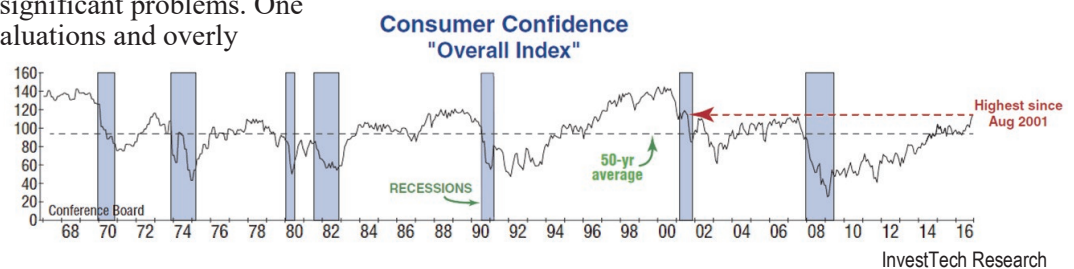


GENERAL MARKET COMMENTARY

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.

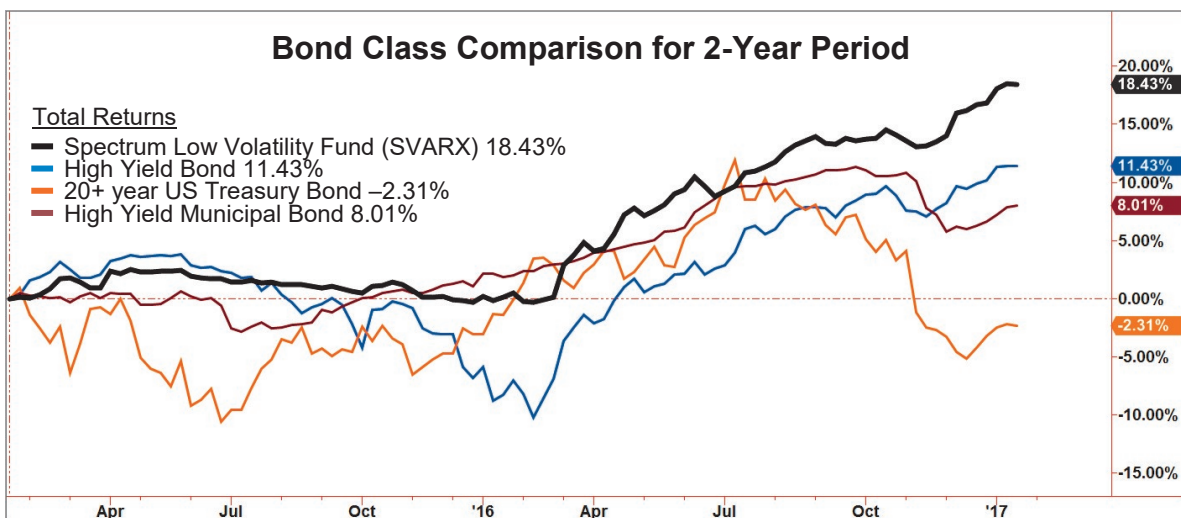
High yield bonds have credit risk, which may drop in value if the economy should weaken.

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.



PERFORMANCE COMPARISON

The market started 2016 with a big sell-off and a high probability of recession. It ended the year with a big finish from the expectation that a new government, who had a better understanding of business, would get the economy prospering once more. In spite of the unpopularity of the new President, the market usually sees through political opinions and discounts the economic future with a lead-time of six to nine months. The Average US Stock Fund was up an average of 4.05% for the final quarter and 10.56% for the year 2016.

Spectrum's High Yield Bond Strategy gained an average of 0.61% for the last quarter and had a gain of 9.56% for the year 2016. This is a healthy gain for the period when US government bonds of all durations had a total return of less than 1% for the entire year. Spectrum's shorter-term trading strategy used in the Dynamic High Yield Bond Strategy was not so "dynamic" with a quarterly loss of 2.86%, but a 12-month return of 4.48%. This strategy is more short-term oriented, and quite different from our intermediate-term strategies, but has the advantage of having non-correlated returns for diversification. The Leveraged High Yield Bond Strategy had a quarterly gain of 1.5% with an annual return of 11.36%. These returns illustrate how our low risk trading strategies can make money even in a rising interest rate environment.

Spectrum's Core Focus Strategy was up 5.65% for the year and up 0.67% for the quarter.

Spectrum sub-advised Low Volatility Mutual Fund (SVARX) was up 2.79% for the quarter and gained 16.45% for the year in 2016. SVARX was rated by Morningstar against the following numbers of U.S.-domiciled Non-Traditional Bond funds over the following time periods: 236 funds in the last three years and 157 funds in the last five years and 43 funds in the last 10 years. With respect to these Non-Traditional Bond funds, SVARX received a 5 star rating overall and 5 stars for 3 years.

Spectrum's Advisors Preferred fund (SAPEX) had a gain of 2.12% for the quarter, and a total return of 8.54% for 2016. This is primarily a risk-adjusted stock fund that selects from other managers who are some of the best stock pickers that we monitor.

Hundredfold Select Alternative Fund (SFHYX) had a gain of 1.8% for the quarter and a yearly profit of 8.98% for 2016. SFHYX was rated by Morningstar against the following numbers of U.S.-domiciled Tactical Allocation funds over the following time periods: 251 funds in the last three years and 169 funds in the last five years and 67 funds in the last 10 years. With respect to these Tactical Allocation funds, SFHYX received a 5 star rating over all, 4 stars for 3 years, 4 stars for 5 years and 5 stars for 10 years.

Please refer to the detailed disclosures on page 3 for more details on these three funds.

Spectrum Strategy Summary 2016 Fourth Quarter Total Return

SecurityMaxx Strategies ²	QTR	12 MO	24 MO	36 MO	48 MO	60 MO
High Yield Bond ¹	0.61%	9.56%	8.41%	7.12%	13.48%	22.94%
High Yield Bond Annuity/UVL ¹	-0.24%	9.11%	6.53%	4.00%	9.34%	16.77%
Dynamic High Yield Bond	-2.86%	4.48%	7.58%	9.54%	16.43%	23.80%
Leveraged High Yield Bond	1.50%	11.36%	11.56%	11.24%	19.84%	35.92%
Core Focus	0.67%	5.65%	2.13%	7.14%	18.70%	35.85%
Long/Short Sector	-2.21%	-1.93%	-5.64%	2.12%	12.71%	N/A
International Sector	-3.70%	1.37%	-8.85%	-12.92%	-8.24%	2.82%
AssetMaxx Allocation Funds ³	QTR	12 MO	24 MO	36 MO	48 MO	60 MO
Hundredfold Select Alternative	1.80%	8.97%	8.35%	10.38%	17.79%	29.99%
Spectrum Advisors Preferred Fund	2.12%	8.54%	N/A	N/A	N/A	N/A
Spectrum Low Volatility Fund	2.79%	16.46%	17.72%	20.56%	N/A	N/A

Benchmark Summary⁴ 2016 Fourth Quarter Total Return

Stocks	QTR	12 MO	24 MO	36 MO	48 MO	60 MO
Avg. U.S. Stock Fund	4.05%	10.56%	8.27%	16.36%	53.06%	74.22%
MSCI World ex USA Index	-1.21%	4.98%	-0.36%	-3.70%	11.62%	31.02%
NASDAQ TR Index	1.66%	8.88%	16.45%	33.63%	87.24%	119.91%
S&P 500 TR Index	3.82%	11.96%	13.51%	29.04%	70.85%	98.19%
Bonds	QTR	12 MO	24 MO	36 MO	48 MO	60 MO
Barclays High Yield VL Index	1.62%	16.66%	10.52%	12.85%	20.30%	38.78%
T-Bill (3-month)	0.27%	0.89%	0.94%	1.08%	1.24%	1.49%

¹High Yield Bond includes only non-annuity/life products. High Yield Bond Annuity/UVL includes only annuity/life products. ²Fees 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%. Performance 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. ³AssetMaxx. 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. ⁴Benchmark 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.

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For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating TM 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.

ASSETMAXX—ACTIVELY MANAGED MUTUAL FUNDS (AS OF 12/31/2016)

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

Spectrum Low Volatility Fund - SVARX			Annualized		
As of 12/31/2016	Quarter	YTD	1 Year	3 Year	Since Inception ¹
SVARX	2.79%	16.45%	16.45%	6.43%	6.42%
S&P 500 TR ³	3.82%	11.96%	11.96%	11.96%	10.00%
S&P Lev Loan ⁴	2.19%	10.87%	10.87%	2.88%	2.92%
50/50 Index ⁶	1.91%	13.76%	13.76%	3.50%	3.54%

Portfolio Composition		9/30/2016	12/31/2016
High Yield		49%	78%
HY Credit Default Swaps		30%	-
Floating Rate		54%	117%
Municipal		25%	5%
Government		-	5%
Mortgage-Backed		32%	17%
Bond - Other		-	35%
Preferred		-	-
		189%	256%

¹Inception date: SVARX 12/16/2013.

Expense Ratio: SVARX 3.10%

Spectrum Advisors Preferred Fund - SAPEX			Annualized		
As of 12/31/2016	Quarter	YTD	1 Year	3 Year	Since Inception ¹
SAPEX	2.12%	8.54%	8.54%	n/a	0.04%
S&P 500 TR ³	3.82%	11.96%	11.96%	n/a	6.03%
60/40 NYSE & US AGG Barclays ⁷	1.05%	8.22%	8.22%	n/a	2.21%

Portfolio Composition		9/30/2016	12/31/2016
Preferred Advisors		70%	56%
Tactical Equity - Long		41%	44%
Tactical Equity - Short		-	-
Fixed Income		41%	41%
		151%	140%

¹Inception date: SAPEX 6/1/2015.

Expense Ratio: SAPEX 2.07%.

Hundredfold Select Alternative Fund

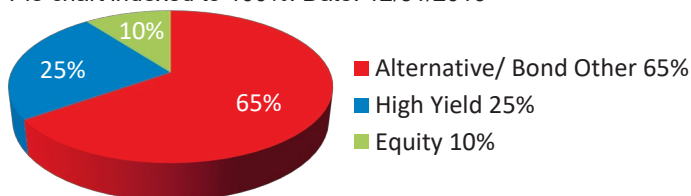
			Annualized				
As of 12/31/2016	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception ²
SFHGX	1.80%	8.98%	8.98%	3.35%	5.38%	5.81%	5.56%
S&P 500 TR ³	3.82%	11.96%	11.96%	8.87%	14.64%	6.94%	8.14%
Barclays Agg Bond Index ⁵	-2.98%	2.65%	2.65%	3.03%	2.23%	4.34%	4.17%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016
SFHGX	-12.29%	30.03%	11.06%	4.01%	10.34%	6.67%	1.87%	-0.54%	8.98%
S&P 500 TR ³	-37.12%	26.27%	14.70%	2.11%	16.00%	32.37%	0.00%	1.38%	11.96%
Barclays Agg Bond Index ⁵	5.24%	5.93%	6.54%	7.84%	4.22%	-2.02%	5.97%	0.55%	2.65%

Hundredfold Select Alternative Fund (SFHGX)			
Portfolio Composition		9/30/2016	12/31/2016
High Yield		74%	44%
Alternative/ Bond Other		76%	119%
Equity		17%	19%
		167%	182%

Pie chart indexed to 100%. Date: 12/31/2016



Investment Model Exposure: 1.82 (1=100%)⁸

³**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.

⁴**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)

⁵**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.

⁶**50/50 "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.

⁷**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.

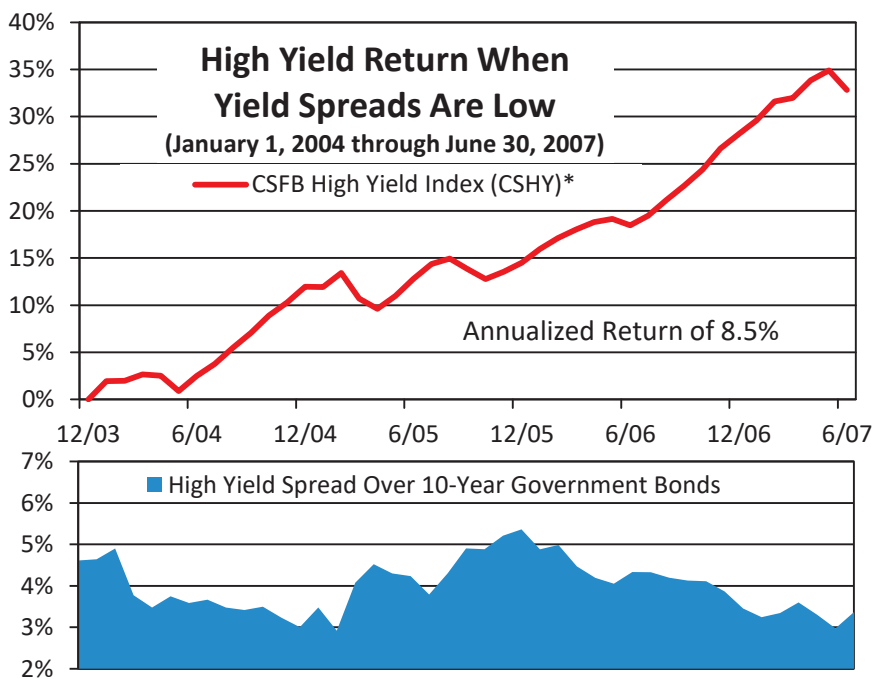
⁸**Investment Model Exposure:** Values greater than 1.0 indicate the use of leverage.

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.

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)

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