HANLON
INVESTMENT MANAGEMENT, INC.

Quarterly Report – June 30, 2010

Hanlon Investment Management continues to shun investments in stocks. During this past quarter we reduced our exposure to domestic high yield corporate bond funds in our client portfolios as well.

Stocks generally showed gains in early 2010, but have since lost those gains and dropped below where they ended last year. Many stock asset classes have experienced draw-downs of (-15%) to (-20%) from their peaks in late April. Volatility has become more regular, as evidenced in the "flash crash" of May, 2010. The S&P 500 Index level of 1,050 has now been breached to the downside, previously a level of support. Of course for some time now Hanlon has been cautious on stocks.

To better understand the "bonds versus stocks" recommendation that we made the March 2009, please see the chart on the next page. The Red Line represents domestic high yield corporate bond funds; the other three colored lines represent major equity indices; one can clearly see that the domestic high yield corporate bond funds have provided a much smoother, more consistent rise. That is what we seek for our clients.

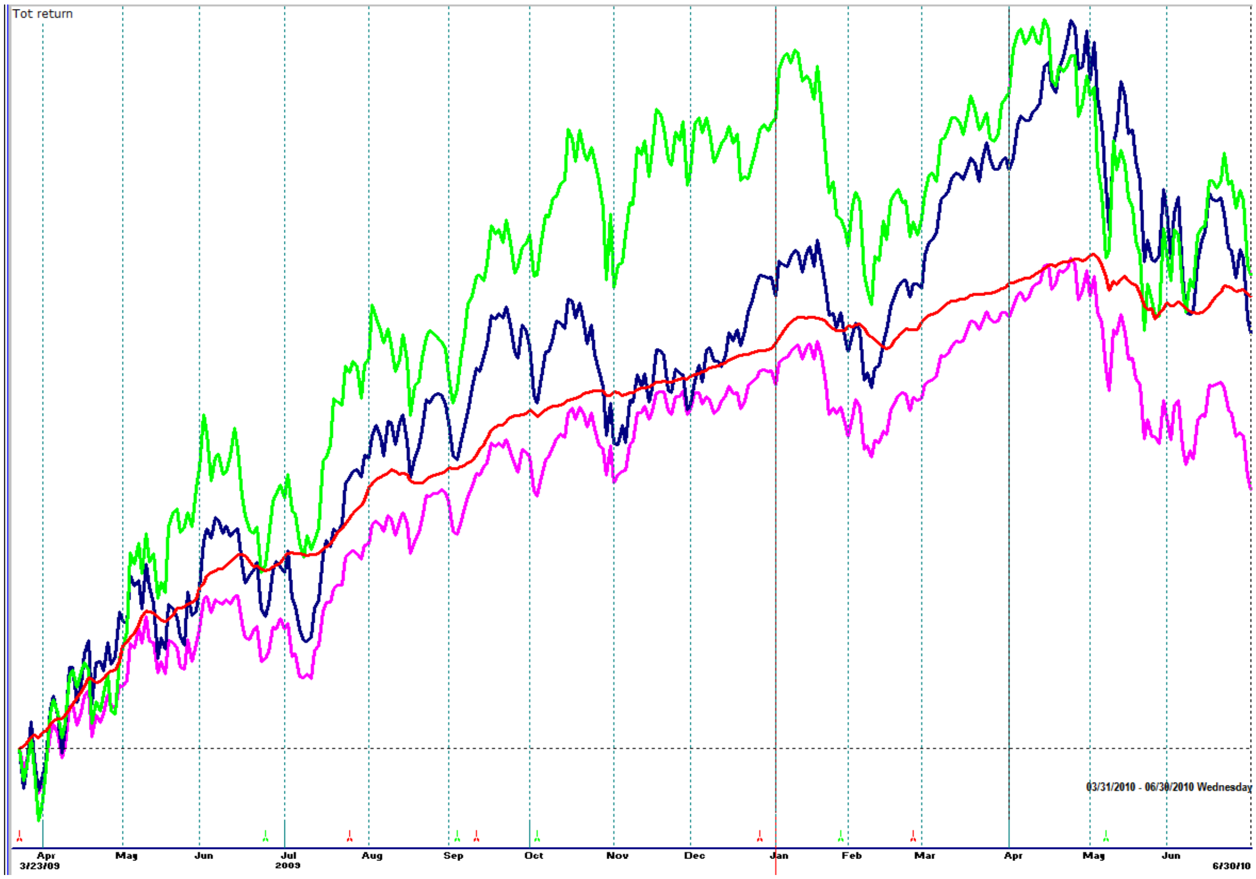
However, even domestic high yield corporate bond funds have recently begun to exhibit volatility and some downside action, enough so to cause us to reduce our exposure to that asset class.

We have raised cash levels to a strongly conservative degree, with many portfolios now holding as much as 70% cash and 30% bond funds. For over one year, our research department has proponed the benefits of bond funds versus stock funds. Please consult your specific portfolio for your exact investment holdings.

We remain confident that our Trend Following strategies are the most appropriate for investors in any markets. We recognize that investors require an investment strategy for their lifetimes; and we seek to provide that. We will continue to administer and implement those strategies and we remain very positive about the potential for successful, risk-adjusted investment returns over your lifetime.

March 2009 to June 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.



3/23/09 07/31/09 11/30/09 3/31/10 6/30/10

US Treasury Market – A "Tell"

All industries have their specific "phrases" and "jargon". Wall Street is no different. One phrase that originates from Wall Street is the "Tell". The "Tell" refers to the abundance of information that can be extracted through simple market indicators, prices and events. Prices and price direction can provide more than a reflection of what the market thinks about a particular security. Yes the price of an investment reflects what the market believes to be the true value of that investment; the market factors in numerous ingredients to arrive at the price of all investments. But often the price of an investment can provide more than a reflection on the value of that investment. The price, and direction thereof, can also provide a very complete and "telling" story.

A very interesting "Tell" that exists now is the story of US Treasury prices. Let me show you: On the next page is a table that shows maturity and interest rate ranges for US Treasury Securities. The short-term maturities (3 to 6 months) are commonly referred to as "bills"; the medium-term maturities (2 to 5 years) are referred to as "notes"; and the long-term maturities (10 to 30 years) are referred to as "bonds".

US Treasury Rates – June 30, 2010

Maturity	Yield (%)	Last Month (%)
3 Month	0.15	0.14
6 Month	0.21	0.20
2 Year	0.60	0.74
3 Year	0.96	1.23
5 Year	1.77	2.06
10 Year	2.93	3.30
30 Year	3.89	4.21

Source:Yahoo FInance

Can you see the "Tell"? Investors are willing to lend money to the United States Government in return for an interest rate of only 0.60% for 2 years and only 2.93% for 10 years. Lending to the United States Government also comes with the comfort of a guarantee of the return of your investment, but think about that incredibly low rate of return that investors are more than willing to accept from US Treasury Securities. Remember that these are ***taxable*** rates of return, so many investors do not "net" those already low returns listed above - they have to return their returns (can you say taxes?) to that same institution to whom they loaned the money!

What is the market "Telling" us with interest rates so low?

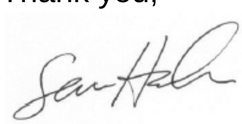
1. That there is no inflation now and there will not be any inflation for some time.
2. That many investors continue to be more concerned with a return "of" their investment and not as concerned with a return "on" their investment.
3. That maybe, just maybe, deflation is on the horizon, or perhaps has already started. If that is the case, then cash investments today purchase more goods and services tomorrow. Cash remains king!
4. That if we were to experience deflation of minus two percent (-2%) per year for the next two years, then that two-year US Treasury Note, quoted at 0.60% in the table above, would have a net after inflation return of 0.60% ***plus*** 2.0% per year, or approximately 5.2% total return when compared to inflation (deflation) for the two years. Remember, if we have deflation, then the "inflation adjusted" rate of return one earns is the actual return ***plus*** the rate of deflation. In today's market a 5.2% total inflation adjusted rate of return is not a bad two-year return. Especially if it is guaranteed by the US Government.
5. That ***nominal*** GDP growth (nominal is the GDP growth rate that includes the rate of inflation) throughout the world will have challenges showing even modest growth in the near future.
6. That unemployment here in the US will remain quite high for the foreseeable future.
7. That the housing markets both here in the US and in many markets abroad will need another 5 years to get back in better shape; this will continue to weigh heavily on the balance sheets of banks.

Money managers live in reality. Managing portfolios is about understanding the market conditions and investing accordingly. Remember, there are times when you want to simply protect your wealth, and there are times to grow your wealth. So far, 2010 is proving to be a wealth protection year. That is ok; this happens and will end sooner or later. But never try to force returns. Remember there are axioms that apply, such as "Taketh what the market giveth" or even simply "Patience is a virtue".

You and your financial advisor have made a good decision to use the investment management services of Hanlon Investment Management. Our specific investment strategies give us the ability to navigate these choppy waters and seek calmer waters when the seas get rough. The seas are rough right now, so in calmer waters we shall anchor and wait out the current storms.

Thank you for the opportunity to be of service.

Thank you,



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

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