

Item 1 Cover Page

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Brochure Date: April 1, 2013

This Brochure provides information about the qualifications and business practices of Advisory Research, Inc. ("ARI"). If you have any questions about the contents of this Brochure, please contact us at (312) 565-1414. 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.

ARI is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about ARI is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Material Changes

Material changes in this brochure and attachments dated April 1, 2013 as compared to ARI's previous annual update dated March 30, 2012 are summarized below.

ARI updated Item 17 to include the services ARI will provide in connection with class action litigations and settlements.

ARI made other minor changes and updates to Part 2A.

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Item 4 Advisory Business

A. Background and Ownership. Advisory Research, Inc. (ARI) 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.

B. Description of Services and Schedule of Fees.

1. Types of Services. ARI primarily manages investments with discretionary authority on behalf of clients (1) directly (primarily through investments in equities and bonds), (2) through various multi manager and wrap fee programs for which ARI serves as a sub-advisor, and (3) through the use of commingled investment or mutual funds, based on the goals and objectives of each individual client ("Management Services").

From time to time, ARI may also advise clients in the selection of investment advisers and in the selection of professionally managed investment pools (such as mutual funds, common trust funds, and collective trust funds) ("Advisory Services"). Additionally, in selected cases, ARI may also provide consulting for strategic investment planning to separate clients who may not be receiving investment advice in the manner described above. A flat fee is typically charged for this consulting service.

In limited situations, ARI provides nondiscretionary management of advisory accounts pursuant to nondiscretionary model UMA agreements ("Model Services").

2. Types of Investments. ARI primarily invests in equities (including U.S. and foreign) and bonds (including corporate, municipal and government-issued) for its clients. From time to time, investments may also include warrants, certificates of deposit, options contracts, commercial paper, investment company securities, futures contracts on securities, convertible securities and interests in private limited partnerships managed by ARI.

C. Individualized Services. ARI seeks to provide advisory services that are tailored to the individual needs of each client. As a result, clients may impose restrictions on investing in certain securities or types of securities by contacting their relationship manager and/or notifying ARI in writing.

D. Wrap Fee Account Management. ARI serves as a manager in various wrap fee programs sponsored by unaffiliated broker-dealers (Program Sponsor) and as a result, receives a portion of the wrap fees paid by clients for its services. Portfolio management advice provided by ARI to clients in wrap fee programs does not generally differ materially from that provided to its separately managed accounts. One area which may differ is that trades in such programs are typically placed with the program's sponsoring broker dealer because the wrap-fee arrangement covers brokerage commissions effected through the Program Sponsor. Wrap program clients should be aware that because they effectively direct ARI to execute most trades through the Program Sponsor or the broker designated by the Program Sponsor through the terms of each program, execution quality may be adversely affected by various factors associated with client directed brokerage as noted in Item 12. ARI may direct that trade orders for wrap accounts and

other accounts that direct the use of a particular broker-dealer be executed following the completion of trades for ARI'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 affected securities or other changes, particularly in volatile markets.

- E. Assets Under Management.** As of December 31, 2012, ARI had \$9.15 billion in assets under management. Of this amount, \$9.04 billion were discretionary assets and approximately \$112 million were non-discretionary assets.

Item 5 Fees and Compensation

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 billed in arrears. In certain circumstances, such as when a client may request a customized strategy, ARI may create customized fee schedules. In addition, some clients may negotiate different fees, billing format and/or time frame. Exceptions to the general fee schedule may be made under certain circumstances depending upon the exact nature of the services to be performed or responsibilities assumed by ARI. For example, ARI may negotiate fees where a client is seeking to invest substantial amounts or is a strategic client, including those clients ARI serves as a model provider or sub-advisor, or on occasion ARI may charge a performance based fee which may result in fees generally ranging from 0.30% to 1.25% per annum. Fees will be presumed final unless the client raises any objections or questions within a reasonable period of time.

Billing Methods. ARI will work with each client to determine their preferred billing method. In most cases ARI 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 may also elect to permit ARI to deduct management fees from custodial accounts electronically. In the event that ARI is permitted to deduct management fees electronically, ARI will also deliver an informational copy of the invoice to the client or his/her designated agent.

Although ARI does not bill its fees in advance, sponsors of wrap fee programs for which ARI serves as a manager may do so. In the case of a wrap fee 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 wrap fee program's sponsor.

Fee Schedules for Separately Managed Accounts. The following fees are for separately managed accounts invested in the following products/styles.

Small Micro Cap Value Equity

Assets Under Management	Fee Schedule
First \$20,000,000	1.10% per annum
Next \$15,000,000	1.00% per annum
Above \$35,000,000	0.95% per annum

Small Cap Value Equity

Assets Under Management	Fee Schedule
First \$20,000,000	1.00% per annum
Above \$20,000,000	0.80% per annum

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INVESTMENT MANAGEMENT

Small / Mid Cap Value Equity

Assets Under Management	Fee Schedule
First \$20,000,000	1.00% per annum
Above \$20,000,000	0.80% per annum

Mid Cap Value Equity

Assets Under Management	Fee Schedule
First \$20,000,000	1.00% per annum
Above \$20,000,000	0.80% per annum

Large Cap Equity

Assets Under Management	Fee Schedule
First \$5,000,000	1.00% per annum
Next \$15,000,000	0.75% per annum
Above \$15,000,000	0.50% per annum

All Cap Value Equity

Assets Under Management	Fee Schedule
First \$5,000,000	1.00% per annum
Next \$15,000,000	0.75% per annum
Above \$15,000,000	0.50% per annum

Dividend Focus Equity

Assets Under Management	Fee Schedule
On all assets	0.70% per annum

International Small Cap Value Equity

Assets Under Management	Fee Schedule
On all Non-institutional assets	1.35% per annum
On all institutional assets	1.10% per annum

Fixed Income

Assets Under Management	Fee Schedule
First \$10,000,000	0.370% per annum
Over \$10,000,000	0.275% per annum

Mutual & Commingled Funds Under Supervision

Assets Under Management	Fee Schedule
First \$1,000,000	1.00% per annum
Over \$1,000,000	0.50% per annum

Notes. Accounts managed by ARI are held in custody by a third party bank or brokerage of client's choosing. It should be noted that ARI's fees are exclusive of brokerage commissions, transaction fees, and/or other related costs and expenses which may be incurred by the client. Item 12 further describes the factors that ARI considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions). Clients may also incur charges imposed by custodians, brokers and/or other third parties, such as: custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes of brokerage accounts and securities transactions. With respect to mutual funds, exchange traded funds and other collective investment vehicles in separately managed accounts, ARI's fees are in addition to advisory fees which

may be charged by such mutual funds and collective investment vehicles as per the fund's prospectus. It may be noted that ARI does not receive any portion of such charges, fees, and/or commissions. Additionally, no separate account fees are charged to the client with respect to assets invested in investment vehicles which are affiliated with ARI.

Where ARI acts as a sub-advisor pursuant to a wrap fee or certain multi-manager programs, fees set forth above may be discounted depending on the nature and scope of the relationship. In addition, fees charged for nondiscretionary model UMA services may be negotiated on a case-by-case basis and may also be discounted off of the above schedules.

Commingled Limited Partnerships. ARI serves as a general partner and investment manager to twelve (12) commingled limited partnerships which generally are organized by the size of the company in which investments are made, ranging from Micro Cap to Large Cap Equity. Certain of these limited partnerships are of a more focused nature including funds that emphasize certain sectors or are based on certain indices. Management fees for these limited partnerships generally range from 0.40% to 1.50% per annum and three (3) of the partnerships also compensate ARI with a 20% Performance Allocation.

Item 6 Performance-Based Fees and Side-by-Side Management

ARI does not generally enter into performance fee arrangements. However, in some cases, ARI has entered into performance fee arrangements with qualified clients. In these cases, such fees are subject to individualized negotiation with each such client. ARI will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, ARI shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for ARI to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. ARI has implemented procedures designed to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

- Accounts within a strategy are generally managed to the corresponding strategy's model portfolio, subject to client-imposed limitations.
- ARI regularly reviews each investment strategy's model portfolio versus individual client accounts. In this review, position sizes for client accounts are compared to the model weights.
- ARI has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 Types of Clients

ARI provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments,

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INVESTMENT MANAGEMENT

municipalities, registered mutual funds, private investment funds, trust programs, foreign funds such as Undertakings for Collective Investment in Transferable Securities (“UCITS Funds”), and other U.S. and international institutions. As previously noted, ARI also acts as a sub-advisor in wrap fee and Unified Managed Account (“UMA” or model) programs.

ARI requires a minimum asset value for separately managed accounts utilizing its various management services.

Strategy	Minimum Account Size
Mutual & Commingled Funds Under Supervision	\$250,000
U.S. Equity Strategies including:	\$1,000,000
1. Small Micro Cap Value	
1. Small Cap Value	
2. Small/Mid Cap Value	
3. Mid Cap Value	
4. Large Cap	
5. All Cap Value	
6. Dividend Focus Equity	\$100,000
International Equity Strategies	\$5,000,000
Fixed Income Strategies	\$500,000

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 ARI to manage the relations.

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

Overview of Equity Investment Strategies. ARI manages various domestic equity investment strategies that include Small-Micro Cap Value, Small Cap Value, Small-Mid Cap Value, Mid Cap Value, Large Cap, Dividend Focus Equity and All Cap Value; as well as an international strategy focused on Small Cap. ARI’s equity strategies seek long-term capital appreciation by investing in stocks selected using a value approach. The strategies utilize a bottom-up security selection process based on in-house research. The companies that are chosen for the portfolio are those that we believe are undervalued on a price to adjusted book basis and that have, in our opinion, minimal downside risk.

The portfolio construction process uses a combination of quantitative and qualitative analysis to arrive at a diversified portfolio of what we believe are attractively valued securities. All research is constructed with the goal of fully vetting ideas and identifying optimal investment opportunities. In conducting research, the primary sources of information used by ARI include, database screening, broad and industry specific publications, reviews of company activities and interviews with management, annual reports, prospectuses and filings with the SEC, and company press releases.

In most cases, ARI’s investment strategies include long term purchases (securities held at least a year), and short term purchases (securities sold within a year). In some cases, trading (securities sold within 30 days), short sales, margin transactions and option writing, including covered options, uncovered options or spreading strategies, may also be employed.

Overview of Fixed Income Strategies. ARI manages various fixed income portfolios that include taxable and/or tax exempt bonds that may include corporate, government, and municipal bonds. ARI's approach to fixed income investing begins with an understanding of each client's goals and objectives. We will work with clients and their advisors to analyze the client's unique characteristics and then monitor changing client needs and market conditions. Following this analysis, portfolios are typically constructed in a laddered fashion and may be of an intermediate, short term or long term maturity and duration.

Overview of Additional Strategies. ARI manages balanced portfolios which generally represent a combination of the Equity and Fixed Income Strategies, but may also incorporate mutual or other comingled fund investments rather than (or in addition to) direct equity investments. In these cases, portfolios are customized following review of the client's investment goals. Other custom specialized portfolios may also be constructed upon consultation with the client.

ARI manages a strategic income strategy by primarily investing in preferred securities and other income producing securities, including convertible securities, debt securities, common stocks, REITS, MLPs and securities of other investment companies.

Risks of Investing. In all cases, investing in securities involves risk of loss that clients should be prepared to bear. In addition, while ARI applies investment techniques and risk analyses in making its investment decisions, there can be no guarantee that these decisions will produce the desired results. Some other risks applicable to certain strategies include:

- Equity Risks: The value of the securities held in Equity Investment Strategies may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Strategies participate, or factors relating to specific companies in which the Strategy invests. The stock market has been subject to significant volatility recently which has increased the risk associated with an investment in Equity Investment Strategies. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.
- Value Stock Risk: Value stocks involve the risk that the value of the security will not be recognized for an unexpectedly long period of time or that the security is not undervalued but is appropriately priced. A focus on value investing may cause ARI's Equity Investment Strategies to underperform when growth investing is in favor.
- Finance Sector Risks: From time to time, Equity Investment Strategies may include a greater investment in the finance sector, which may be subject to specific risks. These risks include governmental regulation of the sector and governmental monetary and fiscal policies which impact interest rates and currencies and affect corporate funding and international trade.
- Micro-, Small- and Mid-Cap Company Risks: ARI's primary investment strategies that include Micro-, Small- and Mid-Cap Companies include Small-Micro Cap, Small Cap, Small-Mid Cap, Mid Cap, All Cap, and International Small Cap. The securities of micro-, small- or mid-cap companies may be subject to more abrupt market movements and may have lower trading volumes than securities of larger companies or the market averages in general. In addition, such companies

typically are subject to a greater degree of change in earnings and business prospects than are larger, more established companies.

- *Preferred Securities Risk:* Preferred securities represent equity interests in a company that generally entitle the holder to receive, in preference to the holders of other stocks such as common stocks, dividends and a fixed share of the proceeds resulting from a liquidation of the company. Preferred securities are generally subordinated to bonds and other debt instruments in a company's capital structure in terms of having priority to corporate income, claims to corporate assets and liquidation payments, and therefore will be subject to greater credit risk than more senior debt instruments. Preferred securities are subject to issuer-specific and market risks applicable generally to equity securities and are sensitive to changes in the issuer's credit worthiness and to changes in interest rates, and may decline in value if interest rise. In addition, preferred securities often have features that can adversely affect their returns.
- *Convertible Securities Risk:* The value of a convertible security may be affected by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer, the ability of the issuer to repay principal and to make interest payment and other factors also may have an effect on a convertible security's investment value.
- *Other Risks Relevant to International Equity Investment Strategies:* The investment by ARI's International Strategies in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers. Adverse political, economic or social developments could undermine the value of such securities or prevent a portfolio from realizing the full value of its investments. Financial reporting standards and transaction settlement systems for companies based in foreign markets differ from those in the United States. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute shareholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities. The investment in non-U.S. securities that trade in, and receive dividends in, foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar. Currency rates in foreign countries may fluctuate significantly over short periods of time due to the imposition of currency controls or other political developments in the United States or abroad. As a result, investments in non-U.S. dollar-denominated securities and currencies may reduce the returns of a portfolio.
- *Other Risks Relevant to Fixed Income Investment Strategies:* An issuer of a debt security or counterparty carries credit risk and could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation. In addition, changes in interest rates will affect the value of fixed income securities and preferred stock. Generally, such securities decrease in value if interest rates rise and increase in value if interest rates fall, with lower rated securities more volatile than higher rated securities. Fixed Income securities also may become illiquid due to a lack of demand in the marketplace or other factors. In such cases, ARI may not be able to sell some or all of the investments that it holds, or may only be able to sell those investments at less than desired prices. Finally, while ARI's Fixed Income strategies are primarily focused on investment-grade securities, lower quality high yield

bonds involve greater risks of default, downgrade, or price declines and are more volatile than investment-grade securities.

Description of Limited Partnerships of which ARI acts as General Partner. ARI serves as a general partner and investment manager to twelve (12) commingled limited partnerships which generally are organized by the size of the company in which investments are made, ranging from Micro Cap to Large Cap Equity. Certain of these limited partnerships are of a more focused nature including funds that emphasize certain sectors or are based on certain indices.

The Funds generally seek to maximize total return over a complete market cycle, while employing the tenets of classic value investing by seeking companies trading at reasonable valuations given their growth potential. From a qualitative perspective, companies normally have consistent operating history in an understandable business; long-term growth potential greater than the economy and its competitors and a management team that is rational, focused and acts like owners. Common characteristics of portfolio holdings include companies that are selling at low price/book ratios, have specific hidden assets on the books, selling at low price/earnings ratios and those that have the potential to generate significantly enhanced cash flow over current levels based on a more effective utilization of the assets.

Funds predominantly purchase publicly traded equities in the U.S.; although certain Funds may also include the following types of investments pertaining to the Fund's specialty: (i) publicly traded equities in other developed countries, (ii) direct investment in micro-cap companies. Certain funds may also engage in selective hedging techniques to control volatility in certain market environments and short sales.

Item 9 Disciplinary Information

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

Item 10 Other Financial Industry Activities and Affiliations

ARI is affiliated with Piper Jaffray & Co., Piper Jaffray Investment Management Inc., and Fiduciary Asset Management LLC. Piper Jaffray & Co. provides ARI with various resources and services, including information technology, compliance, human resources, and legal and accounting services. In order to address a potential conflict of interest resulting from the affiliation between ARI and Piper Jaffray & Co., a registered broker-dealer, it is ARI's policy that it will not utilize such brokerage services when placing trades for client accounts.

ARI's CEO also serves as the Head of Asset Management for Piper Jaffray Companies. In this role, Mr. O'Brien is involved in the strategic planning of the asset management component for Piper Jaffray Companies, including its other asset management subsidiaries. To address any potential conflicts of interest associated with his role, Mr. O'Brien is subject to the Codes of Ethics of both ARI and Piper Jaffray.

ARI serves as an advisor to various Advisory Research Funds, which are a series of the Investment Managers Series Trust, and a general partner to twelve (12) commingled limited partnerships which are managed by ARI. Certain ARI employees are registered representatives of Piper Jaffray & Co., a registered broker dealer for the purpose of marketing the Advisory Research Funds.

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

Code of Ethics. Acknowledged by all employees at the inception of their employment and annually thereafter, ARI's Code of Ethics includes general standards of conduct and more specific provisions designed primarily to protect the interest of ARI's clients as well as the reputation of ARI as a firm committed to upholding high ethical standards.

A copy of ARI's Code of Ethics is available to any client or prospective client upon request by contacting ARI's Compliance Department at (312) 565-1414.

Contents of the Code includes:

- Standards of Conduct
- Policies for insider trading
- Policies for employees' personal securities transactions
- Policies on gifts, entertainment & contributions
- Confidentiality policies

Clients should anticipate that, from time to time, ARI, its principals, employees, their family members and/or individuals associated with ARI and/or affiliates of such persons, will buy or sell the same securities for their personal accounts which are identical to those recommended to clients or that the clients own. At no time will ARI or its affiliates put personal interests before that of its clients', or intentionally disadvantage clients when executing trades and all client orders will be filled before ARI's or its affiliates' orders. Notwithstanding, ARI and/or its affiliates may participate in buy and sell transactions alongside clients as part of bunched orders. In these cases, ARI will allocate fills of such orders on a pro-rata basis or in an otherwise fair and equitable manner to all participants in the bunched order.

It is ARI's policy that it will not effect principal or agency cross securities transactions for client accounts. In general, ARI does not conduct other cross transactions but on occasion may do so if ARI believes that such transactions are consistent with investment objectives of, and in the best interest of, the clients involved. In the circumstance where ARI does conduct a cross transaction, ARI may have conflicting loyalties in such transactions, since it represents both the client-seller and client-buyer. ARI has adopted policies and procedures to address the manner in which cross trades are conducted including (1) Cross trades will be (1) a purchase or sale, for no consideration other than cash payment against prompt delivery of a security for which market quotations are readily available, that is (2) executed through an independent broker, and that is (3) executed at the independent current market price of the security. For the purpose of this policy, the "current market price" is generally the last sale price of a reported security at the time the order is presented. If there are no reported transactions that day, the current

market price may be determined as the average of the highest current independent bid and lowest current independent offer for such security. In limited circumstances, thinly traded or low volume securities have a spread that is wide enough that to use the last sale price as the current market price may not be in the best interest of both clients. In these situations the average of the National Best Bid and Offer is used as the current market price.

On occasion, ARI may also utilize a third party VWAP crossing network to execute trades in order to ensure low commission rates and no market impact. These “blind” transactions are designed to provide anonymous negotiations without identifying the parties and function in a manner similar to the operation of an exchange. The VWAP cross electronically matches all buyers and sellers (not just ARI clients) and executes order at the end of the day at a price equal to the full-day VWAP. ARI is not aware whether any inadvertent crosses have occurred between its own clients. The positions are at risk during the period of time they are matched in the crossing network and there are risks that all trades may not be executed using the crossing network.

Item 12 Brokerage Practices

In selecting a broker/dealer through which to purchase or sell securities, ARI will look for the most favorable combination of transaction cost, transaction ability, research and other services. In connection, price and commissions, execution ability, clearance procedures, and the nature and quality of research and other brokerage services provided by the broker/dealer are considered in using a specific broker.

On occasion, ARI may select a broker/dealer for execution of client transactions with whom a family member of one of ARI’s executive officers or employees is affiliated. Specifically, Brendon O’Brien, the brother of Brian O’Brien, Chairman of ARI, is a registered representative of Wachovia Securities. Client transactions are executed at Wachovia only when ARI believes doing so is consistent with the principles of best execution.

Selecting Brokers & Use of Soft Dollars

ARI also has relationships with particular brokers who provide research and other related services through soft dollar arrangements with ARI. Although ARI may receive proprietary research publications from various broker dealers, such as economic overviews on particular industries, the substantial majority of the products and services obtained through these soft dollar arrangements generally constitute third party research and research-related products and services in the form of research vehicles such as Research Insight, Bloomberg, research services or industry-specific periodicals. In addition to these items, ARI may also acquire services which have a mixed use, in addition to research, such as Institutional Shareholder Services (ISS), FactSet and Fiserv Investment Services. In the case of mixed use items, ARI allocates a percentage ratio of soft and hard dollars to the product / service acquired. This allocation is based on a good faith determination of the portion of the product / service that it is considered to be used in the investment decision-making process versus the portion that is used by ARI for non-investment decision-making purposes. The portion that is considered to be used for investment decision-making may be paid for using soft dollars, while the non-investment decision-making portion is paid for with hard dollars. In such cases, ARI may have an incentive to allocate a higher soft dollar portion of the allocation based on its interest in receiving such products or services;

however, ARI has established policies and procedures to periodically review its allocation process and resulting allocations.

When ARI utilizes client brokerage commissions (or markups or markdowns) to obtain research or other products or services, it receives a benefit because it does not have to pay for the research, products or services. As a result, ARI may have an incentive to select or recommend a broker-dealer based on its interest in receiving these products or services, rather than on its clients' interest in receiving most favorable execution. ARI will only choose such broker/dealers when the execution complies with the principles of best execution. Commission rates negotiated with brokers for the execution of trades which generate soft dollar commission credits do not differ materially from those negotiated with other brokers which trades do not generate such credits. Additionally, ARI utilizes soft dollar benefits to service all its accounts and does not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Selecting Brokers & Referral Arrangements

ARI may select as a broker/dealer for client transactions, broker/dealers that have affiliated entities who have referred or may refer clients to ARI. In such cases, ARI may have an incentive to select or recommend a broker-dealer based on its interest in receiving referrals, rather than on the clients' interest in receiving more favorable execution. Notwithstanding, ARI will only choose such broker/dealers when the execution complies with the principles of best execution. ARI has no formal relationships or agreements with any broker/dealer or associated person thereof which requires ARI to direct, or which compensates ARI for directing, any specified level of brokerage/commissions to any broker/dealer.

Client-Directed Brokerage

With respect to ARI's management services, clients generally are required to give ARI discretion and authority to manage their assets under ARI's supervision. Consequently, ARI determines which securities to buy or sell, the broker or dealer through which the securities will be bought or sold, and the commission rates at which transactions are affected. Any limitations or restrictions, with respect to the exercise of this investment discretion, will be those established by the client, in writing, at the commencement of the advisory relationship or thereafter.

A small number of ARI's clients have designated the broker-dealer through which they want their securities transactions executed. ARI will review such designations to assess whether they are inconsistent with ARI's duty of best execution for the client. It should be noted that a client's direction to use a particular broker may limit or eliminate ARI's ability to (i) negotiate commissions on the client's behalf, (ii) obtain best price and execution, (iii) include the client's orders in bunched orders, (iv) obtain certain securities or participate in certain transactions on behalf of the client, or (v) place orders for client transactions in as timely a manner as orders are placed for ARI's other clients.

Bunched Orders

ARI's decisions to execute trades must include a decision on position size consistent with the investment objectives, guidelines and restrictions of its clients. From time to time, it may be appropriate for more than one client account to trade in the same securities at the same time in a "bunched order". In the

case of bunched orders, allocations to multiple clients must be based on fair and equitable treatment of all clients, taking the following factors into consideration, among others:

- Investment objectives and requirements.
- Risk-management requirements.
- Adherence to any limits as defined in the applicable client's investment guidelines.
- Capital availability in each client account for trade of type under consideration.
- Liquidity/availability of securities.
- Current sector and/or security diversification in each client's account.

Item 13 Review of Accounts

ARI 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 monthly to custodial records. Clients generally receive statements of all holdings and positions in their portfolio on a monthly basis.

The investment research, financial analysis and portfolio management duties are primarily performed by a team of investment professionals led primarily by Brien O'Brien, CEO and Chairman; James M. Langer, CFA, Managing Director; Matthew K. Swaim, CFA, CPA, Managing Director; Jonathan P. Brodsky, Managing Director; Matthew W. Dougherty, CFA, Managing Director; Paul Galat, Managing Director, Eric J. Miller, CMA, Managing Director; and Bruce M. Zessar, Managing Director.

Item 14 Client Referrals and Other Compensation

ARI may compensate a limited number of U.S. or non-U.S. third party referral sources who, on a fully disclosed basis (in compliance with Rule 206(4)-3), receive a small portion of ARI's standard advisory fees which are paid by the client, to ARI.

ARI has an agreement with Piper Jaffray & Co., an affiliated broker dealer, whereby its sales representatives may refer clients to ARI for a referral fee. The sales representative shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation by providing a copy of the disclosure statement containing the terms and conditions of the solicitation arrangement. It is ARI's policy that it will not utilize the brokerage services of Piper Jaffray & Co. when placing trades for client accounts.

From time to time ARI may receive referrals from particular brokers who provide research and other related services through soft dollar arrangements with ARI. As disclosed previously, ARI will only choose such broker/dealers when the execution complies with the principles of best execution. ARI has no formal relationships or agreements with any broker/dealer or associated person thereof which requires ARI to direct, or which compensates ARI for directing, any specified level of brokerage/commissions to any broker/dealer.

ARI has relationships with other parties which may 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 ARI.

Item 15 Custody

ARI does not provide custodial services to its clients. Clients' assets are held with banks or registered broker-dealers that are "qualified custodians." Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. ARI urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. ARI clients that have not received a statement at least quarterly from his or her custodian are strongly encouraged to contact us.

Item 16 Investment Discretion

ARI usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

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

ARI requests that investment guidelines and restrictions be provided to it by its clients in writing.

Item 17 Voting Client Securities

ARI has engaged and may utilize Institutional Shareholder Services ("ISS") to provide proxy voting services for clients for whom ARI exercises proxy voting authority. ARI has adopted standard proxy voting guidelines, which are generally applied by ISS to all ARI proxy votes, absent instruction from ARI to the contrary. ARI generally votes in accordance with its proxy voting guidelines; however, in rare circumstances ARI may opt to override the guidelines if it is decided to be the best interest of its clients.

Complete proxy voting policies and procedures, including complete guidelines are available upon request. Additionally, clients may contact ARI at (312) 565-1414 to obtain information on how securities were voted.

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. ARI's Investment Advisory Contract does not provide sufficient authority to file a proof of claim form. If a client requests additional assistance, ARI 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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about ARI's financial condition. ARI 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. Piper Jaffray Companies files quarterly and annual financial statements with the SEC. These are available through the SEC and on Piper Jaffray's web site at the following location: http://www.piperjaffray.com/2col_largeright.aspx?id=161

CUSTOMER PRIVACY NOTICE

Advisory Research, Inc. is committed to maintaining the confidentiality, integrity and security of personal information entrusted to us by current and former clients. We understand that your privacy is important to you and will continue to treat your personal information as confidential. This Privacy Notice provides general information on how we utilize and protect your personal information.

We possess personal information about you from the following sources:

- Information we receive from you on applications or other forms, such as your name, address, Social Security number and information about your financial status, such as your income and investment objectives;
- Information about your transactions with us, with our affiliates, or with others; and
- Information you provide us through your account inquiries by mail, telephone or over the internet.

We restrict access to your personal information to those personnel within the firm who need to know that information in order to process your transactions or to provide products and services to you. Personnel who have access to your personal information are required to keep all information strictly confidential.

We do not disclose any personal information about our clients or former clients to third parties unless one of the following limited exceptions applies. Names and addresses are never sold to third parties for any outside use.

- Upon your written, electronic or telephonic request, we will disclose personal information to third parties such as accountants, lawyers, brokers etc. as directed by you.
- We may disclose your personal information to only those affiliates and nonaffiliated third parties to help us service and maintain accounts and process transactions and perform other services on behalf of the account, such as bank trustees or broker-dealers acting as custodians for your account.
- We may disclose or report personal information as required by law, to our legal and accounting professionals, and to our software vendors who provide technical support necessary to safeguard the integrity of our systems and to assist us in providing better services to you.
- In connection with a proposed or actual sale, merger, transfer or exchange of all or a portion of our business, we may disclose your information to the potential acquirer and its legal, accounting and other professionals, subject to a contractual obligation to maintain strict confidentiality by these professionals.
- When disclosing information to third parties, we disclose only the minimum amount of information required to satisfy the specific service we have requested.

We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your non-public personal information. We only disclose information to parties who provide necessary services to us and who are contractually obligated to maintain the confidentiality of your account information. We take seriously the obligation to protect against unauthorized access to or use of your personal information in connection with its disposal.

This privacy policy is provided by Advisory Research, Inc., a registered investment advisor, in accordance with regulations of the Securities and Exchange Commission. Please contact Advisory Research, Inc., if you have any questions regarding our privacy notice.

Advisory Research, Inc. ERISA 408(b)(2) DISCLOSURE

This disclosure is provided in connection with the investment management services provided by Advisory Research, Inc., (“ARI”) to the Plan and are designed to comply with the disclosure requirements under Section 408(b)(2) of ERISA. If you are not the “responsible plan fiduciary” authorized to engage service providers for the Plan, please forward these materials to the appropriate Plan fiduciary. Please note that this document is not itself an agreement for services. Further, this document is neither intended to replace or amend any agreement or other contract ARI or any affiliate may have with the Plan, nor is it any guarantee with respect to the pricing of any of our services. In the event of any discrepancy between the information contained in these materials and the terms that govern our contractual relationships with the Plan, the latter will govern.

Description of Services that ARI Provides to the Plan

ARI provides investment management services to your Plan. A complete description of these services can be found in the investment management or other agreement (“Agreement”) between ARI and the Plan or a third party on behalf of the Plan. All services that ARI expects to provide are listed in the Agreement, and may include ancillary services at no additional cost, such as research, market updates, educational events, conversations with professionals and other market color or analytics. This disclosure relates solely to the services provided in connection with the Agreement. For further information about ARI’s services, please refer to ARI’s Form ADV, Part 2A.

ARI’s Fiduciary and Registered Investment Adviser Status to the Plan

ARI provides its services to the Plan as a fiduciary as defined in Section 3(21) of ERISA and as an investment manager as defined in Section 3(38) of ERISA. ARI also provides services to the Plan as an investment adviser registered under the Investment Advisers Act of 1940.

Direct Compensation

ARI receives direct compensation from the Plan in connection with the investment management services it provides to the Plan. The amount of direct compensation that is paid to ARI is stated in the Agreement and/or accompanying Fee Schedule.

Manner of Receipt of Compensation

The compensation due to ARI is billed by ARI with the frequency set forth in the Agreement and payment is remitted to ARI by the Plan or the Plan’s sponsor. In general, if a Client opts to pay its management fees in advance and the Agreement is terminated prior to the end of the billing period, the management fees will be pro-rated for the portion of the billing period in which the Agreement was in effect and the Plan will be issued a refund for any excess fees paid to ARI.

Indirect Compensation; Conflicts of Interest

When acting as an ERISA fiduciary, ARI and its affiliates are generally not permitted to receive indirect compensation in respect of any such fiduciary services. Under certain circumstances, ARI may receive proprietary research from broker-dealers with which or through which ARI executes or effects trades for

client accounts. It is ARI's belief that in many cases, the research and other information that is provided to ARI is offered without charge and without any commitment on the part of ARI to engage in any specific business or transaction. For example, with respect to ARI's fixed income transactions, ARI does not have any soft dollar arrangements with broker-dealers, nor does ARI direct client transactions to particular broker-dealers in return for soft dollars. ARI believes that in executing such transactions it is guided solely by its fiduciary responsibilities to its clients, including its duty to obtain the most favorable pricing and execution under the prevailing circumstances, and considering the factors further detailed in Item 12 of ARI's Form ADV, Part 2A. In other cases (such as equity transactions traded on an agency basis), ARI may pay for research through commissions or other equivalents. ARI believes in these cases that the research it receives is not based on any particular account or transaction, including that of the Plan, and that, given the inherent nature of the research obtained (which, for example, may include "proprietary" research) ARI is unable to provide any meaningful quantitative information attributable to the Plan's account on a prospective basis. An overview of ARI's soft dollar policy is provided in Item 12 of ARI's Form ADV, Part 2A. ARI has adopted policies and procedures that seek to manage potential conflicts of interest, or the appearance of such conflicts, that may arise from the exchange of gifts and participation in meals and entertainment by ARI employees with third parties (e.g., clients, brokers, vendors, issuers and consultants). ARI generally prohibits the giving and receiving of gifts of more than nominal value by our employees. Our personnel may occasionally host or accept meals and/or entertainment associated with ARI's business, subject to applicable law and limitations set forth in our Gifts and Entertainment policies. Such limitations, among other things, require meals and entertainment to be modest in scope and cost and infrequent in nature. Our policies also strictly prohibit the offer or acceptance of bribes. ARI believes that anything of value received by ARI employees from third parties would be received in the context of a general business relationship and should not be viewed as attributable or allocable to services provided to any individual plan. Based on prior history and our policies and procedures, ARI believes that the aggregate annual value of nonmonetary gifts allocable to the Plan would not be expected to be reportable with respect to the Plan for purposes of the Department of Labor's Form 5500 Schedule C reporting rules.

Compensation Paid Among ARI and Its Affiliates and/or Subcontractors

The Plan does not pay any transaction based compensation to ARI, its affiliates and/or subcontractors in connection with the investment management services ARI provides to the Plan. The Plan also is not charged any such compensation directly against the assets of the Plan held in the separate account in connection with the investment management services ARI provides to the Plan.

Compensation for Termination of the Agreement

Provisions relating to termination of the Agreement are set forth in the Agreement.

Compensation for Recordkeeping Services

ARI does not receive any compensation for providing recordkeeping services related to the maintenance of Plan accounts, records or statements.

Disclosures Applicable to Participant Directed Defined Contribution Plans Only

If the Plan is a 401(k) plan (or other individual account or defined contribution plan), ARI expects that the compensation it receives would be included in disclosures of the overall fees and expenses for the designated investment alternative for which ARI provides investment management services (as set forth in the Agreement). As ARI does not manage or control all aspects of the Plan's designated investment alternative, there may be fees and expenses from other service providers to be included in any reporting of the overall fees and expenses of the designated investment alternative. For example, this could include trust, fees or other fees and expenses, if any. Please consult such other service providers for disclosure of that information.

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We believe the foregoing reflects the information required to be provided under Section 408(b)(2) of ERISA in connection with the services ARI provides to the Plan. If you have any questions or require further information, including copies of any of the documents referenced herein, please do not hesitate to contact your ARI representative.