TWO OAKS
Investment Management

***ADVISOR SERIES***

"Do you know the only thing that gives me pleasure?
It's to see my dividends coming in"
– John D. Rockefeller

April 12, 2012

Dear Fellow Investors,

In October of last year the markets, and investors, were gripped with fear. We had been through a greater than 20% decline since April of 2011. In our market commentary we reminded investors of our long-term philosophy and counseled all to stay invested, have a plan to become even more invested, and remember that they were getting paid to wait from dividends better than any government bond was paying. Since that letter the markets are up over 24%.

In January of this year we forecast that stock markets would rise by double-digits in 2012 to better reflect the under valuation that was present and the slowly recovering economy. Since that letter the markets are up over 12%.

What now? Do we hide out and say we got our double-digit rate of return for the year? Or do we remain invested knowing that our companies we own are doing a great job of creating value for shareholders by paying increasing income in the form of increasing dividends? Before we present our recommendations, lets first examine the current issues of today – both negative and positive. As always, we welcome a more in-depth discussion with you at any time.

First the negatives: A divisive presidential campaign, gas prices higher, payroll & Bush tax cuts expiring at the end of the year, Spain replacing Greece as the European problem economy in the headlines, another trillion dollar deficit budget, foreclosures increasing now that "robo-signing" is behind us, and another "Black Swan" such as the tsunami of 2011. A few, or any combination of the above, may lead to a relapse of the economy into recession. History has shown that after great recessions, four to five years later there is a pattern of what we will term an "echo" recession.

Now the positives: Interest rates are low and the Federal Reserve has an accommodative stance forecast until at least 2014, inflation is low, the world population continues to grow creating ever bigger demand, dividends as a percentage of growing corporate earnings is near historical lows at close to 30%, corporations are flush with cash, the S&P 500 trades at a PE below its historical mean, and technology advancements and record amounts of Research & Development dollars are continuing to be invested in tomorrow's advances.

We are believers that the current issues of today are ones that every generation has had to deal with. While it is easy to get caught up in these issues it is difficult to keep perspective and believe that things will improve. Yet, history has shown us that we are resilient and solutions will be found. As we deal with the unintended consequences of the well-meaning fixes, there will be valuation volatility. As Long-term investors the comfort of knowing we are getting paid competitive cash flows allows us to weather and take advantage of this volatility while further strengthening our portfolios.

Let us be bold and forecast that the Dow Jones Average will be well in excess of 20,000 in 2020. There will be another mega move in the prices of the markets for the Baby Boom generation in America. We cannot forecast if the move will start from here, or perhaps after another market decline.

However, for investors with a long-term horizon: If you are invested – stay invested. If you are not invested, then don't wait. Start your dollar cost averaging investment plan into the equity markets now.

As always we welcome your comments and questions and look forward to our conversations.

Sincerely,


Blake Todd, AIF®
Portfolio Manager

Jarrett Perez, CFA
Associate Portfolio Manager



*This letter expresses the personal views of the authors on the current and future economic and investment landscape, at this date. It is subject to change without notice. The information contained in this presentation has been taken from trade and statistical services and other source, which we believe to be reliable. We do not guarantee that this information is accurate or complete and it should not be relied upon as such.*