

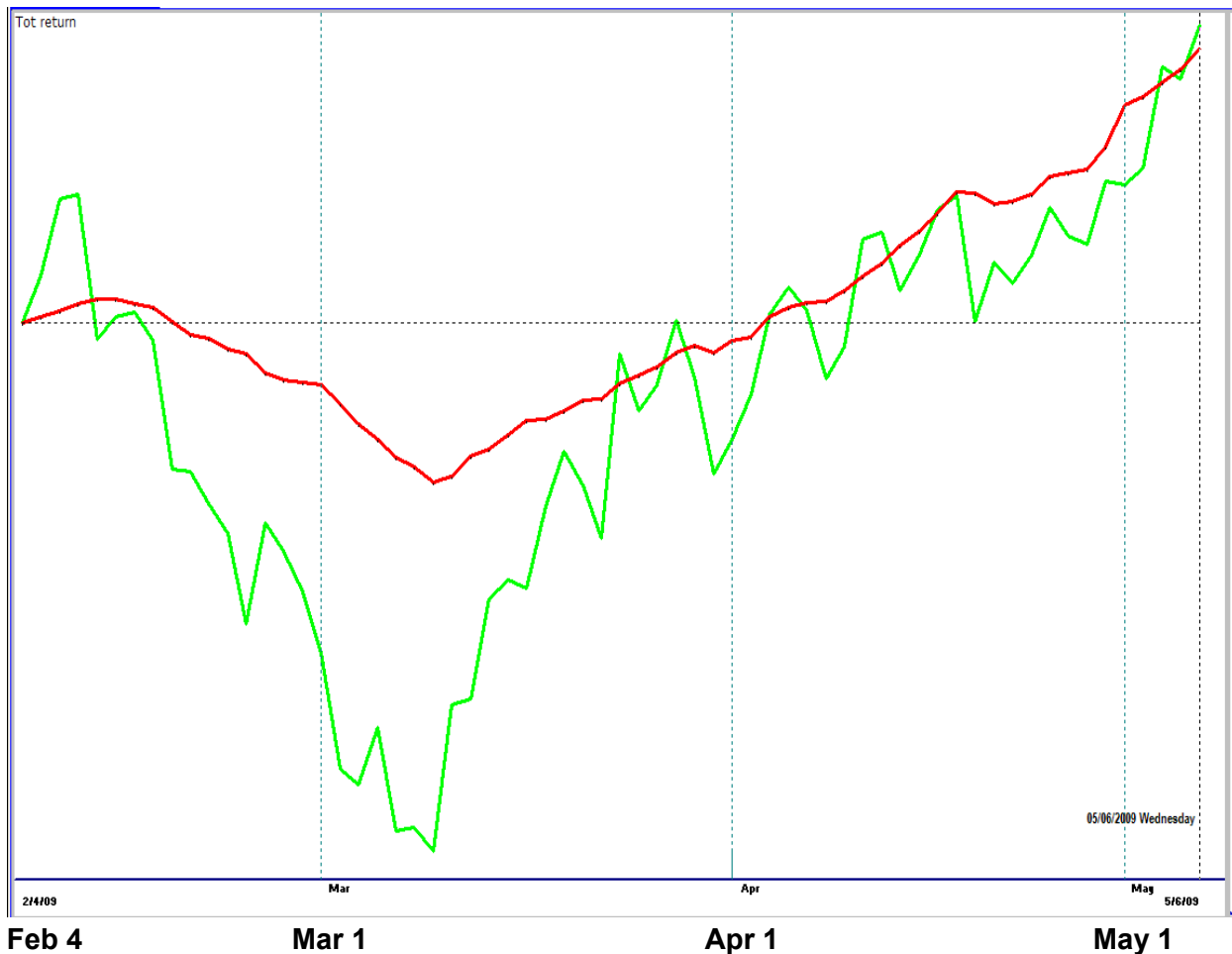


Sean Hanlon, CFP®
Chief Executive Officer and
Chief Investment Officer

Hanlon Investment Management Continues to Like High Yield Corporate Bonds in This Economic Environment

05/06/09

A picture speaks a thousand words. Which one of the below investments would you prefer? For me, the answer is the red line. Why? Because the red line has demonstrated a far better risk-adjusted return for the time frame pictured. What do I mean? Place your eyes in the mid-March time frame and follow both lines up to the right. See how the green line has bounced around violently while appreciating? But the red line has had a fairly smooth ascension, without the volatility of the green line.





OK, enough of the mystery. The red line is an average of the high yield corporate bond fund market. The majority of our client accounts have had a 50% account level position in high yield corporate bond funds since mid to late March. The green line is the S&P 500 Index. Yes, stocks have appreciated nicely since March 9. However, most of that appreciation occurred in the seven days following that ugliest of bottoms, on March 9, when the feeling was abundant that the financial world, as we know it, was going to end. Specifically, with respect to the S&P 500 Index, the seven days following the bottom on March 9 generated a return of 17.5%. We were not invested for that. Our research would not catch a move that occurs only seven days after a huge downside like witnessed prior to March 9. But that is alright because we participated in ZERO amount of the downside preceding that upward, 17.5% move.

However, we did identify a good trend in high yield corporate bonds and invested accordingly in mid to late March. At that time we limited our exposure to 50% in high yield corporate bonds due to the EXTREME volatility in the high yield corporate bond fund asset class. That was our method for applying a risk reduction element. It is now clear to us that the high yield corporate bond market has established a longer-term, low volatility uptrend. Therefore, we have gone to a 100% weighting in high yield corporate bond funds.

Yes, equities are on an upward tear right now. But our research has identified high yield corporate bonds to have a far greater risk reward potential and we have invested our client accounts accordingly. A picture speaks a thousand words.

Thank you,

Sean Hanlon, CFP®
CEO and CIO

This Market Commentary contains general information that is not suitable for everyone. The information contained herein should not be construed as personalized investment advice. A stable Money Market Fund is an investment fund that holds the objective to earn interest for shareholders while maintaining a net asset value of \$1 per share. High Yield Bond Fund Average is an average of over 220 bond funds taken from the Investors Fastrack Database that cannot be invested in directly without incurring costs. Investment Grade Corp Bond, High Yield Corp Bond and US Treasury interest rates used to compute "The Spread" are from a public Merrill Lynch bond rates website. Past performance is not guarantee of future results. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Investing in the stock and bond markets involves gains and losses and may not be suitable for all investors. Information presented herein is subject to change without notice. Hanlon has experienced periods of underperformance in the past and may also in the future. The returns represented herein are total return inclusive of reinvesting all interest and dividends. Hanlon Investment Management, Inc. ("Hanlon Investment Management") is an SEC registered investment adviser with its principal place of business in the State of New Jersey. Hanlon Investment Management and its representatives are in compliance with the current registration and notice filing requirement imposed upon registered investment advisers by those states in which Hanlon Investment Management maintains clients. Hanlon Investment Management may only transact business in those states in which it is notice filed, or qualifies for an exemption or exclusion from notice filing requirements. This Market Commentary is limited to the dissemination of general information pertaining to its investment advisory services. Any subsequent, direct communication by Hanlon Investment Management with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For information pertaining to the registration status of Hanlon Investment Management, please contact Hanlon Investment Management or refer to the Investment Adviser Public Disclosure web site (www.adviserinfo.sec.gov). For additional information about Hanlon Investment Management, including fees and services, send for our disclosure statement as set forth on Form ADV from Hanlon Investment Management using the contact information herein. Please read the disclosure statement carefully before you invest or send money. Not all HIM clients are in the strategies discussed herein.