

# Ariel Focus

Ticker: ARFFX Status: Open Yield: 0.4% Total Assets: \$53 mil Mstar Category: Large Value

## Governance and Management

### Stewardship Grade:

### Portfolio Manager(s)

Charles Bobrinsky is the director of research at Ariel and has run this fund since its mid-2005 inception. He joined Ariel in 2004. Comanager Tim Fidler, with Ariel since 1999, has also steered this offering since its inception.

### Strategy

This is the most concentrated fund offered by Ariel Investments, holding about 20 names and keeping close to 60% of its assets in its top 10 names. Unlike Ariel's other funds, comanagers Charles Bobrinsky and Tim Fidler focus on large-cap stocks here. All Ariel funds share the same research and strategy, targeting firms with sustainable competitive advantages and strong returns on capital trading at discounts to intrinsic value.

### Performance 05-31-10

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2006	1.34	-2.37	3.69	8.76	11.58
2007	-1.04	6.54	-2.29	-5.40	-2.54
2008	-5.01	-3.74	-2.99	-26.82	-35.09
2009	-15.28	22.87	19.43	7.34	33.46
2010	5.43	—	—	—	—

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000 VI	%Rank Cat	Growth of \$10,000
3 Mo	-3.62	-2.73	-3.90	94	9,638
6 Mo	-2.32	-2.72	-4.64	92	9,768
1 Yr	24.10	3.11	1.12	14	12,410
3 Yr Avg	-8.53	0.16	2.79	23	7,653
5 Yr Avg	—	—	—	—	—
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	-8.91	15	0.41	5
5 Yr (estimated)	—	—	—	—
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: -11% of assets

### Morningstar's Take by Michael Breen 03-09-10

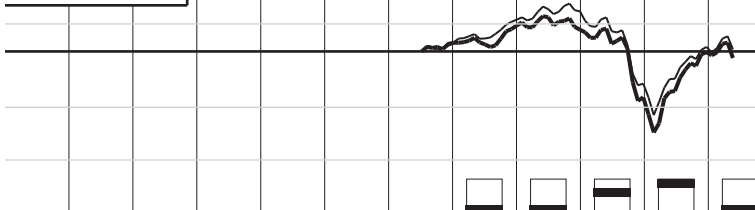
Ariel Focus succeeds by patiently taking what the market gives.

It's hardly a binge, but this fund bought four new names in 2009's final quarter while jettisoning an equal number of positions. That level of trading is a blip on the radar of most funds, but this one holds just 23 stocks, and its turnover rate rarely tops 30%--half the category average. So, swapping out a quarter of its names is news.

Managers Charlie Bobrinsky and Tim Fidler have simply been reaping what they sowed. In the darkest days of the recession in late 2008 and early 2009, they were in the minority buying and standing by such economically sensitive fare as toolmaker Illinois Tool Works, online auctioneer eBay, and jeweler Tiffany. They also bought one troubled financial, American Express. They thought all four's shares had been pummeled disproportionately to the size of their challenges, and they were right. The stocks all rebounded sharply, and the duo just sold them, harvesting big gains.

### Historical Profile

Return: Above Avg  
Risk: Above Avg  
Rating: ★★★ Neutral



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	05-10	History
NAV	—	—	—	—	—	—	10.42	11.58	10.98	7.07	9.40	9.05	NAV
Total Return %	—	—	—	—	—	—	—	11.58	-2.54	-35.09	33.46	-3.72	Total Return %
+/-S&P 500	—	—	—	—	—	—	—	-4.21	-8.03	1.91	7.00	-2.22	+/-S&P 500
+/-Russ 1000 VI	—	—	—	—	—	—	—	-10.67	-2.37	1.76	13.77	-4.26	+/-Russ 1000 VI
Income Return %	—	—	—	—	—	—	—	0.45	0.36	0.50	0.50	0.00	Income Return %
Capital Return %	—	—	—	—	—	—	—	11.13	-2.90	-35.59	32.96	-3.72	Capital Return %
Total Rtn % Rank Cat	—	—	—	—	—	—	—	97	79	33	11	90	Total Rtn % Rank Cat
Income \$	—	—	—	—	—	—	0.03	0.05	0.04	0.06	0.04	0.00	Income \$
Capital Gains \$	—	—	—	—	—	—	0.11	0.00	0.27	0.00	0.00	0.00	Capital Gains \$
Expense Ratio %	—	—	—	—	—	—	—	1.25	1.25	1.25	1.25	—	Expense Ratio %
Income Ratio %	—	—	—	—	—	—	—	0.48	0.43	0.37	—	—	Income Ratio %
Turnover Rate %	—	—	—	—	—	—	—	29	28	49	—	—	Turnover Rate %
Net Assets \$mil	—	—	—	—	—	—	—	12	34	43	27	52	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	24.10	—	—	—
3 Yr	-8.53	+ Avg	+ Avg	★★★
5 Yr	—	—	—	—
10 Yr	—	—	—	—
Incept	-0.86	—	—	—

Other Measures	Standard Index S&P 500	Best Fit Index Mstar Mid Value
Alpha	1.7	-2.5
Beta	1.10	0.85
R-Squared	91	93
Standard Deviation	23.70	—
Mean	-8.53	—
Sharpe Ratio	-0.32	—

### Portfolio Analysis 03-31-10

Share change since 12-09	Total Stocks:23	Sector	PE	Tot Ret%	% Assets
⊖ Johnson & Johnson		Health	12.3	-7.89	5.58
⊕ Omnicom Group, Inc.		Media	14.9	9.48	5.22
⊖ Accenture PLC		Business	18.8	6.06	4.99
Tyco International, Ltd.		Ind Mtrls	16.2	9.34	4.83
⊕ Apollo Group, Inc. A		Business	13.2	-5.23	4.79
⊖ Aflac, Inc.		Financial	13.3	10.79	4.79
⊕ International Business M Dell, Inc.		Hardware	12.2	-1.03	4.67
⊕ Morgan Stanley		Hardware	18.3	12.81	4.55
Walt Disney Company		Financial	11.0	2.43	4.54
⊕ Bank of New York Mellon		Media	17.5	14.23	4.43
ExxonMobil Corporation		Financial	—	-2.11	4.39
⊕ Hewitt Associates, Inc.		Energy	13.7	0.00	4.30
Merck & Co Inc		Business	13.8	-3.01	4.22
Lockheed Martin Corporat		Health	7.2	-6.76	4.09
Hess Corporation		Ind Mtrls	10.6	13.50	4.09
Carnival Corporation		Energy	13.0	5.21	3.93
Covidien, Ltd.		Consumer	17.1	14.96	3.89
⊕ Interpublic Group of Com		Health	18.2	-10.73	3.87
J.P. Morgan Chase & Co.		Media	34.4	20.73	3.72
		Financial	12.2	-4.78	3.27

### Current Investment Style

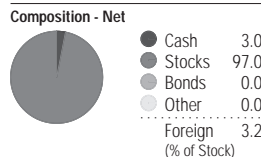
Value	Blind Growth	Market Cap %
Large	Mid	Small
33.3	53.6	13.1
0.0	0.0	0.0
0.0	0.0	0.0
Avg \$mil: 38,413		

### Sector Weightings

% of Stocks	Rel S&P 500	3 Yr High Low
Info 23.28	0.99	
Software 0.00	0.00	6 0
Hardware 9.50	0.85	13 8
Media 13.78	4.96	14 7
Telecom 0.00	0.00	0 0
Service 55.80	1.39	
Health 16.91	1.54	18 10
Consumer 4.01	0.43	14 3
Business 14.44	4.07	14 6
Financial 20.44	1.26	26 18
Mfg 20.92	0.57	
Goods 3.24	0.29	7 3
Ind Mtrls 9.19	0.83	16 9
Energy 8.49	0.79	9 0
Utilities 0.00	0.00	0 0

Value Measures	Rel Category
Price/Earnings	13.76 0.98
Price/Book	2.08 1.27
Price/Sales	1.29 1.72
Price/Cash Flow	4.12 0.86
Dividend Yield %	1.84 0.48
Growth Measures	% Rel Category
Long-Term Erngs	8.61 0.93
Book Value	4.88 4.65
Sales	-2.40 NMF
Cash Flow	-4.84 NMF
Historical Erngs	-3.18 NMF

Profitability	% Rel Category
Return on Equity	22.52 1.81
Return on Assets	6.45 1.49
Net Margin	7.53 1.14



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Advisor:	Ariel Investments, LLC	Actual Fees: Mgt:0.75% Dist:0.25%
Subadvisor:	None	Expense Projections: 3Yr:\$463 5Yr:\$891 10Yr:\$2084
NTF Plans:	Fidelity Retail-NTF, Schwab OneSource	Income Distribution: Annually

