

## Item 1 – Cover Page

Two Oaks Investment Management, LLC.  
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Date of Brochure: January 1, 2021

This brochure provides information about the qualifications and business practices of Two Oaks Investment Management, LLC. If you have any questions about the contents of this brochure, please contact Jarrett Perez at (888) 806-8633 or [jarrett@twooaks.com](mailto:jarrett@twooaks.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.

Additional information about Two Oaks Investment Management, LLC is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Two Oaks Investment Management, LLC. You may search for information by using the firm's CRD number. The CRD number for Two Oaks Investment Management, LLC is 157874.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Our firm, Two Oaks Investment Management, LLC. is a registered investment adviser, and this Disclosure Brochure dated January 2021 is an amendment to our previous brochure dated January 2020. In the future, this item will discuss only specific material changes that are made to the Disclosure Brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of the brochure.

Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

### **Material Changes Reflected in this Brochure**

The Assets Under Management by the firm has been updated in Item 4.

### **Item 3 – Table of Contents**

Item 1 – Cover Page

Item 2 - Material Changes

Item 3 – Table of Contents

Item 4 – Advisory Business

General Description of Primary Advisory Services

Investment Company Management Services Specialization

Client Assets Managed by Two Oaks Investment Management, LLC

Item 5 – Fees and Compensation

Item 6 – Performance-Based Fees and Side-By-Side Management

Item 7 – Types of Clients

Minimum Investment Amounts Required

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

Item 9 – Disciplinary Information

Item 10 – Other Financial Industry Activities and Affiliations

Relationship with DA Davidson & Co

Relationship with Santa Barbara Group of Funds

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

Affiliate and Employee Personal Securities Transactions Disclosure

Item 12 – Brokerage Practices

Handling of Trade Errors

Block Trading Policy

Item 13 – Review of Accounts

Account Reviews and Reviewers

Statements and Reports

Item 14 – Client Referrals and Other Compensation

Item 15 – Custody

Item 16 – Investment Discretion

Item 17 – Voting Client Securities

Item 18 – Financial Information

Information Required by Part 2B of Form ADV: Brochure Supplement – Blake T. Todd

Information Required by Part 2B of Form ADV: Brochure Supplement – Jarrett Perez

## **Item 4 – Advisory Business**

Two Oaks Investment Management, LLC. (“Two Oaks” or “the firm” or “we”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a Limited Liability Company (“LLC”) formed under the laws of the State of California.

Two Oaks Investment Management, LLC. was formed in August 5, 2010 and has been registered as an investment advisor with the SEC since 2011.

Two Oaks Investment Management, LLC. is owned by LLC Members Blake Todd (Managing Member and Chief Executive Officer) who owns 80% and Jarrett Perez (Member and Chief Compliance Officer) who owns 20%.

Two Oaks is an advisor to the Two Oaks Diversified Growth & Income Fund Class A. The funds are a series of the Northern Lights Fund Trust II, an open-end management investment company, which Two Oaks has an Investment Advisory Agreement with.

The Funds’ portfolio managers are Blake T. Todd and Jarrett Perez, the Managing Members and owners of Two Oaks Investment Management, LLC.

### ***General Description of Primary Advisory Services***

Two Oaks is an investment management firm that provides portfolio management to mutual funds. We believe assets should be allocated amongst ownership of corporate stock, income securities, and income producing real estate. We utilize our own proprietary research and valuation parameters to implement diversified, disciplined, long term investment solutions to the mutual funds we advise.

### ***Investment Company Management Services***

As the advisor, Two Oaks Investment Management, LLC. provides the funds with a program of continuous supervision of the Two Oaks Diversified Growth & Income Fund Class A funds’ assets, including developing the composition of each fund’s portfolio, and furnishes advice and recommendations with respect to investments, investment policies, and the purchase and sale of securities. Two Oaks is also responsible for the selection of broker-dealers through which the funds execute portfolio transactions, subject to the brokerage policies established by the Northern Lights Fund Trust II, and it provides certain executive personnel to the funds.

Two Oaks Investment Management, LLC. provides investment advice and management services to the Two Oaks Diversified Growth & Income Fund

Class A. The Two Oaks Funds are a series of the Northern Lights Fund Trust II, an open-end management investment company established under the laws of Delaware and registered with the SEC under the Investment Company Act of 1940 (the “1940 Act”).

Subject to the supervision of the Northern Lights Fund Trust II’s Board of Trustees, Two Oaks LLC provides a continuous investment program for the Fund on a discretionary basis, including investment research and management with respect to all securities and investments and cash equivalents in the Fund. Two Oaks determines from time to time what securities and other investments will be purchased, retained or sold by the Fund. Two Oaks will provide the services in accordance with the Fund’s investment objectives, policies, and restrictions as stated in the Fund’s prospectus. Fund performance is measured against a combination of the Standard & Poor’s 500, Bloomberg Barclays Aggregate Bond, and MSCI US REIT Indexes as selected by the Fund’s Board of Trustees.

The Advisor Agreement provides that it will remain in force for an initial term of two years, and from year to year thereafter, subject to annual approval by (a) the Board of Trustees or (b) a vote of a majority (as defined in the 1940 Act) of the outstanding shares of a Fund; provided that in either event continuance is also approved by a majority of the Independent Trustees, by a vote cast in person at a meeting called for the purpose of voting on such approval. The Advisor Agreement may be terminated at any time, on sixty days written notice, without the payment of any penalty by, (i) the Board of Trustees, (ii) a vote of the majority of the outstanding voting securities of the Fund, or (iii) the Fund Manager.

The Advisor Agreement will terminate automatically in the event of its assignment (as defined in the 1940 Act).

The Advisor Agreement provides that the Fund Manager may delegate responsibility for the management of a Fund to a sub-advisor.

Two Oaks Investment Management, LLC. provides advisory services in the form of investment management research and design. Our philosophy is built around what we believe to be the following investment truths: Discipline and a long term mindset are required, Compounding requires time, saving requires discipline and consistency, asset allocation and rebalancing control risk and enhance returns, both a buy and sell discipline are required for effective portfolio management and investments should be expected to generate positive cash flow over time.

### ***Specialization.***

Two Oaks Investment Management, LLC. specializes in providing portfolio management services to investment companies only; advice is exclusively focused on providing research and portfolio management to mutual funds in an effort to deliver best-in-class investment portfolios and competitive rates of return.

Two Oaks has a broad range of proprietary research programs, each one seeking to identify and validate research candidates with the potential to improve the way financial advisors' clients' investment portfolios perform.

These research programs range from testing basic ideas and concepts on traditional asset allocation strategies, as well as in-depth quantitative and technical analysis of investment managers, to methods designed to help deliver best-in-class investment solutions.

### ***Limits Advice to Certain Types of Investments.***

Two Oaks Investment Management, LLC. provides investment advice on the following types of investments.

- Mutual Fund Shares
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds and preferred stocks)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States government securities
- Foreign government securities
- Mortgage Backed Securities
- Real Estate Investment Trusts
- Master Limited Partnerships
- other types of private (i.e. non-registered) securities.

Two Oaks Investment Management, LLC. does not provide advice on Options contracts on securities, commodities or futures.

For a more detailed description of the types of investments utilized by Two Oaks in the management of the Two Oaks Fund please refer to the most recent Statement of Additional information (SAI).

The Fund's investment advisor, Two Oaks Investment Management, LLC. (the "Advisor"), seeks to achieve the Fund's investment objective by investing primarily in a balanced portfolio of equities, fixed income securities, and Real Estate and Asset Based securities.

The Advisor uses a proprietary screening process to select investments. The screening process includes analysis of sector and asset allocations, total returns, and risk data. The Advisor will seek to construct portfolios that achieve the Fund's investment objective while maintaining an asset allocation in the three major categories of investments (Equities, Fixed Income, and Real Estate and Asset based securities) of between 15% and 50% in each category. *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Client Assets Managed by Two Oaks Investment Management, LLC**

The amount of clients assets managed by Two Oaks Investment Management, LLC. totaled \$29,106,490 as of December 31, 2020. \$29,106,490 are managed on a discretionary basis and \$0 are managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements.

The Fund Manager is entitled to receive, on a monthly basis, an annual advisory fee equal to .60% of the Fund's average daily net assets. Two Oaks may also share in the distribution fees received on the sales of new shares of the fund for the purpose of offsetting marketing expenses. Northern Lights Trust II accrues the advisory fees on a daily basis within the accounting of the fund. It then pays those advisory fees that have been accrued and not waived on a monthly basis to Two Oaks.

The Trust has entered into a Fund Accounting and Administration Agreement with Ultimus Fund Solutions ("Administrator"), 4221 North 203rd Street, Suite 100 Elkhorn, NE 68022. The Administrator assists the Trust in the performance of its administrative responsibilities to the Funds, coordinates and pays for the

services of each vendor and the operating expense to the Funds, and provides the Funds with certain administrative, fund accounting, and compliance services. As part of its services and consolidated fee arrangement, the Administrator receives compensation based on each Fund's average daily net assets as more fully disclosed in the Fund's Prospectus. The fee paid to the Administrator is calculated by multiplying the average daily net assets of each Fund by the highest applicable annual rate.

The Administrator's responsibilities include the following services for the Funds: (i) procures on behalf of the Trust, and coordinates with, the custodian and monitors the services it provides to the Funds; (ii) coordinates with and monitors any other third parties furnishing services to the Funds; (iii) provides the Funds with necessary office space, telephones, and other communications facilities and personnel competent to perform administrative and clerical functions for the Funds; (iv) assists or supervises the maintenance by third parties of such books and records of the Funds as may be required by applicable federal or state law; (v) assists or supervises the preparation by third parties of all federal, state, and local tax returns and reports of the Funds required by applicable law; (vi) assists in the preparation and, after approval by the Trust, files and arranges for the distribution of proxy materials and periodic reports to shareholders of the Funds as required by applicable law; (vii) assists in the preparation of and, after approval by the Trust, arranges for the filing of such registration statements and other documents with the SEC and other federal and state regulatory authorities as may be required by applicable law; (viii) reviews and submits to the officers of the Trust for their approval invoices or other requests for payment of Fund expenses and instructs the custodian to issue checks in payment thereof; and (ix) takes such other action with respect to the Funds as may be necessary in the opinion of the Administrator to perform its duties under the agreement. The Administrator also provides certain accounting and pricing services for the Funds. With the exception of the Advisor, all of the Fund's service providers are paid by the Administrator.

Refer to the Prospectus for the fund and the Statement of additional information to see detail of the internal expenses within the fund.

**Portfolio Turnover.** The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses affect the Fund's performance.

Both Blake Todd and Jarrett Perez are dually employed with DA Davidson & Co. DA Davidson & Co. hold no ownership position in Two Oaks Investment Management, LLC. In their employment with DA Davidson & Co. they serve the



investment needs of individuals, corporations, retirement plans, and charitable accounts. In their capacity as Financial Advisers to these individual securities accounts they are presented with some potential conflicts of interest. Among those conflicts of interest are the following and how they are dealt with:

- Directing trades for the fund through any division of DA Davidson so that DA Davidson could profit from that trading activity. To remove this conflict of interest there is a prohibition from any mutual funds that is managed by Two Oaks from directing any trades through DA Davidson.
- In their capacity of managing client assets on a discretionary basis at DA Davidson, Blake Todd or Jarrett Perez could place shares of the fund in those accounts to be paid a management fee and participate in the fund Advisory fee on the same moneys. To remove this conflict of interest there is a prohibition from owning any shares of the fund in any discretionary account managed by Blake Todd or Jarrett Perez at DA Davidson.
- In their capacity of advising clients on the placement of their investments Blake Todd and Jarrett Perez will be compensated as the broker of record and receive any sales commission for the placement of moneys into the fund. They will also receive the ongoing 12b1 servicing fee for those clients they are the broker of record for. To address this conflict of interest all clients are informed of the dual role Blake Todd and Jarrett Perez maintain and how they are compensated prior to their purchase of fund shares. Clients could also choose to invest in shares of the fund through another broker to remove this potential conflict of interest. For both Blake Todd and Jarrett Perez over 50% of their compensation comes from the commission and fees that their individual clients pay to them.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because Two Oaks Investment Management, LLC. **does not charge or accept performance-based fees** which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## **Item 7 – Types of Clients**

Two Oaks Investment Management, LLC. generally provides investment advice solely to Investment Companies.

## **Minimum Investment Amounts Required**

Two Oaks Investment Management, LLC. does not provide investment advisory services to individual clients but rather to investment companies. Accordingly, it does not have any minimum account size. However, certain investment company clients may have minimum investment amounts that are set forth in the prospectus of such investment companies.

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

**Two Oaks Investment Management, LLC uses the following methods of analysis in formulating investment advice.**

***Charting*** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

***Cyclical*** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

***Fundamental*** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like

the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

**Security Analysis Methods** - The prospectus and statement of additional information for each investment company client of Two Oaks Investment Management, LLC may set forth additional security analysis methods employed by Two Oaks Investment Management, LLC.

**Two Oaks Investment Management, LLC uses the following investment strategies in the execution of its investment plans.**

Two Oaks Investment Management, LLC.'s primary strategy may involve the frequent trading of securities. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

**Long term purchases** - Investments held at least a year.

**Short term purchases** - Investments sold within a year.

**Trading** - Investments sold within 30 days.

**Tactical asset allocation** - Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

**Strategic asset allocation** - Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

Two Oaks invests principally in the following three asset classes: equity: equity securities (including common and convertible preferred stock), investment grade fixed income securities of any maturity including preferred stock), and real estate and asset-based securities (which are securities that represent an interest in commodities related industries). Equity securities include common stocks and convertible securities rated at least Baa3 by Moody’s Investors Service (“Moody’s”) or at least BBB- by Standard and Poor’s Rating Group (“S&P”); however, the Fund reserves the right to invest in lower-rated convertible securities that the portfolio manager believes offer the prospect of higher total returns (interest plus capital appreciation) than normally expected from such securities. Using a proprietary multiple asset allocation model to determine the exact allocations, the Fund allocates 15% to 50% of its assets to each of the three asset classes, although in most economic environments the allocation is expected to be in approximately equal proportions. Two Oaks, under certain circumstances, will invest in exchange-traded and closed- end funds for liquidity and diversification purposes. Two Oaks, will sell securities when the model indicates that the target price has been reached, a greater value exists in another sector or a new, more desirable security presents better upside potential. Two Oaks seeks to achieve long-term growth of capital through both income generation and capital appreciation

### ***Risk of Loss***

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including 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) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our 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 when investing in securities through our investment management program.

**Commodities Risk** - Investments in companies engaged in exploration, mining, processing, distributing or dealing in gold, other precious metals, minerals and other commodities involves certain risks. These include unpredictable monetary policies and economic and political developments, such as currency devaluation or revaluations; increased environmental costs; concentration of the sources of the supply of commodities, and control over their sale; changes in U.S. or foreign tax, currency, environmental or mining laws; and trade restrictions between countries.

**Company Risk** - Because of changes in the financial condition or prospects of specific companies, the individual stocks selected by the Fund's portfolio manager may decline in value.

**Credit Risk** - The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation.

**General Risk** - There is no assurance that the Fund can achieve its investment objective, since all investments are inherently subject to risks. When you sell your Fund shares, they may be worth less than what you paid for them.

**Government Risk** - The U. S. government's guarantee of ultimate payment of principal and timely payment of interest on certain U. S. government securities owned by the Fund does not imply that the Fund's shares are guaranteed or that the price of the Fund's shares will not fluctuate.

**Interest Rate Risk** - The value of your investment may decrease when interest rates rise. Generally, due to changes in interest rates and other factors, the value of a portfolio of bonds with a longer effective maturity will fluctuate more than the value of a portfolio of bonds with a shorter effective maturity.

**Junk Bond Risk** - Lower-quality bonds, known as "high yield" or "junk" bonds, present greater risk than bonds of higher quality, including an increased risk of default. An economic downturn or period of rising interest rates could adversely affect the market for these bonds and reduce the Fund's ability to sell its bonds. The lack of a liquid market for these bonds could decrease the Fund's share price.

**Management Risk** - The portfolio manager may select investments that decline in value, or allocate the fund's investments to asset classes that do not perform well.

**Prepayment Risk** - The value of the mortgage-backed securities held by the Fund may go down as a result of changes in prepayment rates on the underlying mortgages. During periods of declining interest rates, prepayment of loans underlying mortgage-backed securities usually accelerates. Prepayment may shorten the effective maturities of these securities, and the Fund may have to reinvest at a lower interest rate.

**Real Estate Securities Risk** - The Fund's investments in real estate securities are subject to the same risks as direct investments in real estate. Real estate values rise and fall in response to many factors, including local, regional and national economic conditions, the demand for rental property, and interest rates. The performance of the real estate securities in which the Fund invests is also largely dependent on the organization, skill and capital funding of the managers and operators of the underlying real estate.

**REIT Risk** - In addition to the risks facing real estate securities, the Fund's investments in Real Estate Investment Trusts ("REITs") generally involve unique risks. REITs may have limited financial resources, may trade less frequently and in limited volume and may be more volatile than other securities.

**Sector Risk** - Securities within the same group of industries may decline in price due to sector-specific market or economic developments. If the Fund invests more heavily in a particular sector, the value of its shares may be especially sensitive to factors and economic risks that specifically affect that sector. As a result, the Fund's share price may fluctuate more widely than the value of shares of a mutual fund that invests in a broader range of industries.

**Small-Cap Risk** - The Fund will invest in companies that are considered to be small-cap (less than \$3 billion in total market capitalization). Small-cap companies can be riskier investments than larger capitalized companies due to their lack of experience, product diversification, cash reserves and management depth. Further, small-cap company stocks can be much more volatile than larger companies and may be less liquid.

**Stock Market Risk** - The stock market is subject to significant fluctuations in value as a result of political, economic and market developments. If the stock market declines in value, the Fund is likely to decline in value.

**Market Risk** - Market risk refers to the possibility that the value of securities held by the Fund may decline due to daily fluctuations in the securities markets. Stock prices change daily as a result of many factors, including developments affecting the condition of both individual companies and the market in general. The price of a stock may even be affected by factors unrelated to the value or condition of its issuer, such as changes in interest

rates, national and international economic and/or political conditions and general equity market conditions. In a declining stock market, prices for all companies (including those in the Fund's portfolio) may decline regardless of their long-term prospects. The Fund's performance per share will change daily in response to such factors.

***Derivative Risk*** - Some Portfolio Funds may use derivative instruments which derive their value from the value of an underlying asset, currency, or index. The value of derivatives may rise or fall more capital than other investments and it is possible to lose more than the initial amount invested.

***Leverage Risk*** - Some Portfolio Funds may borrow money for leveraging and will incur interest expenses. The NAV per share of a Portfolio Fund will increase more when its portfolio securities increase in value and to decrease more when its portfolio assets decrease in value than would otherwise be the case if it did not borrow funds.

***Portfolio Turnover Risk*** - The Advisor will sell portfolio securities when it is in the interests of the Fund and its shareholders to do so without regard to the length of time they have been held. As portfolio turnover may involve paying brokerage commissions and other transaction costs, there could be additional expenses for the Fund. High rates of portfolio turnover may also result in the realization of short-term capital gains and losses. Any distributions resulting from such gains will be considered ordinary income for federal income tax purposes.

***Investment Advisor Risk*** - The Advisor's ability to choose suitable investments has a significant impact on the ability of the Fund to achieve its investment objectives. The Advisor was formed in 2011 and is registered as an investment adviser with the SEC.

However, the Advisor does not have previous experience managing an investment company registered under the Investment Company Act of 1940. Accordingly, investors in the Fund bear the risk that the Advisor's inexperience managing registered investment company may limit its effectiveness."

***Operating Risk*** - The Administrator and Advisor have entered into an Operating Plan that facilitates the Administrator's assumption of the Fund's regular operating expenses under the Fund Accounting and Administration Agreement. The Operating Plan obligates the Advisor to pay certain expenses of the Fund in order to help limit its annual operating expenses. If the Advisor, however, does not have sufficient revenue to support those expenses, the Advisor may be compelled to either resign or become insolvent. In addition, if the Fund incurs expenses in excess of those that the Administrator has agreed

to pay and the Advisor is not able or willing to pay the excess costs, those excess costs will increase the Fund's expenses.

***Inflation Risk*** - Fixed income securities are subject to inflation risk. Because inflation reduces the purchasing power of income produced by existing fixed income securities, the prices at which fixed income securities trade will be reduced to compensate for the fact that the income they produce is worth less. This potential decrease in market value of fixed income securities would result in a loss in the value of the Fund's portfolio.

**Risks of Investing in Corporate Debt Securities** - Portfolio Funds may invest in corporate debt securities. Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures, and commercial paper are the most prevalent types of corporate debt securities. The credit risks of corporate debt securities vary widely among issuers. In addition, the credit risk of an issuer's debt security may vary based on its priority for repayment. For example, higher ranking (senior) debt securities have a higher priority than lower ranking (subordinated) securities. This means that the issuer might not make payments on subordinated securities while continuing to make payments on senior securities. In addition, in the event of bankruptcy, holders of senior securities may receive amounts otherwise payable to the holders of subordinated securities. Some subordinated securities, such as trust preferred and capital securities notes, also permit the issuer to defer payments under certain circumstances. For example, insurance companies issue securities known as surplus notes that permit the insurance company to defer any payment that would reduce its capital below regulatory requirements.

**Risks of Investing in Convertible Securities** - Convertible securities are fixed income securities that a Portfolio Fund has the option to exchange for equity securities at a specified conversion price. The option allows the Portfolio Fund to realize additional returns if the market price of the equity securities exceeds the conversion price. For example, the Portfolio Fund may hold fixed income securities that are convertible into shares of common stock at a conversion price of \$10 per share. If the market value of the shares of common stock reached \$12, the Portfolio Fund could realize an additional \$2 per share by converting its fixed income securities. Convertible securities have lower yields than comparable fixed income securities. In addition, at the time a convertible security is issued the conversion price exceeds the market value of the underlying equity securities. Thus, convertible securities may provide lower returns than non-convertible fixed income securities or equity securities depending upon changes in the price of the underlying equity securities. However, convertible securities permit the Portfolio Fund to realize some of the



potential appreciation of the underlying equity securities with less risk of losing its initial investment.

### **Item 9 – Disciplinary Information**

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.

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

Two Oaks Investment Management, LLC. is **not** and does **not** have a related company that is a:

1. Broker/dealer, municipal securities dealer, government securities dealer or broker
2. Investment Company or other pooled investment vehicle (including a mutual fund, closed-end Investment Company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. Other investment adviser or financial planner
4. Futures commission merchant, commodity pool operator, or commodity trading advisor
5. Banking or thrift institution
6. Accountant or accounting firm
7. Lawyer or law firm
8. Insurance company or agency
9. Pension consultant
10. Real estate broker or dealer, or
11. Sponsor or syndicator of limited partnerships.

### ***Relationship with DA Davidson & Co.***

You should be aware that Blake Todd and Jarrett Perez are also registered representatives of DA Davidson & Co., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a potential conflict of interest. As registered representatives, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as

a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. If we manage ERISA and qualified accounts, we will lower or offset its management fee by the amount of 12b-1 fees and other commissions received in the event such types of compensation are received by our associated persons in their individual capacities as registered representatives of SAI. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. Blake Todd and Jarrett Perez only recommend mutual funds to you if those funds are suitable for you and appropriate to help fulfill your objectives.

Approximately 90% of their workweek is spent on securities activities.

### ***Relationship with Santa Barbara Group of Funds***

You should also be aware that Blake Todd and Jarrett Perez formerly managed assets for the Santa Barbara Group of Funds. This potential conflict of interest no longer exists as of August 2011 due to the reorganization of The Montecito Fund into the Two Oaks Diversified Growth & Income Fund.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### ***Code of Ethics Summary***

Two Oaks has adopted a Code of Ethics for all employees of the firm describing our high standards of business conduct, fiduciary duty to our clients, and rules surrounding personal securities trading by our employees.

The Code of Ethics also includes guidelines related to gifts and to the reporting of personal securities holdings and trading activity. All Two Oaks employees must accept in writing the terms of the Code of Ethics upon employment, annually, or as amended.

A copy of the Two Oaks Code of Ethics may be requested by contacting the firm's Chief Compliance Officer, Jarrett Perez at (888) 806-8633.

### ***Affiliate and Employee Personal Securities Transactions Disclosure***

Two Oaks Investment Management, LLC or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Two Oaks Investment Management; LLC that all persons

associated in any manner with the firm must place the interests of our clients ahead of their own when implementing personal investments. Two Oaks Investment Management, LLC and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by Two Oaks Investment Management, LLC are widely held and publicly traded.

## **Item 12 – Brokerage Practices**

Two Oaks Investment Management, LLC's sole business is to provide asset management services to investment companies and does not provide Financial Planning recommendations to clients. In placing transactions for the Investment Company clients, we are responsible to ensure that the transaction receives the best execution possible.

### ***Handling of Trade Errors.***

Two Oaks Investment Management, LLC currently does not place trades for client accounts. However we have implemented procedures designed to prevent trade errors; however, trade errors cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Two Oaks Investment Management, LLC to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Two Oaks Investment Management, LLC if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. Two Oaks Investment Management, LLC may also confer with clients to determine if the client should forego the gain (e.g., due to tax reasons).

Two Oaks Investment Management, LLC will never benefit or profit from trade errors.

## ***Block Trading Policy***

Transactions implemented by Two Oaks Investment Management, LLC for Investment Company client accounts are affected independently. Since each Investment Company has a unique investment objective the opportunity to aggregate orders are very limited. In the event that Two Oaks Investment Management, LLC is able to aggregate orders, the allocation of securities among accounts will be done on a fair and equitable basis. Typically, the process of aggregating orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among portfolios on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the firm's portfolios in proportion to the purchase and sale orders placed for each client account on any given day. When Two Oaks Investment Management, LLC determines to aggregate orders for the purchase or sale of securities, including securities in which Two Oaks Investment Management, LLC may invest, the firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. It should be noted, Two Oaks Investment Management, LLC does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

### ***Account Reviews and Reviewers***

Two Oaks Investment Management, LLC does not provide investment management services directly to individuals but rather to one or more investment companies. Securities held by each investment company are monitored on a regular basis in a manner consistent with the prospectus and statement of additional information of each Investment Company and applicable law.

### ***Statements and Reports***

The investment company(s) to which Two Oaks Investment Management, LLC provides investment advisory services will provide quarterly statements to shareholders. Two Oaks Investment Management, LLC will provide no direct reporting.

## **Item 14 – Client Referrals and Other Compensation**

Two Oaks Investment Management, LLC. does not directly or indirectly compensate anybody for client referrals.

## **Item 15 – Custody**

The Bank of New York Mellon, (“BNYM”), One Wall Street, New York, NY 10286, acts as custodian for the Fund. As such, BNYM holds all securities and cash of the Fund, delivers and receives payment for securities sold, receives and pays for securities purchased, collects income from investments and performs other duties, all as directed by officers of the Company. BNYM does not exercise any supervisory function over management of the Fund, the purchase and sale of securities or the payment of distributions to shareholders.

Under the Custody Agreement with BNYM, Ultimus Fund Solutions (“UFS” or the “Administrator”), serves as custody administrator on behalf of the Fund, and performs certain tasks on behalf of BNYM, for which it receives a share of the custody fees paid to the Custodian, including a share of the asset-based fee and certain transaction fees.

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented. According to this definition, *Two Oaks Investment Management, LLC* does not have custody of client funds or securities.

## **Item 16 – Investment Discretion**

Through its asset management services and upon receiving written authorization as a part of management agreement with the fund’s Board, Two Oaks Investment Management, LLC will maintain trading authorization over the Investment Company’s assets. Upon receiving written authorization in accordance with the Management Agreement, Two Oaks Investment Management, LLC will implement trades on a **discretionary** basis. The prospectus and statement of additional information for each investment company client of Two Oaks Investment Management, LLC may set forth any limit on investment authority, discretion, and brokerage selection related to investment authority and discretion.

## **Item 17 – Voting Client Securities**

Two Oaks Investment Management, LLC. will vote proxies in the best interests of the fund and in accordance with the Proxy Voting Policy that the firm has adopted. To receive a copy of that policy please refer to the Statement of Additional Information or contact Jarrett Perez.

## **Item 18 – Financial Information**

This item is not applicable to this brochure. Two Oaks Investment Management, LLC. does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Two Oaks Investment Management, LLC. has not been the subject of a bankruptcy petition at any time.

## ***CUSTOMER PRIVACY POLICY NOTICE***

This notice describes the privacy practices followed by Two Oaks Investment Management, LLC. Your privacy is our top priority. Our policy is to respect the privacy of current and former clients and to protect personal information entrusted to us. We do not share any nonpublic personal information of clients or former clients with any nonaffiliated third parties, except as permitted by law or as authorized by our clients. In the course of providing products and services to you, we collect nonpublic personal information about you from various sources such as account applications or agreements, other account forms, transactions in your account, and from information captured on our websites, including any information captured through our use of “cookies.” Such information may include your name, address, account or tax identification number, the types and amounts of investments, and bank account information.

In the normal course of serving clients, information we collect may be shared with companies that perform various services such as custodians, broker-dealers and marketing service firms, as well as with other financial institutions with whom we have joint marketing agreements. We may share information in connection with servicing accounts or to inform clients of products and services that we believe may be of interest to them. The organizations that receive client information will use that information only for the services required and as allowed by applicable law or regulation, and are not permitted to share or use this information for any other purpose.

Access to customers' nonpublic personal information is restricted to employees who need to access that information. We use industry standard physical, electronic, and procedural safeguards to protect client information. A client's right to privacy extends to all forms of contact with us, including telephone, written correspondence, and electronic media, such as the Internet.

**Information Required by Part 2B of Form ADV: *Brochure Supplement* –  
*Blake T. Todd***

The following are responses to each item found in the Form ADV Part 2B instructions.

***Item 1 – Cover Page***

All information required in the Form ADV Part 2B instructions can be found on the cover page of this Disclosure Brochure.

***Item 2 – Educational Background and Business Experience***

Blake T. Todd -- Managing Member and Chief Executive Officer; Born in 1955

**Educational Experience:**

University of California Santa Cruz, Bachelor's Degree in History, 1977

**Business Experience:**

- Two Oaks Investment Management, LLC – Portfolio Manager, Chief Executive Officer, Managing Member 8-2011 to Present
- DA Davidson & Co. - Branch Manager, Registered Representative, Investment Advisor Representative 12-2006 to Present
- Santa Barbara Group of Funds (*Successor Fund to Two Oaks Diversified Growth & Income Fund*) Portfolio Manager 11-2005 to 8-2011  
Seidler Companies – Branch Manager, Registered Representative, Investment Advisor Representative 2-2005 to 12-2006.

***Item 3 – Disciplinary Information***

As previously stated in Item 9 of this Disclosure Brochure, I have never been subject to a legal or disciplinary event.

***Item 4 – Other Business Activities***

Please see Item 10 of this Disclosure Brochure for details regarding my other business activities.



***Item 5 – Additional Compensation***

Other than the fees detailed in Item 5 of this Disclosure Brochure, I receive no other compensation related to advisory services provided to clients. At DA Davidson & Co. I receive compensation as a financial representative/IAR/Branch Manager.

***Item 6 – Supervision***

Jarrett Perez is Chief Compliance Officer of Two Oaks Investment Management LLC and ultimately responsible for the firm's compliance program including establishing procedures designed to monitor and supervise the activities and services provided by the firm and its supervised persons. Mr. Perez's phone number is 888.806.8633.

As a part of Mr. Perez's supervisory responsibilities he will review all transactions, review all correspondence prior to mailing, review all new account paperwork, oversee all marketing/advertising matters conduct annual compliance meetings, review client performance reports and client position reports, review outside business activities and gift and gratuity reports, and review any complaints that may be received.

## **Information Required by Part 2B of Form ADV: *Brochure Supplement – Jarrett Perez***

The following are responses to each item found in the Form ADV Part 2B instructions.

### ***Item 1 – Cover Page***

All information required in the Form ADV Part 2B instructions can be found on the cover page of this Disclosure Brochure.

### ***Item 2 – Educational Background and Business Experience***

Jarrett Perez – Member and Chief Compliance Officer; Born in 1979

#### **Education Background:**

California State University – Fresno, Bachelor's Degree, Business Administration/Finance, 2001

#### **Business Experience:**

- Two Oaks Investment Management, LLC – Associate Portfolio Manager, Chief Compliance Officer, Member 8-2011 to Present
- DA Davidson & Co. – Registered Representative, Investment Advisor Representative 12-2006 to Present
- Santa Barbara Group of Funds – Assistant Portfolio Manager 11-2006 to 8-2011
- Seidler Companies –Registered Sales Assistant 1-2004 to 12-2006.

### ***Item 3 – Disciplinary Information***

As previously stated in Item 9 of this Disclosure Brochure, I have never been subject to a legal or disciplinary event.

### ***Item 4 – Other Business Activities***

Please see Item 10 of this Disclosure Brochure for details regarding my other business activities.

***Item 5 – Additional Compensation***

Other than the fees detailed in Item 5 of this Disclosure Brochure, I receive no other compensation related to advisory services provided to clients. At DA Davidson & Co. I receive compensation as a financial representative/IAR.

***Item 6 – Supervision***

Jarrett Perez is the Chief Compliance Officer of Two Oaks Investment Management LLC and ultimately responsible for the firm's compliance program including establishing procedures designed to monitor and supervise the activities and services provided by the firm and its supervised persons. I can be reached at 888.806.8633.

As a part of Mr. Perez's supervisory responsibilities he will review all transactions, review all correspondence prior to mailing, review all new account paperwork, oversee all marketing/advertising matters conduct annual compliance meetings, review client performance reports and client position reports, review outside business activities and gift and gratuity reports, and review any complaints that may be received. His personal transactions and correspondence will be supervised by the Chief Executive Officer – Blake Todd.