

# **OAKTREE INVESTMENT ADVISORS**

**731 S. AIKEN AVE.  
PITTSBURGH, PA 15232**

**(412) 802-8358**

**[www.myoaktreadvisors.com](http://www.myoaktreadvisors.com)**

## **Firm Brochure (Part 2A of Form ADV)**

This Brochure provides information about the qualifications and business practices of OakTree Investment Advisors. If you have any questions about the contents of this Brochure, please contact us at (412) 802-8358. 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.

OakTree Investment Advisors is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Advisor.

Additional information about OakTree Investment Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 2020

## **Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

An update has been made to the risk section of this brochure, please refer to ***Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.***

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (412) 802-8358 or by email at: [ron@myoaktreadvisors.com](mailto:ron@myoaktreadvisors.com).

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## **Advisory Business**

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### **Firm Description**

OakTree Investment Advisors, a Registered Investment Advisor, was founded in 2000 as Oakmont Investment Advisors, Inc., which remains our legal entity, by principal owner Ronald E. Heakins. OakTree is a provider of wealth management solutions for individuals and families. We create and implement long-term asset allocation within the context of each client's particular risk tolerance, develop customized investment strategies, and offer a full array of wealth management services. In December of 2017, our firm reached the level of assets under management where it is now eligible to request registration with the United States Securities and Exchange Commission.

Unless the client directs otherwise, Registrant shall generally recommend that the clients utilize the brokerage, custodial, and clearing services of Fidelity Investments ("Fidelity") of Interactive Brokers ("IB") for investment management accounts. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal agreement with Registrant setting for the terms and conditions under which Registrant shall manage the client's investments, and a separate agreement for brokerage, custodial, and clearing services with Fidelity, IB, any other broker-dealer recommended by the Registrant, and/or the broker-dealer/custodian directed by the client (collectively referred to as "Broker-Dealer").

The investment advisory agreement between the Registrant and the client will continue in effect until terminated by either party by written notice. Registrant's investment management fee shall be prorated through the date of termination, and any remaining balance shall be charged to the client.

OakTree Investment Advisors does not accept cash deposits or checks made payable to OakTree Investment Advisors or Oakmont Investment Advisors for deposit to an account. All deposits must be made payable to the custodian, such as "Fidelity Investments." OakTree Investment Advisors or the corporate entity Oakmont Investment Advisors, Inc. does not co-mingle funds.

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### **Principal Owners**

Ronald E. Heakins is a 75% stockholder of Oakmont Investment Advisors, Inc. d/b/a OakTree Investment Advisors and Jason D. Heakins is a 25% stockholder. There are no intermediate subsidiaries.

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### **Types of Advisory Services**

Registrant's investment advisory services are generally limited to the discretionary management of investment portfolios for individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and business entities in accordance with the investment objective(s) of the client. Registrant does not provide financial planning or estate planning services. To the extent specifically requested by a client, Registrant may

provide limited consultation services to its investment management clients on investment and non-investment related matters. Registrant's investment management is generally inclusive of any investment-related consulting services. For non-investment management clients and investment management clients that require a disproportionate amount of consulting services, Registrant may charge an hourly fee for investment-related consulting services. In these limited circumstances, the fees shall be agreed upon prior to rendering the consulting services.

Currently, OakTree Investment Advisors intends to primarily allocate its client's investment management assets, on a discretionary basis, among individual debt and equity securities, ETFs, and various no-load and load-waived mutual fund classes in accordance with the client's investment objectives. As discussed above, unless the client directs otherwise, OakTree shall generally recommend that Fidelity or Interactive Brokers serve as the broker-dealer and custodian for client assets. Transactions may be cleared through other broker-dealers with whom OakTree and Broker-Dealer have entered into agreements for prime brokerage clearing services.

Clients shall incur brokerage commissions and/or transaction fees from Broker-Dealer for effecting certain securities transactions (e.g. transaction fees are charged for certain no load mutual funds, commissions are charged for individual equity/debt securities transactions). In addition to OakTree's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund holdings, charges imposed by the mutual fund (e.g. fund management fees and other fund expenses).

Neither OakTree Investment Advisors nor the client may assign the *Investment Advisory Agreement* without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of OakTree shall not be considered an assignment.

A copy of OakTree's written disclosure statement as set forth on Part II of Form ADV shall be provided to each client prior to or contemporaneously with the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of OakTree's written disclosure statement at least forty-eight (48) hours prior to executing the *Investment Advisory Agreement* shall have five (5) business days subsequent to executing the agreement to terminate OakTree's services without penalty.

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### **Tailored Relationships**

At OakTree Investment Advisors, advisory services are tailored to the individual needs of clients. Client's goals and objectives are clarified in meetings and via correspondence and are used to determine the course of action for each individual client.

Clients may impose restrictions on investing in certain securities or types of securities. This must be done in writing and signed by the client and OakTree Investment Advisors. Agreements may not be assigned without client consent.

Clients are advised to promptly notify OakTree Investment Advisors if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon OakTree's management services.

OakTree Investment Advisors, Inc. no longer offers the Comprehensive Portfolio Analysis and Audit program. This service is now offered under a separate corporation, Comprehensive Portfolio Analysis and Audit Plus, Inc., owned by the principals of OakTree Investment Advisors. (Ronald E. Heakins, and Jason D. Heakins).

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## **Managed Assets**

As of December 31, 2019, OakTree Investment Advisors managed approximately \$126,193,450 in assets for about 253 accounts. All of the accounts are managed on a discretionary basis.

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## **Fees and Compensation**

### **Description**

In the event the client determines to engage OakTree Investment Advisors to provide investment management services, OakTree shall do so on a fee-only basis. If engaged, OakTree shall charge an annual investment management fee based upon a percentage of the market value of the assets being managed by OakTree. The investment management fee shall vary (0.30% - 1.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered. The specific manner in which fees are charged by OakTree Investment Advisors is established in a client's written agreement with OakTree Investment Advisors. The annual fee shall be prorated and paid quarterly, in arrears, based on the market value of the assets on the last day of the previous quarter, or the daily fee paid daily, all prorated around contributions and distributions over \$10,000. No increase in the annual or daily fee shall be effective without prior written notification to the client.

OakTree Investment Advisors does not impose an account minimum for investment management services, except for model portfolios which shall have a minimum investment of \$25,000. OakTree Investment Advisors, in its sole discretion, may charge a lesser management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, etc.) Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

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## **Fee Billing**

OakTree Investment Advisors' investment advisory agreement and/or the separate agreement with Broker-Dealer may authorize the Broker-Dealer to debit the client's



account for the amount of the OakTree's investment management fee and to directly remit that management fee to the Registrant in accordance with required SEC procedures as follows: (1) OakTree Investment Advisors shall send to the client and Broker-Dealer at the same time, a bill showing the amount of the management fee, the value of the client's assets on which the fee was based, and the specific manner in which the OakTree's management fee was calculated; and (2) Broker-Dealer shall send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the OakTree Investment Advisors.

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## **Other Fees**

OakTree Investment Advisors' fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to OakTree Investment Advisors' fee, and OakTree Investment Advisors shall not receive any portion of these commissions, fees, and costs.

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## **Past Due Accounts and Termination of Agreement**

OakTree Investment Advisors reserves the right to stop work on any account that is more than 60 days overdue. Clients may terminate their agreement at any time by providing written notice.

Terminating clients will receive an itemized bill for the work completed to the date of termination.

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## **Performance-Based Fees**

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### **Sharing of Capital Gains**

OakTree Investment Advisors, Inc. does not use a performance-based fee structure because of the conflict of interest. Performance-based compensation may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client. However, the nature of asset-based fees allows OakTree Investment Advisors to participate in the growth of client's wealth. This also means that our fees can decline when the client's portfolio declines in value. OakTree reserves the right to waive quarterly fees in certain circumstances.

## **Types of Clients**

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### **Description**

OakTree Investment Advisors provides portfolio management services to individuals, pension and profit-sharing plans, trust, estates, charitable organizations, corporations or business entities other than those listed above. Advice may extend to entities related to the client, such as small businesses and charitable organizations. Client relationships vary in scope and length of service. OakTree does not impose a minimum dollar value of assets or other condition for opening or maintaining an account.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

OakTree Investment Advisors' employs a macroeconomic overview and fundamental security analysis. The main sources of information Registrant uses include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

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### **Investment Strategies**

A business cycle can be divided into eight stages. An analysis of stock price corrections reveals clear patterns in the magnitude and frequency as we move through these eight stages. Therefore, the risk of owning equities increases and decreases as we move through a business cycle along with the risk of buying on dips. At OakTree Investment Advisors we incorporate Leading Indexes developed by independent outside institutions. It is this process that has become the backbone of OakTree Investment Advisors' strategy.

We employ an approach to portfolio construction and management based on a robust quantitative framework that measures the trade-offs between risk and return. This enables us to provide the appropriate level of portfolio diversification. We may recommend tactical shifts within a portfolio in order to capitalize on current investment opportunities. Taking into account current market conditions and economic trends, we review each client's portfolio on an ongoing basis and evaluate possible adjustments. A strategy of selling "covered calls" can be implemented in accounts to reduce risk and to increase cash flow.

OakTree Investment Advisors employs a technical analysis which provides clarity into market activity so that we can determine trends and optimal entry or exit points for investment. The analysis includes:

- Tracking trading volume of 10,000-share blocks
- Studying the 50-day and 200-day trend lines to find optimal entry points
- Watching the "up-down" ratios looking for higher volume on "up" days
- Tracking momentum indicators such as MACD and Stochastics.

The fundamental analysis employed by OakTree Investment Advisors provides a dashboard to indicate a company's financial health and investment suitability. It includes:

- The study of the financial health of a company
- An in-depth look at company earnings, dividends, ratios such as debt-to-equity and other efficiency ratios that signal financial health and sustainable performance, as well as net margins which signify low competition and/or management's ability to reduce cost.

Earnings revisions are closely monitored by OakTree Investment Advisors and the results are critical in our decision-making process.

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## Portfolio Strategies

1. Equity Strategy - This strategy will incorporate our Business Cycle strategy and will liquidate equity positions (not necessarily 100%) thus reducing the risk the portfolio is exposed to during contraction of the economy by placing a larger than normal percentage of the account in securities such as money market instruments, bonds, and CD's. The fee structure is:
  - 1% fee charged for account value up to \$2,000,000
  - ¾% fee charged for account value from \$2,000,000 to \$5,000,000
  - ½% fee charged for account value over \$5,000,000
2. Fixed Income – for clients who are focused on income or for those clients that want to be conservative at all times. We will place the majority, if not all, assets in fixed income instruments such as:
  - Securities issued by the U.S. Government and their agencies
  - Investment grade corporate bonds
  - C.D.'s
  - Fixed Income ETF's
  - Fixed Income no-load mutual funds
  - Dividend paying equitiesThe fee structure is:
  - .50% fee charged for account value up to \$2,000,000
  - .30% fee charged for account value over \$2,000,000
3. Model Portfolios – Portfolios will be built by the OIA team including, in some cases, interns that are currently enrolled as students at targeted universities, or the use of outside research and investment consulting firms. Investors can participate in one or all of the portfolios as long as they meet the minimum investment set for each portfolio. Each portfolio will have management fees ranging from 0.30% to 1.00%. The portfolios will, depending upon investment objective and investing thesis, consist of:
  - Stocks
  - Bonds
  - Cash
  - ETFs & Mutual Funds

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## Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Our investment approach keeps the risk of loss in mind as we are constantly measuring the risk in each portfolio. However, as with all investments, clients face investment risks including the following: Loss of Principal Risk, Interest-rate Risk, Market Risk, Inflation Risk, Currency Risk, Reinvestment Risk, Business Risk, Liquidity Risk, and Financial Risk.

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, my firm is unable to represent, guarantee, or even imply that my services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through my investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation

will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with my firm varies with the success and failure of my investment strategies, research, analysis and determination of portfolio securities. If my investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk - When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Herring Financial Consulting and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.

- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

## **Risks of investing in marijuana stocks**

**Valuation risks:** Probably the greatest risk with buying any marijuana stock is that valuations of these stocks have increased so rapidly that share prices more than reflect the stocks' growth prospects. A stock's valuation can be assessed in several ways, including using the stock price in relation to earnings, revenue, and cash flow. Many marijuana stocks have yet to be profitable, which makes assessing stock valuations more challenging.

**Dilution risks:** [Dilution](#) occurs when a company issues new shares to generate additional capital for funding operations or expanding the business. The value of existing shares decreases as a result of the higher number of [outstanding shares](#) -- the total number of shares investors own, including those held by company insiders. .

**Commoditization risks:** One risk that especially applies to marijuana growers and to royalty streaming companies is the potential for commoditization -- when a product becomes indistinguishable from other products. Marijuana is an agricultural crop. And all agricultural crops are commodities.

When demand is greater than supply, commoditization isn't a big problem. But when supply exceeds demand, commoditization could hurt marijuana growers, particularly smaller ones that don't have the same cost savings that result from increased size and scope of operations that larger producers have.

**Prosecution risks:** Although many states have legalized medical marijuana, recreational marijuana, or both, their laws are in direct violation of federal marijuana laws. During the Obama administration, the official federal policy was to avoid interfering in states that had legalized marijuana.

**Risks associated with obtaining banking and financial services:** Because selling marijuana is illegal at the federal level, banks or other financial institutions that handle money made from marijuana-related businesses could be accused of money laundering (that is, concealing the origin of money made illegally).

Many banks have opted to steer clear of dealing with marijuana businesses because of the risks of running afoul of federal laws. That has resulted in marijuana businesses being forced to operate

on a cash-only basis. One downside is that it makes companies more susceptible to robbery. An even greater problem, though, is that it limits their ability to obtain capital needed for expansion.

**For these reasons, OakTree Investment Advisors does not recommend investing more than 10% of your investible assets in marijuana stocks.**

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in any legal or disciplinary events related to past or present activities.

## **Other Financial Industry Activities and Affiliations**

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### **Activities**

#### **Oakmont Investment Advisors, Inc.,**

Under the corporate entity Oakmont Investment Advisors, Inc., work was/is performed by Ronald E. Heakins and the staff of Oakmont Investment Advisors, Inc. and OakTree Investment Advisors as experts and consultants in securities arbitration, mediation, and trust litigation. Oakmont Investment Advisors, Inc. has been performing these services since 2002 and has been retained in over 400 cases representing claimants, respondents, and FINRA (Financial Industry Regulatory Authority).

As of May 30<sup>th</sup>, 2017, new work in the security arbitration, mediation, and trust litigation fields will be performed under the newly formed corporation “R.E. Heakins Expert Services, Inc.”. The principals of OakTree Investment Advisors are shareholders with the following ownership:

Ronald E. Heakins	50%
Jason D. Heakins	50%

#### **Comprehensive Portfolio Analysis & Audit Plus (CPAA+)**

Comprehensive Portfolio Analysis & Audit Plus (CPAA+) is a new service that tracks changes in an investor’s finances and keeps them informed of how such changes may impact their future financial outlook. CPAA+ is a trusted Fiduciary, monitoring their client’s financial transactions and statements. When brokers and advisors know someone is looking over their shoulders, reviewing financial decisions, and reviewing the health of your portfolio, the chance of recommending unsuitable investments or transactions automatically decreases. As oversight is being provided, annual expenses should not fall outside of an acceptable range. CPAA+ provides that oversight, we are the “guardian angel” of your financial future. We ensure that the advice you are given is in your best interest, and not in the interest of a financial advisor’s commission. **We don’t manage your money.** Instead, we stand next to you and make sure your broker, advisor, or insurance agents are doing what you pay them to do — effectively manage your assets. We make sure they are putting your interests first by acting as a fiduciary should.

Website: [www.cpaaplus.com](http://www.cpaaplus.com)

The principals of OakTree Investment Advisors are shareholders with the following ownership:

Ronald E Heakins President	50% ownership
Jason D Heakins Vice President	50% ownership

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## **Affiliations**

Pragmatic Capital Advisors, Inc. was shut down on August 30<sup>th</sup>, 2017.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

OakTree Investment Advisors has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at OakTree Investment Advisors must acknowledge the terms of the Code of Ethics annually, or as amended.

OakTree Investment Advisors anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which OakTree Investment Advisors has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which OakTree Investment Advisors, its affiliates and/or clients, directly or indirectly, have a position of interest. OakTree Investment Advisors' employees and persons associated with OakTree Investment Advisors are required to follow OakTree Investment Advisors' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of OakTree Investment Advisors and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for OakTree Investment Advisors' clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of OakTree Investment Advisors will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code requires pre-clearance of many transactions, and restricts trading in



close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between OakTree Investment Advisors and its clients.

OakTree Investment Advisors' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting OakTree Investment Advisors.

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## **Participation or Interest in Client Transactions**

It is OakTree Investment Advisors' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Registrant will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

No employee of Registrant may effect for himself or herself or for his or her immediate family (i.e. spouse, minor children) (collectively referred to as "Covered Persons") any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Registrant's clients, unless in accordance with the following Firm Procedures.

### *Firm Procedures*

In order to implement Registrant's Investment Policy, the following procedures have been put into place with respect to Registrant and its Covered Persons:

If Registrant is purchasing or considering for purchase any security on behalf of Registrant's client, no Covered Persons may transact in that security prior to the client purchase having been completed by Registrant, or until a decision has been made not to purchase the security on behalf of the client; and

If Registrant is selling or considering the sale of any security on behalf of Registrant's client, no Covered Persons may transact in that security prior to the sale on behalf of the client having been completed by Registrant, or until a decision has been made not to sell the security on behalf of the client.

### Exceptions

This Investment Policy has been established recognizing that some securities being considered for purchase and sale on behalf of Registrant's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of the securities. Under certain circumstances exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with Registrant's records in the manner set forth above.

Mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by Covered Persons are not likely to have an impact on the prices of the fund shares in which clients invest, and are therefore not prohibited by Registrant's Investment Policy and Procedures.

### Insider Trading

In accordance with Section 204A of the Investment Advisors Act of 1940, as amended, the Registrant also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by the Registrant or any person associated with the Registrant.

## **Brokerage Practices**

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### **Selecting Brokerage Firms/Soft Dollars**

Unless the client directs otherwise, Registrant shall generally recommend that the clients utilize the brokerage, custodial, and clearing services of Fidelity Investments ("Fidelity") for investment management accounts. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal agreement with Registrant setting for the terms and conditions under which Registrant shall manage the

client's investments, and a separate agreement for brokerage, custodial, and clearing services with Fidelity, any other broker-dealer recommended by the Registrant, and/or the broker-dealer/custodian directed by the client (collectively referred to as "Broker-Dealer").

Factors which the Registrant considers in recommending Fidelity, or any other broker-dealer, to clients include their respective financial strength, reputation, execution, pricing, research, and service. Fidelity enables Registrant to obtain many no-load mutual funds without transaction charges and other no-load and load-waived funds at nominal transaction charges. Fidelity charges commission rates which are generally considered discounted from customary retail commission rates. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other broker-dealers. In return for effecting securities transactions through Fidelity or any other designated broker-dealer or custodian, Registrant may receive certain investment research products and/or services which assist the Registrant in its investment decision-making process for the client, all of which transactions shall be in compliance with Section 28(e) of the Securities Exchange Act of 1934, as amended.

Transactions for each client generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same

time. Registrant 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 Registrant’s clients 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 Registrant’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Registrant determines to aggregate client orders for the purchase or sale of securities, including securities in which Registrant’s principal(s) and/or associated person(s) may invest, the Registrant shall generally do so in accordance with the parameters set for in SEC No-Action Letter, *SMC Capital, Inc.*

## **Review of Accounts**

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### **Periodic Reviews**

For those clients to whom OakTree Investment Advisors provides investment supervisory services, account reviews are conducted on an ongoing basis by one of the OakTree’s investment advisor representatives/the investment advisor representative(s) of OakTree as selected by the client/the Principals of OakTree, Ronald E. Heakins and Jason D. Heakins. All investment supervisory clients are encouraged to discuss with OakTree his/her/their/its investment objectives, needs, goals and to keep OakTree informed of any changes regarding same. All clients are encouraged to meet, at least annually, with OakTree Investment advisors to comprehensively review investment objectives and account performance.

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### **Review Triggers**

Account reviews for clients are performed more frequently when market conditions dictate, or when a client’s objectives change. A review may be triggered by client request, changes in market condition, new information about an investment, or other important changes.

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### **Regular Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a report for the Registrant summarizing account activity and performance on a quarterly basis.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

If a client is introduced to OakTree Investment Advisors by either an unaffiliated or an affiliated solicitor, the Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)3 of the Advisors Act and any corresponding state

securities law requirements. Any such referral fee shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor shall provide the client with a copy of the Registrant's written disclosure statement which meets the requirements of Rule 204-3 of the Advisors Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of the Registrant shall disclose the nature of his/her relationship to the prospective clients with a copy of the Registrant's written disclosure statement at the time of the solicitation. Prior to any person soliciting Pennsylvania residents, they must be registered as an investment advisor representative with the Pennsylvania Securities Commission. OakTree will not utilize solicitors in Pennsylvania until such time as they are properly registered under the 1972 Act.

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## **Referrals to Other Professionals**

OakTree Investment Advisors does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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## **Custody**

### **Account Statements**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. OakTree Investment Advisors urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you on a quarterly basis. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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### **Statements Provided by OakTree Investment Advisors**

Clients are provided, on a quarterly basis, with account statements that are generated from our portfolio accounting software. Clients are urged to compare the statements they receive from us to those they receive from their qualified custodians.

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## **Investment Discretion**

### **Discretionary Authority for Trading**

OakTree Investment Advisors usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. However, if discretionary authority or a limited power of attorney has not been given, OakTree Investment Advisors consults with the client prior to each trade to

obtain concurrence. Discretionary trading authority facilitates placing trades in client's accounts on their behalf so that we may promptly implement the Investment Policy they

have approved. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, OakTree Investment Advisors observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, OakTree Investment Advisors' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to OakTree Investment Advisors in writing.

## **Voting Client Securities**

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### **Proxy Votes**

Unless the client designates otherwise, OakTree Investment Advisors votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. In accordance with SEC Rule 206(4)-6, OakTree Investment Advisors has established the following policies and procedures:

- I. Voting Mutual Fund Shares:
  - a. Funds recommended by OakTree Investment Advisors:
    - i. OakTree monitors the activity of funds it recommends to clients.
    - ii. OakTree will review the issues on a case-by-case basis and vote proxies when the proxies are delivered to OakTree or when a client requests information on how to vote. The primary purpose and fiduciary responsibility of OakTree Investment Advisors in voting proxies is to maximize shareholder value.
    - iii. OakTree Investment Advisors does not vote proxies that are based solely on social issues.
  - b. Funds in client portfolios that were not recommended by OakTree Investment Advisors:
    - i. OakTree Investment Advisors due diligence on funds not recommended by us is limited to performance review relative to peers.
    - ii. In the case where we recommend other funds in a fund family, but not the specific fund requiring voting, we will make recommendations based on our knowledge of general issues and procedural changes common to funds we do not recommend.
- II. Voting Shares of Equities
  - a. For individual equities we have directly recommended, we review the issues on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of OakTree in voting proxies is to maximize shareholder value.

- b. When we receive proxy statements for equities recommended by a third-party investment manager, we will call the investment manager for voting instructions or will mail the proxies to the investment manager.
- c. When clients request advice on proxy voting for shares of stock in their portfolios that OakTree Investment Advisors has not recommended, we will review the material provided by the client and educate the client on the issues involved. It is the client's responsibility to understand the issues and to vote the shares.

### III. Records of Proxy Votes

- a. OakTree Investment Advisors maintains a separate file recording the history of all proxy votes. Clients may obtain, free of charge, a record of how OakTree voted proxy issues on their behalf by submitting a written request or calling us at (412) 802-8358.

### IV. Conflicts of Interest

- a. Should a conflict of interest exist between OakTree Investment Advisors and client(s) regarding the outcome of certain proxy votes, OakTree is committed to resolving the conflict in the best interest of clients before it votes the proxy in question. OakTree may take any of the following courses of action to resolve the conflict:
  - i. Disclose the conflict to clients and obtain consent before voting
  - ii. Suggest that client(s) engage another party to determine how the proxy should be voted
  - iii. Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to us to inform us of their desired vote. A copy of OakTree Investment Advisors' proxy voting policy is available upon request.

## **Financial Information**

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### **Financial Condition**

OakTree Investment Advisors does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. A balance sheet is not required to be provided because OakTree Investment Advisors does not serve as a custodian for client funds or securities and does not require prepayment of fees of more than \$1,200 per client, six months or more in advance.

## **Business Continuity Plan**

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### **General**

OakTree Investment Advisors has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, fire, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications line outage, Internet outage, railway incident and aircraft incident. Electronic files are backed up daily and archived on and offsite.

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### **Alternate Offices**

Alternate work locations are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location. The alternate office is located at 526 W Main Street, Saxonburg, PA 16056.

## **Information Security Program**

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### **Information Security**

OakTree Investment Advisors maintains an information security program to reduce the risk that personal and confidential information may be breached.

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### **Privacy Notice**

At OakTree Investment Advisors, we realize how important protecting client privacy is, and we want to share our policy with you. We first obtain non-public personal information about clients from the applications and other forms completed to establish and service accounts with us.

The following is the standard of OakTree Investment Advisors and our employees for collection, use, retention, and security of our client's non-public personal information:

- We restrict access to non-public information to those employees who need to know that information to provide services to clients.
- We maintain physical, electronic, technical, and administrative procedural safeguards to protect clients' records and non-public personal information.
- We do not disclose any non-public personal information about our clients to anyone, except the sharing of information with affiliated companies that work with us, such as the brokerage firm or insurance company where the clients' account is held. All such companies are obligated to keep the information that we provide to

them confidential, and to use the information solely to provide the services we have asked them to perform for us or the client. They also are required to advise the client of their privacy policy and offer client an opportunity to prevent the disclosure of any non-public information they may have.

- We do not disclose, provide, trade, share, or sell non-public information to any non-affiliated third parties or organizations.
- These same protections are afforded to all current, prospective, or former clients.

We will notify our clients in advance if our privacy policy is expected to change. We are required by law to deliver this Privacy notice to our clients annually, in writing.