

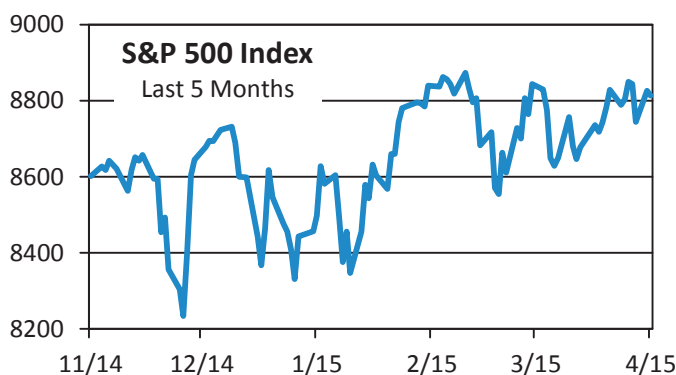
## GENERAL MARKET COMMENTARY

Although the market rallied in early April, the market has not gone anywhere this year. The chart of the S&P 500 illustrates this, as it rallied up to the highs of the past five months. A break above the high should be an indication that the bull market has a bit more time to run, although a case can be made for this being a topping pattern.

Earnings are expected to be weaker than in the past, but future guidance is more important than current results. If US companies can make the case that the economy and earnings will improve during the remainder of the year, stocks may

break out to new highs. If investors become disappointed, then the market could be in for a nasty correction.

The dollar continues to strengthen while the 30-year bond yield continues to fall. As soon as the Federal Reserve thinks that the economy is strong enough and inflation returns, it will begin raising interest rates (likely in the third quarter of this year), and the 30-year bond yield will begin to go higher also. The beginning of the end of free and easy money could cause major financial disruptions as position unwinding of leverage works its way out of the system. We remain unconvinced that it will be a happy ending.



## RISING INTEREST RATE RISK

Spectrum continues to get many questions about investing in bonds in a rising interest rate environment.

The study below shows an updated chart illustrating every period of rising government bond rates for four or more quarters since 1982. These results show that while government bonds can have losses due to interest rate risk, high yield bonds can have gains.

The primary reason for this is that interest rates generally increase when economic indicators are improving, causing government bond prices to go down.

However, an improving economy reduces the risk of owning high yield bonds because they should strengthen as their credit rating improves. High yield bonds act more like stocks than bonds in a favorable economic environment. This is consistent with the Federal Reserve's commitment to keep rates low until the economy is stronger. We believe high yield bonds should have more room to continue to be profitable in any

case. An impending recession would provide reason to reduce high yield bond exposure due to the fact that risk of default is high. By moving to a cash position when a recession becomes likely, we will be in a position to reinvest the funds and take advantage of a purchase at much lower prices. Currently high yield bonds offer a yield of 4.3% more than government bonds.

Period Ending	# of Quarters with Rising Interest Rates	Annualized Return (Including dividends) CSFB High Yield Index (CSHY)*	Annualized Return (Including dividends) 30-Year Government Bonds (GT30)*
Jun-84	7	2.4%	1.8%
Sep-87	5	5.2%	-7.0%
Dec-94	5	2.7%	-6.5%
Mar-97	5	11.1%	-3.0%
Dec-99	5	4.9%	-20.7%
Jun-04	7	20.6%	0.8%
Jun-06	4	5.0%	-5.7%
Mar-10	5	46.6%	-9.1%
Jun-13	4	9.2%	-5.3%

The CSFB High Yield Index (CSHY) is designed to mirror the investible universe of the \$US-denominated high yield debt market.  
\*Data obtained from Bloomberg.

## 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 18 years with significant success. (see page 12-15 of the SVARX prospectus)

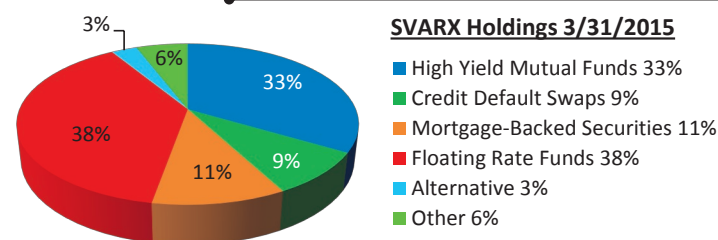
The Fund invests in a diversified portfolio of primarily income-producing fixed income securities. It does not select individual bonds or securities, but instead invests in open-end investment companies and exchange-traded funds focusing on higher yielding fixed and floating rate securities. The Fund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

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; credit quality, duration, or cash alternatives when credit spreads are widening; and hedging against interest rate and stock market risk.

Leveraging may be used to enhance exposure through the use of credit swaps when conditions are favorable. The use of this leverage from time to time allows the manager the opportunity to capture significant gains when the markets are trending, yet remain defensive when they are not.

Of course, there is no guarantee that any investment will achieve its objectives, generate profits, or avoid losses. The prior track record and experience of the manager is an important consideration. However, due to today’s risk of a global financial event, the most important consideration is liquidity.



	Spectrum Low Volatility	**Barclays Bond Index	***S&P 500 Index
Month	-0.4%	0.5%	-1.6%
Quarter	2.1%	1.6%	1.0%
YTD	2.1%	1.6%	1.0%
1 Year	3.5%	5.7%	12.7%
Since Inception*	4.8%	7.5%	18.8%
Expense Ratio	2.65%		

\*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.

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.

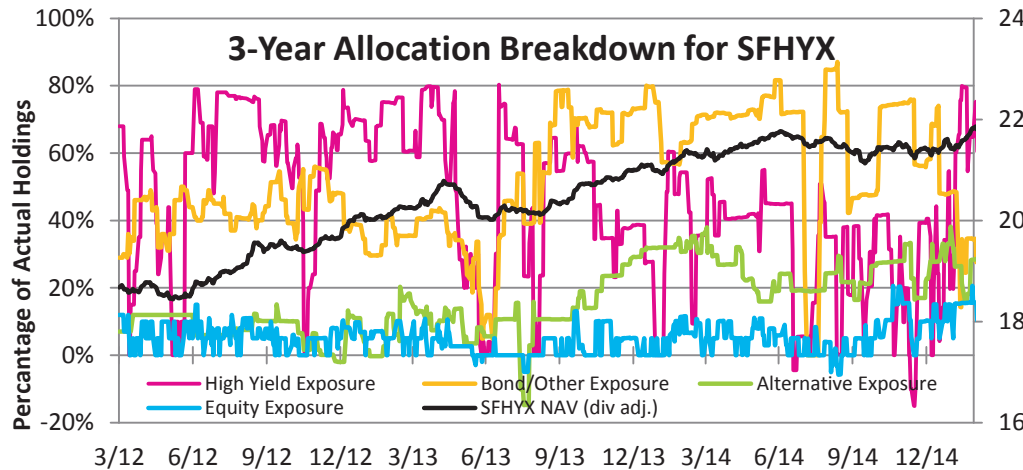
The performance data quoted represents past performance. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance quoted. Please 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. Advisors Preferred, LLC serves as advisor to the Spectrum Low Volatility Fund and Spectrum Financial, Inc. is the subadvisor. Advisors Preferred is a wholly owned subsidiary of CEROS. Ceros Financial Services has no affiliation with Spectrum Financial, Inc.***

## HUNDREDFOLD SELECT ALTERNATIVE FUND, THE ALL-SEASON INVESTMENT

Many investors may not feel confident of the changing market conditions that put them at risk, or may delay taking advantage of opportunities that present themselves from time to time. Investing serious money into the stock market can subject investors to life-altering financial plans, if the market has another 50% decline, which it had on two occasions since 2000. The Select Alternative Fund (SFHYX) was created to utilize alternative investments that are not directly tied to the stock market, yet still provide

comparable returns. Active management is the key to its success. By monitoring various sectors of the markets, the percentage allocation smoothly transitions from one asset class to another to catch trends and avoid significant losses. By having minimal stock market exposure in the fund and by monitoring and replacing underperforming assets with performing groups, the fund has continued to move up with low volatility. This chart illustrates just how actively the fund is managed in the various investment categories.



Risks associated with Hundredfold Select Alternative 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 Hundredfold Select Alternative Fund, please see the prospectus. The performance data quoted represents past performance and does not guarantee future results. 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 Hundredfold Select Alternative Fund carefully before investing. The prospectus contains this and other information about the Hundredfold Select Alternative Fund. To obtain a prospectus please call Ceros Financial Services 866-842-4860. The prospectus should be read carefully before investing. Advisors Preferred, LLC serves as Advisor and Hundredfold Advisors, LLC, serves as subadvisor to the Hundredfold Select Alternative Fund. Ceros Financial Services has no affiliation with Hundredfold Advisors, LLC.**

### PERSONAL PERSPECTIVE by Ralph Doudera

How can we win a war against a fanatical, suicidal enemy who believes their "god" instructs true believers to mass murder infidels? There can be no such thing as "winning a war". Only peace can be won. Jesus said "Blessed are the peacemakers: for they shall be called the sons of God". (Matthew 5:9). Terrorism in the name of Islam is fundamentally just an idea. Only a better idea will defeat it.

Frank Laubach, one of the most notable humanitarians of the 20<sup>th</sup> Century said this about Muslims killing Christians: "Their faith calls them to do the will of Allah. Unless I can live to do the will of God as passionately as they do, I have no right to share God's love with them". He knew what God's will was—to love your enemies. To bless those who curse you, do good to those who spitefully use you.

I am not a pacifist. A strong military is essential to keeping world peace. There are times that going to war is the only solution as was demonstrated in World War II. But the weapons of love and prayer should be our first line of defense. Jesus said "love your enemy and pray for those

who persecute you, so that you may be like your Father in heaven" Matthew 5:44-45.

Several years ago I went on a mission's trip to Viet Nam with ICM, an organization who partners building churches around the world. A fellow pilgrim on this mission was a man who had not traveled back to this country since he had dropped bombs on the local Vietnamese people. By sponsoring the construction of a church in the local Viet Nam community he felt that he had made peace with himself and them in the very best possible way.

Would anyone look at my life and be motivated to want to believe what I believe? Do I follow Jesus' teaching to "let your light shine before men that they may see your good works and glorify your Father in heaven?" Matthew 5:16.

Our purpose in life is to glorify God and enjoy Him forever. Just as darkness is extinguished by light, hatred will be extinguished by love, understanding, and forgiveness. If I were on trial for being a follower of Jesus, would there be enough evidence to convict me?

*"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.*

