THE FULL SPECTRUM

Spectrum Financial Inc.

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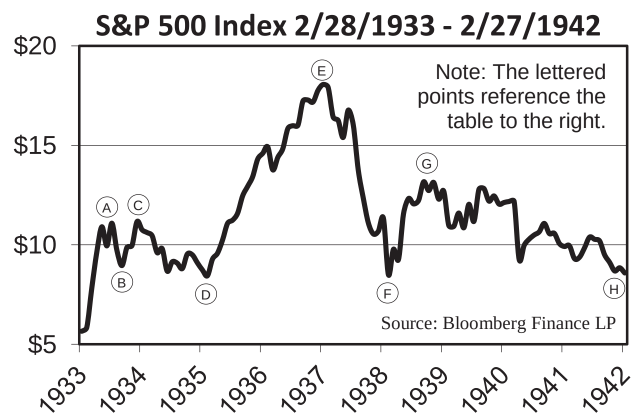
GENERAL MARKET COMMENTARY

European leaders are searching for a relatively quick and easy way out of the government debt bubble that has been building for decades, and just started to burst a few years ago. Unfortunately there is no quick or easy way out. Debt has to be resolved one way or the other. It either has to be repaid, or someone has to bear the losses, and what is not repaid must be resolved by default or through inflation and currency debasement. Otherwise, everyone would be rich. The bailouts proposed for the Eurozone do not solve the underlying solvency problem. Instead, they are little more than shell games to shift losses on bad debt from bondholders to taxpayers. The world economy will be sluggish, at best, for several years until we can slowly dig our way out of debt, and it will cause very slow growth.

It would be worth once again taking a closer look at what happened to the economy in the decade following the Great Depression in the 1930's.

What can we observe from this historical chart?



1. The stock market was amazingly volatile for the entire decade following the depression.
2. The market did nothing for two years following the Roosevelt Rally, and did nothing for the entire decade for buy and hold investors.

How should we invest if history repeats itself?

1. Buy and hold investors will be discouraged and may reduce their exposures to equities at the wrong time.
2. Active asset allocation may become more and more the foundation for investors' serious investment funds, since there may be significant tradable rallies.
3. High yield bonds may continue to be a safe haven that produces steady low-volatile returns.

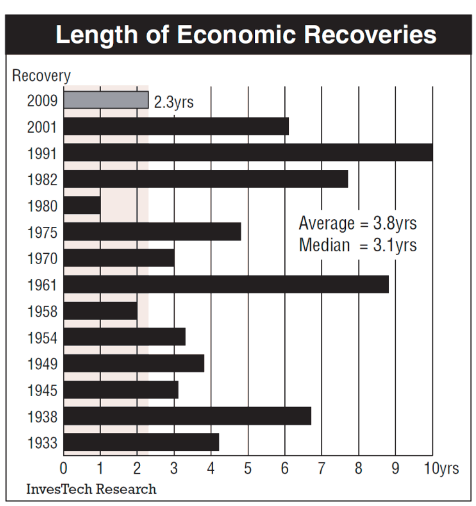
It is interesting to observe that we had a 100% rally from the lows of 2008, and then a 20% drawdown in 2011, similar to 1933.

Once again, we need to emphasize that history does not repeat itself, but it does tend to rhyme. Investors should manage risk by diversification and by remaining committed to adaptive allocation strategies utilized by Spectrum.

Chart Point	Date	Gain/Loss
	1932	+100% in 2 months
	1932-3	-34% in 8 months
A	1933	+96% in 4 months (Roosevelt Rally)
B	1933	-20% in 4 months
C	1934	+25% in 3 months
D	1935	-25% in 6 months
E	1935-7	+114% in 23 months
F	1937-8	-53% in 13 months
G	1938	+55% in 7 months
H	1939-42	-42% in 40 months

RECESSION?

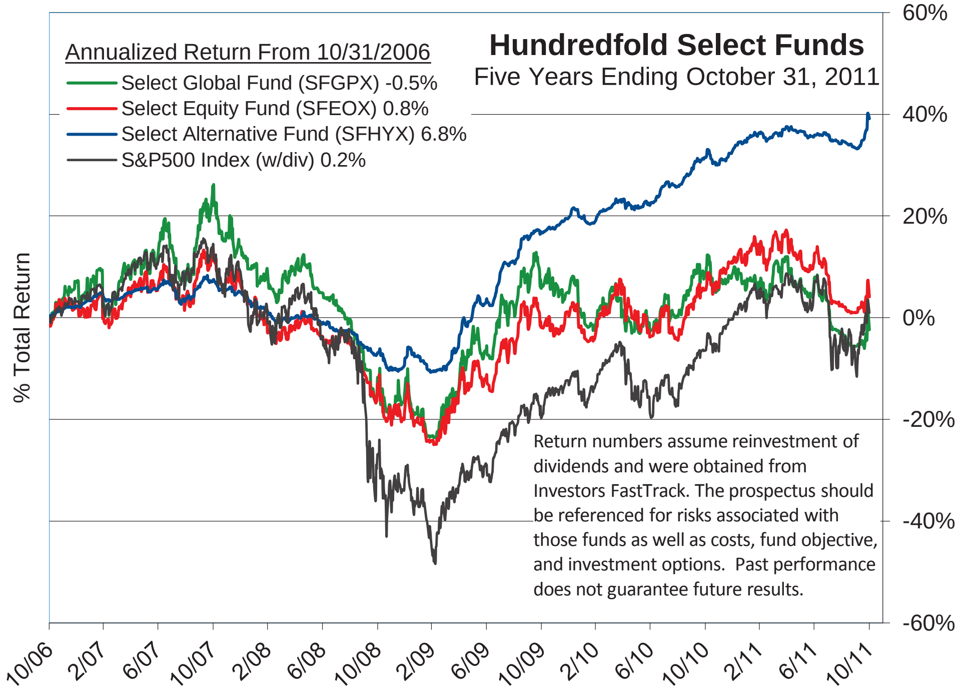
In the past several weeks, the percentage of investment advisers who are bearish rose to the highest level since the stock market bottom in early March 2009. High levels of pessimism usually coincide with market bottoms, and historically, the average six- and twelve -month gains in the S&P 500 index after extreme readings were 7.7% and 20.7%, respectively. While recession forecasts may prove correct, it would be one of the shortest economic recoveries of the past 80 years. In fact, only two recoveries were shorter (1958 and 1980). While the European debt crisis is having a significant effect on both investor and consumer fears, this chart illustrates the unlikely probability of a recession at this time, particularly with recent stock market strength pointing to a continued recovery. We are also entering the historically most profitable six-month period of investing: November to April. According to InvesTech, having selected the seasonally strong period of November through April, investors would have captured 97.1% of the available stock market profits of the past 52 years. If we add to that the fact that this is the third and historically most profitable year of the presidential cycle, we could see a substantial year-end rally if the European debt crisis is temporarily resolved. However, we may see the debt crisis come back sometime next year.



ASSETMAXX NAME CHANGES

The funds used in Spectrum's AssetMaxx Allocation Service completed a name change, no longer being affiliated with DirexionFunds. Their names are Hundredfold Select Alternative (SFHYX), Hundredfold Select Equity (SFEOX), and Hundredfold Select Global (SFGPX). The funds retained the same trading symbols and investment sub-advisor (Hundredfold Advisors, LLC — Ralph Doudera).

The Hundredfold Select Alternative fund has generated a great deal of interest from investors who want steady returns without market volatility. There is a recent publication article on www.Ticker.com (Mutual Fund Q&A) of the portfolio manager interview describing in detail the investment strategies used in this fund.

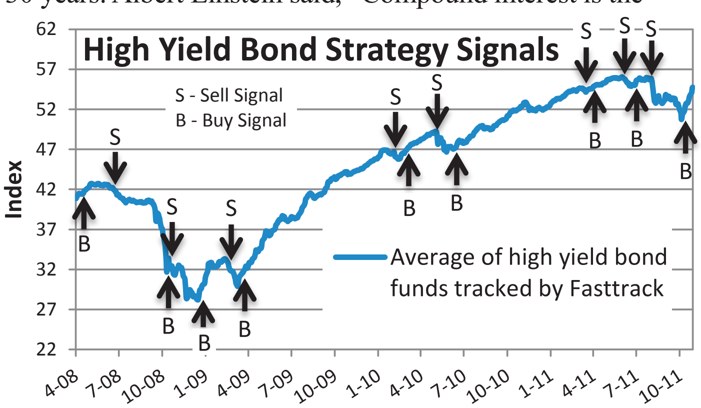


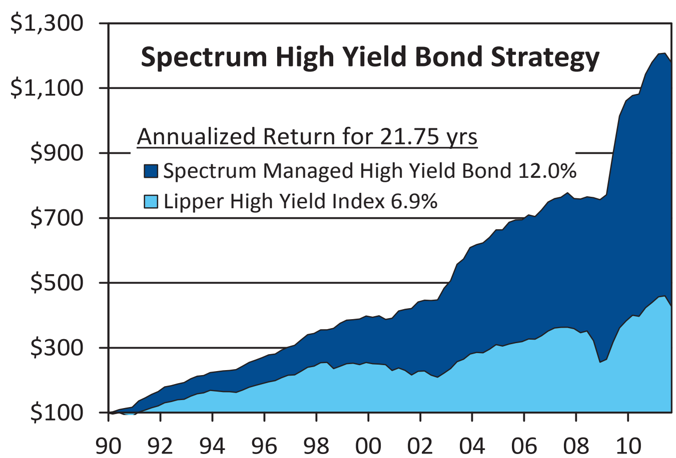
SECURITYMAXX BOND STRATEGY

Spectrum Financial has been trading high yield bonds for nearly 25 years, and while it is certainly not as exciting as trading stocks, it has been our most profitable strategy over the years. The chart to the right shows Spectrum's performance for the past 21.75 years with an annualized return of 12% per year, net of fees. That is about 12 times the initial investment, with minimal drawdowns.

The chart below illustrates how we negotiated the past years in a volatile corporate bond market. By going to a cash position when the yield/spread is rising, we are able to reinvest later and lock in high yields. Using the power of compound interest, investments with an annual return of 12% will double every 6 years. That means a $100,000 investment will be worth $400,000 in 12 years and worth $3.2 million in 30 years. Albert Einstein said, "Compound interest is the eighth wonder of the world. He who understands it, earns it… he who doesn't… pays it."

While this is not a forecast of future returns, it shows a conservative strategy that has outperformed stocks with less risk, and fits in well with our motto, "Steady plodding brings prosperity, hasty speculation brings poverty".





The High Yield Strategy performance is calculated by using the non-weighted quarterly average of actual bond mutual funds used in the trading strategy during the timeframe. Fees for these accounts are assumed to be 0.50% per quarter. Performance numbers were selected from client accounts having no purchases or withdrawals during the period, and may have been obtained from personal or related accounts. Some performance may vary due to fund restrictions and/or limitations imposed by the mutual fund families. For all the strategies, dividends are assumed to be reinvested. The initial commission on funds is not taken into account but could reduce performance. All performance is net of fees. 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.

PERSONAL PERSPECTIVE *by* Ralph Doudera

The financial markets this year are certainly helping me deal with my New Year's resolution of becoming aware of issues of pride. This has been one of the most difficult years for many financial advisors. I have referred often to a small article of unknown origin that I have kept taped to my desk as a reminder. This is a worthy reference and would be a good reminder to cut out and tape somewhere on my refrigerator or bathroom mirror where it can't be ignored.

Rick Warren's best seller *"The Purpose Driven Life"* starts out stating "It's not about you", and ends stating "Our purpose is to please God, not people". Did I develop His character? Did I put Him at the center of all my activities? Did I love Him with my whole heart? Can I stop focusing on me, me, me?

The Essence of Selflessness

1. When you are forgotten or purposely ignored and you don't sting with the insult but rejoice with being counted worthy to suffer for Christ, that's dying to self. (I Peter 4:16)
2. When your good is evil spoken of, or your advice disregarded or even ridiculed, and you refuse to let anger rise to defend yourself, but instead entrust yourself to Him who judges justly, that is selflessness. (1Peter 2:22)
3. When you lovingly bear any disorder, irregularities, lack of punctuality, waste, folly, ignorance, and even spiritual insensitivity, and endure it as Jesus did, you are learning to die to self. (1 Peter 2:18-20)
4. When you are content with any food, clothing, climate, social class, or interruptions of your plans allowed by God, you are learning to die to self. (Phil 4:10-13)
5. When you prefer not to refer to yourself, make known your good efforts, or desire commendation, that's dying to self. (II Cor. 4:5)
6. When you see another prosper and feel no envy, nor question God, though your needs are far greater; you are learning to die to self. (Phil. 2:20-21)
7. When you can receive reproof from one of lesser experience than yourself, and can humbly learn from them without resentment, that is dying to self. (Gal. 2:11)

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

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