THE FULL SPECTRUM

Spectrum Financial, Inc.

April 2009

GENERAL MARKET COMMENTARY

The first quarter of 2009 saw the S&P 500 Index lose over 11%, with the 5th worst first-quarter loss in the S&P's 80-year history. Ironically, the three biggest April-December gains over that 80-year period followed 3 of those 5 worst first-quarter losses. This scenario seems to be playing out, with April making back much of that loss.

Investor confidence is at an all time low, with many expecting the market lows to be tested or worse, but we are beginning to see optimistic signs on the horizon. Although it has been the largest bear market in over 70 years, it is not the end of the financial world. Is the current rally a fake, only to resume lower, or is it the beginning of a new bull market?

Until last year, the market has had only one 20% "fake out" rally since the depression, occurring in the 2000 bear market. The current bear market has already had two rallies so far of 20% or more, while the 1929-1932 bear market had four bear market rallies that ranged between 25 and 46%. Investors who may see similarities between the depression and today may want to take note of this.

Fake-Out Rallies (>20%) During a Bear Market
S&P 500 Index

Start Date	End Date	% Gain
1929 Bear Market		
11/13/1929	4/10/1930	46.8%
12/16/1930	2/24/1931	25.8%
6/2/1931	6/27/1931	27.0%
10/5/1931	11/9/1931	30.6%
1933 Bear Market		
10/21/1933	2/6/1934	37.9%
1938 Bear Market		
4/8/1939	10/25/1939	29.8%
6/10/1940	11/9/1940	26.8%
2000 Bear Market		
9/21/2001	1/4/2002	21.4%
2007 Bear Market		
11/20/2008	1/6/2009	24.2%
3/9/2009	4/30/2009	29.5%

Based on INVESTECH RESEARCH

Nevertheless, over the past six weeks, the market has plowed ahead with broad sector participation. That differs from the year-end rally where the majority of the gain (over 80%) occurred in a sharp five-day bounce off of the November lows.

Spectrum's intermediate-term indicators turned bullish in March, and we have positioned ourselves in a substantially higher invested position. However, we may still be in a bear market according to our technical indicators, so our positions should take advantage of the current rally as we continue to watch the clouds on the horizon gather or dissipate. This is certainly not the time to throw caution to the wind, but recognize that we are likely at a place where we see the buying opportunity of a lifetime. We have in place all the negative conditions that precede the "Best Buy" opportunities in stocks. These include a) significant drop in stock prices, b) a plunge (then a spike) in consumer confidence, c) contraction of the manufacturing survey to below 45, d) the longest recession since 1932, e) broad downside stock distribution for nearly 2 years, the longest on record, and f) Coppock Guide, a long-term indicator, could issue a buy signal next month. Investors have a lot of money stashed away in safe places and need to begin putting it back to work.

THE RISK OF CASH

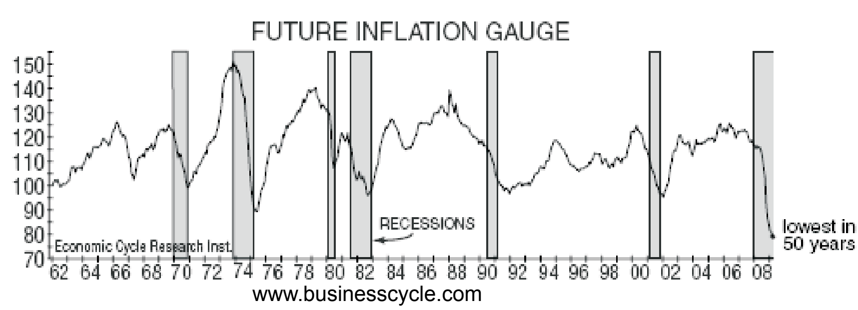
The massive expenditures made by the Federal Government for stimulus packages, bailouts, and guarantees can mean only one thing down the road — INFLATION.

They have decided that inflation is a lesser evil than a current financial meltdown. It is not a problem today in the midst of a major global recession, and in fact the Future Inflation Gauge from ECRI has moved to a 50-year low (see graph).

Notice that once a recession ends, these inflation pressures can quickly reverse. And, looking two to four years down the road, we can't help but believe that inflation will be a major problem in the U.S.

While this is not something to worry about today, it will be necessary to be aware of warning signs. Where do we go to benefit from inflation? Stay away from cash! The loss of purchasing power will erode assets. Invest in stocks, particularly International stocks, as the dollar will likely free fall causing international currencies to do well.

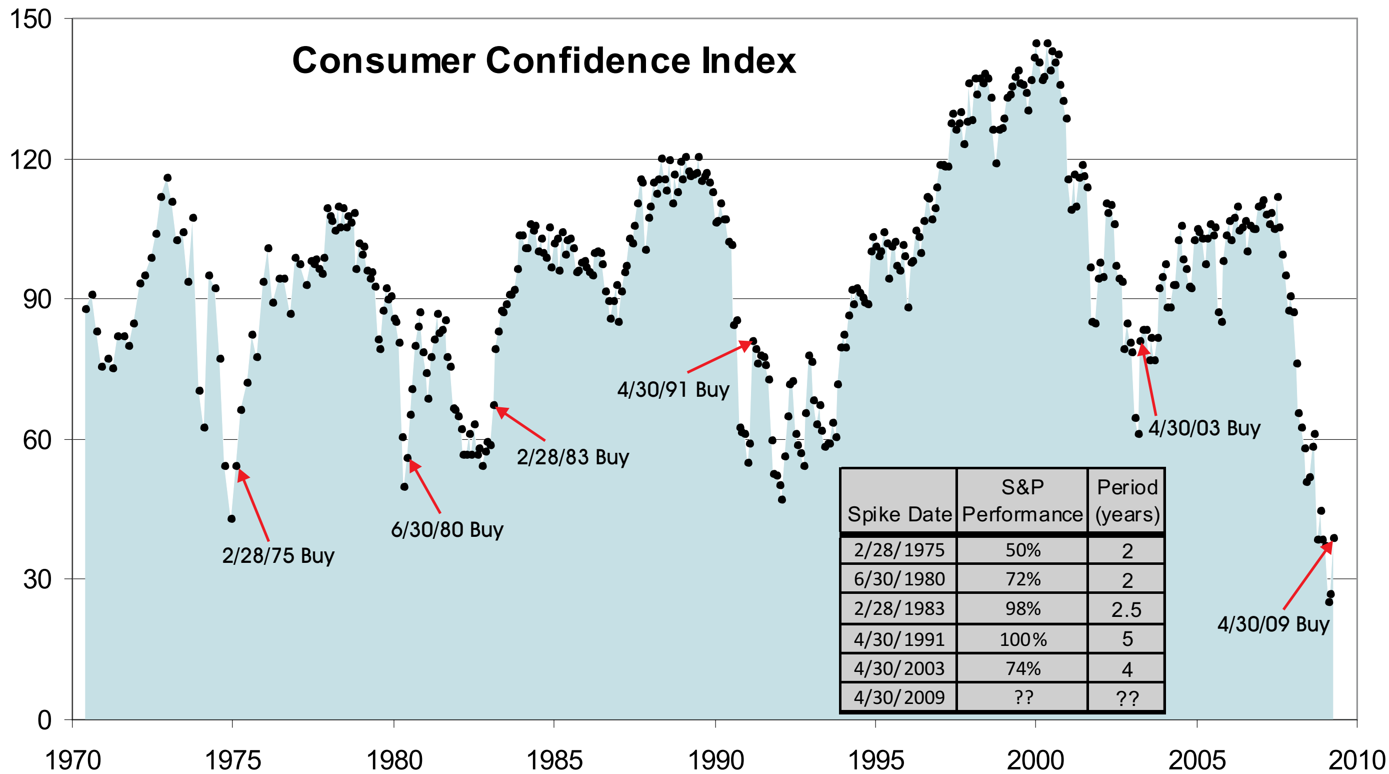
Real estate will be a good place, particularly if you can lock in low rates, which are available today. Current real estate prices and stock prices are the lowest we will likely see in our lifetime. Take advantage of the current situation.



CONSUMER CONFIDENCE

The monthly report of Consumer Confidence Index announced this week rose more than forecasted and showed an increase from 25.3 (the lowest number on record) to 39.2, a five-month high. The chart below shows the history of consumer confidence going back 40 years. Novice investors often think that earnings drive stock prices, but earnings lag stock prices — both going up and coming down. The best buying opportunities have always come after consumer confidence has fallen sharply.

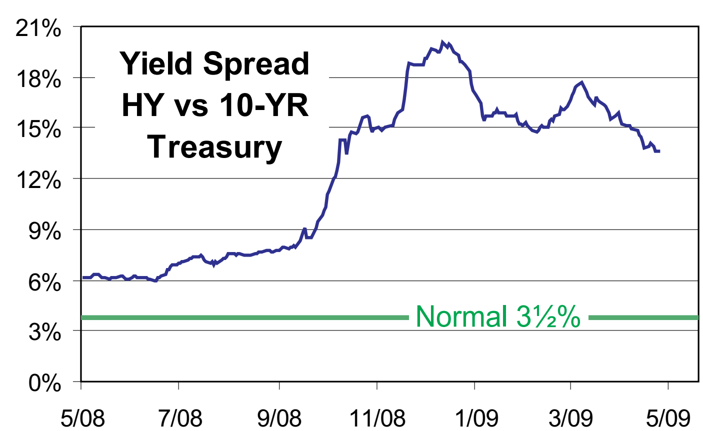
What is significant is that when consumer confidence spikes up from extremely low readings, stocks begin to go up. Let us look at the historical results when the Consumer Confidence Index spikes up after falling below a reading of 60. Historical evidence shows significant upside potential for the next several years.



Spike Date	S&P Performance	Period (years)
2/28/1975	50%	2
6/30/1980	72%	2
2/28/1983	98%	2.5
4/30/1991	100%	5
4/30/2003	74%	4
4/30/2009	??	??

HIGH YIELD CORPORATE BOND UPDATE

Our investments in managed high yield bonds have been doing quite well with our timely entry, and most funds are generating nice profits this year. There is still time to invest in this outstanding opportunity. As the accompanying chart shows, the current yield on high yield corporate bonds is paying 13.6% more than US government bonds, still an historic high. This means opportunity for those of us who know the history of corporate bonds when the number has reached this high in the past. A more normal yield is about 3.5%. This means that these bonds still have a yield of 10% higher than normal. As the economy recovers, this number will return to normal and we believe that investors will receive both a high dividend yield and price appreciation as the bond prices increase in value until yields return to the norm. While there is no guarantee of how profitable this next year may be if prices return to normal, the last time the yield spread was even close to this level (about 10%) was in the recession of 1991. The total return of high yield bonds over that next 24-month period was over 60%! We are currently recommending this sector because we expect more profits with less risk than the stock market offers.



PERSONAL PERSPECTIVE *by* Ralph Doudera

Things have been hard for many people this year, including me. Fear of losing jobs, investments, homes, health, relationships… It is often hard to focus on the future and not on the present circumstances. But it is important to look positively to the future and find opportunity in our current situation. King Solomon was the world's richest and wisest man who wrote the book of Ecclesiastes. His wisdom is a good read for any businessman. His advice is:

> *He who is watching the wind will not get the seed planted, and he who is looking at the clouds will not get in the grain.*
>
> *In the morning put your seed into the earth, and till the evening let not your hand be at rest; because you are not certain which will do well, this or that—or if the two will be equally good.* Eccl 11:4,6 (BBE)

Waiting for the perfect opportunity to proceed with any God-inspired idea will likely never allow Him to accomplish anything great through your life.

Dr. John Edmund Haggai has given me a thought which I have hanging in my office that often reminds me of this truth when I start feeling overwhelmed. It says: "Attempt something so great for God, that it is doomed to failure unless God is in it".

So I need to ask God for something He wants to achieve through me, and then apply my faith to that concept and watch Him work. I plant the seed, and He makes it grow.

Live life; seize opportunities; don't wait for perfect assurances about everything, because they will never come. Our choice is to live fully and watch Him make things happen.

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

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