



THE FULL SPECTRUM

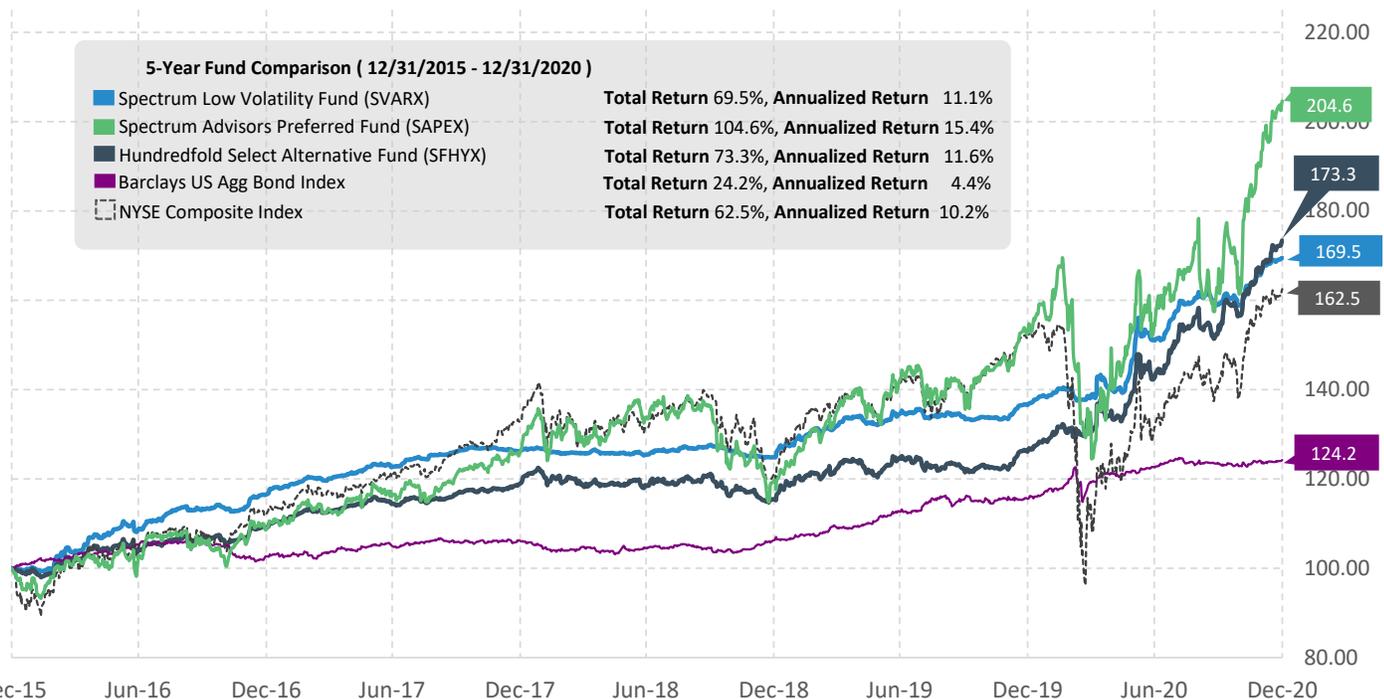
Spectrum Financial, Inc.

January 2021

GENERAL COMMENTARY

Looking back on 2020, most of us may remember it as the worst year of our lives. However, financially it proved to be a year of bipolar personality with the first half extremely volatile, cutting 30% off the S&P 500 in a month, and the last half of the year moving straight up from the lows to all-time highs due to massive liquidity pumped into the financial system. Overall returns were selective and varied all over with the New York Composite up 6.99% while the S&P 500 gained 18.4% and high yield bonds up 5.86%. Gold, bitcoin, hard assets, and commodities all had the best year in recent history. Over the past three decades, all asset classes have done well with annualized returns of the S&P 500 up

10.7%, high yield bonds 6.8%, investment-grade bonds 6.9%, and US treasuries 5.5% on an annual equivalent basis. 2021 should offer a positive year, but there is much less potential for gains now that the markets remain extended for both stocks and bonds. High quality corporate and government bonds have the most to risk since their yield may only go up, which translates into the price of bonds going down. Both stocks and high yield bonds can benefit from better economic times this year if the pandemic can be controlled. However, the current psychology of the stock market is overly confident; not a good place for high returns. Bottom line: investors should lower their expectations for 2021.



RISK REDUCTION BY DIVERSIFICATION

An investment mentor once said: “If you want to send supplies safely down a raging river, use several rafts.” People often ask, “Where should I put my money this year?” My answer is usually the same—“I have no idea.” Every year is different and since our risk tolerance is low, but our return requirement is high, we have developed three uniquely different funds to diversify investment strategies. The accompanying chart above illustrates three funds with different strategies. A stock fund (Spectrum Advisors Preferred SAPEX), a bond fund (Spectrum Low Volatility SVARX), and an alternative fund (Hundredfold Select Alternative SFHYX).

The chart above illustrates the past 5-year performance of each of these funds, which perform differently but have similarities. For visual comparison the chart also illustrates

the New York Stock Composite and the Aggregate Bond Index. The first thing to notice is the lower risk drawdowns for each of the funds during the sharp market sell-off in 2020. The second observation is the outperformance to benchmarks over a 5-year period. By building a portfolio of these funds, an investor may further minimize risk and provide steadier returns, which can help keep him or her on their investment objectives by selecting the funds in proportion to his or her risk tolerance.

When studying the performance chart it is surprising to find all three funds, while different, closely converge over a 5-year time frame. The Spectrum Advisors Preferred Fund is up 104.6%, the Hundredfold Select Alternative Fund is up 73.3%, and the Spectrum Low Volatility Fund is up 69.5%, but each took different routes to get there.

AssetMaxxSM—Actively Managed Mutual Fund Performance Review

The Spectrum Funds

Spectrum Low Volatility Fund - SVARX

As of 12/31/2020	Quarter	YTD	Annualized			
			1 Year	3 Year	5 Year	Since Inception ¹
SVARX	6.53%	24.10%	24.10%	10.34%	11.12%	8.34%
S&P Lev Loan TR ⁵	3.39%	2.84%	2.84%	4.18%	5.31%	3.51%
50/50 Barclays VLI HY/S&P Lev Loan TR Index ⁷	4.68%	4.36%	4.36%	5.06%	6.74%	4.40%
Portfolio Composition			9/30/2020	12/31/2020		
High Yield			14.15%	25.22%		
HY Credit Default Swaps			0.00%	0.00%		
Floating Rate			0.41%	28.38%		
Municipal			0.00%	16.11%		
Government			0.00%	0.00%		
Mortgage-Backed			36.18%	32.59%		
Bond - Other			14.62%	22.51%		
Preferred			12.67%	24.09%		
			78.02%	148.89%		

¹Inception date: 12/16/2013

Expense Ratio: 2.95%

Spectrum Advisors Preferred Fund - SAPEX

As of 12/31/2020	Quarter	YTD	Annualized			
			1 Year	3 Year	5 Year	Since Inception ²
SAPEX	25.31%	34.00%	34.00%	17.74%	15.38%	12.02%
S&P 500 TR ⁴	12.15%	18.40%	18.40%	14.14%	15.20%	13.10%
60/40 NYSE TR & Barclays US AGG TR ⁸	9.25%	7.20%	7.20%	6.28%	7.88%	6.19%
Portfolio Composition			9/30/2020	12/31/2020		
Large Cap Equity			128.16%	77.41%		
Mid Cap Equity			0.00%	0.00%		
Small Cap Equity			10.14%	28.29%		
International Equity			0.00%	0.00%		
Fixed Income			33.88%	49.74%		
			172.18%	155.43%		

²Inception date: 6/1/2015

Expense Ratio: 2.45%

The Hundredfold Select Alternative Fund

Hundredfold Select Alternative Fund

As of 12/31/2020	Quarter	YTD	Annualized					
			1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception ³
SFHXY	13.21%	37.42%	37.42%	13.40%	11.62%	7.95%	7.71%	7.18%
S&P 500 TR ⁴	12.15%	18.40%	18.40%	14.14%	15.20%	13.87%	9.87%	10.02%
Barclays Agg Bond Index ⁶	0.67%	7.51%	7.51%	5.33%	4.43%	3.84%	4.48%	4.34%
Portfolio Composition			9/30/2020	12/31/2020				
High Yield			14.75%	19.67%				
Floating Rate			16.54%	14.24%				
Bond Other			56.86%	67.40%				
Managed Futures (net)			7.47%	0.00%				
Alternative			19.65%	15.38%				
Equity			40.45%	18.41%				
Expense Ratio: SFHXY 2.70%			155.71%	135.10%				

³Inception 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.

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. For performance current to the most recent month end, please call 1-888-572-8868. An investor should carefully consider the investment objectives, risks, charges and expenses prior to investing.

The prospectus and summary prospectus contain this and other information about the Funds and should be read carefully prior to investing. To obtain a prospectus and summary prospectus, please call Gemini Fund Services at 855-582-8006 or access www.thespectrumfunds.com or www.hundredfoldselect.com.

The Funds are distributed by Ceros Financial Services, Inc. (Member FINRA/SIPC). Ceros and Spectrum Financial, Inc./ Hundredfold Advisors are not affiliated entities. Advisors Preferred, LLC, the Funds' advisor is a commonly held affiliate of Ceros. **Date of first use: 1/19/2021**

⁴S&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.

⁵S&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)

⁶Barclays 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.

⁷50/50 "Barclays US High Yield Very Liquid TR 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.

⁸60/40 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.

INVESTOR Q&A

“Exactly one hundred years ago, we experienced the financial gyrations of the Roaring 20’s. Could we see that again?” From January 1921 to January 1932, the Dow Jones Stock Average rose over 400% in 8 years and then dropped back to where it started, ending with an annualized return of only 0.72%. Stocks have historically produced an annualized return of about 9% per year doubling on average about every 8 years, but not without major life altering declines. With the current investment climate anything is possible today.

“The bond market was unusually strong last year. Where should I invest if interest rates begin to rise?” Many categories of bonds perform well in this environment, particularly floating rate senior loan credits, and also high yield bonds. Rising interest rates usually occur as the economy improves. This causes high yield bonds to go up in price as their credit rating improves, in addition to receiving the yield on the bond. Floating rate loans adjust the interest rate higher as rates rise, benefitting from rising rates. Higher quality, longer maturity bonds should be avoided as they should decline in value more than they yield in dividends.

Securitized credit should also provide steady income during this period.

“What will happen if a new strain of Covid develops and there is no vaccine for it and the economy shuts down again?” Due to consumer resistance, it is unlikely that the government will shut down the economy again. However it is likely they may continue to inject more liquidity (debt) into the system to keep things going. This injection of cash will likely cause a high level of inflation, causing hard assets to rise in value as investors flee dollar denominated assets. Beneficiaries would be real estate, precious metals, crypto currency, and commodities. Financial advisors have suggested putting a significant portion of investment dollars into this category. Spectrum’s active management strategies allow us to shift investor’s funds into the proper investments as circumstances change. By monitoring rapidly changing investment options, Spectrum should be able to position investors into investments that benefit from dynamic and volatile market conditions, which we have had this past year. Buy and hold investment strategies are not philosophies we recommend because of their high risk.

PERSONAL PERSPECTIVE by Ralph Doudera

I always get away the first week of every new year to contemplate my previous year and evaluate where I should be headed this year. One of the most difficult years I can remember has been one of my best. As I look at the three major stress producers of my life: health, relationships, and finances, I find myself in a place of peace and attempt to examine why I have been so blessed. With all the political turmoil, market gyrations, and pandemic issues, it seems that this has been one of the most peaceful years of my life. I have made a priority of putting my relationship with God first, not only by giving Him back the first-fruits of my income, but also the first part of each day. I have found that my prayer and meditation time each morning is a necessity for me to make wise decisions in every area of my life-- Investment decisions included. I talk less than I listen, because when I am talking I don’t learn anything. But it is a dialogue. The Bible says that God is a rewarder of those who passionately seek Him. (Heb. 11:6). I don’t do it for the reward, but for the relationship. Peace, joy, and blessings in relationships and finances follow and overtake me. Success is a by-product of my love and relationship with Him. I

don’t look to my business for my resources, nor do I look to government for security, but I look to a God who provides and takes care of me. This song has been playing through my mind day and night for the past two weeks: *Goodness of God* (Jenn Johnson Bethel Music),
I love You, Lord
For Your mercy never fails me
All my days, I've been held in Your hands
From the moment that I wake up
Until I lay my head
Oh, I will sing of the goodness of God
And all my life You have been faithful
And all my life You have been so, so good
With every breath that I am able
Oh, I will sing of the goodness of God
I love Your voice
You have led me through the fire
In the darkest night
You are close like no other
I've known You as a Father
I've known You as a Friend
And I have lived in the goodness of God
'Cause Your goodness is running after
It's running after me
With my life laid down
I'm surrendered now I give You everything
Your goodness is running after, it's running after me

Like everyone, I have also had lots of problems this year. Covid got me. Travel restrictions. Business, church buildings, and restaurants closed. Inconveniences. Family get-togethers cancelled. Employee and family sickness. Masks. But it has forced me to spend even more time looking through my circumstances and experiencing the presence and goodness of God, seeking His presence through it all. Jesus said *“Peace I leave with you; my peace I give to you; I do not give it to you as the world does. Do not let your hearts be troubled and do not be afraid”* (John 14:27). In this time of personal and political turmoil; I need personal peace. I can only control my own opinion and behavior. I choose to focus on having a grateful spirit in all my circumstances and look past the things that don’t go my way. I am learning to say *“Thank you Lord”* when something does not go as planned or the way I want. He has something even better for me. I turn off the news. I focus on tapping into the peace, presence, and goodness of God. And I have seen, over and over, His goodness running after me.

You can listen to the song, *Goodness of God* here: <https://youtu.be/n0FBb6hnwTo>

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

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