

Ariel Appreciation

Governance and Management

Stewardship Grade:

Portfolio Manager(s)

Firm founder John Rogers, who also manages Ariel Fund, runs the show here. Rogers boasts more than 20 years of investment experience, specializing in small- and mid-cap stocks. His tenure here began Sept. 30, 2002. Matt Sauer became comanager Nov. 20, 2006. He arrived at Ariel Capital after 13 years at Oak Value, another stellar Buffett-inspired fund.

Strategy

Management hunts for stocks that are selling at discounts of 40% or more to its estimates of their intrinsic value. Following Warren Buffett's lead, it favors firms with strong brands or franchises that operate in consistent and stable industries, have decent balance sheets, generate lots of cash, and have strongly motivated management teams. The portfolio is typically concentrated in 40 or fewer stocks, heavy in financials and consumer stocks, and light in technology fare.

Performance 05-31-10

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2006	1.86	-3.03	5.01	6.96	10.94
2007	1.92	7.86	-4.67	-5.91	-1.40
2008	-9.22	-3.04	-3.98	-29.88	-40.74
2009	-11.85	29.74	29.10	10.36	62.96
2010	7.19	—	—	—	—

Trailing

	Total Return%	+/- S&P 500	+/- 400 TR	%Rank Cat	Growth of \$10,000
3 Mo	2.19	3.08	-1.47	57	10,219
6 Mo	8.34	7.94	-3.84	63	10,834
1 Yr	46.41	25.42	11.89	4	14,641
3 Yr Avg	-4.70	3.99	-0.25	22	8,655
5 Yr Avg	2.35	2.04	-1.73	50	11,232
10 Yr Avg	7.36	8.18	1.19	10	20,343
15 Yr Avg	10.67	3.89	-0.48	19	45,756

Tax Analysis

	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-5.98	23	1.34	82
5 Yr (estimated)	1.11	47	1.21	65
10 Yr (estimated)	6.31	7	0.98	37

Potential Capital Gain Exposure: 15% of assets

Morningstar's Take by Michael Breen 05-03-10

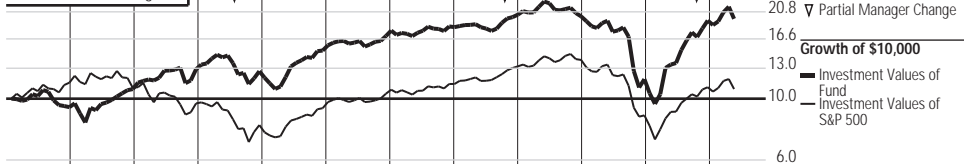
Perspective is needed with Ariel Appreciation.

This fund has gained 9.0% annually over the past decade, which is great compared with the paltry gains posted by its typical rival in that period, and assets are trickling in. But not long ago, shareholders found the same absolute return lacking and were bailing. At the end of 2007, the fund had gained an average of 9.1% annually for the prior 10 years but had lagged the group for five straight calendar years and was losing assets. The fact that it had posted double-digit gains in three of those years and gained an average of 11% annually the prior five was overshadowed by its subpar relative standing. The fund looked a bit worse after a tough 2008, but manager John Rogers and his team never wavered, staying committed to firms with strong franchises and good cash flows, even if they faced near-term challenges.

Take newspaper publisher Gannett. In early 2009, Rogers trimmed some names where fundamentals had deteriorated and quadrupled his

Historical Profile

Return	Above Avg	97%
Risk	Above Avg	96%
Rating	★★★★	96%
	Above Avg	99%



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	05-10	History
NAV	30.97	32.53	37.02	33.06	43.30	47.67	46.72	48.33	43.06	—	35.45	35.96	NAV
Total Return %	-3.79	18.82	16.23	-10.36	30.97	13.10	2.92	10.94	-1.40	-40.74	62.96	1.44	Total Return %
+/- S&P 500	-24.83	27.92	28.12	11.74	2.29	2.22	-1.99	-4.85	-6.89	-3.74	36.50	2.94	+/- S&P 500
+/- S&P 400 TR	-18.51	1.31	16.84	4.17	-4.65	-3.38	-9.64	0.62	-9.38	-4.51	25.58	-4.11	+/- S&P 400 TR
Income Return %	0.12	0.38	0.20	0.00	0.00	0.11	0.29	0.05	0.52	0.50	0.19	0.00	Income Return %
Capital Return %	-3.91	-18.44	-16.03	-10.36	-30.97	-12.99	-2.63	-10.89	-1.92	-41.24	62.77	1.44	Capital Return %
Total Rtn % Rank Cat	93	14	6	15	71	79	91	65	84	62	5	79	Total Rtn % Rank Cat
Income \$	0.04	0.12	0.06	0.00	0.00	0.05	0.13	0.02	0.23	—	0.04	0.00	Income \$
Capital Gains %	3.15	3.95	0.71	0.12	0.00	1.20	2.20	3.46	4.46	—	0.00	0.00	Capital Gains %
Expense Ratio %	1.26	1.31	1.26	1.26	1.20	1.15	1.14	1.16	1.12	1.19	1.25	—	Expense Ratio %
Income Ratio %	0.13	0.25	0.35	-0.06	-0.06	0.01	0.17	0.27	0.33	0.39	0.42	—	Income Ratio %
Turnover Rate %	24	31	28	13	32	19	25	25	29	26	44	—	Turnover Rate %
Net Assets \$mil	335	340	771	1,472	2,508	3,265	3,323	2,770	2,161	929	1,401	1,412	Net Assets \$mil

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	46.41			
3 Yr	-4.70	+ Avg	+ Avg	★★★★
5 Yr	2.35	Avg	+ Avg	★★★★
10 Yr	7.36	+ Avg	Avg	★★★★
Incept	10.17			

Other Measures

	Standard Index S&P 500	Best Fit Index Russ MV
Alpha	9.2	5.4
Beta	1.33	1.10
R-Squared	86	95
Standard Deviation	29.45	
Mean	-4.70	
Sharpe Ratio	-0.06	

Portfolio Analysis 03-31-10

Share change since 12-09	Total Stocks:40	Sector	PE	Tot Ret%	% Assets
⊖ Gannett Co., Inc.		Media	9.4	14.88	3.96
⊖ Jones Lang LaSalle, Inc.		Financial	52.4	30.60	3.92
⊕ Northern Trust Corporati		Financial	14.3	5.46	3.75
⊕ Viacom, Inc. B		Media	12.5	18.84	3.71
Accenture PLC		Business	18.8	6.06	3.63
Hewitt Associates, Inc.		Business	13.8	-3.01	3.59
⊕ Aflac, Inc.		Financial	13.3	10.79	3.40
⊖ Interpublic Group of Com		Media	34.4	20.73	3.25
⊖ CB Richard Ellis Group,		Financial	—	16.65	3.22
CBS Corporation B		Media	38.9	—	3.19
⊕ Zimmer Holdings, Inc.		Health	16.4	3.05	3.05
⊖ Omnicom Group, Inc.		Media	14.9	9.48	2.99
⊖ Carnival Corporation		Consumer	17.1	14.96	2.97
⊕ Janus Capital Group, Inc		Financial	17.5	4.68	2.96
⊕ Mohawk Industries, Inc.		Ind Mtrls	31.9	33.91	2.92
⊕ Thermo Fisher Scientific		Health	23.5	15.92	2.80
⊖ St. Jude Medical, Inc.		Health	15.5	10.98	2.49
⊕ Stanley Black & Decker		Ind Mtrls	57.8	21.30	2.43
⊕ International Game Tech.		Hardware	45.3	12.63	2.39
Franklin Resources		Financial	16.4	9.98	2.35

Current Investment Style

Value Blind Growth	Market Cap %	Sector Weightings	% of Stocks	Rel S&P 500	3 Year High Low
Large Mid Small	Giant 0.0	Info 25.67	1.09		
	Large 39.4	Software 1.93	0.45	6	2
	Mid 59.0	Hardware 6.49	0.58	12	0
	Small 1.6	Media 17.25	6.21	19	6
	Micro 0.0	Telecom 0.00	0.00	0	0
	Avg \$mil: 7,954	Service 58.80	1.47		
		Health 13.08	1.19	13	6
		Consumer 9.70	1.05	14	7
		Business 7.28	2.05	22	7
		Financial 28.74	1.77	32	25
		Mfg 15.53	0.43		
		Goods 8.75	0.78	14	4
		Ind Mtrls 6.78	0.61	12	3
		Energy 0.00	0.00	2	0
		Utilities 0.00	0.00	0	0

Value Measures

Value Measures	Rel Category
Price/Earnings	16.27 1.08
Price/Book	2.22 1.41
Price/Sales	1.35 1.93
Price/Cash Flow	7.69 1.58
Dividend Yield %	1.18 0.54
Growth Measures	% Rel Category
Long-Term Erngs	10.32 0.90
Book Value	-1.19 NMF
Sales	-3.05 NMF
Cash Flow	0.32 0.05
Historical Erngs	-11.54 NMF

Profitability

Profitability	% Rel Category
Return on Equity	12.97 1.47
Return on Assets	4.65 1.59
Net Margin	5.45 1.09

Composition - Net

● Cash	0.9
● Stocks	99.1
● Bonds	0.0
● Other	0.0
Foreign	0.0

Address: 200 East Randolph Drive
Chicago, IL 60601
800-292-7435
www.arielinvestments.com
Web Address:
Inception: 12-01-89
Advisor: Ariel Investments, LLC
Subadvisor: None
NTF Plans: Fidelity Retail-NTF, Schwab OneSource

Minimum Purchase: \$1000 Add: \$100 IRA: \$250
Min Auto Inv Plan: \$0 Add: \$100
Sales Fees: No-load
Management Fee: 0.75% mx./0.65% mn.
Actual Fees: Mgt:0.73% Dist:0.25%
Expense Projections: 3Yr:\$396 5Yr:\$686 10Yr:\$1511
Income Distribution: Annually