



**HALBERT WEALTH  
MANAGEMENT**  
CHALLENGING WALL STREET'S CONVENTIONAL WISDOM

## Hanlon Investment Management Managed Income Strategy

### Advisor Profile

<b>Minimum Initial Investment:</b>	\$75,000	<b>Risk Category:</b>	Conservative Growth
<b>Maximum Management Fee:</b>	2.2%	<b>Custodian:</b>	Charles Schwab & Co.

### Background

Hanlon Investment Management, Inc. (Hanlon) is an SEC Registered Investment Advisor located in Egg Harbor Township, New Jersey. Hanlon was founded in 1999 by Sean Hanlon, CFP<sup>®</sup>, who serves as its Chairman, CEO and Chief Investment Officer. He also developed the proprietary tactical and strategic portfolio management techniques employed by the firm. Sean is a member of the Forbes Investment Team, periodically publishing articles on [www.Forbes.com](http://www.Forbes.com), and is also a member of the Pershing Advisor Solutions Advisory Board.

As long ago as 1982, Sean came to see the need for professional money management to serve retail investors. He saw that traditional buy-and-hold investment strategies had some good qualities, but exposed investors to far too much risk, especially during volatile market environments. Using a combination of his investing experience and his Mechanical Engineering degree from Stevens Institute of Technology, Sean developed proprietary bond and equity strategies designed to provide reasonable returns with limited risk as measured by drawdowns.

Hanlon notes that there are three qualities that investors can expect when they place their money to be managed by Hanlon:

**Passion** - starting from the company leadership and carrying through to each and every individual that forms the total team, there must be a passion for what they do.

**Clear Vision and Mission** - the leadership must provide clear vision for the company and its employees, as well as set goals and objectives and regularly measure the progress in achieving those goals and objectives.

**Care** - and finally, and most importantly, everyone must care. Really, truly care. Care about the clients, the service, the process and the results.

### The Managed Income Strategy

Hanlon's investment strategy can best be described as a combination of modern portfolio theory (MPT) and intermediate-term trend-following. This may sound odd considering that MPT is usually associated with buy-and-hold asset allocation strategies, but Hanlon's Managed Income Strategy is anything but buy-and-hold.

Instead, Hanlon takes the best of MPT and enhances it with active management strategies. Specifically, one premise of MPT is the selection of non-correlated assets, meaning those that move up and down independently of each other. However, during bear markets correlations can actually increase, diluting the effects of diversification.

Recognizing the weakness of MPT during volatile markets, Sean coupled the non-correlation aspect of MPT with two active management strategies. The first is **tactical analysis**, which is a quantitative approach to determining the overall direction of the market. In essence, it asks "Should I be in or out of the market?"

Each day, Hanlon's Investment Committee examines the inner workings of the market in order to determine the risk-adjusted return potential that exists. From this analysis comes the decision to be in the market or on the sidelines in cash or cash equivalents.

Once the decision to enter the market is made, the second overlay is **strategic asset allocation**. This analysis seeks to determine which asset classes have the greatest potential for gain in the current market environment. Hanlon selects the investment opportunities with the best risk-adjusted return potential within each asset class.

\* Past performance does not guarantee future results.

## Performance Evaluation

These days, it's not often that you find an active money manager with a track record spanning over 10 years. It's even less common to find one that has produced enviable gains while preserving capital during two major bear markets and government intervention in the markets. Hanlon is a rare exception to that rule. The attached performance information tells the tale of how well Hanlon's Managed Income Strategy has historically lived up to its goal of providing superior risk-adjusted returns.

For an investment designed to provide periodic income, it's important that losing periods (drawdowns) be kept to a minimum. Otherwise, you risk invading principal and possibly running out of money in later years. Hanlon's worst drawdown of just -5% (measured as of month-end) is impressive, but even more so considering the variety of market environments we have experienced since the program's inception in 2001.

Yet, principal protection is only half of the income equation. Unless there is the potential for meaningful returns, the level of income provided by an investment may not be sufficient. This, again, could result in invading principal in order to provide adequate income.

**While past performance cannot guarantee future results, Hanlon's Managed Income Strategy has shown the ability to both produce reasonable income and protect principal during multiple market cycles.**

## Administration

Hanlon can manage accounts for individuals, trusts, corporations, IRAs, retirement plans, 403(b)s and most other entities. The Managed Income Program is offered through Charles Schwab and Co. where Hanlon has access to hundreds of mutual funds and ETFs. Each investor opens a brokerage account at Schwab and grants Hanlon the authority to make investment decisions for the account.

Investors receive periodic statements and annual tax information from Schwab. In addition, Hanlon sends clients a detailed quarterly performance report. You may also access your account 24/7 via Schwab's secure web site where account information is updated daily.

There will likely be frequent trading in your account. Consult with your tax advisor for tax implications before making a decision to invest.

Hanlon's minimum account size is \$75,000. Schwab charges no separate fee for its custodial services, but may charge a transaction fee for buy and sell transactions. Each mutual fund also has its own expenses (see funds' prospectus for more details).

Hanlon's management fees are billed quarterly in advance, based on the following annual percentages for various assets under management:

First \$499,000	2.20%
Next \$500,000 to \$999,999	1.70%
Next \$1,000,000 and above	1.20%

One of the most impressive things about Hanlon is the strong team orientation and dedication to customer service. The firm has a well-organized vision and is prepared to grow larger without compromising their standards.

## Suitability

Hanlon's Managed Income Strategy was developed for investors who are interested in preserving capital while realizing a better return than those offered by many fixed income investments. Any drawdowns are expected to be minimal and temporary, though there are no guarantees as to future performance.

The Managed Income Strategy may be suitable if you are in a position of taking income from your investments in retirement. However, it may also be an attractive investment even if you are far away from retirement but want reasonable returns with limited downside risk. In addition, if you are a conservative growth investor, you may find the Managed Income Strategy attractive based on its historical ability to keep drawdowns to a minimum.

The Managed Income Strategy has also distinguished itself by performing well even during two bear markets as well as during the uncertainty of the subprime meltdown and subsequent government intervention in the markets. We recommend that you consider Managed Income for a period of time consisting of at least a full market cycle, which is usually three to five years.

## Conclusions

We all know that procrastination can be an enemy of investing. Yet millions of investors want to take income from their investments but don't know which alternatives will provide the best balance of return and risk management. After two major bear markets in less than a decade, many income investors are also wary of bear markets since they don't have the luxury of time to regain lost ground.

If you are seeking a conservative growth investment option or an income solution, Managed Income may be just what the doctor ordered.

But Hanlon Investment Management can't put your money to work if you don't invest. So don't procrastinate – complete your application today. Give one of our Investment Consultants a call at 800-348-3601 or send an e-mail to [info@halbertywealth.com](mailto:info@halbertywealth.com). They will be glad to answer your questions and help you determine if this investment program is suitable for you.

\* Past performance does not guarantee future results. See important performance disclosures and the attached Global Investment Performance Standards (GIPS) presentation before making a decision to invest. There is the potential for loss as well as gain with the investment described above.