

# THE FULL SPECTRUM

Spectrum Financial, Inc.

April 2022

## GENERAL MARKET COMMENTARY

Global equity markets had a volatile start to the year, ending down for the quarter, even after a very positive March rally. For the first quarter of 2022 (as of 3/31/22) the S&P 500 was down 4.60%, the NASDAQ was down 8.95%, and the Russell 2000 was down 7.53%. Additionally, the bond market suffered its worst quarter in over 40 years, with 30-year treasury bonds down 11.41%. So much for safe government bonds.

The themes that drove market performance in the first quarter were the same themes that drove markets toward the end of last year. However, in late February and throughout all of March, Wall Street was impacted by the invasion of Ukraine by Russia and its effect on global markets. Volatility and oil prices spiked this quarter, driven by multiple issues, including geopolitical risks, rising inflation, supply chain issues, and the Federal Reserve's timing and size of rate hikes (we saw a 25 basis point hike in March and 50 is expected in May). The other themes were oscillating consumer confidence, continued red-hot housing prices, high GDP growth numbers, and corporate earnings that came in better than expected.

## HUNDREDFOLD SELECT ALTERNATIVE FUND (SFHYX)— THE ALL-SEASON INVESTMENT

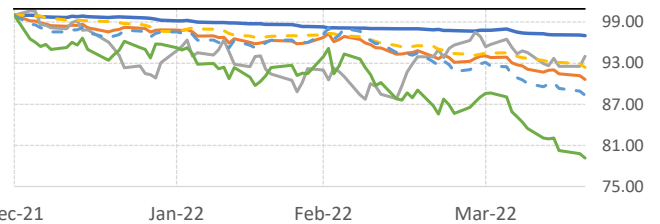
The past two years have been challenging investment periods with volatility and risk presenting themselves in various ways: the economy closing causing stocks to plummet in 2020, the Fed raising interest rates causing the bond market to crash in 2022, and inflation issues presenting challenges as commodity prices soar. The Hundredfold Select Alternative Fund was designed with these issues in mind. This Fund was created to utilize alternative investment strategies where returns are not directly tied to the stock market but historically have produced comparable stock market returns. Active management and diversification are the keys to its success. Formed with philosophy of King Solomon: "A cord of three strands is not quickly broken" (Ecc 4:13), the portfolio is divided into three parts and diversified further within those categories. Currently, stocks are invested from 0% to 40%, using four 10% trading strategies. Bonds are

The only asset class escaping losses were select commodities as inflation pushed almost all of them higher.

This chart illustrates several investment options since the first of the year, and compares it to the Spectrum Low Volatility Fund (SVARX), Spectrum's bond fund (see page 3 for standard performance data).

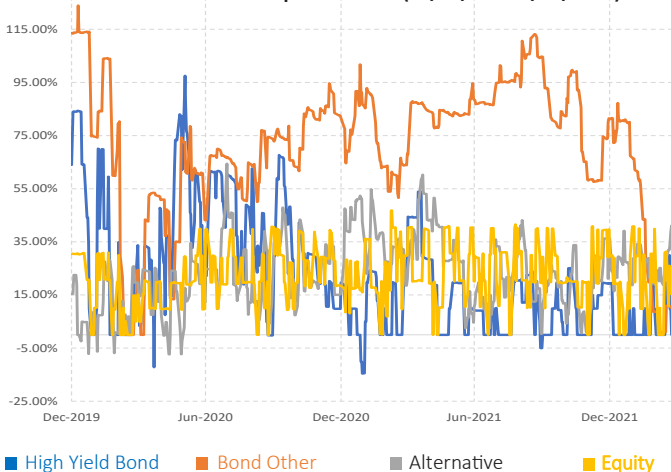
### Year-to-Date Performance Comparison (12/31/2021—4/19/2022)

■ Spectrum Low Volatility Fund (SVARX)	-2.98%
■ S&P Municipal Bond Index <sup>9</sup>	-7.60%
■ S&P 500 TR Index <sup>4</sup>	-5.98%
■ Bloomberg US Aggregate Bond Index <sup>6</sup>	-9.37%
■ Bloomberg US Treasury 10-Year Index <sup>10</sup>	-11.68%
■ Bloomberg US Treasury 30-Year Index <sup>11</sup>	-20.84%



Dec-21 Jan-22 Feb-22 Mar-22

### Hundredfold Exposure Chart (12/31/2019-3/31/2022)

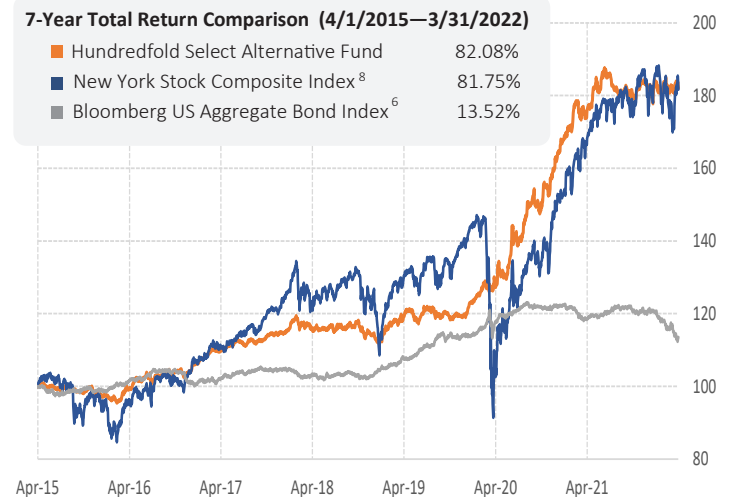


■ High Yield Bond ■ Bond Other ■ Alternative ■ Equity

utilized from 0% to 120+% using ten different bond categories and rotational strategies. Commodities are invested between -50% to +50% using about 10 diverse commodities. These strategies work together to complement each other with the objective of reducing risk and volatility, so the performance should not directly correlate to the stock market. Since the beginning of 2020 SFHYX returned 48.08% through March 31, 2022, compared to 26.13% for the New York Stock Composite (NYSE) Index. The maximum drawdown for that entire period was only -5.35% for the Select Alternative Fund compared to -37.8% for the NYSE. The chart below illustrates the past 7-year performance of SFHYX compared to the New York Stock Composite (NYSE) Index as well as the US Aggregate Bond Index. The chart (bottom left) illustrates how actively the Fund is managed, showing asset class investments during the period taking advantage of market opportunities, while reducing risk at other times. (see page 3 for standard performance data).

### 7-Year Total Return Comparison (4/1/2015—3/31/2022)

■ Hundredfold Select Alternative Fund	82.08%
■ New York Stock Composite Index <sup>8</sup>	81.75%
■ Bloomberg US Aggregate Bond Index <sup>6</sup>	13.52%



Apr-15 Apr-16 Apr-17 Apr-18 Apr-19 Apr-20 Apr-21

# AssetMaxx<sup>SM</sup>—Actively Managed Mutual Fund Performance Review

## The Spectrum Funds

Spectrum Low Volatility Fund - SVARX			Annualized			
As of 3/31/2022	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception <sup>1</sup>
SVARX	-2.17%	-2.17%	0.72%	9.42%	7.52%	7.28%
S&P Lev Loan TR <sup>5</sup>	-0.18%	-0.18%	2.30%	3.81%	3.68%	3.39%
50/50 Bloomberg VLI HY/S&P Lev Loan TR Index <sup>7</sup>	-2.50%	-2.50%	0.60%	3.87%	3.98%	3.90%
Portfolio Composition			12/31/2021	3/31/2022		
High Yield			2.59%	20.03%		
HY Credit Default Swaps			21.62%	9.97%		
Floating Rate			42.28%	31.60%		
Municipal			26.48%	8.03%		
Government			0.00%	0.00%		
Mortgage-Backed			64.36%	0.00%		
Bond - Other			18.52%	4.02%		
Preferred			14.80%	0.00%		
			190.65%	73.65%		

<sup>1</sup>Inception date: 12/16/2013

Expense Ratio: 3.02%

Spectrum Active Advantage - SAPEX			Annualized			
As of 3/31/2022	Quarter	YTD	1 Year	3 Year	5 Year	Since Inception <sup>2</sup>
SAPEX	-17.26%	-17.26%	-5.63%	13.97%	11.86%	9.24%
S&P 500 TR <sup>4</sup>	-4.60%	-4.60%	15.65%	18.87%	15.98%	13.96%
New York Stock Composite Index (NYSE) <sup>8</sup>	-2.31%	-2.31%	9.11%	12.07%	10.34%	8.82%
Portfolio Composition			12/31/2021	3/31/2022		
S&P 500 Index Exposure			24.05%	24.28%		
NASDAQ 100 Index Exposure			24.75%	24.79%		
Russell 2000 Index Exposure			35.71%	24.61%		
Individual Stock Exposure			26.21%	24.53%		
Cash Management			55.31%	49.25%		
			166.03%	147.46%		

Expense Ratio: 1.77%

<sup>2</sup>Inception date: 6/1/2015. The Fund changed from the Spectrum Advisors Preferred Fund on April 14, 2022.

## The Hundredfold Select Alternative Fund

Hundredfold Select Alternative Fund			Annualized					
As of 3/31/2022	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception <sup>3</sup>
SFHXY	-0.28%	-0.28%	3.98%	15.27%	10.61%	7.84%	7.52%	7.11%
S&P 500 TR <sup>4</sup>	-4.60%	-4.60%	15.65%	18.87%	15.98%	14.62%	10.25%	10.56%
Bloomberg Agg Bond Index <sup>6</sup>	-5.93%	-5.93%	-4.15%	1.68%	2.14%	2.24%	3.56%	3.58%
Portfolio Composition			12/31/2021	3/31/2022				
High Yield			19.38%	24.99%				
Floating Rate			37.12%	10.09%				
Bond Other			43.95%	0.03%				
Managed Futures (net)			20.17%	11.81%				
Alternative			16.04%	20.69%				
Equity			29.46%	19.68%				
			166.11%	87.29%				

Expense Ratio: SFHXY 2.66%

<sup>3</sup>Inception 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 Ultimus Fund Solutions, LLC, at 855-582-8006 or access [www.thespectrumfunds.com](http://www.thespectrumfunds.com) or [www.hundredfoldselect.com](http://www.hundredfoldselect.com).

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<sup>4</sup>**S&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.

<sup>5</sup>**S&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.

<sup>6</sup>**Bloomberg U.S. AGG Bond Index:** The Bloomberg 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.

<sup>7</sup>**50/50 "Bloomberg US High Yield Very Liquid TR Index"/ "S&P/LSTA U.S. Leveraged Loan 100 Index":** This benchmark gives 50% weight to the Bloomberg VLI HY Index and 50% weight to the S&P Leveraged Loan Index. *Bloomberg 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.

<sup>8</sup>**New York Stock Composite Index (NYSE):** 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.

<sup>9</sup>**S&P Municipal Bond Index** is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market.

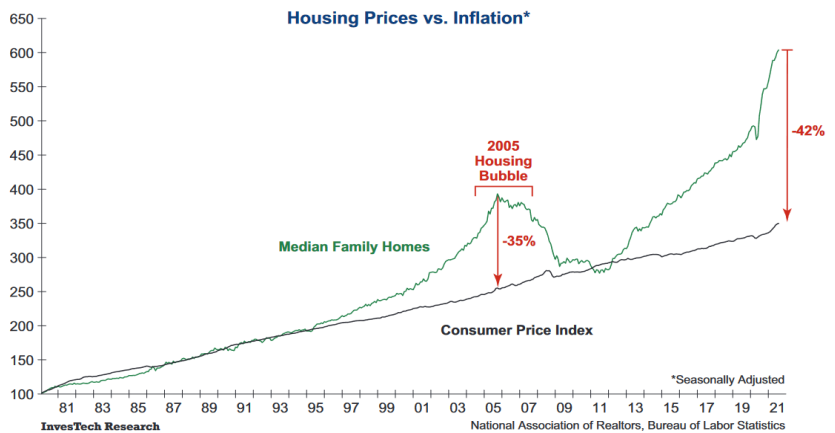
<sup>10</sup>**Bloomberg US Treasury Bellwethers 10 Yr. Index:** is an unmanaged index representing the on-the-run (most recently auctioned) U.S. Treasury bond with 10 years' maturity.

<sup>11</sup>**Bloomberg US Treasury Bellwethers 30 Yr. Index:** is an unmanaged index representing the on-the-run (most recently auctioned) U.S. Treasury bond with 30 years' maturity.

## REAL ESTATE REALITY

There is debate today about whether the housing market is experiencing another bubble.

Excessively low interest rates accompanied by supply and demand issues are the main reasons for this excess, compounded by the pandemic moves out of the city. Now that the pandemic is over, and interest rates are being raised, we think prices may adjust downward like the chart to the right illustrates in past housing bubbles like 2008. If 30-year rates adjust upward from 3% to 6% (happening now), then mortgage payments go up 42%, causing homebuyers to only afford a house worth 58% of what they could afford last year. Buyers beware.



## PERSONAL PERSPECTIVE by Ralph Doudera

The Covid pandemic has caused more changes for many of us than probably any other event in recent history. Within the past six months I have lost my two best friends, both pastors. This has directed me to more important issues of life and death. I found myself digging into my Bible for insights and I have summarized what I consider to be the most significant life concepts and paraphrased them in my own words. An entire book could be written about each one of these, but I have written these down as the most significant life principles for reference.

1. The humble and reverent fear and respect of God is the first step in obtaining wisdom. Prov. 1:7.
2. For *everyone has sinned; we all fall short* of God's glorious standard. Yet God, in his grace, freely makes us right in his sight. He did this through Christ. Romans 3:23
3. But God loved and dearly prized humanity so much that He even gave his One and only Son, so that all who believes and trusts in Him as Savior shall not perish but have eternal life. John 3:16
4. But first and most importantly passionately seek His Kingdom and be in a proper relationship with Him, and all the other stuff you need will be given to you as well. Matt 6:33
5. Jesus replied: "You shall love the Lord your God with all your heart, and with all your soul, and with all your mind. This is the first and greatest commandment. The second is like it, you shall love your neighbor as yourself, and unselfishly seek the best for others. Matt 28:36
6. If you really love Me, you can prove it by keeping and obeying My commandments. John 14:15
7. But without faith it is impossible to please Him, for whoever comes near to God must believe that He exists and that He rewards those who earnestly diligently and sincerely seek Him. Heb. 11:6
8. May God's Kingdom be established in your life, and His will be done here on earth as it is in Heaven. Matt 6:10
9. Go and make disciples of all the nations, baptizing them in the name of the Father, Son, and Holy Spirit, and teach them to observe what I have taught you. Matt 28:19-20

10. If you want to be financially blessed, give the first 10% of your income back to the Lord before you enjoy using the rest to acknowledge who provided your income, test Him on this discipline and watch how he will open the windows of Heaven and bless you beyond your comprehension. Malachi 3:10
11. It is more blessed, and brings greater joy, to give than to receive. Acts 20:35
12. Be tenacious and keep prayerfully asking, keep seeking, and keep knocking and the door will eventually open. Don't be shy and don't give up asking. Luke 11:8-10
13. If you carefully listen and obey the voice of the Lord, He will set you high above all the nations of the earth and all these blessings will come upon you and overtake you if you just listen to Him. Deut 28:1
14. For all believers will be called to account for their lives and appear before the Judgment seat of Christ (Bema), so that each one may be repaid for what has been done with his life and held accountable. 2 Cor 5:10
15. For the Son of Man, Jesus, is going to come in the glory and majesty of His Father with His angels, and then he will repay each one in accordance with what he has done. Matt.16:27
16. Behold, I (Jesus) am coming quickly, and I am bringing your paycheck with Me, to give to each one according to the merit of his earthly works and faithfulness. Rev 22:12
17. Things which the eye has not seen and the ear has not heard, and which have not entered into the heart of man, all that God has prepared in Heaven for those who love and obey him. 1 Cor. 2:9

This is sort of a Bible one-page summary for my reference. I have found these principles worthy of study and they have made my life both financially and spiritually profitable. But God doesn't just want a legalistic robot, He wants to be the center of our thoughts and activities when we both love Him and love people.

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

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