

**Item 1      Cover Page**

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Form ADV Part 2A – Disclosure Brochure  
March 29, 2017

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This Brochure provides information about the qualifications and business practices of the Advisory Research MLP & Energy Infrastructure team (“MLP team”). If you have any questions about the contents of this Brochure, please contact us at 314-446-6750. 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 Advisory Research, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2      Material Changes**

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This Brochure contains the following material changes from the prior version dated March 30, 2017:

- Item 4 to update our assets under management information.
- Item 6 was updated to eliminate the description of performance fees as the MLP team does not have any accounts with such fees.

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**Item 4 Advisory Business**

**THE COMPANY**

Advisory Research, Inc. was founded in 1974 and is a wholly-owned subsidiary of Piper Jaffray Companies, a publicly traded company listed on the NYSE trading under the symbol PJC. The MLP team is part of Advisory Research, Inc. (ARI) which manages approximately \$7.3 billion in assets, including MLPs, across a broad spectrum of traditional and alternative investments as of December 31, 2017.

**INVESTMENT SERVICES**

The MLP team is a 14-person team, based in St. Louis MO, fully dedicated to MLP advisory and support. As of December 31, 2017 the team manages approximately \$3.8 billion in assets in Master Limited Partnerships (“MLPs”) and energy infrastructure strategies for open and closed-end mutual funds, public and corporate pension plans, endowments, foundations, and individuals. The MLP team’s investment philosophy is based on our belief that strategy dominates tactics. We believe our top-down strategic style differentiates us. It is our expectation that a portfolio incorporating a well-founded top-down strategy, rigorous quantitative analysis, and strong fundamental research increases the probability of generating excess return relative to the benchmark.

The MLP team provides investment advisory services to clients through separately managed accounts, managed account programs (dual contract) sponsored by broker-dealers and other financial intermediaries (“SMA Accounts”) and as a sub-advisor to closed-end funds. These accounts generally invest in MLP interests and equities focused in the natural resources and energy infrastructure industries.

We also serve as an investment adviser to the Advisory Research MLP open-end funds. These Funds generally invest in MLP interests and equities focused in the natural resources and energy infrastructure industries. The Funds in the MLP Balanced strategy invest in energy infrastructure equity and debt and have the ability to employ defensive hedges by investing in long puts and writing covered calls on a portion of the portfolio.

In a dual contract program, the MLP team provides its advisory services pursuant to an advisory agreement directly with the client. A client may separately arrange with one or more third parties for custody, financial advisory and certain trading services to be provided on a bundled or unbundled basis.

Portfolio management advice provided by the MLP team to SMA Accounts does not differ materially from that provided to its other accounts. One area which may differ is that trades are typically placed with the program's sponsoring broker-dealer because the arrangement covers brokerage commissions affected through the Program Sponsor. The MLP team executes trade orders for SMA accounts and other accounts

that direct the use of a particular broker-dealer after the completion of trades for the MLP team's other accounts that do not impose such restrictions. This could have potential adverse effects or beneficial effects because of changes that may occur in the market price for effected securities or other changes, particularly in volatile markets.

## **TYPES OF INVESTMENTS**

Our portfolio strategies may include investments in common stocks, master limited partnerships (including initial public offerings, secondary offerings, private placements and private investments in public equities), convertible preferred stock, investment grade and non-investment grade corporate bonds and other investment grade fixed income securities, investment company securities, options transactions and options on stock indices.

## **INDIVIDUALIZED SERVICES**

Upon request, the MLP team will work with clients to accommodate client-specific restrictions on any of our investment strategies.

## **ASSETS UNDER MANAGEMENT**

As of December 31, 2017, the MLP team had \$3.8 billion in MLP and energy infrastructure assets under management. All of these assets were discretionary assets.

## **Item 5      Fees and Compensation**

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### **Fee Overview**

Fees are calculated quarterly based on the total market value of assets under supervision, as determined as of the close of business of each quarter, and typically billed in arrears. In certain circumstances, such as when a client requests a customized strategy, the MLP team may create customized fee schedules. In addition, some clients negotiate different fees, billing format and/or time frame. Exceptions to the general fee schedule are made based on the size of the account, relationship and/or the level of services to be performed or responsibilities assumed by the MLP team. The fees that the MLP team charge are specified in the investment management agreement between Advisory Research and each client.

### **Billing Methods**

The MLP team will work with each client to determine their preferred billing method. In most cases Advisory Research will generate an invoice quarterly in arrears and submit that invoice either to the client or a client's designated agent for payment. In some cases, clients elect to permit Advisory Research to deduct management fees from custodial accounts electronically. In the event that Advisory Research is permitted to deduct management fees electronically, Advisory Research will also deliver an informational copy of the invoice to the client or his/her designated agent.

Sponsors of SMA programs for which the MLP team serves as a manager may bill in advance. In the case of a SMA program in which fees are billed in advance, and in the event a client's advisory contract is terminated before the end of the billing period, clients may obtain a refund of any prepaid fees from the SMA program's sponsor.

A client may terminate the Investment Management Agreement with Advisory Research at any time without penalty by giving written notice, in which case fees will be pro-rated according to the number of days services are provided during the applicable billing period. A client will either be billed for the pro-rated period or receive a refund if fees are paid in advance.

### **Fee Schedules for Separately Managed Accounts**

The fee schedule for the MLP Equity and MLP Balanced strategies is based on total assets managed as follows: 0.75% on the first \$25 million, 0.65% on the next \$25 million and 0.50% on the balance. The investment minimum for separately managed accounts is \$20 million.

### **MUTUAL FUNDS AND EXCHANGE TRADED FUNDS**

The MLP team may purchase non-affiliated mutual funds as well as alternate types of investments such as exchange-traded funds for certain client accounts. These types of investments generally contain embedded management fees. Consequently, these clients are charged both an investment management fee and the embedded management fee contained in the investments discussed above.

### **AFFILIATED MUTUAL FUNDS**

Advisory Research serves as an adviser to portfolios of open-end funds through the Investment Manager Series Trust. The investment advisory fees that Advisory Research receives as an investment adviser to the open-end funds are described in the registration statements and/or financial filings of those funds. The open-end funds the MLP team manages are the Advisory Research MLP & Energy Infrastructure Fund, the Advisory Research MLP & Energy Income Fund and the Advisory Research MLP &

# ADVISORY RESEARCH

## INVESTMENT MANAGEMENT

Equity Fund (“Advisory Research MLP Funds”). (Item 10 provides more information about the MLP team’s involvement with the Advisory Research MLP Funds).

The MLP team serves as sub-adviser to portfolios of closed-end funds. The fees for these advisory services are negotiated with the closed-end fund’s Investment Adviser. Information on sub-advisory services provided, fees payable and termination of sub-advisory contracts is contained in the prospectus for each closed-end investment company. The closed-end funds the MLP team sub-advises are: Fiduciary/Claymore MLP Opportunity Fund, the Nuveen Energy MLP Total Return Fund and the Nuveen All Cap Energy MLP Opportunities Fund.

### **OTHER FEES OR EXPENSES**

Accounts managed by the MLP team are held in custody by a third party bank or brokerage of the client’s choosing. To the extent that there are cash balances in a client’s account these banks and brokerages will often invest the cash balances into an overnight investment fund in order to earn additional interest income for the client. For this service, these banks and brokerages will charge a fee, which will be netted against the interest earned on the client’s cash balance. Since Advisory Research charges its management fees on the total assets in its client’s account, including cash balances, clients of the MLP team are, in effect, paying two management fees on these balances.

Clients pay other expenses in addition to the fees paid to Advisory Research. For example, clients pay costs such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Advisory Research. (Item 12 provides more information on our brokerage practices.). Mutual funds and exchange-traded funds also charge internal management fees in addition to the MLP team’s advisory fees, which are disclosed in a fund’s prospectus and/or financial filings. It should be noted that the MLP team does not receive any portion of such charges, fees, and/or commissions. To avoid the duplication of fees and the potential conflicts of interest, we do not charge separate accounts a direct advisory fee on assets invested in the Advisory Research MLP Funds or in Funds sub-advised by the MLP team. Fees for client assets invested in the Advisory Research MLP Funds or the sub-advised funds are charged by the respective fund and reflected in the value of the Fund’s investment.

Where the MLP team acts as an advisor pursuant to SMA programs, fees set forth above may be discounted depending on the nature and scope of the relationship.

### **ADDITIONAL COMPENSATION**

Not applicable.

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

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The MLP team does not currently receive any performance-based fees, but may do so in the future.

## **Item 7 – Types of Clients**

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The MLP team provides portfolio management services to open and closed-end mutual funds, public and corporate pension plans, endowments, foundations, and individuals.

The MLP team requires a minimum asset value for separately managed accounts utilizing its various management services as noted in Item 5. These minimums apply to accounts on an individual basis. Exceptions to the minimum can be made if other factors or relationships deem it to be in the best interest of the client for the MLP team to manage the relationship.

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

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### **MLP and Energy Infrastructure Investing**

The ultimate goal of the MLP team's investment process is to identify those MLPs and energy infrastructure companies that we believe will have sustainable distributions throughout a cycle, and are exposed to investment themes that we believe will provide growth opportunities, and have the necessary access to capital required to realize that growth. Our investment universe is comprised primarily of MLPs operating in the energy or natural resources industries and other energy infrastructure equities. Generally, these securities are publicly traded partnerships, related equities of the partnerships or energy infrastructure equities with similar characteristics to MLPs. We generally avoid investing in those entities that pay a variable quarterly distribution. Our proprietary *Quality Scorecard* process shields our portfolios from low-quality MLPs. Those names outside the lowest 20% of quality constitute the universe of names that we model. Those names in which we invest from the modeling list constitute what we refer to as our "Focus List." We focus our purchases on those MLPs and energy infrastructure securities that fit our "top-down" themes, pass the quality screen, and



have attractive relative valuation. We tend to place higher importance on less volatile businesses, strategic assets, cleaner balance sheets and proven management teams. We believe that these characteristics support stable distributions and are representative of higher quality businesses. Our portfolio construction focuses on building a portfolio of long-term holdings that reflect our themes as well as our differentiated views of each business. A portion of the portfolio will be allocated to more tactical holdings that will be identified through the research process.

## **Master Limited Partnership Strategies**

**MLP Equity Strategy** - The MLP Equity Strategy invests in equity of MLP's and other companies focused in the energy infrastructure sector. It is a diversified portfolio consisting primarily of publicly traded partnerships focused in the energy infrastructure and natural resources industries. The MLP team considers MLPs to include investments that offer economic exposure to MLPs in the form of equity securities of MLPs, securities of entities holding primarily general partner or managing member interests in MLPs, or securities that are derivatives of interests in MLPs, including I-Shares, energy infrastructure companies, exchange-traded funds and other investment companies that primarily hold MLP interests. Due to the nature of MLPs, tax aware portfolio management is a very important aspect of our investment objective.

**MLP Balanced Strategy** - The MLP Balanced Strategy invests across the capital structure of MLPs and energy infrastructure companies with equity and debt exposure. The strategy's investment objective is long-term capital appreciation and current income. We believe the strategy's performance will be highly, but not exactly, correlated to the same fundamentals that drive MLP equity returns. By allocating the strategy's investments among equity and debt securities, we expect that, over time, the strategy may benefit from a high level of current income with greater liquidity and less volatility than a similarly sized portfolio of MLP equities. We further believe that in strong positive MLP equity markets, the strategy may achieve less favorable returns than a portfolio of MLP equities; conversely, in weak MLP equity markets, the strategy may have more favorable returns than such a portfolio.

## **MLP and Energy Infrastructure Investment and Tax Risks:**

Investing in securities always involves the risk of loss that investors should understand and be prepared to bear.

**Market Risk.** Market risk is the risk that the MLP units and/or other energy infrastructure security prices may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic or political conditions throughout the world, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment.

**MLP Units Risk.** An investment in MLP units involves some risks which differ from an investment in the common stock of a corporation. Holders of MLP units generally have limited control and voting rights on matters affecting the partnership. The value of the MLP depends largely on the MLP being treated as a partnership for U.S. federal income tax purposes. If an MLP does not meet current legal requirements to maintain partnership status, or if it is unable to do so because of tax law changes, it would be taxed as a corporation and there could be a material decrease in its value. In addition, there is the potential that investors may be required to make tax filings in multiple jurisdictions related to MLP investing in separate accounts.

**Interest Rate Risk.** MLPs and other higher yield securities historically have shown sensitivity to interest rate movements. In an increasing interest rate environment, these types of securities may experience upward pressure on their yields in order to stay competitive with other interest rate sensitive securities. Also, significant portions of the market value of MLPs and other higher yield securities may be based upon their current yields. Accordingly, the prices of these securities may be sensitive to fluctuations in interest rates and may decline when interest rates rise.

**Capital Markets Risk.** MLPs normally pay out the majority of their operating cash flows to partners. Therefore, MLPs and other issuers may rely significantly on capital markets for access to equity and debt financing in order to fund organic growth projects and acquisitions. Should market conditions limit issuers' access to capital markets, their distribution growth prospects could be at risk.

**Small-Cap and Mid-Cap Risk.** Certain MLPs and other energy infrastructure companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. In addition, such companies typically are more likely to be adversely affected than large capitalization companies by changes in earning results, business prospects, investor expectations or poor economic or market conditions.

**Industry Risk.** MLPs and energy infrastructure companies are subject to risks specific to the industry they serve including, but not limited to, supply and demand risk, depletion and exploration risk, marine transportation companies risk, regulatory risk, commodity pricing risk, weather risk, cash flow risk, affiliated party risk, catastrophe risk, acquisition risk, and natural resources sector risk. For example, recent decreases in oil prices have had a substantial impact on the prices of publicly traded equity securities of energy infrastructure companies.

**Company Risk.** Individual stocks may decline in value. Additionally, an adverse event, such as an unfavorable earnings report, may depress the value of a particular company's stock. By concentrating in a single industry, a strategy's company risk is greater as adverse developments in that industry may greatly affect the value of the strategy's investments.

**Fixed Income Securities Risk.** The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to changes in an issuer's credit rating or market perceptions about the creditworthiness of an issuer. Generally fixed income securities decrease in value if interest rates rise and increase in value if interest rates fall, and longer-term and lower rated securities are more volatile than shorter-term and higher rated securities.

**High Yield Securities Risk.** High yield securities, also known as "junk bonds", are below investment grade quality and may be considered speculative with respect to the issuer's continuing ability to make principal and interest payments. Lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher-rated securities

**Advisor Risk.** The skill of the MLP team plays a significant role in the portfolio's ability to achieve its investment objective. The portfolio's ability to achieve its investment objective depends on the MLP team's ability to select securities.

**IPO Risk.** The market value of IPO shares will fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited information about the issuer. The purchase of IPO shares may involve high transaction costs. IPO shares are subject to market risk and liquidity risk.

**Energy Policy Risk.** The MLPs in which we invest primarily operate businesses in the energy industry; any regulatory or policy changes that increase the costs to produce or consume energy or that otherwise dis-incent the use of traditional carbon-based fuels could materially impact MLP valuations.

## Item 9 – Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the MLP team or the integrity of Advisory Research's management. Advisory Research has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

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# ADVISORY RESEARCH

## INVESTMENT MANAGEMENT

As noted in Item 4, Advisory Research is a wholly owned subsidiary of Piper Jaffray Companies. Piper Jaffray Companies is also the parent company of:

- Piper Jaffray & Co., an affiliated broker-dealer and investment advisor, who provides various resources and services, including information technology, compliance, human resources, legal and accounting services.
- Piper Jaffray Investment Management LLC, an affiliated investment advisor.
- PJC Capital Partners LLC, an affiliated investment advisor.

### **MUTUAL FUNDS**

Advisory Research serves as the investment advisor to the Advisory Research MLP Funds. The MLP team advises the Advisory Research MLP & Energy Infrastructure Fund, the Advisory Research MLP & Energy Income Fund and the Advisory Research MLP & Equity Fund, all open-end investment companies, which are a series of the Investment Managers Series Trust. Certain Advisory Research employees are registered representatives of Piper Jaffray & Co., a registered broker dealer for the purpose of marketing the Advisory Research MLP Funds.

Advisory Research also serves as a sub-adviser to closed-end mutual funds. The closed-end funds the MLP team sub-advises are: Fiduciary/Claymore MLP Opportunity Fund, the Nuveen Energy MLP Total Return Fund and the Nuveen All Cap Energy MLP Opportunities Fund.

The MLP team may recommend to a client that the client invest in one of several registered investment companies for which Advisory Research serves as an investment sub-adviser or adviser. Advisory Research will waive its advisory fee with respect to the portion of the client's assets so invested. Advisory Research does receive sub-advisory or advisory fees from the investment companies.

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

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#### **CODE OF ETHICS & PERSONAL TRADING**

# ADVISORY RESEARCH

## INVESTMENT MANAGEMENT

The MLP team has adopted a Code of Ethics for all supervised persons of the MLP team 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 rumormongering, 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 of the MLP team must acknowledge the terms of the Code of Ethics annually, or as amended.

The MLP team may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the MLP team, its affiliates and/or clients, directly or indirectly, have a position of interest. The MLP team and their related persons may from time to time buy, sell and hold securities in which clients may also invest. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the MLP team 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. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the MLP team's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Exceptions to the requirements of the Code shall rarely, if ever, be granted. However, the Chief Compliance Officer ("CCO") shall have authority to grant exceptions on a case-by-case basis. Any exceptions granted must be in writing and maintained by the CCO.

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 the MLP team and its clients.

The MLP team's clients or prospective clients may request a copy of the Code of Ethics by contacting the Chief Compliance Officer at Advisory Research, Inc., 8235 Forsyth Boulevard, Suite 700, St. Louis, MO 63105.

### **PARTICIPATION IN CLIENT TRANSACTIONS**

The MLP team may recommend to its clients the purchase or sale of Advisory Research MLP Funds. Advisory Research serves as the investment advisor and receives fees from the Advisory Research MLP Funds.

The MLP team may recommend to its clients the purchase or sale of funds that Advisory Research serves as sub-advisor and receives fees from the sub-advised funds.

Therefore, potential conflicts of interest exist. To avoid the duplication of fees and the potential for conflicts of interest, we do not charge an advisory fee to clients on their assets, which are invested in the Advisory Research MLP Funds or sub-advised funds.

## **Item 12 – Brokerage Practices**

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### **BROKER SELECTION & BEST EXECUTION**

The MLP team seeks to obtain high quality execution for client transactions at competitive commission rates. The Compliance Risk Committee has the responsibility of monitoring the MLP trading desk's trading practices and quantitatively evaluating the full range and quality of a broker-dealer's services, including execution capability, commission rates, the value of any research and financial responsibility and responsiveness, among other things.

On occasion, the MLP trading desk may execute transactions through broker-dealers who are not market makers in the security when the MLP trading desk believes that such execution is consistent with its duty of best execution.

The MLP trading desk uses various trade execution management systems to ensure proper trade management, including fair order allocation and best execution.

It is the MLP team's policy not to utilize the brokerage services of Piper Jaffray & Co. when placing trades for client accounts. In some instances, Piper Jaffray & Co. may be a member of a selling syndicate for an initial public offering the MLP team is purchasing for clients. If this is the case, the MLP team will follow 10f-3 procedures for all accounts participating.

### **RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

To the extent the MLP trading desk is granted discretion, broker-dealers are selected on the basis of the quality of their execution, custodial services, available liquidity and, subject to the provision of research discussed below, on the basis of the most favorable commissions and execution costs. The MLP trading desk also selects broker-dealers on the basis of providing valuable research services that can reasonably be expected to benefit client portfolios, if such broker-dealers also can provide quality execution and custodial services. When broker-dealers are selected on this basis, the MLP trading desk may negotiate commissions that are higher than commissions for "execution only" services, but are deemed reasonable in light of the

value of such services. Although the MLP team receives unsolicited research from some of the brokers with whom trades are placed on behalf of clients, there are no arrangements or understandings with these brokers regarding receipt of research in return for commissions. The MLP team believes any unsolicited research received would fall under the Section 28(e) safe harbor. The MLP team does not have any third-party soft dollar arrangements. The research the MLP team primarily receives consists of, but is not limited to: economic forecasts, investment strategy advice, fundamental and technical advice, market analysis, statistical services and analyses of particular securities and investment situations. Research received through trading client accounts through full service broker dealers by some accounts may be of value to and used for other accounts managed by the MLP team. Brokerage services or research products and services may be used in servicing any or all of the clients of the MLP team.

## **DIRECTED BROKERAGE & AGGREGATED TRADES**

In the event a client directs the use of a specific broker-dealer, the MLP trading desk is not in a position where it can freely negotiate commission rates or best price, or select broker-dealers on the basis of best price and execution. Additionally, transactions for a client that directs brokerage will not be combined or “blocked” for execution purposes with orders for the same securities for other accounts managed by the MLP team. As a result, directed brokerage transactions may result in higher commissions or less favorable net prices than would be the case if the MLP trading desk could select the broker-dealers to execute transactions for the client’s account. In the event of a sale or purchase executed for all or most of the MLP team’s clients, in general, it is the policy of the MLP team to first execute transactions where the MLP trading desk is authorized to select the broker followed by directed brokerage arrangements. The MLP team may deviate from its rotation policy, for example, due to the timing of investment decisions. Any deviations will be noted. The MLP team does not place orders with broker-dealers on the basis of referrals of clients to the Adviser.

## **MODEL TRADES**

In general, the MLP team seeks to manage client accounts to reflect the model portfolio applicable to that account. When changes are made to the model portfolios, client accounts are traded to align them with the applicable model portfolio except where specific instructions provided by the client require otherwise or it is not tax efficient to do so.

## **INITIAL PUBLIC OFFERINGS**



The MLP team currently participates in initial public offerings (“IPOs”) typically for institutional accounts. An IPO certification form must be signed by all clients before they can be eligible to participate in an IPO allocation. Not all MLP accounts are eligible to participate in IPOs due to custodial issues as well as compliance with FINRA Rule 5130 and 5131. Some MLP accounts that are eligible may not participate in the offerings for a variety of reasons, including without limitation, limited supply, client investment guidelines, cash balances, the size of meaningful positions, other regulatory restrictions, or discretionary investment decisions by the portfolio manager. The portfolio manager will determine the desired position size of the offering for each account who will participate in the IPO. Typically, the MLP team will receive less than the desired allocation. Participating MLP accounts will receive a percentage of their desired position based on their assets under management but such allocations may be further revised due to factors noted above.

## **TRADE ERRORS**

In the event a trade error occurs in the handling of any client transactions, due to the MLP team’s actions, or inaction, or actions of others, the MLP team’s policy is to seek to identify and correct any errors as promptly as possible so that the client is made “whole”. Trade errors are evaluated by the MLP team and corrected on a case-by-case basis.

If the error that the MLP team deems should be corrected is the responsibility of the MLP team, any client transaction will be corrected and Advisory Research will be responsible for any client loss resulting from an inaccurate or erroneous order. The client may choose either to receive a cash payment for the trade error or to have their quarterly advisory fees reduced by the trade error amount.

If the trade error is detected post settlement, gross gains incurred in correcting the trade error will be netted against gross losses incurred in correcting the same trade error. Net gains incurred when correcting a trade error in a client account will be retained by the client.

If a trade error is detected prior to settlement, the MLP team will work with the executing broker to settle the incorrect trade, and any correcting trade, into an error account. This error account is held at the respective broker. As a result of settling the trade to an error account, any net gain will be retained by the broker and any net loss will be paid by Advisory Research.

In regards to trade errors that occur in a dual contract program for which the MLP team serves as an adviser please refer to the Program Sponsor’s Schedule H of Form ADV and/or the wrap fee client disclosure brochure for complete details. Generally, the adviser’s trade error procedure will govern, unless it conflicts with the Sponsor’s internal procedure.



## **CROSS SECURITIES TRANSACTIONS**

The MLP team does not affect any principal or agency cross securities transactions for client accounts. We do not affect internal cross trades between our client accounts. The Advisory Research MLP open-end funds we advise do allow for 17a-7 transactions but these types of transactions would be between the open-end funds we manage only if in the best interest of each fund.

## **Item 13 – Review of Accounts**

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The MLP team provides ongoing review of its client accounts. This includes reviewing objectives to assure they are appropriate and accounts are managed in a manner consistent with the objectives of the client. Asset allocation, diversification, individual holdings and performance will be reviewed. In addition to the above, accounts will generally be reconciled daily to custodial records. On a monthly basis, every position in each client account is compared to the weights in the appropriate investment strategy model.

The MLP team will normally provide clients or their financial adviser with reports not less frequently than quarterly. Client reports include a portfolio appraisal, performance and an investment commentary. Additional or different information will be provided to clients as agreed to by the MLP team and the client. We urge clients to carefully review these reports and compare the statements that they receive from their custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

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If a client is introduced to the MLP team by a solicitor, Advisory Research may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. The referral fee is paid solely from Advisory Research's management fee, and does not result in any additional charge to the client. If the client is introduced to the MLP team by an unaffiliated solicitor, the solicitor will provide the client with a copy of the MLP team's

written disclosure statement which meets the requirements of Rule 204-3 of the Advisers 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 Advisory Research shall disclose the nature of his/her relationship to the prospective client at the time of the solicitation.

The MLP team has relationships with other parties, which include service providers, accountants, lawyers and data providers whose compensation is solely for the services for which they are engaged and may from time to time refer clients to the MLP Team.

## **Item 15 – Custody**

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The MLP team does not provide custodial services to its clients. Clients' assets are held with banks or registered broker-dealers that are "qualified custodians." Each Client should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains the client's investment assets. The MLP team urges each client to carefully review such statements and compare such official custodial records to the account statements that are provided. The MLP team's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

MLP team clients that have not received a statement at least quarterly from his or her custodian are strongly encouraged to contact the MLP team.

## **Item 16 – Investment Discretion**

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The MLP team accepts discretionary authority to manage the assets in each client's account. The MLP team observes investment limitations and restrictions that are outlined in each account's investment management agreement.

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

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The MLP team typically accepts authority to vote proxies for clients' accounts. A MLP Team client may vote its own proxies instead of directing the MLP Team to do so. It is the policy of the MLP team to vote all proxies over which it has voting authority in the best interest of its clients. By "best interest," the MLP team means the client's best economic interest over the long term -- that is, the common interest that all clients share in seeing the value of a common investment increase over time. The MLP team generally will not accept proxy voting authority from a client (and will encourage the client to vote its own proxies) if the client seeks to impose client-specific voting guidelines that may be inconsistent with the MLP team's guidelines or with the client's best economic interest in the MLP team's view.

All proxies are reviewed and voted by the MLP team according to the firm's Policy and Procedures.

The MLP team is sensitive to conflicts of interest that may arise in the proxy decision-making process. In those instances when a proxy vote involves a potential for a conflict of interest, the firm may resolve the conflict in any of following ways: (1) contacting the client and voting pursuant to their direction; (2) abstaining; (3) voting according to the Proxy Policy Guidelines; or (4) following the vote recommendation of an independent fiduciary appointed for that purpose.

Clients wishing to review the MLP team's Proxy Voting Policies and Procedures may receive a copy upon request by contacting:

**Advisory Research, Inc.**  
**Attn: MLP Team Proxy Voting Requests**  
**8235 Forsyth Boulevard, Suite 700**  
**St. Louis, MO 63105**

Furthermore, clients with a particular interest in reviewing the firm's proxy voting records for their account may also do so upon request.

### **Class Action Litigations and Settlements**

From time to time securities held in a client's portfolio may be the subject of class action litigation. The decision regarding whether to file a proof of claim in a class action settlement is a question involving legal judgment. The MLP team's Investment Advisory Contract does not provide sufficient authority to file a proof of claim form. If a client requests additional assistance, the MLP team will provide any transaction information pertaining to the client's account that may be helpful and/or needed in order for the client or their custodian to file a proof of claim in a class action.

### **Item 18 – Financial Information**

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# ADVISORY RESEARCH

INVESTMENT MANAGEMENT

In certain circumstances, registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. Advisory Research has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. We do not require prepayment of more than \$1,200 in fees per client, six or more months in advance. Piper Jaffray Companies files quarterly and annual financial statement with the SEC. These are available through the SEC and on PJC's web site at the following location:

[http://www.piperjaffray.com/2col\\_largeright.aspx?id=161](http://www.piperjaffray.com/2col_largeright.aspx?id=161)