

July 2014

GENERAL MARKET COMMENTARY

The stock market has been taking all the geo-political news events in stride (Israel, Ukraine) and seems to be unfazed by all the activity. The US market earnings are up 7.6% year-over-year for the S&P 500 companies that have reported so far, but the S&P itself is up over twice that. This rate is unsustainable unless we begin to see even stronger earnings ahead, which is a possibility given the favorable economic data. Two of the biggest factors driving the market are share buy-backs and mergers & acquisitions. These are enabled by the ability to borrow cheaply, which appears to show no sign of ending until the Federal Reserve raises rates... unlikely until next year.

Another sign that the economic recovery is on track comes from the Conference Board's Leading Economic Index (LEI), which you can see in the chart below. A higher move in May shows the LEI well above its 18-month moving average. This uptrend is mostly due to the

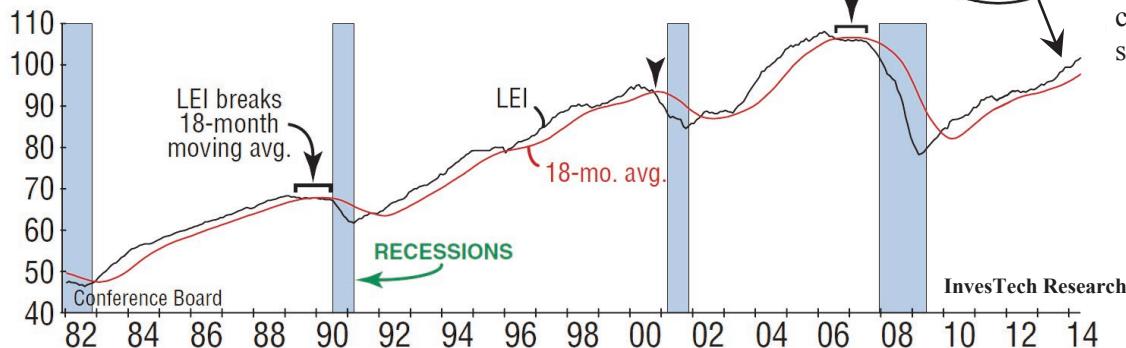
improving job market, improved credit conditions, and lower interest rates.

Even with the absence of bearish warning flags, historical odds favor continued gains heading into the second half of this election year. However, this bull market is into its sixth year; caution is warranted. When it ends, there may be very unhappy investors who are caught by surprise.

On July 16, the DJI and the Nasdaq 100 Indices made new record highs. At market tops, there are always strong divergences between the indices, which are warning signals. The S&P 500 Index, Mid Cap Index, Russell Small Cap Index, and New York Composite Index failed to make new highs. High yield bonds also topped out several weeks before that. These divergences indicate money flowing out of more risky areas and into safer, less risky, areas. Currently, sentiment numbers from *Investors Intelligence* are also very bullish, which is a negative. According to Jason Geopfert's *Sentiment Trader* report, "the spread

between Smart Money and Dumb Money has reached one of the most negative levels of this bull market, raising the risk". We urge caution whenever market sentiment remains euphoric.

U.S. Leading Economic Index (LEI)

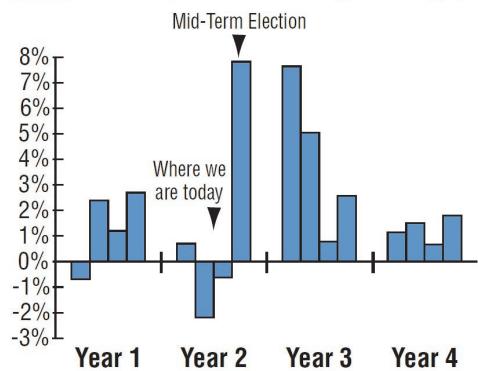


MID-TERM ELECTION YEAR UPDATE

Normally, the second quarter of the second year of an election year is the weakest of the entire 4-year presidential cycle, but the last quarter has not proven that to be the case this year with a quarterly S&P 500 stock gain of 5%. Also the "sell in May and go away" theory has defied investors so far this year. While the third quarter has historically shown modest losses, the fourth quarter of the year has been quite profitable, as well as the first quarter of the following year. Currently we are halfway through "Year 2" of the presidential cycle, which is marked with an arrow in the chart. This indicates the probability of more gains to come after a summer pause.

Presidential Election Cycle Gains*

Size of Qtrly Gain/Loss (Average)



SPECTRUM LOW VOLATILITY FUND (SVARX)

The investment objective of Spectrum Low Volatility Fund is total return with lower downside volatility and risk compared to major stock market indices. Spectrum has an extended history of applying a similar strategy to separately managed accounts for the past 17 years with significant success. (see page 12-15 of the SVARX prospectus).

The Fund invests in a diversified portfolio of primarily income-producing fixed income securities. It does not select individual bonds or securities, but instead invests in open-end investment companies and exchange-traded funds focusing on higher yielding fixed and floating rate securities. The Fund does not employ a “buy and hold” approach but instead employs disciplined tactical strategies that seek to limit volatility and risk.

Spectrum uses multiple diversified, uncorrelated trading strategies to manage risk and deliver returns that may include:

- Technical analysis of different categories of fixed income markets to determine selection and exposure based on market conditions, price action, momentum and sentiment
- Active allocation strategies of corporate bonds that determine credit quality, duration, or cash alternatives when credit spreads are widening
- Defensive positions of cash or cash equivalents
- Hedging portfolios against interest rate and stock market risk
- Leveraging used to enhance exposure through the use of credit swaps when conditions are favorable

There are several reasons an investor would be interested in investing in the fund, which include but are not limited to: attractive returns, historically low correlation to the overall stock market, consistency of returns, active management, stabilizing affect to overall portfolio, low volatility, and liquidity.

Asset Allocation Model 6/30/14*



Risks associated with Spectrum Low Volatility Fund include bond risk, derivatives risk, emerging markets risk, foreign investment risk, junk bond risk, mutual fund/exchange traded fund risk, short position risk, management risk, market risk, high turnover risk, small and medium capitalization risk, leverage risk and limited history of operations risk. For more information regarding the risks associated with the Spectrum Low Volatility Fund, please see the prospectus.

The performance data quoted represents past performance. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Please call 888-463-7600 for monthly performance updates.

An investor should consider the investment objectives, risks, charges, and expenses of the Spectrum Low Volatility Fund carefully before investing. The prospectus contains this and other information about the Spectrum Low Volatility Fund. To obtain a prospectus please call Ceros Financial Services 866-842-4860. The prospectus should be read carefully before investing. Date of first use: July 25, 2014.

Advisors Preferred, LLC serves as Advisor to the Spectrum Low Volatility Fund distributed by Ceros Financial Services Inc. (Member FINRA). Advisors Preferred is a wholly owned subsidiary of CEROS. Ceros Financial Services has no affiliation with Spectrum Financial, Inc.

*Inception Date: December 16, 2013. Performance reflects reinvestment of dividends and capital gains. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

**Barclays Aggregate Bond Index provides a measure of the performance of the US dollar denominated investment grade bond market, which includes investment grade government bonds, investment grade corporate bonds, mortgage pass through securities, commercial mortgage-backed securities, and asset backed securities that are publicly for sale in the US.

***S&P 500 Index is a capitalization weighted index of 500 stocks representing all major domestic industry groups. It is not possible to directly invest in any index.

	Spectrum	**Barclays Bond Index	***S&P 500 Index
Month	1.0%	0.1%	2.1%
Quarter	2.5%	2.0%	5.2%
YTD	3.5%	3.9%	7.1%
Since Inception	3.7%	3.7%	10.9%

POWER OF COMPOUND INTEREST

Albert Einstein once said that compound interest is the greatest mathematical discovery of all time, not

$E = mc^2$. It is a secret to wealth that very few people understand, but what is so amazing about it is that anyone can become rich by understanding it. However, to have compounding work for you, you need time.

Here is an example that every high school graduate should study before he purchases his first car:

Assume that investor B opens an IRA account at age 19, and invests \$2000 into it each year for only seven years, making no more contribution. A second investor A begins his \$2000 annual contribution at age 26, and continues funding it every year until he is age 65 (40 years). Assuming a 10% annual rate of return (close to historical stock market returns), which investor will have a higher net earnings in his retirement plan at age 65? The following chart may surprise you:

One other very important factor in this equation is to avoid any large losses by taking high risks. A 50% loss will require a 100% gain just to get back to "even". So diversify and be a patient "steady plodder" investor and eventually you will be financially independent.

Reprinted from Spectrum's April 2006 newsletter

PERSONAL PERSPECTIVE by Ralph Doudera

This morning I woke up on the proverbial wrong side of the bed focusing on some things over which I have no control, as well as situations where my advice is not even welcome. And even worse, situations where my advice may be requested and then rejected. I decided quickly to take immediate steps to neutralize my "stinkin' thinkin'". So I wrote down a list of five things for which I am grateful today.

In his book **Unchain Your Brain**, Dr. Daniel Amen writes about dealing with issues of pain and depression, the main cause of addictions. He is a genius when it comes to the mind and breaking addictions and runs a clinic to address the various causes of addiction. This book covers every addiction imaginable from alcohol to porn and everything in between. We all have them but may not even be aware. I admit sugar is high on my list of emotional pain killers. Maybe cheddar cheese popcorn also. But his starting solution to emotional pain management is not drugs, but the development of a grateful spirit. He recommends writing down five things every day for which I am grateful. This is

Age	Investor A		Investor B	
	Contrib	Yr-End Value	Contrib	Yr-End Value
19	0	0	2,000	2,200
20	0	0	2,000	4,620
21	0	0	2,000	7,282
22	0	0	2,000	10,210
23	0	0	2,000	13,431
24	0	0	2,000	16,974
25	0	0	2,000	20,872
26	2,000	2,200	0	22,959
27	2,000	4,620	0	25,255
28	2,000	7,282	0	27,780
29	2,000	10,210	0	30,558
.
61	2,000	658,079	0	645,203
62	2,000	726,087	0	709,723
63	2,000	800,896	0	780,695
64	2,000	883,185	0	858,765
65	2,000	973,704	0	944,641
Less Total Invested:		(80,000)	(14,000)	
Equals Net Earnings:		\$ 893,704	\$ 930,641	
Money Grew:		11-fold	66-fold	

not an easy task at first, as my focus is always seems to be whatever injustice there may be in my life today.

My mom and dad kept an embroidered frame in their bedroom stating "*True happiness is found in making others happy*". Maybe I need to focus on someone else today. And the Bible instructs me to "do EVERYTHING without complaining or arguing so no one can speak a word of blame against you" (Phil.2:14-15a). And also "in EVERYTHING give thanks for this is God's will for you"(1 Thes. 5:18a).

I believe my human sinful nature will always try to take me down the slippery slope of feeling sorry for myself unless I take action steps to counterattack. My first line of defense is to read my Bible often and have my mind renewed with the thoughts of God. And hang with people who can encourage and always see the glass half full, not half empty. Check my mouth to be certain that only positive things come out of it, since my ears hear whatever it is that I am saying and tend to believe it. Pray about whatever is bothering me and leave the problem with God to solve. Listen to what He is trying to tell me and stop trying to control the world. It sounds simple when I write it down. I can do this.

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

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