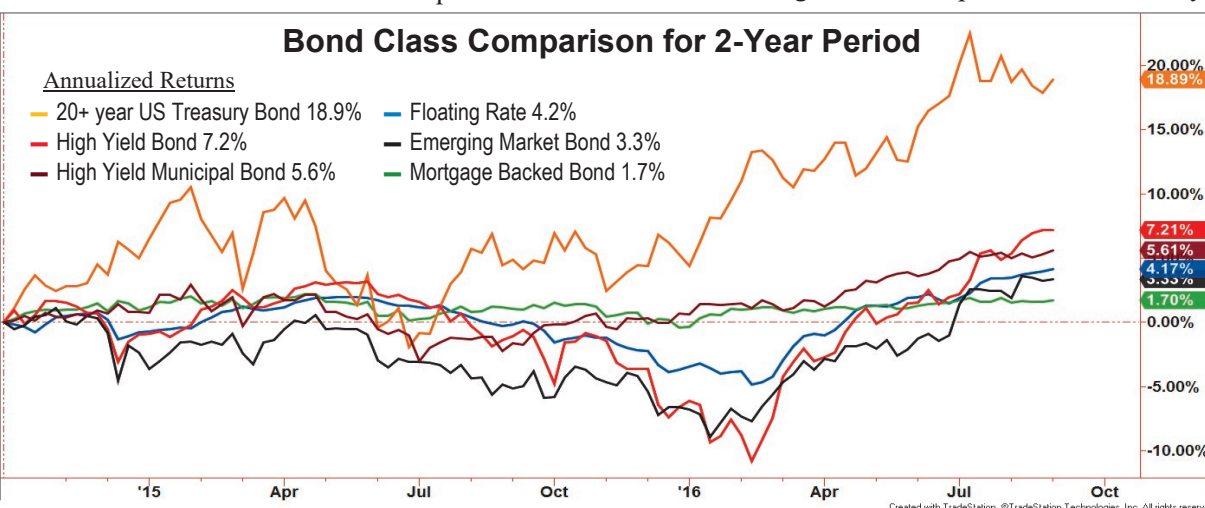
	QTR	YTD	12 MO	24 MO	36 MO	48 MO	60 MO
Stocks							
Avg. U.S. Stock Fund	4.80%	6.26%	10.51%	8.84%	21.64%	48.34%	85.58%
MSCI World ex USA Index	7.00%	6.26%	9.82%	-2.92%	2.22%	19.69%	37.69%
NASDAQ TR Index	10.02%	7.10%	16.43%	21.08%	46.04%	79.30%	134.04%
S&P 500 TR Index	3.85%	7.84%	15.43%	14.72%	37.36%	63.94%	113.46%
Bonds							
Barclays High Yield VL Index	5.42%	14.80%	12.39%	7.50%	15.14%	22.56%	48.05%
T-Bill (3-month)	0.26%	0.62%	0.60%	0.69%	0.82%	1.05%	1.24%

¹High Yield Bond includes only non-annuity/life products. High Yield Bond Annuity/UVL includes only annuity/life products. Fees for strategies are 0.48% quarterly (except for International Sector and Leveraged High Yield Bond) International Sector traded account fees are 0.48% per quarter beginning 12/31/12 to present, prior, 0.725%. Leveraged High Yield Bond accounts fees are 0.63%. ²Performance numbers were selected from client accounts assuming no purchases or withdrawals were made during the time period, and may have been obtained from personal or related accounts. The averages used represent actual performance after Spectrum's quarterly fees and are non-weighted averages representing mutual funds using that trading strategy. Initial sales loads are not taken into account. Performance for some individual accounts may vary somewhat due to fund restrictions and/or limitations imposed by the mutual fund families. A complete list of all buy and sell dates is available upon request. Dividends are assumed to be reinvested. Past performance does not guarantee future results. ³Benchmark Source: Bloomberg, except Average US Stock Fund is the Wall Street Journal Quarterly Review. These tables summarize performance averages for various mutual fund categories for the past 3 mos., YTD, 12 mos., 24 mos., 36 mos., 48 mos., and 60 mos.

SPECTRUM LOW VOLATILITY FUND (SVARX)

Many people have asked how Spectrum produced a year-to-date gain of 13.29% for a fund that is supposed to have low volatility. Low volatility does not necessarily mean low performance. The fund is designed to take advantage of upward directional moves, and avoid drawdowns by using several integrated strategies. For those of us who took chemistry in school, it comes down to both qualitative and quantitative analysis. What to own and how much to own becomes the question. Since the

fund primarily holds bonds, and because we have found that all categories of bonds do not move together, we have developed a selection process over the years to phase in and then phase out of bond sectors based on a ranking analysis of various sub-groups. The chart below illustrates performance of various sub-groups, which we monitor, and one can see different directional movements at various times. By rotating in and out of these bond sectors, we attempt to minimize drawdowns and select the groups with the highest relative performance. Finally, we evaluate



market conditions to see how much of each bond class to own, and we may use leverage when appropriate. More detailed information on fund holdings and disclosures can be seen on page 3.

ASSETMAXX—ACTIVELY MANAGED MUTUAL FUNDS (AS OF 9/30/2016)

Spectrum provides access to these distinct actively managed funds for portfolio design. These funds have the ability to adjust exposure to the markets based on current environments. At times, these funds may be invested 100% in cash or cash equivalents. Spectrum clients have historically benefited from active management in managing risk.

The Spectrum Funds

As of 9/30/2016	Quarter	YTD	1 Year	Since Inception ¹
SVARX	4.33%	13.29%	13.04%	5.96%
S&P 500 TR ³	3.85%	7.84%	15.43%	9.46%
S&P Lev Loan ⁴	2.97%	8.49%	6.05%	2.39%
50/50 Index ⁶	4.20%	11.64%	9.22%	3.17%
SAPEX	3.68%	6.28%	5.31%	-1.51%
S&P 500 TR ³	3.85%	7.84%	15.43%	4.23%
60/40 NYSE & US AGG Barclays ⁷	1.91%	7.07%	9.49%	1.90%

¹Inception dates: SVARX 12/16/2013; SAPEX 6/1/2015. Performance numbers over one year are annualized. **Expense ratios:** SVARX 3.10%; SAPEX 2.07%.

Spectrum Low Volatility Fund (SVARX)

Portfolio Composition	6/30/2016	9/30/2016
High Yield	50%	49%
HY Credit Default Swaps	20%	30%
Floating Rate	15%	54%
Municipal	36%	25%
Government	-	-
Mortgage-Backed	37%	32%
Bond - Other	10%	-
Preferred	-	-
Alternative	26%	22%
	<u>194%</u>	<u>211%</u>

Spectrum Advisors Preferred Fund (SAPEX)

Portfolio Composition	6/30/2016	9/30/2016
Preferred Advisors	70%	70%
Tactical Equity - Long	21%	41%
Tactical Equity - Short	-	-
Fixed Income	40%	41%
	<u>131%</u>	<u>151%</u>

Hundredfold Select Funds

As of 9/30/2016	Quarter	YTD	1 Year	Annualized			
				3 Years	5 Years	10 Years	Since Inception ²
SFHGX	2.86%	7.05%	6.35%	3.88%	5.77%	5.98%	5.52%
S&P 500 TR ³	3.85%	7.84%	15.43%	11.15%	16.35%	7.23%	7.97%
Barclays Agg Bond Index ⁵	0.46%	5.80%	5.19%	4.02%	3.08%	4.78%	4.52%

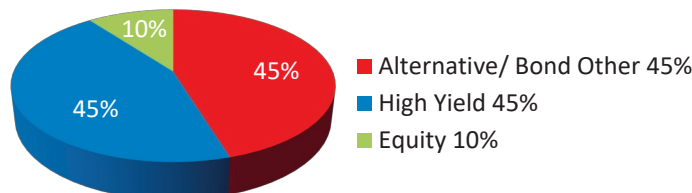
²Inception date: 9/1/2004, fund name changed from Spectrum High Yield Plus on June 11, 2008. Additionally, the Fund was reorganized on October 3, 2011 from a predecessor fund (the "Select Alternative Predecessor Fund") to a series of Northern Lights Fund Trust II, a Delaware statutory trust (the "Reorganization"). The Fund is a continuation of the Select Alternative Predecessor Fund and, therefore, the performance information includes performance of the Select Alternative Predecessor Fund. **Expense ratio:** SFHGX 3.10%.

Annual Returns	2007	2008	2009	2010	2011	2012	2013	2014	2015
SFHGX	2.84%	-12.29%	30.03%	11.06%	4.01%	10.34%	6.67%	1.87%	-0.54%
S&P 500 TR ³	5.22%	-37.12%	26.27%	14.70%	2.11%	16.00%	32.37%	0.00%	1.38%
Barclays Agg Bond Index ⁵	6.97%	5.24%	5.93%	6.54%	7.84%	4.22%	-2.02%	5.97%	0.55%

Hundredfold Select Alternative Fund (SFHGX)

Portfolio Composition	6/30/2016	9/30/2016
High Yield	44%	74%
Alternative/ Bond Other	68%	76%
Equity	12%	17%
	<u>124%</u>	<u>167%</u>

Pie chart indexed to 100%. Date: 9/30/2016



³S&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.

⁴S&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)

⁵Barclays 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.

⁶50/50 "Barclays US High Yield Very Liquid 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.

⁷60/40 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.

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 or a prospectus, please call toll free 1-888-572-8868 or access HundredfoldSelect.com or 888-572-8868 or TheSpectrumFunds.com.

An investor should consider the investment objectives, risks, charges and expenses of the Spectrum Funds and the Hundredfold Select Funds carefully before investing. Each prospectus contains this and other information about the Funds. The prospectus should be read carefully before investing. Date of first use: 7-20-2016. Advisors Preferred serves as advisor to the Funds.

LOW VOLATILITY ANALYSIS

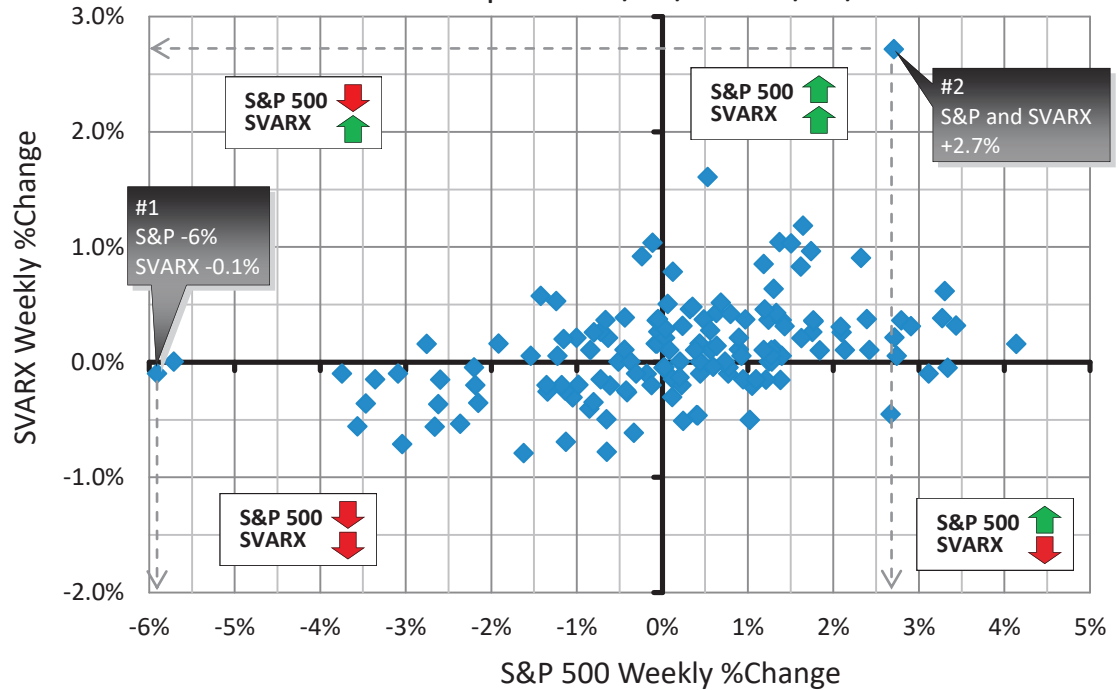
Several investors have expressed concern about investment risk for our managed fund accounts due to uncertain election issues, Federal Reserve rate increases, and general market volatility.

This chart, measuring “Beta”, may be helpful for investors in the Spectrum Low Volatility Fund (SVARX). It illustrates weekly performance since it began nearly three years ago, comparing its correlation to the S&P 500 Stock Index. Each point represents one week’s performance of both SVARX and the S&P. See two noteworthy examples: On two occasions when the S&P Index was down 6% and 5.8% for the week, the SVARX fund was down only 0.1% and 0.0% the same week (see #1 on chart). On the other hand, when the S&P 500 Stock Index was up 2.7%, Spectrum Low Volatility was also up 2.7% (see #2

on chart). Strategies within the fund are designed to capture upside and minimize downside volatility. This scatter plot illustrates the non-correlation to the stock market, and should encourage more risk adverse investors.

Spectrum Low Volatility Fund (SVARX)

Since inception: 12/27/13 - 9/30/2016



PERSONAL PERSPECTIVE by Ralph Doudera

Because I brought my reading material with me, yesterday’s lunch was a bit longer than usual. For some reason I found I had no car magazines to keep me up to date on the latest, fastest, and most expensive idols. But, what I did have was almost as interesting... the annual Forbes Magazine with details of the 400 richest people in America; who got in and who dropped out. The price tag for entry this year is \$1.7 Billion. I have always been fascinated by details on how they made it and how they lost it.

It has been quite a few years since I made the decision that I didn’t want to be part of this group. Wealth brings on its own set of problems. I had a wealth addiction that I needed to deal with. I have determined that true wealth is measured by how much is given away. Instead of setting accumulation goals, I set a lifetime distribution goal. The success of any philanthropist lies not in how much is given away, but in the ratio of what he has given to what he has kept. There is a saying that when we are all done playing Monopoly, it all goes back into the box. Mother Teresa said it this way, “Everything that is not given is lost.”

I found it interesting to observe that on the bottom of the very last page of this same Forbes issue, there is also a

quote: “I tell you, use worldly wealth to gain friends for yourselves so that when it is gone, you will be welcomed into eternal dwellings” Luke 15:9. The Bible refers to this final day of Judgement when God rewards us for our obedience to Him. The things we did for the wrong reasons will be burned up, and only what we did that He wanted us to do will remain. On that day there will be another list of 400 wealthiest, and it will not be based on money at all, but on what we did with our lives to serve Him and expand His Kingdom. As a Christian, I need to recognize that I am not a member of a political party, but a citizen of God’s Kingdom. The Lord’s Prayer says it this way: “Thy Kingdom come, Thy will be done, in Earth as it is in Heaven”.

The journey is challenging and continuous. My struggle with wealth continues, asking questions like “how much is enough?” and “who should I help along the way?” and “what advice would I have wanted when I was younger?” These topics are discussed in my book, **Wealth Conundrum**, which addresses wealth and its issues in our daily lives. Anyone who would like more insight on money issues can call our office and we will send you a complimentary copy of this book.

What’s in your wallet?

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

Spectrum Financial, Inc. is a Registered Investment Advisor. The Full Spectrum is published quarterly for its investors and account executives. This publication is not intended to offer or solicit investment advice, nor should anyone act upon any suggestions made herein, without individual counseling from your account executive regarding risks involved. There is no guarantee that the recommendations of management will prove to be as profitable in the future, as they have in the past. The information presented in this issue has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. A copy of Spectrum’s current written disclosure statement discussing advisory services and fees is available upon request. *All rights reserved, please notify when quoting.*

