



# HANLON

INVESTMENT MANAGEMENT

## Disclosure Brochure

June 29, 2021

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This brochure provides information about the qualifications and business practices of Hanlon Investment Management, Inc. (“Hanlon” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (609) 601-1200. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Hanlon is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Hanlon is an SEC registered investment adviser. Registration does not imply a certain level of skill or training.

## **Item 2. Material Changes**

Hanlon’s Chief Compliance Officer, Dierdre Downham, departed from the Firm in July 2021. Thomas J. Ericson has been designated as the Chief Compliance Officer. Mr. Ericson had previously served as Hanlon’s Chief Compliance Officer.

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## **Item 4. Advisory Business**

Hanlon provides investment advisory and investment management services to individuals, investment companies, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities (“clients”). Hanlon has been an SEC registered investment adviser since February 11, 2002. Sean Hanlon is the principal owner of Hanlon. As of December 31, 2020, Hanlon had \$663,463,076 of assets under management of which \$515,980,276 are managed on a discretionary basis and \$147,482,800 are managed on a non-discretionary basis. In addition, as of December 31, 2020, Hanlon had \$22,903,730 of assets under advisement.

The Firm’s Retail Division provides comprehensive investment advisory services which could include financial planning. In general, Hanlon and its advisers provide services to their clients through Hanlon’s Managed Account Platform (“HMAP” or “Platform”, discussed below). When clients open an account with Hanlon, the client will enter into a written Investment Management Agreement with Hanlon which describes the nature and extent of Hanlon’s services, the terms and conditions applicable to such services and the fees to be charged. When specifically requested by a client, Hanlon may provide limited consultation services on investment and non-investment related matters. Any client requesting such services will execute a financial planning agreement with Hanlon at a negotiated fee.

The Firm’s Institutional Division operates a Managed Accounts Platform. The Managed Accounts Platform offers Unified Managed Accounts (UMAs) and a robust offering of model portfolios (“Models”) via the Model Marketplace, as well as proposal generation, new account opening, account investment management and account servicing. Additionally, Hanlon creates and manages its own proprietary Models and proprietary mutual funds. In addition to its own Managed Account Platform, Hanlon implements its investment strategies and services on a variety of platforms including through brokerage accounts, variable insurance, retirement platforms and third-party sponsors.

### Hanlon’s Managed Account Platform

The Firm’s Institutional Division provides a Platform to independent third-party financial representatives, investment advisers, broker-dealers, as well as internal representatives registered with Hanlon (“advisers”).

The investment management and investment advisory services provided by Hanlon are primarily offered through its Platform. Through the Platform, Hanlon provides advisers with access to several of its own proprietary Models and those of third-party investment managers (the “Model Managers”) selected by Hanlon as well as access to supporting operational services. The Platform enables advisers to outsource asset management and more efficiently serve their client base and grow their business.

At the beginning of the relationship with the client, an adviser will obtain the client’s financial situation, investment objectives, financial goals, tolerance for risk, and investment time horizon (“Investor Risk Profile”). The adviser determines if it is appropriate to recommend that the client opens an account on the Platform. Clients will establish an account with a qualified custodian with whom Hanlon has an existing custodial arrangement.

Based on the Investor Risk Profile and investment goals, the adviser will determine the appropriate allocation of the account among the various Models available and Hanlon will manage or effect purchases, sales, or other transactions for the account. In addition, Hanlon will have the authority and discretion to reallocate the assets to another Model, typically in the case where Hanlon, as Platform

sponsor, has determined that a Model Manager needs to be replaced after a thorough review. In managing the account assets, Hanlon is specifically permitted to retain all or part of the original, existing investments in the account on day one, or to liquidate such investments, at Hanlon's discretion, unless noted otherwise by the client and/or their adviser.

Neither Hanlon nor any of the Model Managers guarantees the future performance of any Platform accounts, any specific level of performance, the success of any investment decision or strategy that a Model Manager may recommend, or the success of Hanlon's or the Model Manager's recommendations in the Platform accounts. The investment and other decisions made by Hanlon for the Platform accounts are subject to various market, currency, economic, political and business risks, and those investment decisions will not always be profitable.

At least annually, the adviser will contact the client to determine whether there have been any changes in the client's financial situation or investment objectives and whether any changes to the client's account would be appropriate.

At least quarterly, Hanlon or a third party selected by Hanlon will provide a report to the client and the adviser reflecting all activity in the account during the preceding period, including performance calculations for the prior periods, all transactions made on behalf of the account, all contributions and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the period. However, the client should note that the statement provided by the custodian holding their account is the official record for all account activity. The client should compare the custodial statement to the report provided by Hanlon for any discrepancies or omissions. If such a discrepancy or omission is found, the client should call their adviser immediately.

#### Model Portfolio Management Services and Model Manager Selection

In addition to its own proprietary Models, Hanlon provides continuous model portfolio management services to clients using a selection of third-party Models provided by Model Managers. Each Model is designed to meet a particular investment goal. Under a written agreement between the Model Manager and Hanlon, the Model Manager constructs a Model based on an asset allocation and selects the underlying investments for each portfolio that is based upon a particular investment strategy and/or philosophy. The Model Manager will provide the buy and sell recommendations on an ongoing basis to Hanlon for Hanlon to implement within the Model and therefore those accounts that contain the Model. Hanlon provides an overlay management service for the Models selected for a client's account by performing all required trades. Depending on the size of the client's account and the number of and price of securities in a Model, Hanlon, in its sole discretion, Hanlon may allocate the client's assets to a smaller number of underlying securities in order to effectively manage the Model strategy and may decide to reallocate the client's assets to the complete Model holdings when Hanlon deems the timing to be appropriate. This variation from the Model portfolio may contribute to performance deviation, including under performance.

Hanlon serves as a Manager of Managers due to its ongoing due diligence, review and selection of the Model Managers available on its Platform. Hanlon's Research team reviews the universe of all available asset managers and adds a curated list of best-in-class Models to be available on the Platform. Hanlon may at any time hire or terminate a Model Manager at its complete discretion. In the event a Model Manager is removed or departs from Hanlon's Platform, an appropriate replacement will be selected at Hanlon's discretion. In addition to managing Models, Hanlon's Research team provides scorecards on non-model assets based on proprietary and industry-sourced research.

Hanlon developed the Premier Multi-Manager Solutions (“PMMS”) which are a line-up of Models of Models which combine Models from one or more Model Managers available on the Platform, assembled and managed by Hanlon’s Research Department. It’s Hanlon’s responsibility to select and weight the Models to be included in the PMMS. Hanlon can add, or remove, Model Managers and Models to, or from, the PMMS at our discretion.

Certain Model Managers may pursue an investment strategy that utilizes underlying mutual funds or ETFs advised by the Model Manager or its affiliates, (“proprietary fund”). In such a situation, the Model Manager may receive fees from this proprietary fund for serving as the investment adviser. These fees are in addition to the management fees the Model Managers receive from the clients for the ongoing management of the Model Portfolios available on Hanlon’s Platform.

As discussed below, Hanlon acts as the adviser on two mutual funds – the Hanlon Managed Income Fund and the Hanlon Tactical Dividend and Momentum Fund. A conflict exists when clients and/or their adviser selects a Hanlon Model because many of the Hanlon Models contain either one or both of the Hanlon Mutual Funds as part of the Model’s underlying holdings. Depending on the Model, the allocation to the Hanlon Mutual Funds ranges from approximately 0% to 75% of the total Model holdings. When Hanlon Models are selected, Hanlon will earn a dual fee – an investment advisory fee from the client in addition to investment advisory fees paid to Hanlon from the mutual fund(s).

#### Investment Advisory Services

##### Brokerage Platforms:

Hanlon provides discretionary investment management services, including Platform accounts, for clients that hold assets at certain qualified custodians. For a list of these custodians please contact Hanlon at (888) 641-7100. In addition to Models, investments recommended and made by Hanlon in brokerage accounts include no-load and load-waived mutual funds, including mutual funds managed by Hanlon, ETFs, individual stocks and bonds.

See Item 5 for a summary of service fees and custodian fees associated with brokerage accounts.

##### Variable Insurance Products (Variable Annuities and Variable Life Insurance):

Hanlon provides discretionary investment management services to the owners of variable annuities and variable life insurance products issued by many different insurance carriers, which are all registered as securities products with the SEC. Clients will execute a contract with Hanlon to manage the investible value of the clients’ insurance account among the available investment options, referred to as “subaccounts.” The client accounts are held in custody at a qualified custodian chosen by the issuing insurance company and listed in the prospectus. Each individual insurance carrier may require the client to execute additional forms to allow Hanlon to provide investment management services. Hanlon executes trades through a process defined by each individual insurance carrier or custodian. In some instances, the issuer of the insurance contract has imposed limitations on the frequency of transactions in certain insurance separate accounts. Hanlon tracks those restrictions and adjusts account allocations accordingly.

See Item 5 for a summary of service fees and custodian fees associated with variable insurance products.

### Retirement Platforms:

Pursuant to a written agreement between Hanlon and a qualified plan and/or plan participant, Hanlon may serve as a fiduciary defined by the Employee Retirement Income Security Act of 1974 (“ERISA”) on a variety of different retirement platforms. Hanlon offers the following fiduciary services which are described in greater detail within the written agreement. These services include but are not limited to managing plan and participant accounts, Qualified Default Investment Alternative management (“QDIA”), and selection and monitoring of Designated Investment Alternatives (“Core Funds Services”).

The plan or participant accounts are held at a qualified custodian chosen by the plan. Investments recommended and made by Hanlon in retirement platforms include no-load and load-waived mutual funds, ETFs, collective investment funds (“CIFs”), individual stocks and bonds. For certain plans, Hanlon may recommend that the Hanlon Mutual Funds are part of the plan’s investment options.

See Item 5 for a summary of service fees associated with Hanlon’s management on retirement platforms.

### Sponsored Investment Management Platforms or Investment Programs:

Pursuant to a written agreement by Hanlon and a program sponsor, Hanlon provides model investment advisory services to the program sponsor’s clients. The terms and conditions of this relationship are determined by the program sponsor. The client signs an agreement with the program sponsor with the help of a program sponsor representative. Through this agreement the program sponsor obtains the information necessary to determine the client’s suitability. The client’s account and funds will be held and cleared through a custodian and broker-dealer selected by the program sponsor.

Hanlon will provide discretionary investment advice on the portion of funds delegated to Hanlon. This power and authority are granted by the client in the program sponsor’s agreement. Hanlon will provide model trading instructions to the sponsor, or a third party as directed by the sponsor who will be responsible for executing Hanlon’s recommended trades. Hanlon has no responsibility for transaction execution.

The program sponsors’ representative is required to provide the client with a copy of Hanlon’s disclosure brochure. For a complete description of the Sponsored Investment Management Platform or Investment Program, refer to the program sponsors Appendix 1 of Form ADV Part 2A.

See Item 5 for a summary of service fees associated with Sponsored Investment Management Platforms or Investment Programs.

### Sub-Advisory and Operational Services

Hanlon also provides sub-advisory and operational services to clients indirectly. In this circumstance, a third-party registered investment adviser, broker/dealer or other financial institution executes a Sub-Advisory Agreement or a Platform Service Agreement (collectively “Platform Service Agreement”) with Hanlon. Hanlon provides the independent third party with investment management, investment advisory and/or operational services for their clients. As per the terms of the Platform Service Agreement, the client will enter into a written agreement with the third party but not necessarily directly with Hanlon. When servicing a client’s account in coordination with a third party, the Platform Service Agreement will specify those services to be provided by Hanlon internally versus those

services to be provided by the third party as well as any fees to be charged for the specified services.

### Affiliated Mutual Funds

#### Hanlon Managed Income Fund

Hanlon provides investment management services through its affiliated mutual fund, the Hanlon Managed Income Fund (HANAX, HANCX, HANIX, HANRX) (the “MI Fund”), an investment company registered under the Investment Company Act of 1940. Under normal market conditions, the Fund will invest in other fixed income investment companies, including ETFs. The Fund may also invest in high dividend paying stocks and individual fixed income securities. The prospectus, which is sent to clients, contains a complete description of the MI Fund, its strategy, objectives and costs.

#### Hanlon Tactical Dividend and Momentum Fund

Hanlon provides investment management services through its affiliated mutual fund, the Hanlon Tactical Dividend and Momentum Fund (HTDAX, HTDCX, HTDIX, HTDRX) (the “TDM Fund”), an investment company registered under the Investment Company Act of 1940. The TDM Fund invests in ETFs and stocks that represent the 11 sectors of the S&P 500, partially following a rules-based sector allocation. The prospectus, which is sent to clients, contains a complete description of the TDM Fund, its strategy, objectives and costs.

Please Note – Combined Fee: Although all mutual funds charge fees (i.e. administrative and investment management fees), because of the MI and TDM Funds relationship to Hanlon, a conflict of interest is presented because Hanlon may earn a dual fee. A dual fee may occur when clients open accounts on the Hanlon Managed Account Platform, because Hanlon will earn fees from both (1) its services and investment advice as a separate account manager; and (2) fees from the MI and TDM Funds. Hanlon’s Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

## **Item 5. Fees and Compensation**

Hanlon provides investment management services for an annual fee based upon a percentage of the market value of the clients’ assets being managed by Hanlon.

Hanlon’s Retail Division’s standard fee schedule is as follows:

<b><u>Portfolio Value</u></b>	<b><u>Base Fee</u></b>
Up to \$250,000	1.65%, then
From \$250,001 - \$500,000	1.45%, then
From \$500,001-\$2,000,000	1.20%, then
From \$2,000,001-\$5,000,000	0.80%, then
From \$5,000,001-\$10,000,000	0.60%, then
From \$10,000,001-\$25,000,000	0.50%, then
From \$25,000,001 and Above	0.45%

Hanlon’s Institutional Division’s standard fee schedule is as follows:

<b><u>Portfolio Value</u></b>	<b><u>Base Fee</u></b>
Up to \$499,999	1.80%, then
From \$500,000 - \$999,999	1.45%, then
On \$1,000,000 and Above	1.10%

Hanlon reserves the right to charge a different management fee, no greater than 2.20% annually on any account value, in its sole discretion, as agreed to by the client.

Clients pay the investment management or advisory fees noted above which includes investment management services comprised of client profiling assistance, asset allocation assistance, research and evaluation of Model Managers and account performance, Model Manager hiring and termination, fee billing, account rebalancing, account reporting, and other operational and administrative services. It should be noted that the investment management fees may or may not include Model Manager fees, custodial transaction fees or investment advisory fees, all of which may be assessed against a client’s account. Hanlon’s Platform accounts include brokerage, variable insurance and sub-advised arrangements.

The fee assessed by Hanlon varies based upon the services an adviser and their firm has selected and will be outlined in the agreement between Hanlon and the firm. Generally, Hanlon’s fee will not exceed 1.80% per annum. Some accounts could be higher but will not exceed 2.20%. If the client account was introduced to Hanlon by a Co-Adviser or Solicitor, Hanlon will share a portion of their fee with the Co-Adviser or Solicitor’s firm pursuant to an agreement between Hanlon and the firm. Hanlon’s fees are typically calculated on a per account basis. Mutual funds, ETFs and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicles. Please see the prospectus or related disclosure document for information regarding these fees.

#### Model Manager Fees:

The Platform fee or investment management fee does not include the fees for the Model Manager’s services (“Model Manager Fee”). The Model Manager Fee is separate and distinct from the Platform fee, custodial fees and investment management fees. Model Manager Fees vary based on the manager selected. The Model Manager Fee is calculated based on the account assets invested in the model. Model Manager Fees typically range from 0.0% to 0.35% but may be higher and will be disclosed to the client at the time of account opening. As part of its services, Hanlon may collect fees on behalf of the Model Manager. In addition, Hanlon may collect administrative fees from Model Managers for administration of the models in HMAP, due diligence, etc.

#### Retirement Platforms:

The annual management fee charged by Hanlon along with the collection and timing of fees is described in the written agreement between Hanlon and the qualified plan and/or plan participant.

Hanlon’s role and responsibilities are detailed in the terms of the agreement between Hanlon and the qualified plan and/or plan participant. Examples of Hanlon’s responsibilities include creating and managing models for participants, selecting and managing the Core Funds to be made available to plan participants, or managing Qualified Default Investment Alternative accounts (“QDIA”). Management



fees for these services range from 0.10% to 0.65% of assets under management. Depending on the services provided, Hanlon could receive this management fee based on the value of individual participant accounts or on the total value of the plan. Hanlon has reduced its management fee for instances where Hanlon has recommended that the Hanlon Mutual Funds are part of the plan's investment options.

#### Sponsored Investment Management Platforms or Investment Programs:

Per the written agreement by Hanlon and a program sponsor, Hanlon may receive an annual fee between .30% to 0.50% of the market value of the assets it provides services on. The exact fee calculation and timing of the fee to be charged will be determined by the program sponsor. The program sponsor will calculate and deduct the appropriate fees from the client account and remits those fees to Hanlon. For a complete description of the Sponsored Investment Management Platform or Investment Program fees refer to the program sponsor's Appendix 1 of Form ADV Part 2A.

#### Investment Company Management:

Hanlon charges the fees described in the applicable advisory or sub-advisory agreement to the extent consistent with applicable laws and the offering documents of the investment company client. Generally, for investment company clients, Hanlon receives approximately 1.00% of assets under management from the Hanlon Mutual Funds.

#### Charges and Fees by Third Parties

Clients may be charged certain fees and expenses imposed by third party broker-dealers, insurance companies, investment companies and/or custodians such as custodial fees, charges imposed directly by a mutual fund, ETF or CIF in the account, which are disclosed in the fund's prospectus (e.g. fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges fees and commissions are exclusive of and in addition to Hanlon's fee.

#### Fees for Management during Partial Quarters of Service

When a client engages Hanlon to provide investment management services, the fees are calculated on a pro rata basis for the initial period. Hanlon's investment management services will continue in effect until terminated by either Hanlon or the client pursuant to the terms of the written agreement.

#### Additional Compensation and Conflict of Interest

Hanlon may enter into an arrangement with an Investment Product Manager or Model Manager where Hanlon would receive additional compensation (referred to as "Revenue Sharing") based on the level of client assets invested in those investment products or the Model Manager's Model(s). The receipt of these Revenue Sharing payments creates the appearance of a conflict of interest as the amounts received may influence (i) which securities may be included in Models managed by Hanlon and (ii) Hanlon's decision of which Model Managers to offer on the Platform, and (iii) which Investment Product Manager Hanlon invests client assets with. Hanlon mitigates this conflict of interest by conducting the same level of due diligence screening on all investment products and Model Managers whether or not Hanlon receives Revenue Sharing payments. This due diligence includes the initial selection and the continuous monitoring of investment products and Model Manager availability.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Hanlon does not provide any services for performance-based fees.

## **Item 7. Types of Clients**

Hanlon provides its services to individuals, investment companies, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

A condition for starting and maintaining a relationship with Hanlon is generally a portfolio size of \$50,000. Hanlon makes an exception for qualified plans in which Hanlon has been hired by the qualified plan or participant to serve as the investment adviser. Hanlon reserves the right to accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing clients. Hanlon only accepts clients with less than the minimum portfolio size if, in the sole opinion of Hanlon, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. At its sole discretion, Hanlon may allocate the client's assets to a smaller number of underlying securities in order to effectively manage the Model strategy and may decide to reallocate the client's assets to the complete Model holdings when Hanlon deems the timing to be appropriate. This variation from the Model portfolio may contribute to performance deviation, including under performance. Hanlon may aggregate the portfolios of family members to meet the minimum portfolio size.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

Hanlon tailors its investment management services to the individual needs of clients. Hanlon manages clients' portfolios in one or more investment models appropriate for the client. A description of the Model(s) being used for that client is provided at or prior to the client entering into an investment management agreement with Hanlon.

Hanlon primarily composes Models consisting of mutual funds that are no-load or load-waived, ETFs, closed-end funds, individual securities, and where applicable, variable annuity and variable universal life sub-accounts.

For the Hanlon Models, Hanlon shall perform economic and market analysis, Model design and securities selection. This requires Hanlon, at its sole discretion, to be responsible for asset class analysis and selection, capital market assumptions, asset allocation, tactical moves in certain Hanlon Models, vetting and selecting the investment funds and/or listed securities for each asset class, finalizing the weights for all asset classes and holdings, and establishing rebalancing thresholds.

For the Hanlon Models, Hanlon follows one of three general investment strategies – Strategic, Dynamic or Tactical. The Strategic strategies follow a buy and hold approach; the Dynamic strategies generally consist of index-based buy and hold investments supplemented with actively managed tactical and alternative holdings; and the Tactical strategies are actively managed and have the ability to be fully invested in the market but can also allocate part or all of the model to cash depending on market conditions. Hanlon implements these same strategies for creating and managing models for retirement plan participants, selecting and managing the Core Funds to be made available to retirement

plan participants or managing QDIA accounts.

Hanlon also makes third-party Model Managers available on the Platform. Hanlon's Research team conducts a Model Manager search, on-boards the Model Manager, maintains the third-party models, and performs ongoing due diligence on the Model Managers.

In addition to managing Models, Hanlon's Research team provides scorecards on non-model assets based on proprietary and industry-sourced research.

### **Mutual Funds, Collective Investment Funds ("CIF") and ETFs**

An investment in a mutual fund, CIF or ETF involves risk, including the loss of principal. Mutual funds, CIFs, and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual funds and ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund or ETF may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price at which an investor would buy or sell the mutual fund or ETF. The per share NAV of a mutual fund is calculated at the end of each business day and fluctuates with changes in the market value of the mutual fund's holdings. The trading prices of a ETF's shares may differ significantly from the value of its underlying holdings during periods of market volatility, which may, among other factors, lead to the ETF's shares trading at a premium or discount to the value of its underlying holdings.

### **Market Risks**

The profitability of a significant portion of Hanlon's recommendations and investment selections in client accounts may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Hanlon will be able to predict those price movements accurately.

### **Management through Similarly Managed Accounts**

Hanlon's management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

The investment strategy may involve an above-average portfolio turnover that could negatively impact the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Hanlon's clients may be limited. For example, various mutual funds or insurance companies may limit the ability of Hanlon to buy, sell, exchange or transfer securities consistent with its investment strategy. Hanlon allocates investment opportunities among its clients on a fair and equitable basis.

### **Use of Margin**

To the extent that a client authorizes the use of margin, and margin is thereafter employed by Hanlon in the management of the client's investment portfolio, the market value of the client's account and

corresponding fee payable by the client to Hanlon will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin correspondingly increases the management fee payable to Hanlon. Accordingly, the decision as to whether to employ margin is left totally to the discretion of the client.

### **Risk of Loss**

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

Hanlon does not have any required disclosures that would be material to a client's evaluation of its advisory business or the integrity of management.

## **Item 10. Other Financial Industry Activities and Affiliations**

Hanlon is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Hanlon has described such relationships and arrangements below.

### **Registered Representatives of Broker Dealer**

Certain persons associated with Hanlon are also registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), SEC registered broker-dealers and members of FINRA. Clients may engage these persons on matters not related to Hanlon managed accounts to implement securities transactions and brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Hanlon to satisfy those brokerage needs. PKS may charge brokerage commissions to affect these securities transactions and services. A portion of these commissions may be paid by PKS to such associated persons. Prior to effecting any transactions, clients are required to enter a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers.

In addition, certain of Hanlon's associated persons may also receive ongoing 12b-1 or shareholder service fees for mutual fund purchases not related to any assets in Hanlon managed accounts; these fees are received from the mutual fund company during the period that the client maintains the mutual fund investment. A conflict of interest may exist to the extent that Hanlon recommends the purchase of securities where a Hanlon associated person receives commissions or other additional compensation as a result of Hanlon's recommendations. Hanlon has procedures in place to ensure that any recommendations made by such associated persons are in the best interest of clients.

On certain occasions, a PKS registered Hanlon associate may earn selling or trail compensation for a qualified plan; and that the plan or some portions of the plan are managed by Hanlon. On such occasions, the amount of selling or trail compensation shall be considered by Hanlon in setting the percentage of management fee to be charged.

Less than 0.1% of the total revenues generated by Hanlon in 2019 were Registered Representative related business.

Certain persons associated with Hanlon are also registered with Northern Lights Distributors, LLC (“Northern Lights”), a SEC registered broker-dealer, Member of FINRA, and underwriter for the Hanlon Mutual Funds. These individuals are registered with Northern Lights because they wholesale the Hanlon Mutual funds to other financial intermediaries.

## **Item 11. Code of Ethics**

Hanlon and persons associated with Hanlon are permitted to buy or sell securities that it also recommends to clients only when consistent with Hanlon’s policies and procedures. Hanlon has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”).

In accordance with Section 204A of the Investment Advisers Act of 1940, the Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Hanlon or any of its associated persons. The Code of Ethics also requires that certain of Hanlon’s personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Hanlon is purchasing or considering for purchase any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Hanlon is selling or considering the sale of any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high-quality, short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Hanlon to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

As discussed above, in Item 4, Hanlon provides discretionary investment management for clients with brokerage accounts at certain qualified custodians. Factors which Hanlon considers in recommending which custodians a client can use include the custodians’ respective financial strength, reputation, execution, pricing, research and service. The custodian must enable Hanlon to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

The commissions paid by Hanlon’s clients comply with Hanlon’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified broker-dealer might charge to affect the same transaction. Hanlon determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services. The services reviewed are the value of research provided, execution capability, competitive commission rates and responsiveness of the broker-dealer. Hanlon periodically and systematically reviews its policies and

procedures regarding its recommendation of broker-dealers in light of its duty to obtain best execution.

The client may direct Hanlon in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer. Hanlon will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by Hanlon. As a result, the client may pay higher commissions, other transaction costs or greater spreads, or receive less favorable net price on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Hanlon may decline a client’s request to direct brokerage if, in Hanlon’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Hanlon in its investment decision-making process. Such research generally will be used to service all of Hanlon’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services pose a conflict of interest because Hanlon does not have to produce or pay for the products or services.

Hanlon’s Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

### **“Batch” Transactions**

Transactions for each client generally will be effected independently, unless Hanlon decides to purchase or sell the same securities for several clients at approximately the same time. Hanlon may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Hanlon’s client’s differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Hanlon’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Hanlon determines to aggregate client orders for the purchase or sale of securities, including securities in which Hanlon’s Supervised Persons may invest, Hanlon generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. On many occasions, due to the management platform chosen by the client, Hanlon must use a certain broker-dealer to execute a trade. Due to trade execution delay constraints mandated by the executing broker-dealer, clients may not receive the same price for certain securities purchased the same day in other Hanlon managed products. Hanlon does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Hanlon determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations

may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a very small allocation in one or more accounts, Hanlon may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Software and Support Provided by Financial Institutions**

Although not a material consideration when recommending custodians, Hanlon may receive without cost, computer software and related systems support. Such services allow Hanlon to better monitor client accounts maintained at the custodian. Hanlon may receive the software and related support without cost because Hanlon renders investment management services to clients that, in the aggregate, maintain a certain level of assets at the custodian.

Hanlon may receive the following benefits from the custodian/broker-dealer: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; and attendance at custodians'/broker-dealers' sponsored conferences.

### **Item 13. Review of Accounts**

Hanlon monitors clients' portfolios as part of an ongoing process with account reviews conducted periodically. Such reviews consist of system-generated reports identifying client portfolios that may be out of tolerance for the allocation selected. On a quarterly basis, the portfolios are reviewed for performances falling outside the expected range. When such inconsistencies are discovered, the allocation, executed trades and other transactions of the portfolio are analyzed by a staff member of Hanlon under the supervision of the Co-Chief Investment Officer. Reviews may also be conducted with the client by the referring solicitor. More frequent reviews may be triggered by a change in the investment objectives of the client such as tax considerations, large deposits or withdrawals, or the opinion of Hanlon that a tactical reallocation of accounts is appropriate.

All clients are encouraged to discuss their needs, goals and objectives with Hanlon or the soliciting financial representative and to keep Hanlon informed of any changes thereto.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the accounts. Hanlon may also provide clients with quarterly performance reports.

### **Item 14. Client Referrals and Additional Compensation**

As disclosed in the written agreement between client and Hanlon, Hanlon may pay a portion of the advisory fee to a solicitor who referred the client to Hanlon. Any such referral fee is paid solely from Hanlon's investment management fee and does not result in any additional charge to the client. The solicitor is also required to provide the client with a copy of this disclosure brochure which meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940 and a copy of the solicitor's disclosure brochure containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Hanlon is required to disclose the nature of his/her

relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this disclosure brochure at the time of the solicitation.

As discussed in Item 5 of this Brochure under the heading “Additional Compensation and Conflicts of Interest”, Hanlon may receive Revenue Sharing payments from certain investment product managers or Model Managers based on the level of client assets allocated to those investment product managers or Model Managers by Hanlon. Hanlon mitigates this conflict of interest by conducting the same level of due diligence on all investment products and Model Managers whether or not Hanlon receives Revenue Sharing Payments. This due diligence includes the initial selection and the continuous monitoring of investment products and Model Managers.

## **Item 15. Custody**

Hanlon does not serve as a custodian of client accounts. Clients will receive statements, at least quarterly, directly from the broker-dealer, other custodian or a third party on their behalf for their account.

However, Hanlon is deemed to have inadvertent custody of clients’ funds and securities when clients have standing authorizations with their custodian to move money from the client’s account to a third party (“SLOA”) and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s) are delivered directly from the qualified custodian to each client at least quarterly. You should carefully review those statements against reports received from us. When you have questions about your account statements, you should contact us, your Financial Representative or the qualified Custodian preparing the statement.

## **Item 16. Investment Discretion**

The agreements signed by the client give Hanlon the authority to exercise discretion on behalf of clients. Hanlon is considered to exercise investment discretion over a client’s account if it can affect transactions for the client without first having to seek the client’s consent. Hanlon is given this authority through a limited power-of-attorney included in the agreement between Hanlon and the client. Clients may request a limitation on this authority (such as requesting that certain securities are not to be bought or sold).

## **Item 17. Voting Client Securities**

Hanlon, or its delegated non-affiliated third-party vendor, may vote client securities (proxies) on behalf of its clients. When Hanlon accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent of special circumstances, all proxies will be voted consistent with guidelines established and described in Hanlon’s Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Hanlon to request information about how Hanlon voted proxies for that client’s securities or to get a copy of Hanlon’s Proxy Voting Policies and Procedures.

In situations where there may be a conflict of interest in the voting of proxies due to business or



personal relationships that Hanlon maintains with persons having an interest in the outcome of certain votes, Hanlon takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

Hanlon has not attached a balance sheet for its most recent fiscal year because it does not require or solicit prepayment of more than \$1,200 in fees per client and six months or more in advance.