

## FORM ADV

### Part 2A

#### Item 1 – Cover Page

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**This brochure provides information about the qualifications and business practices of Ariel Investments, LLC. If you have any questions about the contents of this brochure, please contact us at 312.726.0140 or [krivers@arielinvestments.com](mailto:krivers@arielinvestments.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Ariel Investments, LLC is an investment adviser registered with the SEC. Such registration does not imply a certain level of skill or training.**

**Additional information about Ariel Investments, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

On July 28, 2010, the SEC adopted amendments to Part 2 of Form ADV and related rules that require investment advisers to prepare plain English narrative brochures and brochure supplements. The amended Form ADV Part 2 replaces the previous Form ADV Part II. This amended form contains new, different, and revised items compared to previous Form ADV Part II. Accordingly, this brochure is materially different in structure and contains certain new information that our previous brochure did not require.

In the future, this section will contain a description of other materials changes made since the last annual update.

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## **Item 4 – Advisory Business**

### About the Firm

Ariel Investments, LLC (“Ariel”) is an investment adviser specializing in value investing through equity investments. Ariel was founded by John W. Rogers, Jr. in 1983.

Ariel’s sole managing member, Ariel Capital Management Holdings, Inc. (“Ariel Holdings”), an Illinois corporation, is Ariel’s principal owner. Ariel Holdings is responsible for the overall management of Ariel. John W. Rogers, Jr., Chief Executive Officer of Ariel, is the principal owner of Ariel Holdings.

### Ariel’s Advisory Services

#### *Overview*

Ariel offers the following domestic equity value investment strategies: micro-cap, small-cap deep value, small-cap, small/mid-cap, mid-cap, and focused. Ariel’s advice is currently limited to these strategies. Ariel concentrates on long-term investing and believes that this patient approach allows it to take advantage of buying opportunities that frequently arise from Wall Street’s excessive focus on the short-term.

#### *Mutual Funds*

Ariel serves as investment adviser or sub-adviser to several mutual fund portfolios.

Ariel is the investment adviser to the Ariel Investment Trust (the “Trust”). The Trust is composed of four separate series: Ariel Fund, Ariel Appreciation Fund, Ariel Focus Fund, and Ariel Discovery Fund (each a “Fund” and collectively, the “Funds”).

While there are disclosures in this Part 2A of the Form ADV that relate to the Funds, most disclosures relate solely to Ariel’s separate account products. Please see the Funds’ Prospectus and Summary Prospectuses (collectively, “Prospectuses”) and Statement of Additional Information for additional disclosures relating to the Funds. The Prospectuses and Statement of Additional Information are available on Ariel’s web site, [www.arielinvestments.com](http://www.arielinvestments.com).

#### *Sub-Advised Funds*

Ariel serves as sub-adviser to the following mutual funds: Maxim Ariel MidCap Value Portfolio and Maxim Ariel Small-Cap Value Portfolio, both series of Maxim Series Fund, Inc.; and the ESG Managers® Portfolios, which are the multi-manager asset allocation funds of the Pax World Funds Series Trust I.

## *Other Services*

Ariel has developed “model portfolios” as a basis from which Ariel’s portfolio managers may construct individual client portfolios. In general, the securities in each model portfolio represent the majority of the holdings in each portfolio with the balance developed by Ariel’s portfolio managers based on client objectives, investment restrictions and cash availability. Ariel believes that such models provide more structural consistency among similarly managed portfolios than if every portfolio was managed separately. Ariel enters into arrangements with third parties whereby it licenses its model portfolios for a fee. Ariel does not provide these third parties with additional services it commonly provides to discretionary accounts, such as proxy voting and reporting.

Ariel may from time to time prepare special reports, analyses, charts, graphs, formulas or other devices. There is no additional charge for these materials, which may be made available to clients, prospective clients, financial advisors, and consultants. For no extra charge, Ariel also may provide clients with investment supervisory services or furnish advice about securities other than as described above.

## Managing to the Individual Needs of Clients

Ariel offers specific domestic equity value investment strategies and does not modify its investment strategy based on an individual client’s financial situation, investment experience or investment objective if it differs from the investment objective of Ariel’s strategy. Ariel allows reasonable investment restrictions that do not materially affect its investment strategy.

## Participation in Wrap Fee Programs

Ariel serves as a portfolio manager for a number of managed accounts under wrap programs sponsored by other firms (“third-party wrap programs”). Ariel manages these portfolios using the same investment strategies it offers to its other clients. Wrap program accounts may trade differently than other clients in that Ariel generally uses the wrap program sponsor (“Sponsor”) to execute trades for wrap client accounts. Unless requested by the Sponsor, Ariel generally does not directly provide statements or one-on-one presentations to wrap program clients. The Sponsor is the client’s primary contact and determines the suitability of Ariel as an investment manager, selects one or more of Ariel’s strategies, develops and updates investment guidelines as needed, and determines the amount of assets allocated to Ariel for management.

Third-party wrap program clients pay a single fee to the Sponsor, covering the services rendered by both the Sponsor and Ariel. Each Sponsor pays Ariel a portion of the wrap fee on a quarterly basis based on the value of its client accounts that Ariel manages.

### Assets Under Management

Ariel's assets under management as of December 31, 2010 were \$5,466,865,329, of which \$5,462,953,700 assets were managed on a discretionary basis and \$3,911,629 assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

The extent and nature of advisory services that Ariel provides will vary depending upon the specific arrangements it makes with each client. As a result, Ariel's fees will differ among its client accounts.

### Separate Accounts: Institutional and High Net Worth Individuals

With the exception of its micro-cap product, Ariel's basic asset-based fee schedule is as follows:

- 1.00% on the first \$10 million;
- 0.75% on the next \$10 million; and
- 0.50% above \$20 million.

For its micro-cap product, Ariel charges a flat fee of 1.25% of assets under management.

Fees different from the above may be negotiated. Some existing clients may pay higher or lower fees than new clients.

### Mutual Funds

Ariel receives annual fees from the Trust for investment advisory and certain administrative services provided to the Funds. Ariel is paid a monthly fee on average daily net assets at annual rates ranging from 0.65% to 1.00% for the first \$500 million, which is reduced at specified higher asset levels. Specific advisory fees and expense-related information may be found in the Funds' Prospectuses or Statement of Additional Information.

### Sub-Advised Funds

Ariel receives fees for the funds it sub-advises ranging initially from 0.40% to 0.50% of assets under management on an annual basis. Fees may be reduced at specified higher asset levels. The amount of fees charged may depend on the fund's investment objective and investment strategy, size of the fund and other factors. Specific advisory fees and expense-related information may be found in each sub-advised fund's Prospectuses or Statement of Additional Information.

## Other

The fees that Ariel receives from the third parties for providing its model portfolios are subject to negotiation but generally range from 0.25% to 0.35% of the fair market value of assets on an annual basis. The fees that Ariel receives from wrap program Sponsors are subject to negotiation but generally start at 0.50% of assets under management on an annual basis. Some Sponsors may charge reduced fees at specified higher asset values.

## Fees Upon Termination

Advisory contracts typically provide for termination effective 30 days after written notice by the client or Ariel. In the event of termination, Ariel is entitled to fees earned through the effective date of termination.

## Method and Frequency of Billing

Ariel bills its clients directly or otherwise according to each client's specific direction. Ariel does not deduct fees directly from client assets. Fees are generally billed on a quarterly basis, following the end of the quarter for which services were rendered. The fee will be calculated on a pro-rata basis in the event that the first or last month during which the agreement is in effect is less than a complete calendar quarter or in those instances where there is a significant principal addition or withdrawal. In certain circumstances, clients may be billed prior to services being rendered, in which case the investment advisory contracts will provide that the fees will be adjusted for principal additions and withdrawals that do not coincide with the end of a billing period.

## Other Fees or Expenses

There are other fees or expenses associated with client accounts beyond the fees paid to Ariel for providing advisory services. These include transaction costs, which are commissions paid to brokers through which Ariel processes trades for its client accounts. Ariel does not accept custody of client assets and therefore requires its clients to separately engage custodians.

Ariel Distributors, LLC ("Ariel Distributors"), a wholly-owned subsidiary of Ariel, acts as the underwriter for distribution of shares of the Funds. Ariel Distributors receives a fee from the Funds at the annual rate of 0.25% of the average daily net assets of each Fund for Ariel Distributors' distribution services and for incurring certain marketing expenses.

Other fees and expense-related information for the Funds may be found in the Funds' Prospectuses or Statement of Additional Information. For more information about brokerage, see Item 12.

### Pre-Paid Fee Arrangements

Ariel does not seek the payment of fees in advance from its own clients. However, Ariel's arrangements with wrap program Sponsors may provide for clients to pre-pay Ariel's fees in advance. The fees are paid to Ariel by the Sponsor at the beginning of the quarter for that quarter. Any refund due to a client for termination of Ariel's services before the end of the quarter is deducted from the next quarterly fee due to Ariel from the Sponsor. The amount of any such refund is determined by the Sponsor. The Sponsor is responsible for crediting any fees due to its clients.

### Supervised Persons' Sales Incentive Compensation

Ariel's supervised persons may accept incentive compensation for the sale of Ariel's advisory services or shares of the Funds. Ariel's supervised persons do not recommend non-Ariel investment products or services. Shares of the Funds may be purchased through other distribution channels. To the extent that Ariel's supervised persons' recommendation of Ariel's products or services constitutes a conflict of interest, Ariel addresses this conflict through disclosure in this brochure.

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

Ariel does not currently manage any accounts with a performance-based fee structure, though Ariel may accept such accounts in the future. Potential conflicts of interest arise from managing accounts with performance-based fees alongside accounts with asset based fees, including the incentive to favor performance-based accounts to increase the manager's own profits. In the event Ariel obtains any performance-based fee accounts, Ariel currently has in place various procedures to mitigate conflicts. These include its regular review of accounts, dispersion reporting procedures, trade aggregation and allocation policies and trade rotation policy (see Items 12 and 13 for more detail).

## **Item 7 – Types of Clients**

Ariel provides investment management services to mutual fund portfolios and separate account clients, including public and private retirement plans, union plans, foundations and endowment funds, high net worth individuals, and managed accounts under wrap programs sponsored by other firms.

Ariel requires a minimum of \$10,000,000 for a separately managed investment advisory account. However, smaller accounts may be accepted at the discretion of management.



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

### Research Process

Ariel's research process begins with the monitoring of a proprietary watchlist, which is comprised of current, former, and potential new investments. We identify opportunities by reading extensively, monitoring data feeds, meeting with independent sources in the industry, and staying abreast of companies on Ariel's watchlist.

Ariel's goal is to find companies trading at a significant discount to their intrinsic value. Ariel examines a company's financial history and analyzes its prospects. The analyst then uses these three values to create a private market value (PMV).

For all strategies except micro-cap and small cap deep value, the industry analyst does three kinds of valuation work: a discounted cash-flow analysis, a change-of-control-based estimate, and a full trading value. Ariel develops independent long-range financial projections and details the risks. This flexible yet disciplined approach allows us to lean on some valuation metrics more heavily than others as the industry's shape merits: discounted cash-flows are less important for small banks than transaction multiples, whereas for consumer product companies discounted cash-flows are more critical. Ariel seeks to purchase companies that trade at a 40% or greater discount to the PMV we have calculated and/or that trade for 13x or less forward cash earnings estimates.

The micro-cap and small cap deep value strategies seek to identify companies which trade at a deep value, characterized by low price-to-book ratios and solid balance sheets. Each potential investment will then be assessed based on its assets, its earnings power, or a combination of the two.

To identify what others are missing through our contrarian perspective, Ariel reaches out to its network of independent contacts. These contacts help create an information matrix, which ultimately identifies where information is lacking, and also helps Ariel identify the handful of key issues determining the difference between a good idea and a bad one. Armed with this knowledge, we can strategically interview management and independent sources, ignoring the immaterial information and concentrating on the critical points.

The final decision to purchase stocks rests with John W. Rogers, Jr., the Chief Investment Officer (acting as Lead Portfolio Manager) for all small-cap, mid-cap and small/mid-cap portfolios. The final decision for stocks purchased for the focused value strategy is that of its Co-Portfolio Managers, Charles Bobrinskoy and Tim Fidler.

Buy decisions for all portfolios (except micro-cap and small cap deep value) are made within the framework of a number of parameters:

- Ariel invests within its circle of competence, closely following certain industries and companies.
- Ariel generally does not try to time the market, and seeks to remain fully invested. Cash and cash equivalents are generally only by-products of Ariel's investment strategy, not a tactical or strategic decision. At times, Ariel may maintain larger than normal cash positions in its investment strategies. Cash positions are generally not held for defensive purposes, but are maintained while Ariel searches for compelling investments.

Buy and sell decisions are made for the micro-cap and small cap deep value portfolios by its portfolio managers and, ultimately, the final decision rests with the Lead Portfolio Manager, David Maley.

Once purchased, holdings among all strategies are continually monitored for changes. Ariel sells stocks when it believes they are fully valued, when the valuation is no longer attractive, or when Ariel's reasons for purchase no longer apply. As a stock approaches full valuation, Ariel may not purchase such stock for new client accounts, which would cause those client accounts to differ from the model account until the stock is sold from the model account. Ariel also may sell a stock when there is a major change in the competitive landscape, a substantial shift in company fundamentals, a reduced assessment of management's abilities, or when more compelling investment opportunities exist.

See the Funds' Prospectus for a discussion of the research process relating to the Funds.

### Investment Strategies

#### **Ariel Micro-Cap Value Strategy**

The Ariel micro-cap value strategy seeks long-term capital appreciation by investing in the common stocks of micro-cap companies which offer long-term, fundamental investment value. The deep value portfolio generally will have a weighted average market capitalization below \$500 million. Prior to May 1, 2009, the strategy's market cap range was \$50 million to \$300 million; it was changed to broaden the availability of qualifying investments and to more closely resemble the range of its benchmark. The strategy may include the holding of cash for defensive purposes. Also, the strategy may include temporary investments in Exchange Traded Funds (ETFs) while seeking other investment opportunities. During the period from June 2004 through January 2008, the investment strategy included periodically holding short positions in certain ETFs. This practice may have had a material effect on returns.

**Ariel Small Cap Deep Value Strategy**

The Ariel small cap deep value strategy seeks long-term capital appreciation by investing in small-sized companies that are selling at deep discounts to their intrinsic value. The strategy invests primarily in the stocks of companies which, currently or at the time of initial purchase by Ariel for the strategy, have market capitalizations under \$2 billion. The strategy is offered only through the Ariel Discovery Fund.

**Ariel Small Cap Value Strategy**

The Ariel small cap value strategy seeks long-term capital appreciation by investing in small-sized undervalued companies in consistent industries that show strong potential for growth. The portfolio generally will have a weighted average market capitalization between \$200 million and \$2 billion. The strategy will not hold stocks that fall within the top three quintiles of the Russell/Mellon universe. The strategy is offered as a separate account product.

**Ariel Small/Mid Cap Value Strategy**

The Ariel small/mid cap value strategy seeks long-term capital appreciation by investing in small/mid-sized undervalued companies in consistent industries that show strong potential for growth. The portfolio generally will have a weighted average market capitalization between \$1 billion and \$7.5 billion. The strategy will not hold stocks that fall within the top two quintiles of the Russell/Mellon universe. The strategy is offered as a separate account product and through the Ariel Fund.

**Ariel Mid Cap Value Strategy**

The Ariel mid cap value strategy seeks long-term capital appreciation by investing in undervalued mid-sized companies in consistent industries that show strong potential for growth. The portfolio generally will have a weighted average market capitalization between \$2 billion and \$15 billion. The strategy will not hold stocks that fall within the top quintile of the Russell/Mellon universe. The strategy is offered as a separate account product and through the Ariel Appreciation Fund.

**Ariel Focused Value Strategy**

The Ariel focused value strategy seeks long-term capital appreciation by owning a select number of stocks in undervalued companies that show strong potential for growth. The strategy is offered as a separate account product and through the Ariel Focus Fund.

The Russell/Mellon quintile restrictions are reviewed quarterly. Once a stock falls outside the parameters, it will be sold in the following quarter.

The market capitalization parameters for the Funds may differ from those used for the corresponding separate account strategy. See the Fund's Prospectuses for more information about the investment strategies and market capitalization parameters.

### Investment Restrictions

Ariel may impose concentration limits on investments to maintain a desired level of diversification in client portfolios. These limits include security-specific limits, industry limits, and limits on investments in companies in the same business. The limits will vary among the different strategies.

Ariel's clients in the aggregate may own a significant percentage of the stock of certain companies, and in some cases the aggregate or individual percentage of an issuer that clients hold may be limited or affected by "poison pill" rights plans and other corporate restrictions, federal and state regulatory restrictions, and state control statutes. In order to comply with such restrictions on aggregate holdings, Ariel may, on occasion, be required to limit or sell a portion of clients' positions or may be unable to initiate or build a position for new clients in the stock of certain companies. In these cases, a client's portfolio will differ from Ariel's model portfolios.

### Other Considerations About the Companies In Which Ariel Invests

Ariel does not invest in companies whose primary source of revenue is derived from the production or sale of tobacco products or the manufacture of handguns. Ariel believes these industries are more likely to face shrinking growth prospects, draining litigation costs and legal liability that cannot be qualified.

For some of its strategies, Ariel also may consider a company's environmental record, which includes reviewing research from outside vendors. This research examines many aspects of a company's environmental record, including whether it is taking positive steps toward preserving our environment, whether a company is a defendant in any environmental cases and faces significant fines, and how the company performs relative to its peers within the respective industry on environmental issues. In the long run, Ariel believes a company that adopts environmentally sound policies is less likely to face government regulation of its business.

For related information about the Funds, see the Funds' Prospectuses.

### Material Investment Risks in Methods of Analysis, Strategies, and Types of Securities

Investing involves the risk of loss that clients should be willing to accept. Although Ariel makes every effort to achieve its strategies' objective of long-term capital appreciation, Ariel cannot guarantee it will attain that objective. You could lose money by investing in Ariel's strategies. During any given period, Ariel's value style may achieve better or worse results than other investment styles. The general level of stock prices could decline. Investing in equity stocks is risky and subject to the volatility of the markets. Micro, small and mid-cap stocks held could fall out of favor, and returns would subsequently trail returns from the overall stock market. The performance of

such stocks also could be more volatile than stocks of larger companies. There may be less trading in a smaller company's stock, which means that buy and sell orders in that stock could take longer to complete to avoid impacting price. Micro and small cap companies often have less predictable earnings, more limited product lines and markets, and more limited financial and management resources than larger companies.

Ariel's portfolios hold a limited number of securities. A fluctuation in one stock could significantly affect the overall performance of such portfolios. For many of its strategies, Ariel may invest a significant portion of its assets in companies within the financial services and consumer discretionary sectors. The performance of financial services companies can be impacted by regulatory changes, interest rate fluctuations and changes in general economic conditions. Consumer discretionary companies may be adversely affected by changes in consumer spending, commodity price volatility, increased competition, depletion of resources and labor relations. Performance may suffer if these sectors underperform the overall stock market. Ariel Focus Fund is a non-diversified fund and therefore may be subject to greater volatility than a more diversified investment.

Ariel also may purchase foreign securities for its portfolios, mainly through American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) covering such securities. Ariel considers the following factors when deciding whether to define a corporation as either "domestic" or "foreign":

- the location of the company's headquarters;
- the country in which the company is incorporated;
- where the company derives the majority of its revenues; and
- where the company earns the majority of its profits.

Foreign securities may involve risks of currency fluctuation and adverse developments in foreign countries. There generally is less information publicly available about foreign securities and foreign securities markets, and there may be less government regulation and supervision of foreign issuers and foreign securities markets. Foreign securities and markets also may be affected by political and economic instabilities and may be more volatile and less liquid than domestic securities and markets. Ariel has not invested in, and does not currently expect to invest in, "emerging" foreign market securities.

The risks above also apply to the Funds. For more discussion of the risks of investing in the Funds, see the Funds' Statement of Additional Information.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events to report.

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

### Management Persons Who Are Registered Representatives of Broker-Dealer

Some of Ariel's management persons are registered representatives of Ariel Distributors, the limited purpose broker-dealer that distributes the Funds of the Trust.

### Material Relationships and Arrangements

Ariel serves as investment adviser to an investment company (the Trust). See Item 4 for more information.

Ariel Distributors, a registered broker-dealer, is a wholly-owned subsidiary of Ariel. Ariel Distributors limits its business to acting as the underwriter for distribution of shares of the Funds and participates in the distribution of a money market fund that can be purchased or exchanged for or from shares of the Funds, as described in the Funds' Prospectus.

### Other Potential Conflicts of Interest

A potential conflict of interest may arise in calculating a client's fee when a fair value must be determined for a particular security for which no market quotation is readily available. In such a rare event, Ariel has established a Pricing Committee to be responsible for determining the fair value for a security.

Information regarding the potential conflicts of interest that arise from Ariel executing trades on behalf of its clients, including use and allocation of soft dollar arrangements, may be found in Item 12.

Ariel has adopted a Political Activities Policy and Procedures that became effective March 14, 2011. The policy requires Ariel, its affiliates, and its employees and their spouses and dependent children to obtain prior approval from Ariel's Chief Compliance Officer before making, or directing or soliciting any other person to make, any political contribution or provide anything else of value, including volunteer services, to an existing state or local official, candidate for state or local position, political organization or candidate for federal office who holds a state or local position. The policy and procedures are designed to comply with various federal, state and local laws restricting "pay-to-play" activities of investment advisers.

Ariel may make charitable contributions or sponsor charitable events. Ariel does not make any contributions or sponsor events in order to obtain or retain advisory clients. Ariel has procedures to monitor such activities.

Potential conflicts of interest may arise when Ariel manages assets affiliated with a client (such as a retirement plan) and also invests in securities issued by that client. For example, an investment adviser could compromise its advisory business with a client if the adviser sells securities issued by that client or votes proxies for securities issued by that client in a manner contrary to that client's wishes. Ariel mitigates these potential conflicts of interest by following, among other things, a disciplined investment strategy and proxy voting procedures designed to detect and resolve potential conflicts of interest in the proxy voting process. For more information, see Item 17.

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

Generally, Ariel and its employees may not buy or sell securities owned in clients' portfolios or securities being considered for purchase or sale for clients. However, subject to Ariel's Code of Ethics, Ariel and its employees may buy and sell shares of the Funds and other mutual funds sub-advised by Ariel. Ariel does not effect personal trades for its employees, officers, or directors. Ariel's proprietary investing is limited to open-end investment companies, venture capital offerings, private offerings, and Ariel's micro-cap product.

Although it has not done so historically, Ariel may invest on behalf of its clients in non-public securities so long as such securities meet Ariel's investment criteria, style and relevant market capitalization parameters. In the event Ariel does not invest in a particular non-public security on behalf of its clients, Ariel may purchase the non-public security for its own proprietary account(s) or Ariel's Chief Executive Officer or President may purchase such security in the event Ariel declines to invest in such security. Ariel mitigates the potential conflicts of interest in this area by requiring written approval by Ariel's Chief Compliance Officer and Controller prior to Ariel investing in any non-public security for its own account(s); requiring Ariel's Chief Compliance Officer's written approval prior to Ariel's Chief Executive Officer or President investing in any non-public security; and requiring Ariel's Chief Compliance Officer to re-review Ariel's or its Chief Executive Officer's or President's holdings in any non-public security that enters into the initial public offering process.

Ariel, the Trust and Ariel Distributors (the "Ariel entities") have adopted a combined Code of Ethics (the "Code"). The Code describes the Ariel entities' policies and procedures pertaining to personal securities transactions and giving and accepting gifts and entertainment.

Personal securities trading of all Ariel employees, including analysts and portfolio managers, is subject to compliance with our Code of Ethics. It states that our primary mission is to place the interests of our clients and the shareholders of the funds that we advise first.

Ariel employees are prohibited from trading in:

1. Any security which, within the seven calendar days before or after the transaction, is or has been:
  - held by a client; or
  - considered by Ariel for purchase or sale by any client.
2. Any option to purchase or sell, and any security convertible into or exchangeable for, any security described above.

Ariel employees also are prohibited from profiting from transactions in the same or equivalent security within 60 calendar days after the trade date and must hold Ariel-advised mutual fund shares for a minimum of 60 calendar days after trade date. Ariel excepts from these personal trading prohibitions trades in accounts that are separately managed by Ariel on behalf of Ariel employees. These accounts are traded and managed in accordance with Ariel's model strategies. Ariel's management of separately managed accounts for itself and its employees raises a potential conflict of interest because of the potential that Ariel may preferentially allocate trades for itself and its employees to the detriment of other clients. Ariel addresses this conflict by following procedures designed to prevent such preferential treatment, including its trade aggregation and allocation and trade rotation procedures (further discussed below in Item 12).

The Code prohibits Ariel, Ariel Holdings, Ariel Distributors and the directors, trustees, officers and employees of the Ariel entities from:

1. Trading securities, either personally or on behalf of others, on the basis of material nonpublic information;
2. Communicating material nonpublic information to others in violation of the laws; and
3. Purchasing or selling any security in which he or she has, or by reason of such transaction acquires, any direct or indirect beneficial ownership and which to his or her actual knowledge at the time of such purchase or sale is or has been within the seven calendar days preceding or following the purchase or sale held by any Ariel client or considered by Ariel for purchase or sale by any client.

The Code requires interested directors and trustees, officers and employees of the Ariel entities to report:

1. At the time they are hired and on an annual basis thereafter, all reportable securities accounts and "reportable securities" in which they have beneficial ownership; and



2. On a quarterly basis, all “reportable securities” transactions in which they have beneficial ownership.

The Code defines “reportable securities” in accordance with the Investment Advisers Act of 1940 and the Investment Company Act of 1940 rules pertaining to codes of ethics and “reportable securities accounts” as those accounts in which one may hold any reportable security. The Code requires Ariel, Ariel Holdings, Ariel Distributors, and interested directors and trustees, officers and employees of the Ariel entities to obtain the consent of Ariel’s Chief Compliance Officer prior to (1) executing most transactions in “reportable securities”, including transactions in securities in an initial public offering or in a limited offering (e.g., private placement) and (2) opening most new reportable securities accounts.

The Code’s gift and entertainment provisions prohibit interested directors and trustees, officers and employees of the Ariel entities from:

1. Giving or accepting any cash gifts or excessive entertainment to or from a client, prospective client, or any person or entity that does or seeks to do business with or on behalf of Ariel or Ariel Distributors; and
2. Giving or accepting any non-cash gifts having a value of more than \$100 to or from any person or entity that does business with or on behalf of Ariel or Ariel Distributors.

The Code permits the providing or accepting of a business entertainment event, such as dinner or a sporting event, of reasonable value, if the person or entity providing the entertainment is present. The Code requires Ariel’s employees to report to Ariel’s Chief Compliance Officer gifts and entertainment received in excess of a specified value. Additionally, all gifts or entertainment to or from ERISA client fiduciaries, including Taft-Hartley client fiduciaries, must be reported to Ariel’s Chief Compliance Officer, regardless of amount.

The Code requires Ariel employees, before accepting outside employment, to obtain prior approval from the Chief Compliance Officer. In evaluating requests for outside employment, the Chief Compliance Officer will consider the following, among other, factors:

1. Whether the outside employment creates an actual or potential conflict of interest;
2. Whether the purpose and duties of the outside employment is consistent with Ariel’s and Ariel Distributors’ business;
3. Whether there is a risk that Ariel or Ariel Distributors will be seen as associated with the outside employment; and

4. Whether the employee will be involved in the financial decisions of the outside employer and the resulting risks to Ariel and Ariel Distributors.

Employees of Ariel may serve as directors of public companies. Ariel mitigates the potential conflicts of interest in this area by requiring written approval by Ariel's Chief Compliance Officer prior to any employee serving as a director of any such public company. Ariel does not buy or sell for its clients securities of those public companies on which Ariel's employees serve on the Board of Directors. As of December 31, 2010, those companies were: Aon Corporation; DreamWorks Animation SKG, Inc.; The Estee Lauder Companies Inc.; Exelon Corporation; InnerWorkings, Inc.; McDonald's Corporation; and Starbucks Corporation.

The Code provides for the imposition of sanctions against those persons who violate the Code and for oversight of the Code's administration by Ariel's Chief Compliance Officer, the Board of Directors of Ariel Holdings and the Board of Trustees of the Trust. The Code also gives Ariel's Chief Compliance Officer the ability to grant exceptions and exemptions to the Code as appropriate.

A client or prospective client may request a copy of the Code by calling 1-800-725-0140, writing to Ariel Investments, LLC at 200 East Randolph Drive, Suite 2900, Chicago, IL 60601, or visiting [www.arielinvestments.com](http://www.arielinvestments.com).

## **Item 12 – Brokerage Practices**

### Trading Oversight Committee

Ariel's brokerage selection process begins with the Trading Oversight Committee (the "Committee"). The Committee meets quarterly to review, administer, monitor, and enforce the trading and trade management policies and procedures contained in Ariel's compliance manual and to resolve conflicts that may arise in portfolio trading with the goal of seeking brokerage and trading arrangements that are intended to maximize client results. The Committee regularly reviews:

- quality of trade execution
- soft dollar arrangements and spending
- brokerage selection and commissions
- trade allocation and aggregation
- trade rotation
- client directed brokerage
- trade errors
- account performance dispersion
- restrictions monitoring procedures
- gift and entertainment logs for the Research and Trading Departments
- repurchase rates for borrowing for the mutual funds

The Committee consists of three individuals:

- Vice Chairman and Director of Research
- Senior Vice President, Head Trader; and
- Senior Vice President, Director of Research Operations.

In addition, representatives from Ariel's Legal and Compliance, Research and Fund Administration departments attend and participate in the Committee's meetings.

#### Best Execution and Soft Dollars

Ariel's policy is to seek the best price and favorable execution of client transactions considering all circumstances. However, there can be no assurance that best execution will in fact be achieved in any given transaction. Subject to Ariel's overall policy, in selecting brokers to execute transactions, Ariel considers customary practices in prevailing markets for the particular type of investments being traded, natural order flow, market impact, anonymity, the firm's reputation, the full range, quality and reliability of its services that are deemed useful to better serve clients, commission rates, and any other factors that Ariel, in its sole discretion, deems relevant, without having to demonstrate that any such factor is of a direct benefit to any particular client. In addition to execution, the services provided by brokers may include supplemental research, statistical information and objective performance evaluation.

Ariel may not always place brokerage transactions on the basis of the lowest commission rate available for a particular transaction. That is, Ariel may cause clients to pay commissions higher than those charged by other brokers in return for products and services that are useful to Ariel's research process. Ariel makes a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage and other services provided. The provision of such services in exchange for brokerage business is commonly referred to as "soft dollar arrangements." Ariel only enters into soft dollar arrangements that are covered by the safe harbor provided under Section 28(e) of the Securities Exchange Act of 1934.

Brokers may furnish, for example, proprietary or third party research reports, supplemental performance reports, statistical analyses, and software and computer programs used for research and portfolio analysis, and other valuable research information to Ariel. Ariel generally seeks, at the beginning of the year, to direct client transactions to brokers that provide proprietary and third party research in order to ensure payment of its budgeted research commissions and soft dollars. Ariel uses soft dollar benefits to service all of its clients' accounts, and not only those that paid for soft dollar services through their brokerage commissions. Ariel does not seek to allocate soft dollar benefits to clients' accounts proportionately to the soft dollar credits the accounts generate. As a result of client-directed brokerage arrangements, some soft dollar services benefit clients who do not execute transactions through soft dollar brokers. Further, some soft dollar services are used for certain clients, but may be paid for by

clients who do not require such services. Additionally, Ariel may receive certain research reports by sell-side brokers that are not used in investment decision making, but may receive other services from the sell-side broker that are used in the investment decision making process, such as access to management and invitations to analyst conferences.

Ariel may receive certain brokerage and research products and services that provide both research and non-research (“mixed-use”) benefits. In these instances, Ariel uses client brokerage commissions to pay for the research portions and pays the non-research portion out of its own resources. Although the allocations between research and non-research portions will be made in accordance with Ariel’s overall fiduciary responsibilities, clients should be aware of the potential conflicts of interest created by the use and allocations of soft dollar arrangements. By entering into soft dollar arrangements, Ariel receives a benefit because it is relieved from paying for research products or services with its own money. In addition, soft dollar arrangements may cause Ariel to select a broker-dealer, trade frequently, or trade actively in certain accounts to obtain research used primarily by other, less frequently traded accounts, which may not be in the best interests of its clients. This is not Ariel’s practice, however, and Ariel’s disciplined investment strategy, utilized for all its clients, and its long-term holding approach, mitigate these potential conflicts. Ariel also attempts to address these potential conflicts through oversight of soft dollar usage by Ariel’s Trading Oversight Committee and an initial and annual approval of all soft dollar services by Ariel’s Chief Compliance Officer.

Ariel may invest for its clients in the stock of publicly-traded broker-dealers with which Ariel may place client trades. Ariel also is authorized to place clients’ portfolio transactions with or through brokers who have sold shares of mutual funds advised or sub-advised by Ariel, subject to Ariel’s best execution obligations and that such transactions are not executed in consideration for the promotion or sales of shares issued by such mutual funds. Ariel has adopted and implemented policies and procedures designed to ensure that personnel responsible for portfolio trading and for negotiating agreements with unaffiliated broker-dealers do not take into account a broker’s sale of the Funds’ shares when selecting brokers nor to agree to place trades with a broker in exchange for its sales of the Funds’ shares.

Ariel’s personnel may receive gifts and entertainment from broker-dealers through whom Ariel places trades. In order to prevent trading personnel from favoring one broker-dealer over another for client trades based on gifts or entertainment received, Ariel’s Code requires employees to report to the Chief Compliance Officer gifts and entertainment received in excess of a specified value.

### Brokerage for Client Referrals

Ariel does not select brokers in exchange for client referrals. Although the Funds may use brokers who sell shares of the Funds to trade securities in the Funds' portfolios, the Funds do not consider the sale of Fund shares as a factor when selecting brokers to effect portfolio transactions. Ariel's Head Trader certifies to this fact on a quarterly basis.

### Directed Brokerage

Certain clients may direct Ariel to use particular brokers for executing transactions in their accounts. Also, due to trading constraints applicable to certain clients, Ariel may use a single broker-dealer to effect their trades. Additionally, because of the nature of the fee structure of certain third-party wrap programs, Ariel generally will execute trades with the wrap program Sponsor (if Sponsor is a broker) or a broker affiliated with, or designated by, the Sponsor. Directing brokerage may cost clients more money. To the extent Ariel must place a client's brokerage transactions with a particular broker, Ariel may be unable to achieve the most favorable execution of transactions because Ariel will be unable to negotiate commissions, aggregate client orders and seek execution of transactions as efficiently as possible and at the best price.

Certain institutional clients direct Ariel to place all or a portion of their brokerage with minority-owned and/or local brokers, or brokers who provide the client with certain services, such as performance monitoring and commission recapture. Ariel does not use brokerage from another client account to pay for a product or service purchased under these client-directed brokerage arrangements.

To the extent that Ariel's clients' directed brokerage is not available to pay for Ariel's soft dollar arrangements, clients who give Ariel brokerage discretion will pay for a disproportionate share of Ariel's soft dollar arrangements.

### Aggregation and Allocation of Trades

Ariel typically aggregates contemporaneous client purchase or sale orders (except for wrap/retail orders) into blocks for execution in order to achieve more efficient execution, lower per share brokerage costs and, in the aggregate, better and fairer prices. Where purchases or sales are made on a block basis, price and per share commission and transaction costs are allocated to each advisory client on a pro rata basis subject to available cash, account restrictions, directed brokerage, and other relevant investment factors.

Because of client guidelines and/or market conditions (including a limited supply or demand for certain securities), not all investment opportunities can be made available to all clients, but Ariel endeavors to allocate investment opportunities fairly over time.

Ariel takes a number of factors into account when making allocation decisions, including but not limited to client guidelines, cash levels, tax status, size of account, weighting of securities in a portfolio, and any client directed brokerage requirements. When accounts have investment restrictions that must be checked manually by members of Ariel's portfolio management department, these accounts may be traded after accounts that do not have similar investment restrictions. This procedure may cause the restricted accounts to receive a different price on securities transactions than the unrestricted accounts.

Ariel may aggregate trades for execution and request that the executing broker "step-out" a portion of the aggregate trade to clients' directed brokers. The executing broker gives up the trades to the directed broker who receives any related commissions and clears, settles and confirms the transaction to Ariel and the clients involved.

Ariel's investment philosophy limits it to the purchase of shares only in certain IPOs and syndicate offerings, generally those of undervalued companies, with low price-to-earnings ratios and/or valuations significantly below the company's intrinsic worth. Ariel's policy is to allocate IPOs and syndicate offerings fairly and equitably over time among those clients eligible to receive these securities, with the following exceptions. First, Ariel will not allocate IPOs or syndicate offerings to its wrap or retail clients. Second, Ariel will not allocate IPOs to those individual clients restricted from receiving IPO shares pursuant to applicable FINRA rules and those individual clients who have not responded to Ariel's FINRA Rule 5130 (formerly NASD Rule 2790) questionnaire. Third, Ariel will not allocate IPOs or syndicate offerings to any Ariel proprietary account or any account in which Ariel's affiliated persons may have an interest other than the Ariel-advised investment companies.

Upon receiving incoming orders of similar purchases and sales of securities for clients, Ariel's trading desk determines the sequencing of such orders among the clients in accordance with Ariel's rotation policy, which sequences transactions among all clients and further sequences the trades of each third-party wrap program. Ariel's trading desk attempts to coordinate the timing of orders to prevent Ariel from "bidding against" itself on such orders. Ariel's trading desk may place orders for certain directed brokerage clients (including third-party wrap program clients and retail clients that direct brokerage) behind orders for non-directed brokerage clients depending upon factors such as the number of other orders awaiting execution, the type of order, the liquidity of the order, and the clients' cash positions.

Ariel's trading desk places orders for all clients other than its third-party wrap program clients. Ariel's trading desk sends its third-party wrap program clients' orders to their Sponsors for execution. While third-party wrap program clients are trading, Ariel's trading desk typically suspends trading for other clients until the Sponsors have completed their transactions.

Ariel may seek to purchase shares of stock for one or more accounts and sell the same stock in one or more other accounts. Normally, Ariel will utilize an electronic communication network (ECN) that commingles buy and sell orders from many sources and executes trades automatically in aggregate amounts available to match. The use of ECNs for aggregate orders exposes these orders to outside market forces for determination of stock price. On rare occasions and to the extent permitted by law, Ariel may effect cross trades between client accounts when it deems the transaction to be in the best interests of both client accounts.

Upon request, additional information is available to any client regarding discretionary brokerage arrangements, including, but not limited to, total commission commitments and the benefits and services received by Ariel and the identity of all brokers involved in trading its account. This disclosure is intended to provide context for Ariel's use of soft dollars and other trading practices, from which clients and potential clients can discern the nature of the potential conflicts of interest created by such practices.

#### Trading Error Policy and Procedures

Ariel views a trade error as involving an unintentional mistake in the handling of a trade order for which Ariel is responsible. Examples of trading errors include: trading a security in the wrong account; trading in the wrong security; purchasing or selling an incorrect amount of the security; buying rather than selling a security; and a security is bought or sold in contravention of a client-imposed restriction. Trade errors do not include: intentional acts; or errors related to the investment selection decision.

The Chief Compliance Officer and President must be notified immediately of all trade errors upon their discovery. The Trading Department and the Investment Group, in collaboration with the Chief Compliance Officer, will correct each error promptly, equitably and in the best interests of Ariel's clients. Ariel is responsible for any costs relating to its trade errors. Clients will be notified of any trade errors that occur in their accounts.

### **Item 13 – Review of Accounts**

#### Account Reviews

A Portfolio Manager or the Director of Research Operations reviews client accounts at least monthly, to ensure compliance with Ariel's investment strategy and client objectives. Client accounts are invested according to one of Ariel's model portfolios, and Ariel uses internally-generated exception reports to monitor consistency. Continuous monitoring of client accounts is performed using electronic real-time stock quotation systems. Accounts are monitored for compliance with investment restrictions on a pre-trade and post-trade basis. Pre-trade, in the event a purchase or sale of a security in a

client account would violate any of the investment restrictions monitored by Ariel's trading system, appropriate employees receive a violation notification message via a pop-up screen. Post-trade, on a nightly basis, the trading system executes automated investment compliance tests for each account.

#### Reports to Clients

Statements containing portfolio information and performance results are distributed to clients monthly, quarterly or periodically, based upon client needs or preferences. In addition, formal meetings with clients are arranged quarterly, semi-annually, or annually at the request of the clients based on their need to discuss their portfolio and performance results. Wrap program clients should consult their program's disclosure statement for the types of reports they will receive from the program Sponsor.

Clients will receive account statements from the custodians holding their accounts. Depending upon a client's arrangements with its custodian, the client and/or its custodian will receive trade confirmations from the broker-dealers that execute trades on its behalf.

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

Ariel does not receive compensation from any third party for providing investment advice to its clients. Ariel does not directly or indirectly compensate any person who is not its supervised person for client referrals.

### **Item 15 – Custody**

Ariel does not have custody of client funds or securities.

### **Item 16 – Investment Discretion**

Ariel exercises investment discretionary authority over many of its client accounts. Certain clients impose investment restrictions contrary, or in addition, to the general investment restrictions discussed in Item 8 above. Some clients otherwise limit Ariel's authority by requiring pre-investment approval, directing brokerage, or setting the cash level of the account. See Item 4 for percentage of discretionary assets under management.

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

This summary briefly describes Ariel's Proxy Voting Policies and Procedures (the "Proxy Policies") concerning proxies voted by Ariel on behalf of each investment



advisory client who delegates proxy voting authority to Ariel. Ariel has retained Institutional Shareholder Services, Inc. (ISS) for the purpose of receiving, cataloging, voting and reporting proxies.

A client may retain proxy voting powers, give particular proxy voting instructions to Ariel, or have a third party fiduciary vote proxies. Ariel's Proxy Policies are subject to change as necessary to remain current with applicable rules and regulations and Ariel's internal policies and procedures.

Ariel has established general guidelines for voting proxies on behalf of clients. While these generally guide Ariel's decision-making, all issues are analyzed by Ariel's senior research team who follow the company, as well as Ariel's Director of Research Operations. As a result, there may be cases in which particular circumstances lead Ariel to vote an individual proxy differently than otherwise stated within Ariel's general proxy voting guidelines. Ariel's proxy voting procedures are subject to requirements governing securities ownership of regulated companies (such as banks). In conformity with conditions specified by an industry regulator, in certain circumstances, this may mean that Ariel will refrain from voting proxies.

If Ariel determines, in connection with its vote of a proxy, that a material conflict of interest may exist, such as a business relationship with a portfolio company or a client, it is Ariel's policy to generally vote in accordance with the recommendations of ISS. If, in a conflict situation, Ariel decides to vote differently than ISS, the proxy will be referred to Ariel's Proxy Resolution Committee. The Proxy Resolution Committee is charged with ensuring that Ariel's decisions regarding proxy voting are based on the best interests of Ariel's clients and are not the product of a conflict. The Proxy Resolution Committee accomplishes this by applying the proxy voting guidelines to the decision, so as to minimize Ariel's discretion in the decision.

Ariel will not vote proxies for those securities over which Ariel does not have management responsibility. Additionally, for those proxy votes in which Ariel's clients held shares on the record date, but no longer held shares on the voting recommendation date, it is generally Ariel's policy to vote in accordance with ISS's recommendation.

For each proxy, Ariel maintains records as required by applicable law. Proxy voting information will be provided to clients in accordance with their agreement with Ariel or upon request. A client may request a copy of Ariel's Proxy Voting Policies and Procedures, or a copy of the specific voting record for their account, by calling 1-800-725-0140 or writing to Ariel Investments, LLC at 200 East Randolph Drive, Suite 2900, Chicago, IL 60601.

## **Item 18 – Financial Information**

Ariel does not require prepayment of client fees six months or more in advance and is, therefore, not required to include a balance sheet. In addition, Ariel does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, nor has it been the subject of a bankruptcy proceeding during the past ten years.

## **Item 19 – Additional Information**

### Education and Business Backgrounds for Certain Officers Not Included in Part 2B

Mellody L. Hobson – Age 41 – President. Ms. Hobson joined Ariel in 1991. She held the position of Senior Vice President, Director of Marketing from 1994 until being named President in 2000. Ms. Hobson also serves as a Director of Ariel Holdings and as Chairman of the Trust's Board of Trustees. Ms. Hobson earned an AB from the Woodrow Wilson School of International Relations and Public Policy at Princeton University.

Merrilyn J. Kosier – Age 51 – Executive Vice President and Chief Marketing Officer, Mutual Funds. Ms. Kosier also serves as a Trustee of the Trust. She joined Ariel in 1999. Ms. Kosier earned a BBA in Marketing from Andrews University and an MBA from Loyola University.

Krista L. Rivers, CFP® - Age 40 – Senior Vice President and Director, Institutional Marketing & Client Services. Ms. Rivers joined the firm in 1993, and during her tenure at Ariel she has worked in nearly all facets of the company. She started Ariel's advisory services line of business in 1998 and steered its development until October 2005, when she was tapped to lead all institutional distribution. Ms. Rivers is a founding board member of the Defined Contribution Institutional Investment Association. She graduated from Ohio University with a BA in business administration and holds a Certified Financial Planner designation.

Mareil  B. Cusack – Age 52 – Vice President, General Counsel. Ms. Cusack joined Ariel in 2007 as Assistant General Counsel. She assumed the position of General Counsel in October 2008. Prior to joining Ariel, she worked at the Chicago Stock Exchange, from 2004 to 2007, as Associate General Counsel and Chief Enforcement Counsel. Ms. Cusack also has extensive regulatory experience including her prior positions as the Chief Legal Counsel for the Illinois Gaming Board from 1995 to 2001 and as attorney for the U.S. Securities and Exchange Commission's Chicago Regional Office from 1988 to 1995, where she served in a number of capacities, culminating in the position of Branch Chief. Ms. Cusack earned a BA in European History and Economics from the University of Pennsylvania and a JD from the University of Virginia.

Wendy D. Fox – Age 48 – Vice President, Chief Compliance Officer. Ms. Fox joined Ariel in 2004. Prior to joining Ariel, Ms. Fox worked for the U.S. Securities and Exchange Commission’s Chicago Regional Office from 1988 to 2004. Ms. Fox earned a BA in English Literature from the University of Michigan and a JD from Washington University School of Law.

Maureen Longoria, CPA – Age 32 – Vice President and Controller. Ms. Longoria previously held the position of director of financial planning and analysis. Prior to joining the firm in 2005, Maureen spent five years in the audit group of CBIZ/Mayer Hoffman McCann P.C., an independent certified public accounting firm. She graduated with a BS in accountancy from the University of Illinois at Urbana-Champaign.

#### Anti-Money Laundering Program

Ariel has an anti-money laundering program. Through an unaffiliated third-party service, Ariel checks existing and prospective clients against lists, including the Department of the Treasury’s Office of Foreign Assets Control (“OFAC”), to determine whether they appear on such lists. Ariel may request certain information and documentation from clients in order to confirm their identity. Depending on the circumstances, applicable law, rules or regulations may require or allow Ariel to provide certain information (e.g., currency transaction reports or suspicious activity reports) to governmental agencies, and may prevent Ariel from disclosing its actions to its clients and prospective clients.

#### Privacy Notice

Ariel’s most important asset is its relationship to clients. Ariel’s entire staff is dedicated to serving its clients. Ariel strives to maintain clients’ trust and confidence, and it is Ariel’s policy not to share clients’ personal information with anyone unless it is for one of the following reasons:

- at a client’s direction;
- to provide a client with service or information about Ariel’s services;
- to maintain Ariel’s high standards of performance and compliance; or
- as required by law.

Clients, upon opening an account and on an as needed basis, submit to Ariel a variety of personal data, including address, telephone number and certain tax and financial information. Ariel generates reports to service client accounts such as trade tickets and account statements, and Ariel receives reports regarding client accounts, such as confirmations from securities firms.

In order to provide quality service, when placing orders or executing transactions, Ariel discloses information to others on a limited basis. These entities include custodians and securities firms. Ariel also may provide information to companies that perform necessary services to properly maintain Ariel's business, such as maintenance of computer systems and to accountants and attorneys who help Ariel assess and maintain performance and compliance standards. To protect and properly maintain this information, Ariel has established procedures and personnel practices that are designed to ensure confidentiality and protect Ariel's clients' records. A former client's information is protected to the same extent as that of a current client.

The Funds' "Privacy Notice" is available on Ariel's web site, [www.arielinvestments.com](http://www.arielinvestments.com), or in the Funds' Annual Report.

### Business Continuity

Ariel has a business continuity plan that provides for meeting the goal of recovering its critical business functions in the event of a disaster. Critical business functions include: communicating with clients; managing and trading client investment portfolios; performing investment research and analysis; accessing key network based files; and regulatory reporting. Depending on the nature and severity of the disaster, Ariel's critical and internet-based business applications will be made available within the first 8 hours following a disaster. Other important, but not critical, business applications will be made available as soon as possible thereafter and normally within 3 calendar days.

### Class Action Lawsuits

From time to time, Ariel receives notification of class action lawsuits wherein its clients may have a claim. Although Ariel does not actively seek out such notifications, Ariel may receive paperwork for making claims in such lawsuits' settlements. Ariel will notify its clients regarding the existence of lawsuits when all the following criteria have been met:

- Ariel receives notification of the class action lawsuit;
- the class has been certified;
- a settlement has been reached in the lawsuit; and
- the settlement involves an existing client of Ariel.

In these cases, Ariel will notify the appropriate party representing the client. Ariel does not make claims on behalf of its clients.

### Global Investment Performance Standards (GIPS®)

Ariel claims compliance with the Global Investment Performance Standards ("GIPS"). Ariel has been independently verified for the periods April 1, 1990 through December

31, 2010. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Ariel has obtained performance examinations for all of its published composites. The verification and performance examination reports are available upon request. A complete list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Potential Conflicts of Interest of Service Providers Other than Ariel

From time to time, Ariel pays the educational affiliates of investment consulting firms for Ariel employees' attendance at continuing education programs, conferences and regional workshops designed specifically to keep senior executives up-to-date on developments in the industry and continuing education on key investment issues. These conferences, which are widely attended by asset management firms and plan sponsors, enable Ariel employees to spend valuable time with clients and consultants and update them on the firm. Although these investment consulting firms have informed Ariel that these conference payments to their respective educational affiliates play no role in the consultants' recommendations of Ariel and other investment managers to institutional clients, these payments nevertheless create potential conflicts of interest for the firms.

In addition, Ariel pays various meeting fees to certain Sponsors to exhibit at or attend meetings and conferences. Ariel may pay various training fees to certain Sponsors to provide the Sponsors' employees with continuing education about Ariel and its products. These payments create potential conflicts of interest for the Sponsors.

The Funds, Ariel or Ariel Distributors pay brokers, dealers, financial intermediaries, recordkeepers and other service providers (collectively, "Intermediaries") for distribution, shareholder servicing and recordkeeping, and providing continuing support to the Funds' shareholders. Intermediaries may receive:

- distribution and shareholder servicing fees from Ariel Distributors;
- fees from the Funds for providing recordkeeping and shareholder account services to investors who hold shares of the Funds through dealer-controlled omnibus accounts; and
- other compensation, known as "revenue sharing," paid by Ariel or Ariel Distributors.

Further information about these payments and those entities that may receive payments from Ariel or Ariel Distributors for their distribution and servicing of the Funds may be found in the Funds' Prospectuses and Statement of Additional Information. Investors also should consult their financial intermediary regarding the details of payments such

intermediaries may receive, if any, in connection with the sale of shares of the Funds. These payments create potential conflicts of interest for the Intermediaries.