



THE FULL SPECTRUM

Spectrum Financial, Inc.

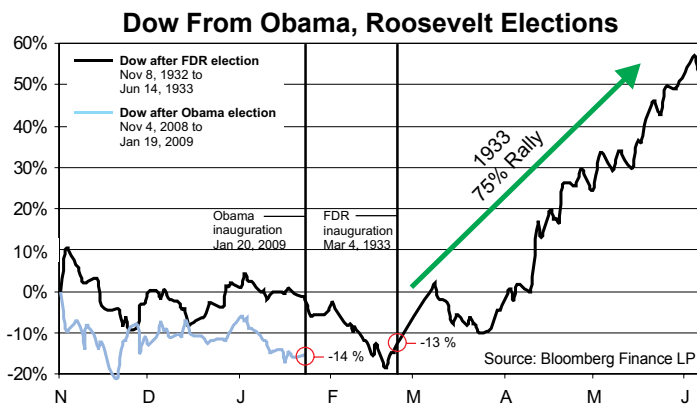
October 2009

GENERAL MARKET COMMENTARY

In the past year, the stock market has once again proved that herd mentality is alive and well with the market moving in both directions with volatility not seen in decades.

From August of 2008 to the March 2009 lows, the S&P 500 Stock Index dropped 47%. Since then it has rallied 63% — an amazing recovery. However, a 47% decline requires a gain of nearly 90% to get back to “even”, thanks to the magic of compound interest in reverse. Everyone is asking “Now what?”

In our January 09 Newsletter we wrote an article about the Great Depression and stock market similarities with the Roosevelt and Obama elections, and noted that after Roosevelt was elected in 1933, the market took off and the Dow Industrials rallied 75%. I remember everyone laughing at the premise that this could even be a possibility. We have reprinted the chart to show the similarities.

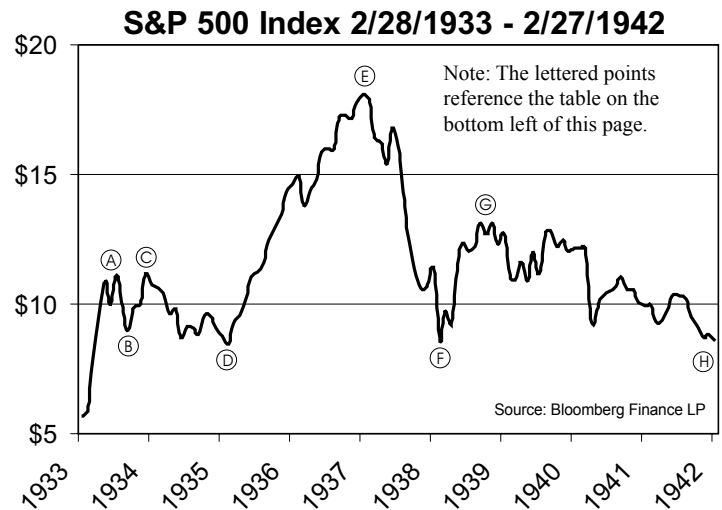


We are certainly not predicting the future here, but it would be interesting for investors who may not be familiar with stock market history to show what happened after that 75% Roosevelt rally.

S&P 500 Index

Chart Point	Date	Gain/Loss
	1932	+100% in 2 months
	1932-3	-34% in 8 months
A	1933	+96% in 4 months (Roosevelt Rally)
B	1933	-20% in 4 months
C	1934	+25% in 3 months
D	1935	-25% in 6 months
E	1935-7	+114% in 23 months
F	1937-8	-53% in 13 months
G	1938	+55% in 7 months
H	1939-42	-42% in 40 months

We could call it a roller coaster chart pattern. Of course, that is not an official chart pattern term, but look at the S&P 500 Index table at the bottom left to see what happened. The chart below further illustrates the decade following the Great Depression.



What can we observe from this historical chart?

1. The stock market was amazingly volatile for the entire decade following the depression.
2. The market did nothing for two years following the Roosevelt Rally, and did nothing for the entire decade for buy and hold investors.

How should we invest if history repeats itself?

1. Buy and hold investors will be discouraged and may reduce their exposures to equities at the wrong time.
2. Active asset allocation may become more and more the foundation for investors' serious investment funds, since there may be significant tradable rallies.
3. Corporate bonds may continue to be a safe haven producing steady non-volatile returns.
4. International equity exposure may benefit from a weak dollar and higher growth rates outside of the US.

Once again, we need to emphasize that history does not repeat itself in the same way, but it does tend to rhyme. Investors should manage risk by diversification and by remaining committed to adaptive allocation strategies utilized by Spectrum.

We believe that the large profit gains that we have seen lately may be limited going forward and a more conservative stance may be recommended over the near term.



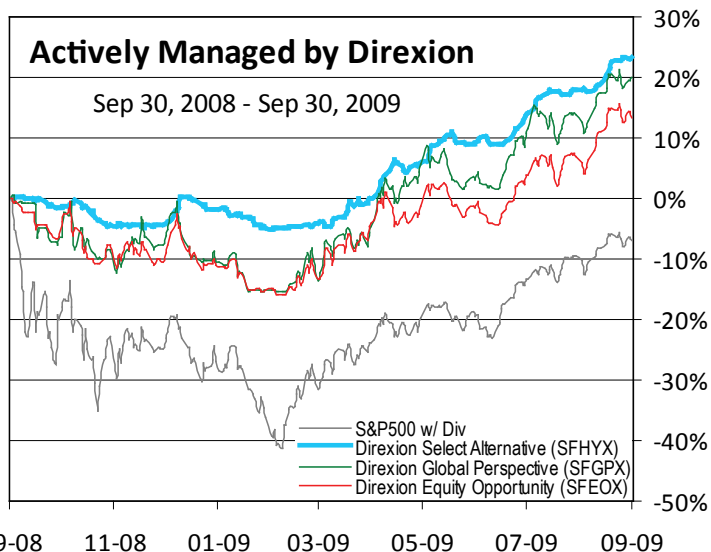
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DIREXION ACTIVELY MANAGED FUNDS

The table below of the three AssetMaxx allocation funds, sub-advised by Hundredfold Advisors (Ralph Doudera), illustrates how risk management plays a crucial role in investment strategy. These funds use adaptive allocation strategies to adjust portfolio risk due to market environments. All three funds outperformed the S&P 500 Index from 20 to 30% over the past year, as seen in the chart to the right. More information on the design of the Select Alternative Fund can be seen below and on page 4.

Performance Table 9-30-08 through 9-30-09	12-Month Return	12-Mo Drawdown (Loss)	Added Value Performance
S&P 500 Index	-6.9%	41.0%	----
Direxion Select Alternative	23.2%	5.0%	30.1%
Direxion Global Perspective	19.4%	16.0%	26.3%
Direxion Equity Opportunity	13.3%	16.0%	20.2%

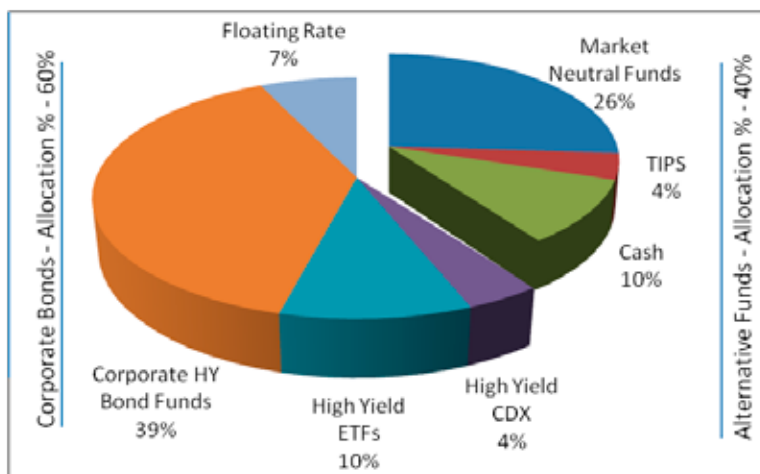
Source: Bloomberg Finance LP



Return numbers assume reinvestment of dividends and were obtained from Bloomberg. The prospectus should be referenced for risks associated with those funds as well as costs, fund objective, and investment options. A prospectus can be obtained through Spectrum Financial: info@InvestSpectrum.com. Past performance does not guarantee future results.

DIREXION SELECT ALTERNATIVE FUND

The Direxion Select Alternative Fund (SFHYX) invests in a diversified portfolio of open-end mutual funds, exchange traded funds (ETFs), and baskets of selected domestic and international stocks. SFHYX is actively managed and continuously seeks out investments that have both low volatility and low correlation with the stock market. It is suitable for investors who would like to have potential returns in excess of money markets, yet be less subject to stock market volatility. Currently the portfolio is structured with a 60% allocation to corporate bond products and a 40% allocation to alternative market-neutral investments. A recent sample of the portfolio's positions and allocations are illustrated in the pie chart. The percentages are indexed to show relative allocation.



An investor should consider the investment objectives, risks, charges, and expenses of the Direxionfunds carefully before investing. The prospectus contains this and other information about the Direxionfunds. To obtain a prospectus please call the Direxionfunds at 800-851-0511 or Spectrum Financial at 888-463-7600. The prospectus should be read carefully before investing.

Because of its low volatility, it may utilize leverage from time to time with a current target of 130% and still retain its conservative character. During favorable market conditions, the portfolio may be leveraged up to this target.

The 40% market-neutral fund allocation in this example (expanded pieces) has five funds in the portfolio. These funds add non-correlated performance to the fund and are monitored and replaced as circumstances change and new opportunities present themselves.

The blue line in the chart on the bottom of page 2 illustrates SFHYX for the past year, showing both low volatility and outstanding performance. This fund is recommended for conservative investors who are also interested in steady growth. Morningstar has given Direxion Select Alternative Fund their highest "5 Star" rating.

PERSONAL PERSPECTIVE by Ralph Doudera

Everyone I know has been affected by the current economic slowdown. I have also had to make changes in my lifestyle. And it has been painful, yet good for me.

About five years ago I designed and implemented three mutual funds at Direxion Funds, and agreed to donate services so that all advisory fees were payable to a Charitable Foundation with the express purpose of distributing them annually to various organizations. I never expected this decision to affect my standard of living, but as a result it has caused me to make some changes in my lifestyle. I was feeling a bit of remorse for my decision this year, as my past contributions have always been done out of my excess. This year has been a sacrifice.

We had our annual Foundation board meeting “on location” last month, to see firsthand what was being done with our donated services. We began in Ethiopia and visited the Cure Children’s hospital where we helped fund surgeries for club foot children. We also “scrubbed up” for experiencing an operation for a cleft palate, changing forever the life of a young boy. I was encouraged to see we were making a difference.

In Zanzibar, we funded the construction of an orphanage and church with International Cooperating

Ministries. The island of Zanzibar was famous worldwide for being East Africa’s main slave-trading port, with as many as 50,000 slaves passing through the slave markets each year. One pastor here told us his story of being a witch doctor who had sacrificed his son to gain spiritual powers until he heard the Gospel preached, and was born again. He is serving now as a pastor at one of ICM churches and has dedicated his life to preaching in Zanzibar. We are making a difference.

Rwanda was next—a country torn apart by genocide just 15 years ago when a million people were slaughtered. Healing is taking place here but poverty remains a problem with $\frac{3}{4}$ of the people living below the poverty line of \$1.25 per day. Opportunity International makes microloans and has established a bank there. Many young entrepreneurs prosper now that they have investment capital. We are making a difference.

I wasn’t feeling sorry for myself anymore. I am glad that giving this year requires sacrifice. It amazes me how much we have in America and yet how easy it is for me to see my glass half empty. I want to be more grateful. Maybe a recession offers us a good reason to reflect and evaluate what is really important.

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

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