

Item 1. Brochure Cover Page

Act Two Investors LLC

641 Escalona Drive

Santa Cruz, CA 95060

831-226-2915

March 30, 2020

This brochure provides information about the qualifications and business practices of Act Two Investors LLC. If you have any questions about the contents of this brochure, please contact Jeffrey Scharf at 831-246-0035 or jeffrey@acttwoinvestors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Act Two Investors, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. Act Two Investors LLC's oral and written communications are intended to provide you with information that you may use to determine to hire or retain us to provide investment advice.

Additional information about Act Two Investors LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

1. David Scharf is no longer a supervised person.
2. Item 5: Fees for accounts that invest in equities or individual bonds in addition to mutual funds and ETFs: 0.7% to 0.85% of assets annually. Minimum fee \$7,000 to \$8,500 per year,
3. Item 8: Fully invested combination portfolios generally include 10 to 12 stocks which comprise 35-70% of account assets based on cost at the time of purchase.

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Item 4. Advisory Business

Act Two Investors LLC (“Act Two” or the “Firm” or “Advisor” or “we”) is a California limited liability company which was established in 2018. Jeffrey R. Scharf is the Founder and owner of Act Two.

The Firm provides investment advice and portfolio management for individuals, retirement accounts, trusts, family offices, and others through separately managed accounts. Act Two typically tailors its services to the individual needs of each client by managing each such account according to the strategy selected by the client. We principally, but not solely, invest in mutual funds, ETFs, equities and fixed income securities that are traded publicly in U.S. markets on behalf of clients. However, we are authorized to enter into any type of investment transaction that we deem appropriate, pursuant to the terms of a client’s account agreement. Act Two’s discretionary authority is limited, however, as described in Item 16.

Item 5. Fees and Compensation

Act Two typically holds a limited power of attorney to act on a discretionary basis with client funds. Client funds are deposited in a brokerage account. Act Two will typically deduct management fees directly from client accounts but may bill a client separately for such amounts.

In addition to Act Two’s management fees, each client account is responsible for its own costs and expenses, including trading costs and expenses such as brokerage commissions and clearing and settlement charges. For further information on brokerage practices see Item 12. Accounts that invest in mutual funds also pay, indirectly, investment advisory fees to the managers of those funds.

Act Two receives an asset-based fee for its services. The fee schedule is described below:

For accounts that invest only in mutual funds or EFTs: 0.5% of assets annually. Minimum fee \$5,000 per year.

For accounts that invest in equities or individual bonds in addition to mutual funds and ETFs: 0.7% to 0.85% of assets annually. Minimum fee \$7,000 to \$8,500 per year,

For accounts that invest primarily in individual equities and bonds: 1.4% of assets annually. Minimum fee \$14,000 per year.

Fees are not negotiable. Fees may be waived and minimums modified. For clients with multiple accounts, minimum fees are assessed by relationship, rather than by account.

Asset Based Fees are typically payable in advance in quarterly installments at the beginning of each calendar quarter based on the net market value of the client’s account on the closing date of the previous calendar quarter.

If a client contributes capital to the Account, including its initial capital, on a date other than the first day of a calendar quarter, the Account will be charged a prorated portion of the Asset Based Fee for that calendar quarter with respect to such contribution, based on the number of days remaining in that calendar quarter and based on the net market value of the contributed capital on the opening of trading on the date of such contribution. Such fees will be added to and payable with the Asset Based Fee for the following quarter.

If a client withdraws assets from the Account on any date other than the last day of a calendar quarter, the Asset Based Fee previously paid with respect to that calendar quarter shall be prorated based on the number of days elapsed in that quarter prior to the withdrawal, and the unearned portion shall be deducted from the next quarterly Asset Based Fees.

In calculating Account value at quarter end, Act Two utilizes trade date accounting where margin debt, if any, is not deducted from the value of the Account.

Except as may be otherwise negotiated in particular cases, a client may terminate such an account by giving written notice.

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

Not applicable

Item 7. Types of Clients

Act Two provides portfolio management for individuals, retirement accounts, trusts, family offices, and others through separately managed client accounts.

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

Equity Portfolios

Equity portfolios are available in three varieties: (1) an individual equity strategy that can be up to 100% invested in a portfolio generally consisting of 10 to 12 individual issues; (2) a strategy that can be up to 100% invested in equity mutual funds and/or ETFs; or (3) a combination portfolio that can be up to 100% invested in a mixture of the two strategies above. Fully invested combination portfolios generally include 10 to 12 stocks which comprise 35-70% of account assets at cost.

For individual equities, Act Two uses a variation of low valuation investing developed and refined by Jeffrey Scharf. Act Two screens for individual equities possessing one or more of the following characteristics:

- A price/earnings, price/cash flow or price/book value ratio that is low relative to the company's own history
- A price/earnings, price/cash flow or price/book value ratio that is lower than usual relative to the market
- A price/earnings, price/cash flow or price/book value ratio that is low relative to other stocks with similar financial characteristics
- A price/earnings, price/cash flow or price/book value ratio that is low within its industry group
- A price/earnings, price/cash flow or price/book value ratio that is lower than the market
- Asset value significantly above the current stock price

For mutual funds and ETFs, fund holdings on the whole should have one or more of the characteristics above.

Balanced Portfolios

Balanced portfolios combine an equity portfolio like one of those described above with fixed income investments. A typical balanced portfolio consists of a maximum equity allocation of up to 70% at cost with the rest in fixed income including bonds, preferred stocks and money market instruments. The fixed portion may be invested in individual issues, mutual funds or ETFs.

All Portfolios

The investment strategies summarized above represent Act Two's current intentions, are general in nature and are not exhaustive. The investment strategies may shift, depending on conditions and trends in securities markets and the economy generally.

Risk Factors

Client accounts may not achieve their investment objectives. A strategy may not be successful and clients may lose some or all of their investment.

- Act Two has a limited operating history on which prospective clients may evaluate its performance.
- Investor sentiment regarding the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.
- An account may hold stocks that fail to meet earnings expectations and decline and may short stocks that beat earnings expectations and rise.
- Act Two may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. Act Two also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- Act Two may take positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- Counterparties such as brokers, dealers and custodians with which Act Two does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- Act Two may cause clients to invest in securities of non-U.S., private and government issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. At times, economic conditions in the U.S. and elsewhere have deteriorated significantly, resulting in volatile securities markets and large investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to investors.
- Act Two may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if Act Two holds a large position in an issuer's securities, it could depress the market for those securities.

- Some of an account's positions may be or become illiquid, in which case Act Two may not be able to sell such positions.
- An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which an account has invested may cause significant losses.
- Act Two determines the value of securities and commodities held in client accounts, whether or not a public market exists for such instruments. If Act Two's valuation is inaccurate, it might receive more compensation than that to which it is entitled.
- Act Two and its affiliates and agents generally are not responsible to any client for losses incurred in an account unless the conduct resulting in such loss breached Act Two's fiduciary duty constituted gross negligent, fraud or willful misconduct to the client.
- If the assets that Act Two and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for Act Two to find attractive investments as the amount of assets that it must invest increases.
- No client has been represented by separate counsel. The attorneys who represent Act Two or its manager do not represent clients. Clients must hire their own counsel for legal advice and representation.
- Act Two or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. Act Two will not be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- Federal, state and international governments may increase regulation of investment advisers, which may increase the time and resources that Act Two must devote to regulatory compliance, to the detriment of investment activities.
- Act Two is not registered with the SEC as a broker-dealer or with the Commodity Futures Trading Commission as a commodity pool operator or commodity trading adviser. Act Two believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, Act Two could be subject to expensive legal action and potential termination.
- Act Two's activities could cause adverse tax consequences to clients, including liability for interest and penalties.
- Act Two's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- Act Two may provide certain clients more frequent or detailed reports, special compensation arrangements that it does not provide to other clients.

The above is only a brief summary of some of the important risks that a client may encounter. Before deciding to invest with Act Two, you should consider carefully all of the risk factors and other information.

Item 9. Disciplinary Information

Not applicable.

Item 10. Other Financial Industry Activities and Affiliation

Not applicable.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Act Two has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940 that establishes standards of conduct for Act Two's personnel. The Code of Ethics includes general requirements that Act Two's personnel comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires personnel to report their personal securities transactions and holdings to Act Two's Compliance Officer and requires the Compliance Officer to review those reports. It also requires personnel to report any violations of the Code of Ethics promptly to the Compliance Officer. Personnel receive a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, personnel must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of Act Two's Code of Ethics by contacting Jeffrey Scharf at 831-246-0035.

Under Act Two's Code of Ethics, Act Two and its managers, members and employees may personally invest in securities of the same classes as Act Two purchases for clients and may own securities of issuers whose securities Act Two subsequently purchases for clients. This practice creates a conflict of interest in that any of such person can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. Act Two and its employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which Act Two does not believe appropriate to buy or sell for clients. Act Two employees must typically receive preapproval for personal securities transactions.

Because Act Two manages more than one account, there may be conflicts of interest over the time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. Act Two selects investments for each client based solely on investment considerations for that client. Different clients may have differing investment strategies and expected levels of trading. Act Two may buy (or sell) a security for one type of client but not for another. It may buy (or sell) a security for one type of client while simultaneously buying or selling the same security for another type of client. Act Two attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. Act Two may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client so long as it is Act Two's policy, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time. Act Two is not obligated to acquire for any account any security that Act Two or its managers, members or employees may acquire for its or their own accounts or for any other client, if in Act Two's absolute discretion, it is not practical or desirable to acquire a position in such security for that account. Some investments which may not be practical to buy for certain accounts include but are not limited to: 144A securities, limited partnerships, derivative securities, bank debt, sovereign debt, and foreign stock from certain jurisdictions.

Item 12. Brokerage Practices

Act Two has complete discretion in selecting the broker that it uses for client transactions and the commission rates that clients pay such brokers, although Act Two typically causes Client accounts to pay the posted flat rate per trade of the applicable broker. In selecting a broker for any transaction or series of transactions, Act Two may consider a number of factors, including, for example:

- special execution capabilities;

- willingness to execute related or unrelated difficult transactions in the future; willingness to commit capital; knowledge of buyers and sellers;
- block trading and block positioning capabilities;
- efficiency of execution and error resolution;
- order of call;
- offering to Act Two on-line access to computerized data regarding clients' accounts;
- computer trading systems;
- clearance, settlement and reputation;
- financial strength and stability;
- custody, recordkeeping and similar services;
- quotation services; and
- the availability of stocks to borrow for short trades.

Act Two may also purchase from a broker or allow a broker to pay for the following (each a “soft dollar” relationship):

- research reports, services and conferences, including third-party research fees;
- economic and market information; portfolio strategy advice; industry and company comments;
- technical data; consultations;
- periodical subscription fees;
- performance measurement data;
- on-line pricing;
- news wire and data processing charges; and

Act Two may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers or direct a broker that executes transactions to share some of its commissions with a broker that provides soft dollar benefits to Act Two.

Section 28(e) of the Securities Exchange Act of 1934 provides a “safe harbor” to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If Act Two uses commission dollars to pay for products or services that provide administrative or other non-research assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

Act Two’s relationships with brokers that provide soft dollar services influence Act Two’s judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. Act Two has an incentive to select or recommend a broker based on Act Two’s interest in receiving soft dollar services rather than clients’ interest in receiving the most favorable execution. These conflicts of interest are particularly influential to the extent that Act Two uses soft dollars to pay expenses it would otherwise be required to pay itself.

Act Two addresses these conflicts of interest by annually evaluating the trade execution services that Act Two receives from the brokers that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers. Act Two considers, among other things, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers and the appropriate level of commission rates.

Act Two may aggregate securities sale and purchase orders for a client with orders being made for the same security, on the same day, at the same broker for other accounts that Act Two manages or with accounts of its affiliates. In such event, a client may be charged or credited the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if Act Two were not executing similar transactions on the same day for other accounts. Exceptions to the above occur when a client is opening and account, closing an account or changing investment objective. In those cases, trades made for that client will not be aggregated.

If a Client directs Act Two to use a specific broker, Act Two has not negotiated the terms and conditions (including, among others, commission rates) relating to the services provided by such broker. Act Two is not responsible for obtaining from any such broker the best prices or particular commission rates. A client that directs Act Two to use a specific broker may not be able to participate in aggregate securities transactions and may trade after such aggregate transactions and receive less favorable pricing and execution. The client may pay higher commissions and mark-ups than it would pay if Act Two had discretion to select broker-dealers other than those that the client chooses.

Act Two recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer and SIPC member, to maintain custody of clients' assets and to effect trades for their accounts. Act Two is independently owned and operated and not affiliated with Schwab. Act Two has evaluated Schwab and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm in meeting our fiduciary obligations to clients. Act Two intends to place substantially all of the trades for its client accounts through the applicable custodian for that account. Clients that do not choose Schwab may not participate in aggregated transactions. Additionally, Clients that do not choose Schwab may not receive as favorable an execution and may pay higher commissions.

Trade Rotation

Act Two attempts to treat Client Accounts equitably when trading in the same security on the same day at different brokers or through different master accounts at the same broker. Act Two may rotate trading priority between different brokers or master accounts using a pre-set sequence.

Trade Errors

Act Two's policies and procedures generally provide that if Act Two makes an error while placing a trade for a client account (whether that error results in a gain or a loss), Act Two corrects the error as quickly as possible (which may include moving the trade to an "error account" held by Act Two) and bears all costs and retains all gains (if any) of correcting the error, unless otherwise provided in a client's agreement with Act Two.

Other

"The Ahwahnee Advantage" newsletter is edited by Jeffrey Scharf. The newsletter makes investment suggestions. Any suggestions which are applicable to and actionable for Act Two clients are implemented before publication in the newsletter.

Item 13. Review of Accounts

Accounts are reviewed on an as-needed basis. Global reviews encompassing all accounts may be the result of a decision to initiate, increase or decrease an investment position across multiple accounts. Such a decision may be influenced by new information and analysis, a change in market valuation or other factors.

Individual account reviews may be triggered by events including additions to or subtractions from funds under management, changes in investment objectives or other factors.

Act Two's clients receive independent trade confirmations and statements of their account(s) from the institution(s) where the account is held. These statements typically list their holdings, the value of their holdings, the estimated income from all holdings other than cash, dividends received, interest paid or charged, and debit or credit balance, if any. Act Two sends quarterly reports showing the account value and other information. A quarterly client letter is generally included with or separately from this report.

Item 14. Client Referrals and Other Compensation

Act Two does not pay for client referrals.

Item 15. Custody

Act Two does not intend to take physical custody of client assets; client assets will be held in brokerage accounts or with third party custodians under which Act Two's clients will grant to Act Two discretion to place trades. The custodian of each individually managed account sends account statements at least quarterly to the client. Each client should carefully review those statements.

Item 16. Investment Discretion

Act Two has discretionary authority to manage investment accounts on behalf of its clients pursuant to a limited power of attorney in each client's Investment Advisory Agreement. Such discretion is limited by the requirement that each client advise Act Two of: the investment objectives of the account; any changes or modifications to those objectives; and any specific investment restrictions relating to the account. Each client should consult directly with Act Two on a periodic basis regarding the client's investment objectives and guidelines.

A client must promptly notify Act Two in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct Act Two to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify Act Two at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

Item 17. Voting Client Securities

Act Two does not vote proxies for client accounts. Clients will be responsible for voting proxies. The Client should instruct its custodian to have proxy materials sent to the Client.

Item 18. Financial Information

This Item is not applicable.

Privacy Policy

Act Two collects non-public personal information about its clients from the following sources: •
Information received from clients on applications or other forms;
• Information about clients' transactions with Act Two, its affiliates or others.

Act Two does not disclose any non-public personal information about its clients or former clients to anyone, except as permitted by law.

Act Two restricts access to non-public personal information about its clients to its employees and certain third parties for Act Two to provide services to clients. Act Two maintains physical, electronic and procedural safeguards that comply with federal standards to guard clients' personal information.

Item 1 Cover Page – Brochure Supplement

Act Two Investors LLC

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March 30, 2020

This brochure supplement provides information about those supervised persons named in Item 2 below and supplements Act Two Investors LLC's ("Act Two" or the "Firm") Brochure. You should have received a copy of that brochure. Please contact Jeffrey Act Two at 831-226-2915 or jeffrey@acttwoinvestors.com if you did not receive Act Two's Brochure or if you have any questions about the contents of this supplement.

Additional information about Act Two and supervised persons is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Experience

Jeffrey Scharf, Founder

Jeffrey Scharf founded his first investment advisory company Scharf Investments in 1983. He served as President and/or Chairman through June 2016. He was solely responsible for the firm's investment performance through September 2010. After that, he advised the company providing investment recommendations, portfolio and trading analysis, investment research, philosophical guidance and other input.

Jeffrey has had articles published in Barron's magazine, was a lecturer at UC Santa Cruz and is a long-running columnist for the Santa Cruz Sentinel.

Jeffrey earned a Bachelor of Arts degree in Economics from the University of California at Santa Cruz in 1975. He was born in 1953.