THE FULL SPECTRUM

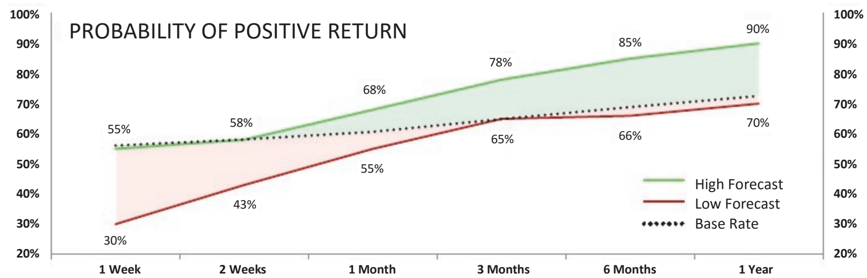
Spectrum Financial, Inc.

July 2016

GENERAL MARKET COMMENTARY

This has been a very volatile year for the markets so far, and the uncertainty of potential Federal Reserve interest rate increases and presidential election issues remain to year's end. The stock market had an impressive rally after the sell-off from Brexit fears, creating new highs for stock market indices. The S&P 500 Index has broken out to new highs, while the small cap Russell Index still lags. High yield bonds have also broken out to new highs, which is a favorable development, since their performance usually confirms the market direction. With earnings season approaching, improved earnings may provide the fuel for further gains ahead.

According to Sundial Capital Research, which projects probabilities for financial markets, the upside probabilities over the short term are less favorable, but are much better for later in the year (see chart).



LEVERAGED HIGH YIELD BOND HISTORY

Managing high yield bonds has been Spectrum's core investment strategy since offering investment management services in 1988. We have seen about every scenario possible—war, the great recession, over- and under-valuation, and have had experience in all of them. We understand bonds, and consider them predictable, since we have observed them for over 10,000 days. There are times when it is good to own them, good to stand aside, and even times to consider borrowing money to own more for short periods of time when "the wind is at your back". If we can borrow money at 2% and purchase bonds that yield 7%, we can make a net gain of 5% in addition to the 7% bond yield. This is called "carry trade". However, we need to have liquidity to exit these positions when they are no longer in an uptrend. Since all the funds we use have daily liquidity, we can use this strategy when appropriate without having to ride out a serious decline.

These charts illustrate Spectrum's actual performance of this strategy for the past 20 years. If we had to use only one strategy, this would be it, since it has produced double digit returns in all kinds of markets with modest losses. The chart below shows a 12-month rolling average for every quarter, with substantial gain potential while minimizing losses. An investment of $100,000 in 1996 would have grown to almost $900,000 for an annualized return averaging 11.67% over the 20-year period.

Some of these strategies are also used in Spectrum's new Low Volatility Fund discussed on pages 1 and 3.

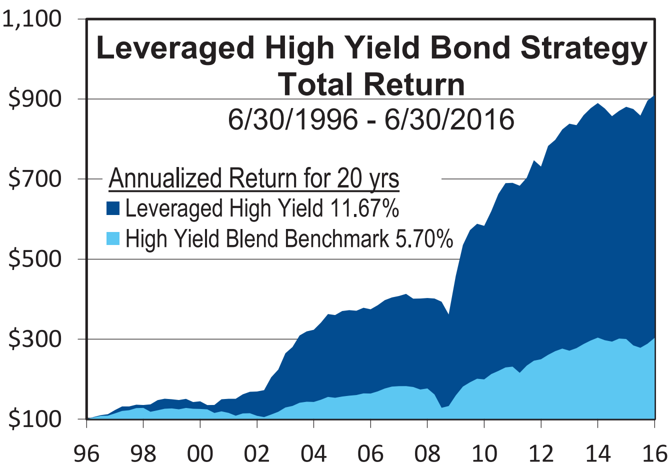
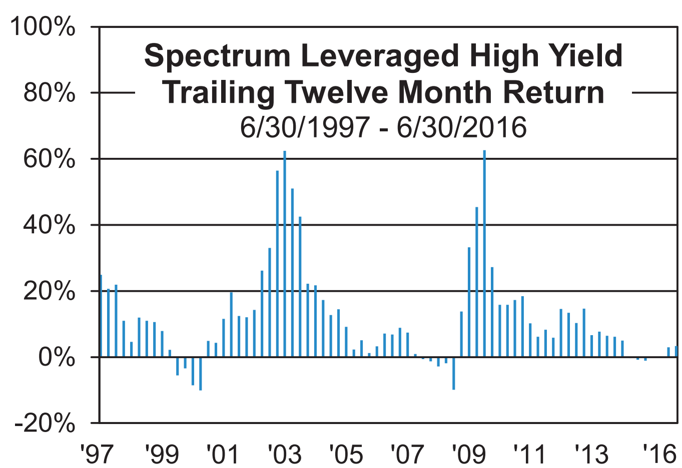
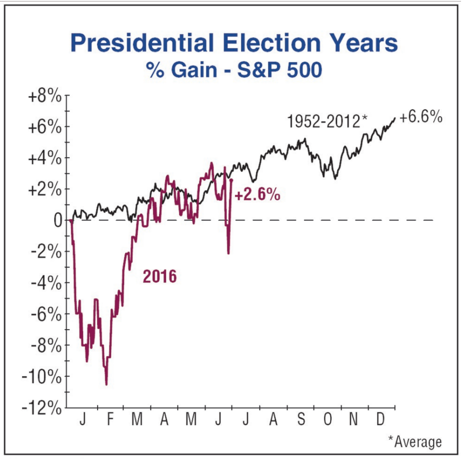


Chart above illustrates cumulative returns on a quarterly basis assuming a $100 initial investment from June 30, 1996 through June 30, 2016, net of fees. Performance calculations are based on actual client accounts having dividends reinvested, no purchases or withdrawals during the period, and may have been obtained from personal or related accounts. The Leveraged High Yield Bond Strategy fee is .63% from 12/31/10 to present, 0.625% through 12/31/2009 and 0.75% prior and is reflected in the calculated performance. The initial commission on funds is not taken into account but could reduce performance. Some performance may vary due to fund restrictions and/or limitations imposed by the mutual fund families. Past performance does not guarantee future results. Current performance may be lower or higher than data quoted. Investors should obtain the fund prospectus and read it carefully to evaluate the fund's investment objectives, risks, charges, and expenses before investing. The High Yield Blend Benchmark uses the Barclays US High Yield Very Liquid Index from present back to 12/31/2010, then Lipper High Current Yield (provided by Lipper) back to 12/31/1989.



PRESIDENTIAL ELECTION YEAR MARKET HISTORY



InvesTech Research

If the presidential election year returns for the past 60 years could be averaged, the gain for the S&P 500 would be 6.6% as illustrated on the left chart. The graph reveals that the market tends to improve as the year progresses, but often experiences softness toward the end of summer, leading up to Election Day. Gains usually resume once the uncertainty of the election is over. However, 2016 has been anything but an "average" election year with abnormal major market volatility.

According to the chart on the right several trends can be observed:

- In most cases, Presidential Elections are positive for the market.
- Presidential election years can be more volatile, but that has not determined the outcome.
- When a bear market was not on the radar, a strong rally emerged as the year progressed.
- Most market gains were concentrated in the second half of the year.

Presidential Election Year Markets S&P 500

Election Year	S&P 500 Gain/Loss	Yrly High in 4th Qtr	Yrly Low in 4th Qtr
1928	37.1%	✔	
1932	-15.1		
1936	27.9	✔	
1940	-15.3		
1944	13.8	✔	
1948	-0.7	*	
1952	11.8	✔	
1956	2.6	*	
1960	-3.0	*	✔
1964	13.0	✔	
1968	7.7	✔	
1972	15.6	✔	
1976	19.1	*	
1980	25.8	✔	
1984	1.4	✔	
1988	12.4	✔	
1992	4.5	✔	
1996	20.3	✔	
2000	-10.1		✔
2004	9.0	✔	
2008	-38.5		✔
2012	13.4	*	
Average	**6.9%**		
...w/o 2008	**9.1%**		

* Within 5% of yearly high in the 4th quarter

InvesTech Research

PERSONAL PERSPECTIVE *by* Ralph Doudera

We continue to be grieved by hate crimes against humanity motivated by radical philosophical beliefs of all kinds. The motivation for these crimes against humanity is due to a lack of knowledge of God. The Old Testament teaching in 2 Chronicles 15:3-6 says that society was falling apart, and God troubled them with every kind of distress because they continued to reject the knowledge of God. The New Testament states that *"in the last days there will come times of difficulty. For people will be lovers of self, lovers of money, proud, arrogant, abusive, disobedient to their parents, ungrateful, unholy, heartless, unappeasable, slanderous, without self-control, brutal, not loving good, treacherous, reckless, swollen with conceit, lovers of pleasure rather than lovers of God, having the appearance of godliness, but denying its power. Avoid such people".* 2 Timothy 3:1-5

The appearance of godliness. Denying its power. Jesus was most critical of the religious leaders who had the responsibility of leading people to God, but chose not to, calling them blind guides. And they had him killed for his honest assessment. The Church needs to get real and recognize that it has spiritual authority to use its influence by self-evaluation and getting on its knees daily to intercede for our world. My job is to evaluate my life and keep my heart and motives pure. Forgive offenses. Give generously. Have a humble spirit by opening myself up to correction. Listen to the still, small voice inside that leads me one day at a time. Life is so much simpler one day at a time. And pray for world peace, letting healing begin with me. *"If my people, who are called by my name, will humble themselves and pray and seek my face and turn from their wicked ways, then I will hear from heaven and I will forgive their sin and will heal their land.* 2 Chron.7:14

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

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