



Market Commentary

Overview

05/28/2008

1. Asset classes in the equity component of our allocations remain invested in midcap, smallcap, OTC and emerging market equity funds, where available. Equity markets started to test the downside late last week. Before that, the equity component of our portfolios was up about three percent since the equity fund purchases in early May. On Tuesday, May 27 we saw a slightly less than 1% recovery from those lower testing levels. The equity component of our allocations remains up about 1% since the early May equity investments.
2. Each time the equity market makes an attempt to recover there comes further news about the credit crunch / recession / housing / Wall Street leverage / oil prices / commodity prices / inflation / no further Fed Fund interest rate cuts. This news continues to weigh on equity prices.
3. High yield bonds have pulled back in the last week or so. The remainder of this Market Commentary will focus on the bond component of our allocations, specifically the 25% in the Growth and Income, 50% in the Balanced, 75% in the Balanced Managed Income (Nationwide 401k accounts only) and the 100% in the Managed Income allocations.
4. For this most recent mid-April high yield bond fund purchase we introduced using Rydex, ProFunds and Direxion Fund High Yield Funds in the following Products:
 - a. Pershing - now using ProFunds Access Flex High Yield Fund (FYAIX), Rydex High Yield Strategy (RYHGX) and to a lesser extent the SEI High Yield Fund (SHYAX) – with the exception of those accounts that are less than \$30,000, where we are using only one fund, the ProFunds Access Flex High Yield Fund.
 - b. Western Reserve Life VA-VUL, Schwab and ProFund direct accounts - now using the ProFunds Access Flex High Yield Fund.
 - c. Rydex direct accounts - now using the Rydex High Yield Strategy.
 - d. Security Benefit VA - now using the Direxion Funds Dynamic High Yield Bond Fund (PDHYX).

We have had two buy-sells in the FYAIX, RYHGX and PDHYX in the above Products (not the SHYAX) since mid-April while having only the initial mid-April buy for all other products. This is a somewhat high transaction activity for our bond fund strategies, but it is indicative of the start / stop type investment environment that we are in and that is normal as an economy attempts to put in a bottom and recover. In the above Products only we are now in money market funds for the bond component and staying conservative right now.

Detailed Review

After staying conservatively invested in the bond component of our allocations in money market funds since the beginning of this year, we invested into high yield bond fund positions in mid-April, approximately six weeks ago. Since that time, the high yield market has experienced an initial move upward and has recently begun to pull back. Fig. 1 on the next page shows how the investment in money markets (green line) exceeded the returns available in high yield bond funds for the period January 1, 2008 through our buy in mid-April this year and how the high yield bonds (red line) appreciated after our purchase in mid-April. In the bottom section of the chart you can see where the green line turns into a red line, that is when we went from the money market fund to the high yield bond fund(s). Fig. 1 is for all Products not in ProFunds, Rydex and Direxion High Yield Bond Funds introduced in Overview point #4 above.



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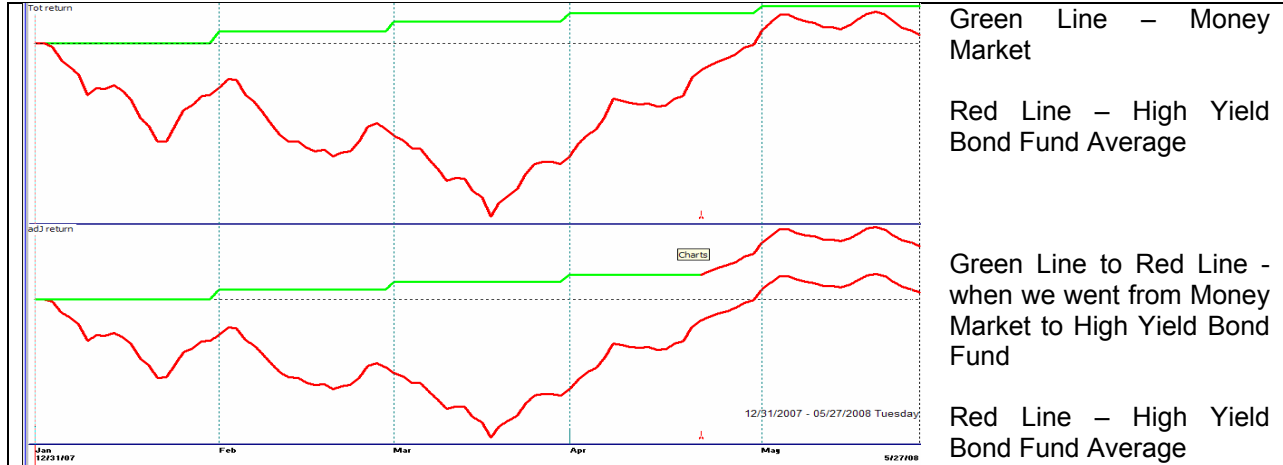


Fig. 1

Please note Fig. 1 is created using an average of over one hundred high yield bond funds and is not meant to depict your exact portfolio return. In these Products **that are not using** the Rydex, ProFunds and Direxion Funds High Yield Bond Funds we will stay invested in high yield bond funds if this pull back is temporary. We will go to more conservative money markets if it is not.

We have been following the ProFund, Rydex and Direxion high yield bond funds since their respective inceptions, approximately the last couple of years, in model portfolios, monitoring their activity and performance. We found that over time they had a very good trading history using our investment discipline, with slight increases to the number of trades. We found the model portfolio results compelling, even exceeding our actual client account results as achieved in our Managed Income allocation. Additionally, we found that these funds permit the opportunity to trade more frequently, if necessary. This is attractive to us, especially in times of economic uncertainty such as now. In mid-April we decided to invest in these funds in these Products in the pursuit of improved returns for our clients.

Fig. 2 below is a chart of the ProFunds “model” Managed Income allocation plotted against our historically successful actual Hanlon Managed Income allocation. You can see that the “model” has exceeded our successful Managed Income strategy, and done so without additional downside risk.

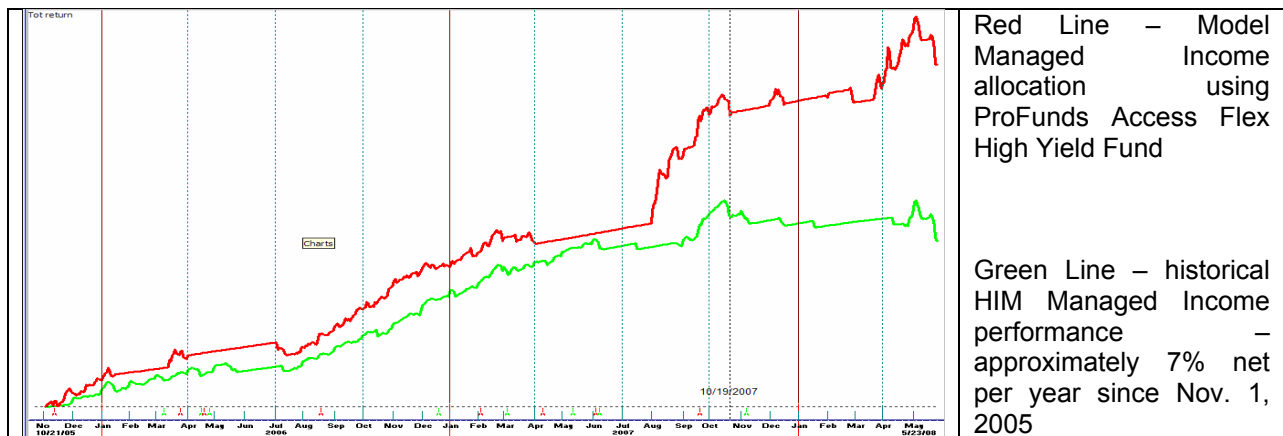


Fig. 2



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The above period dates back to November 2005 representing two and one half years of model portfolio returns. Since we just started using these funds in our portfolios we only have model returns to go on; however, we have been monitoring these model portfolios for this period and found the results very attractive. In Fig. 2 on the prior page the red line is the ProFunds High Yield Fund and the green line is our Managed Income allocation. You can see that the red line has outperformed the green line for this period. There is an increase of annual return for this period over our live, active portfolios of more than 1% per year. We wanted to wait long enough to deploy these funds in our live accounts, until we had ample evidence of their potential, but not too long as to waste a good portfolio move for our clients. You can see how it outperformed for the period November 2005 through February 2007, then again August 2007 through October 2007. After that sufficient experience and analysis we decided in mid-April it was time to begin using these high yield bond funds in those Products where these funds are only available.

These funds can come with slightly more volatility in the very short term (day to day), but the models have experienced similar low volatility over the long term when compared to our standard bond portfolio strategy and holdings. This additional short term volatility is definitely worthwhile to endure in order to reap the expected benefits over the long term. Please note that this increased potential short term volatility is in the order of only 1-2%, still well within our targeted returns and risk.

The long term prospects for this strategy look very good. Recently this strategy has had two quick trades in the effort to stay protective and defensive as quickly as possible. The first trade was a breakeven and the second one was at a small loss. But the small loss was not out of the ordinary for our strategies. Of course I wish that when we changed to these funds we experienced perfect immediate success, to validate the change. That it works perfectly immediately is not a prerequisite to validate a long term investment strategy, especially so in light of the type of economic environment that currently exists. To make sure your confidence is in good shape, below please find the exact trading history of the "model" we have been monitoring using the ProFunds Access Flex High Yield Fund (FYAIX) and a money market fund (FDRXX), including the two most recent "live" trades, the last of which was at a small loss. Please note the below trade history returns are gross and do not include the deduction of management fees.

Fund	Buy Date	Sell Date	Hold Days	Pcnt Gain
FYAIX	10/31/05	01/13/06	74	3.0
FDRXX	01/13/06	03/13/06	59	0.7
FYAIX	03/13/06	03/31/06	18	1.0
FDRXX	03/31/06	07/03/06	94	1.2
FYAIX	07/03/06	07/13/06	10	-1.1
FDRXX	07/13/06	07/20/06	7	0.1
FYAIX	07/20/06	02/28/07	223	10.3
FDRXX	02/28/07	03/09/07	9	0.1
FYAIX	03/09/07	03/14/07	5	-0.3
FDRXX	03/14/07	03/16/07	2	0.0
FYAIX	03/16/07	03/19/07	3	0.3
FDRXX	03/19/07	03/21/07	2	0.0
FYAIX	03/21/07	04/03/07	13	-0.6
FDRXX	04/03/07	07/31/07	119	1.6
FYAIX	07/31/07	10/22/07	83	8.8
FDRXX	10/22/07	11/29/07	38	0.5
FYAIX	11/29/07	12/17/07	18	0.2
FDRXX	12/17/07	01/30/08	44	0.6
FYAIX	01/30/08	02/01/08	2	0.2
FDRXX	02/01/08	02/25/08	24	0.2
FYAIX	02/25/08	02/29/08	4	-0.9
FDRXX	02/29/08	04/21/08	19	0.2



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FYAIX	04/21/08	05/09/08	50	0.2
FDRXX	05/09/08	05/16/08	8	0.1
FYAIX	05/16/08	05/22/08	6	-1.8
FDRXX	05/22/08	Holding	5	0.0

Annual Return 10.0%, Maximum Drawdown 3.1%

	Fund	Index
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Trades	13	13
Winning trades	8	13
Days held	509	430
Total %return	25.0	5.4
Annual %return	17.3	4.6
Buy-hold annual %return	6.4	4.6

THE ABOVE IS NOT A PROJECTION OF FUTURE RETURNS. PAST MODEL RETURNS ONLY.

Some observations about these results are:

1. They exceed our actual performance in our bond allocations
2. There is an increase in the number of transactions per year from our previous 4 to 5 to about 9-10, about double.

It is important to note where these bond funds are not available we expect to continue to generate the successful results we have in the past. All is good there. But where we have access to these bond funds (ProFunds, Rydex, Direxion Funds) we are excited about the opportunities to continue to achieve market beating returns. We continue to stay careful and expect good things to come.

Thank you,

Sean Hanlon, CFP®
CEO and CIO

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