

GENERAL MARKET COMMENTARY

This bull market has surpassed the decade of the 1950s by becoming the second longest bull market in Wall Street history with an increase of 269% in the S&P 500 Total Return Index since March of 2009. It has been surpassed only by the decade-long bull market of the 1990s, which had an even larger gain of 417%. There are many similarities to the Bull Market tops of 2000 and 2007. The S&P 500 TR Index lost 45% in 2000-2001, and lost 55% in 2007-2009. People forget. It will happen again, so don't get complacent.

Another dangerous development that appears in extended economic recoveries is the creation of excess debt and leverage. The financial system needs a periodic recession to clear the excesses out of the system since investors as well as consumers get carried away in borrowing and spending. The Federal Reserve has been reluctant to normalize interest rates, and we are again seeing excesses in the real estate marketplace. There is also a new debt instrument that has become popular called securities-backed-loans, or SBLs, and are referred to as "shadow margin" because they are not tracked in the margin debt figures. It is similar to a line of credit against your home, but it uses a brokerage account as collateral

instead of a home, and can be used for any purpose except for buying more stock. With no maturity date or payback requirements, these loans could cause a forced major market selloff if the stock market has a major correction.

Leading economic indicators show no sign that the U.S. economy is currently slowing, with the manufacturing sector, service sector, Consumer Comfort Index, and Small Business Optimism Index hitting new highs. While hurricane fears may produce a negative economic outlook for the short term, they lead to strong regional demand through the recovery and reconstruction efforts. Strong market gains have been typical in the markets for 6-12 months following similar situations. Some economists are warning that with the flattening yield curve, which we are beginning to see (short term rates and long term rates becoming the same), there is a possibility of an inverted yield curve on the horizon. Since the Fed's current tightening cycle comes at the late stage of the economic expansion, they may not be able to prevent a recession. The reasons for this are one, pent-up demand is weakening, and two, falling rents and excess capacity in manufacturing is a headwind. Of the previous 14 Fed tightening cycles since 1945, 11 were followed by a recession.

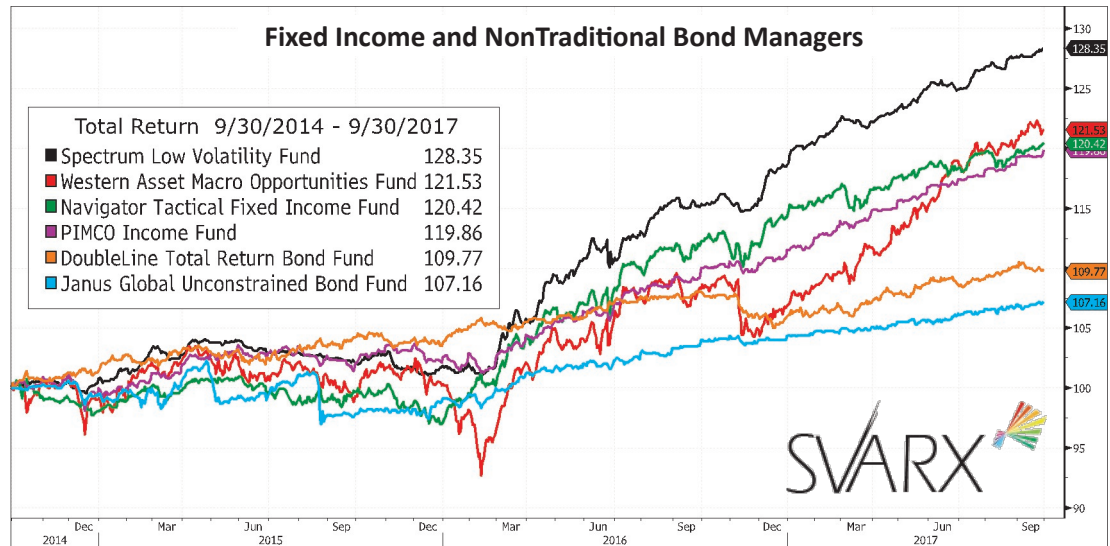
SPECTRUM LOW VOLATILITY FUND (SVARX) MAKES NEWS

With a 3-year return of 28.35% through the end of the third quarter 2017, Spectrum Low Volatility Fund strategies have moved it to the top of its category, ranking #1 out of all 233 bond funds in the Nontraditional Bond

funds tracked by Morningstar. This chart illustrates its performance along with the #2 fund and #3 fund in this category. Also included in the chart performance are the three famous “Bond King” advisors: Pimco’s Daniel Ivascyn, Doubleline’s Jeffrey Gundlach, and Janus’ Bill Gross.

The chart illustrates that not only has it outperformed its peers, the volatility is lower as well. The fund is actively managed by bond sector rotation, closely monitoring the preferable bond class, and moving into more favorable sectors when relative strength improves. Bond classes may include government, high yield, mortgage backed, municipal, floating senior rate, and credit asset backed securities. Leverage may be used from time to time when

low risk opportunities arise to make better returns in any market environment, but the portfolio always remains liquid for when it becomes necessary to move to the safety of a cash position.



The total return data for the funds referenced in the chart were obtained from Bloomberg, LP. Dividends reinvested, sales loads not included. Past performance does not guarantee future results. Fund prospectus should be carefully read to evaluate the Fund’s objective. For Spectrum Low Volatility standardized performance, see page 3.

PERSONAL PERSPECTIVE by Ralph Doudera

This week I discovered a book written over 300 years ago by an obscure French Monk who went by the name of Brother Lawrence. I am certain he would have no clue that I could order it this past Monday on my “one click” app and be reading it on Tuesday. The title is *The Practice of the Presence of God*. I felt it might help me in my struggle to connect in a more consistent way in the busyness of my life, since taking time to hear from God for me normally requires quiet and solitude. But how was he able to have an intimate relationship with God in the midst of his duties working in the kitchen of the monastery? He learned an important lesson through each daily chore: the time spent with God should be the same regardless of our activities. He said God paints Himself in the depths of our soul and we must merely open our hearts to receive Him and His loving presence.

What goes into any good relationship? God wants a personal relationship where I understand His heart and desires and vice versa. Open and honest communication is key. In the Sermon on the Mount, Jesus said “*Blessed are the pure in heart, for they shall see God*” (Matt.5:8). So how do I do that? I need to examine my heart if there is a relationship problem with Him. If there is a problem of unforgiveness or sin in my life I need to stop hiding it and

get it out there on the table. Then we can be intimate again. This actually works in all of our relationships. If I was a marriage therapist, I would have my clients memorize and use often the phrase “*I really messed up and am truly sorry. Would you please forgive me?*” Although He is a Just God, He can and will forgive me by my acknowledging that Jesus Christ gave his life to satisfy the sins we all commit. I can then enter into a right relationship with Him again and then I can hear Him more clearly all throughout my busy day. I have discovered that talking to Him is not as good as listening to Him. Like any good relationship, an equal amount of talking and listening is ideal. But I need to be in a good relationship with Him to hear what He is saying to me.

God is not some abstract impersonal concept. And He is not religious—that was man’s idea. He is a Person who loves me and wants to have a personal relationship with me, to be by my side in all the joys and pain of life—to be both a compassionate listening ear and also an advisor in all the dilemmas of my life. And I really want and need that relationship throughout every day. I have found that God often speaks loudest when I am the quietest.... Silence is anything but passive waiting. It is proactive listening, and expecting a response. Obey the whisper and see what God does. Life becomes less predictable and more interesting.

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

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