



HANLON

INVESTMENT MANAGEMENT, INC.

Quarterly Report – March 31, 2010

In the last Quarterly Report I opened with a short description of the investment style that Hanlon Investment Management uses. We heard from a number of our readers who were pleased with that reminder, so here again I list a few simple points on how we manage your portfolio.

- ✓ We do not “buy and hold” anything! Instead we look for good, positive trends (funds that are going up), invest in those funds and monitor them closely. When the investments (funds) weaken enough, we sell. We attempt to identify positive trends and then participate in the appreciation. Just as importantly we attempt to avoid large losses. We call this “Active Tactical Asset Allocation”. Of course there are no guarantees we will be successful in this pursuit.
- ✓ When we sell, we could be reinvesting into conservative money markets or into another positively trending fund.
- ✓ In industry terminology, we use a combination of Modern Portfolio Theory and Trend Following.
- ✓ We offer a broad line-up of Portfolio Allocations to meet the needs of a range of investor types, from conservative to the more aggressive.

Quarter-In-Review

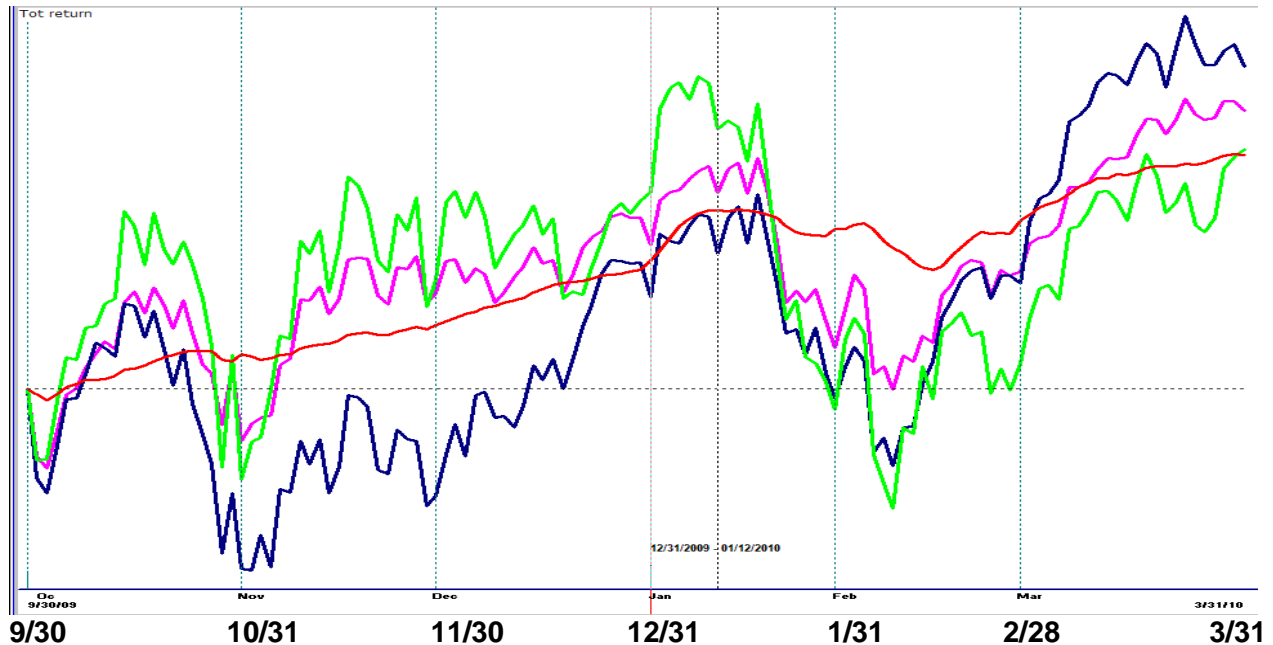
Stocks started the year in positive territory, then experienced their largest pullback since the equity bottom in March 2009, and then rose to reach new recovery highs. But those recovery highs have come with more volatility, especially so in February, as illustrated in the chart on the next page.

The equity corrections experienced in late October 2009, and then again in February of this year had some equity asset classes, such as domestic small-cap and emerging markets, correcting from as much as -10% to -15%. When you compare the chart of the **Red Line**, which is domestic high yield corporate bond funds, to the other three colored lines, you can see that the domestic high yield corporate bond funds continue to provide a much smoother rise. That is what we seek for our clients.

We continue to believe that our Trend Following strategies are the most appropriate for investors in these markets. We will continue to administer those strategies and we remain very positive about the potential for good risk-adjusted returns over the long-term.

September 30, 2009 to March 31, 2010 – Equities and High Yield Corporate Bonds

The Red Line is an equally weighted index composed of two hundred twenty domestic high yield corporate bond funds. The Green Line is the iShares MSCI Emerging Markets Index, an index of emerging (international) market stocks. The Blue Line is the Russell 2000 Index, an index of primarily smaller US companies. The Pink Line is the S&P 500 Index, an index composed of the largest US company stocks.



Investment Management for Retirement Planning is More Important Than Ever!

The secular bear market of the past decade was especially challenging to many retail investors, who came to expect 10% annual returns after the raging bull markets of the 1980s and 1990s, when stocks rose on average 16.6% and 17.6%, respectively.

Is it time for a reversion to the mean with stocks generating their long-term “average” 9-10% per year for the coming decade? History suggests another bull market for U.S. stocks is coming and the 2010’s will likely be better than the 2000’s. Why? There have never been two consecutive “calendar” decades of negative returns in U.S. stocks. But one thing remains certain, volatility will continue. There may be great profits realized, and then given back, if investors continue to subscribe to only a “buy and hold” approach to investment management.

NYSE Performance by Decade

1970’s	6.6%
1980’s	16.6%
1990’s	17.6%
2000’s	-0.5%

Source: WSJ

Let me be clear here; we are not against a buy and hold approach. We just highly recommend that investors **diversify** the investment strategies and have a portion of their portfolios invested in “non-buy and hold” strategies. One of those non-buy and hold strategies is the Hanlon Modern Portfolio Theory and Trend Following combination.

Social Security Retirement Benefits Statement

Instead of reporting further about the investment markets, I am going to draw your attention to Social Security. This information will apply to both those that have not yet started to receive Social Security as well as those that already do - everybody. Have you seen your Social Security Benefits Projections statement lately? Below please find a copy of an actual statement. Notice anything?

Your Estimated Benefits	
*Retirement	<p>You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...</p> <p>your full retirement age (66 years), your payment would be about \$ 2,358 a month</p> <p>age 70, your payment would be about \$ 3,130 a month</p> <p>If you stop working and start receiving benefits at...</p> <p>age 62, your payment would be about \$ 1,745 a month</p>
*Disability	<p>You have earned enough credits to qualify for benefits. If you become disabled right now...</p> <p>Your payment would be about \$ 2,326 a month</p>
*Family	<p>If you get retirement or disability benefits, your spouse and children also may qualify for benefits.</p>
*Survivors	<p>You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:</p> <p>Your child \$ 1,756 a month</p> <p>Your spouse who is caring for your child \$ 1,756 a month</p> <p>Your spouse who reaches full retirement age \$ 2,341 a month</p> <p>Total family benefits cannot be more than \$ 4,097 a month</p> <p>Your spouse or minor child may be eligible for a special one-time death benefit of \$255.</p>
Medicare	<p>You have earned enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.</p>

*Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2037, the payroll taxes collected will be enough to pay only about 76 percent of scheduled benefits.

See how the "order" of the benefits presentation has changed. At one time the age 62 benefit was listed at the top, now it is at the bottom of the order. The revised income presentation order is first at age 66, then at age 70, and then oh, yes, if you really want that income earlier, you can also have it at age 62. Why has the Social Security Administration made this modification to the statement? Who knows? Maybe they don't want us to take the benefits at age 62? It could be that they know that based upon current life expectancies they will save money if we all wait until age 66, or even age 70, to begin receiving monthly benefits. (Please Note: This is not a recommendation of when you should take your benefits, examine that with the assistance of your Financial Advisor). Perhaps they have also done this to prepare us for the possibility (probability?) of a revision to Social Security Benefits, perhaps both the age at which it begins as well as the amount of the benefit. The press is rife with stories about the possible changes, including the below short list:

- Increase the age before Social Security benefits begin,
- Decrease the monthly Social Security benefit,
- Institute means-based testing that will reduce or in some cases eliminate Social Security benefits for those with high levels of non-Social Security income as well as those with substantial investment assets, and
- Raise the Social Security tax, by both potentially increasing the percentage (currently at 6.2% for both employee and employer) and increasing the wage-base (currently at \$106,200). Oddly enough, 2010 is the first year in a long time that the social security tax wage-base has not increased. I have inserted a table below on this wage-base history.

Year	Wage-Base	Increase	Social Security Employer and Employee Share	Total Contribution to Social Security
2010	\$106,800	0.00%	\$6,621.60	\$13,243.20
2009	\$106,800	4.70%	\$6,621.60	\$13,243.20
2008	\$102,000	4.60%	\$6,324.00	\$12,648.00
2007	\$97,500	3.50%	\$6,045.00	\$12,090.00
2006	\$94,200	4.70%	\$5,840.40	\$11,680.80
2005	\$90,000	2.40%	\$5,580.00	\$11,160.00
2004	\$87,900	1.00%	\$5,449.80	\$10,899.60
2003	\$87,000	2.50%	\$5,394.00	\$10,788.00
2002	\$84,900	5.60%	\$5,263.80	\$10,527.60
2001	\$80,400	5.50%	\$4,984.80	\$9,969.60

The point of this brief review of Social Security is to remind you that we know how important it is for you to be successful in your personal investment portfolios. Having the Hanlon Investment Management strategy on your team is an important aspect of being prepared for the possible upcoming adjustments to Social Security Benefits, as well as the many other needs that you may have. You and your Financial Advisor have taken important steps together in identifying Hanlon as a good solution for your investment needs. We thank you for the opportunity to be of service and will continue to work hard in meeting your expectations.

Thank you,



Sean Hanlon, CFP®
Chairman, CEO and Chief Investment Officer

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