

SHAREHOLDER LETTER

ARIEL FUND, ARIEL APPRECIATION FUND & ARIEL FOCUS FUND

March 31, 2009



Disclaimer: Performance data quoted is past performance and does not guarantee future results. The performance stated in this document assumes the reinvestment of dividends and capital gains. We caution shareholders that we can never predict or assure future returns on investments. The investment return and principal value of an investment with our Funds will fluctuate over time so that your shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted in this report. Click on the following links for average annual total returns for the one-, five- and ten-year periods for the funds for the period ended March 31, 2009 and for the annual expense ratios: [Ariel Fund](#), [Ariel Appreciation Fund](#), and [Ariel Focus Fund](#). To access our performance data current to the most recent month-end, visit our website, arielinvestments.com.

Dear Fellow Shareholder: Sir Winston Churchill once said, "If you are going through hell, keep going." In some ways, that's what it seems like the stock market, our business and government leaders, and even everyday citizens are all trying to do. Few would disagree that the first quarter of the New Year tested our collective mettle. After a brutal 2008, the Standard & Poor's 500 Index dropped another -8.43% in January and yet another -10.65% in February. By early March, the Dow Jones Industrial Average was hovering at a 12-year low. Then, out of nowhere, the S&P 500 jumped +8.76% for the month—perhaps spurred by some combination of the passage of a stimulus bill, unexpected bank profits, a real plan to rid US banks of toxic assets, hopes for an economic bottom or even bear market fatigue.

On an absolute basis, *The Wall Street Journal* noted, "Despite a better tone . . . toward the end of the quarter, many investors still are nursing losses."¹ On a relative basis, growth stocks defied convention and outperformed much cheaper value issues, while midcaps also disrupted the normal performance hierarchy by beating their large *and* small cap counterparts. (Typically, the low expectations built into the prices of value shares help insulate them from the full effects of market downdrafts; and midcaps stay true to their name and fall in the middle.)

While losses never feel good, we are pleased to have done relatively better than our value benchmarks as depicted below. We are especially heartened by the funds' diminishing losses and improving results even since the quarter ended. Days can be like months in this market! Likewise, the funds are faring well coming out of the market low set on March 9, 2009². Although we do not and cannot know whether this recent move is the beginning of a new bull market or another bear market rally, we can work to ensure our funds are positioned to better withstand future shocks and fully benefit from an inevitable recovery.

¹ *The Wall Street Journal*, April 1, 2009, page C1

² "Market low" (or "market bottom") is considered to have occurred on March 9, 2009 because the Dow Jones Industrial Average fell to its lowest point since April 1997, the S&P 500 Index fell to its lowest point since September 1996 and the Nasdaq Composite fell to its lowest point since October 2002.

	1st Quarter 2009 12/31/08- 03/31/09	Year-to-Date 12/31/08- 04/09/09	Since Market Bottom 03/09/09- 04/09/09
Ariel Fund	-16.10%	-2.29%	+49.55%
Russell 2500 Value Index	-16.32%	-6.98%	+37.55%
Russell 2500 Index	-11.43%	-2.46%	+34.45%
Ariel Appreciation Fund	-11.85%	+1.74%	+40.97%
Russell Midcap Value Index	-14.68%	-5.34%	+35.88%
Russell Midcap Index	-8.98%	+0.16%	+32.35%
Ariel Focus Fund	-15.28%	-5.80%	+31.62%
Russell 1000 Value Index	-16.77%	-9.40%	+30.94%
Russell 1000 Index	-10.46%	-3.55%	+27.25%
S&P 500 Index	-11.01%	-4.39%	+26.87%

Thinking Big

With economic news dominating today's headlines, investment professionals are generally viewed as being in the center of the maelstrom. What results is a prevailing sense that money managers are in a frenzy— anxiously moving in and out of securities as the market ebbs and flows. Of course, the major financial networks help reinforce this thinking when they hash and re-hash the day's "trades." Then there is actual market volatility stoking these views.

But all of this is off the mark. In our world, long-term investing runs counter to the notion of lots of little decisions. Instead, it is the big decisions that matter. In fact, it is the big decisions in periods of maximum optimism or pessimism (like now) where money managers really earn their track records. In our view, incremental trading is like bunting in baseball. No player ever made it to the Baseball Hall of Fame for his distinguished bunting record. These days you have to be willing to swing for the fences, not recklessly or nervously, but in a studied, calm and controlled manner. As Ben Graham, the father of value investing once noted, "Individuals who cannot master their emotions are ill-suited to profit from the investment process."

Practice Makes Perfect

According to Louis Pasteur, "Luck favors the prepared mind." The success of an investment manager's big decisions is not a coin toss; it is greatly affected by preparation. In short, honing sharp decision-making skills takes practice. In his renowned book, *Outliers*, Malcolm Gladwell quotes neurologist Daniel Levitin: ". . . ten thousand hours of practice is required to achieve the level of mastery associated with being a world-class expert—in anything . . . It seems that it takes the brain this long to assimilate all that it needs to know to achieve true mastery."

For a professional investor, this practice is anchored in relentless reading, studying those who have excelled and those who have fallen short, dissecting one's own successes and failures, networking with those who can shed new light on a stock or industry, and teasing out contrarian points of view. With investing, as with

sports, extensive practice all leads up to execution at game time. Case in point, basketball legend Michael Jordan was known to practice longer and harder than anyone on his world championship teams even though he was considered to be the very best. In so doing, he almost always made the big shots needed at crunch time. Yes, his ability to score dozens of points in a game gave his team an undeniable edge. But it was the crucial, high pressure shots needed to clinch the game or even the title that mattered most of all. For money managers crunch time is now! This demands that we bring to fore all of the knowledge, information, relationships, lessons—in short, a lifetime of practice—to make the big decisions necessary to reward investors.

Big Decisions—Then and Now

Ariel has never shied away from the big decisions. In fact, our culture has been built on them. The first of which occurred when a 24-year old had the courage to launch an investment firm with no clients or professional experience and only the love of the stock market. Focusing on small and mid cap value investing was another enormous decision—especially when one considers the investment world had not yet been parsed into style boxes. Starting a mutual fund without any brand or reputation was no small matter either but later proved prescient given the subsequent proliferation of 401(k) plans. Founding Ariel Community Academy was one more big moment—born from a vision of a nation where financial literacy programs for young people are as commonplace as gym class.

Obviously, there have also been a series of big portfolio decisions through the years—all rooted in a similar thought process but each independent of the other. On the whole, our batting average here has been pretty good, as evidenced by our solid long-term results. For example, we were richly rewarded for our bold decision to buy asset managers during the crash of '87 when they fell hard and fast. Our view then and now is that these companies may temporarily suffer in market downdrafts but they provide an essential service that will stand the test of time. Likewise, we were insulated when the Internet bubble burst—having consciously shunned those stocks when most were outlandishly priced and their businesses easily replicated. For 25 years we avoided commodity-related companies because of their unpredictable boom and bust cycles. As such, we missed the performance drag in the '80s and '90s (which helped), the boost in the '00s (which hurt) and then the bursting of the bubble last year (which helped). We made significant and quite beneficial decisions around financial stocks before and after the recent crisis. For example, in 2006 and 2007 we sold the monoline insurers when our research revealed mounting risks *before* their precipitous declines. In 2008, we did not hold nor were we tempted to buy the year's financial debacles (i.e. Lehman Brothers, Bear Stearns, Fannie Mae (NYSE: FNM) or Freddie Mac (NYSE: FRE)). It would have been easy to rationalize purchases in these areas after the stocks traded down to record lows but fortunately, we saw more trouble ahead.

Our one big decision that was most definitely a swing and an enormous miss was the decision to load up on media names—particularly newspapers. We fully anticipated readership declines but somehow failed to spot how much the fast growing popularity of Internet portals like Craigslist and Monster would decimate the rich profits flowing from traditional classified ads. This problem was only further exacerbated by the leverage that resulted from ill-timed acquisitions as the industry consolidated—leverage that became unmanageable during what some are calling the “Great Recession.”³ Going forward, we plan to stress test company economics for even more severe revenue declines than we have done in the past. Additionally, we are more skeptical of acquisitions than ever.

³ *Kiplinger's*, May 2009, page 23

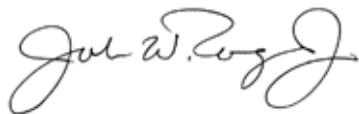
In the face of unprecedented market dynamics, we have made a number of new big decisions of late. These decisions will not necessarily play out over any one day, one month or even one year. Many of them will be multi-year Ariel performance stories. First, confronted with valuations that we have never seen before—stocks selling at fire-sale prices—we have had the courage to buy more of our cheapest names even as they have gotten cheaper. This true contrarian move has already benefitted the funds in the March rebound as the most oversold names have done best. Second, we have made an investment in “aspirational” names ranging from Nordstrom, Inc. (NYSE: JWN) to Tiffany & Co. (NYSE: TIF) to Sotheby’s (NYSE: BID)—all of which are best in class but absurdly cheap and highly controversial buys in the midst of a recession. This big decision is anchored in our strong belief that recessions do not last forever and these companies will not only survive but thrive in a normalized economy. Third, we are willing to put a stake in the ground in real estate. Although misunderstood and unloved, Jones Lang LaSalle Inc. (NYSE: JLL) and CB Richard Ellis Group, Inc. (NYSE: CBG) are good stocks in a bad neighborhood. They are the #1 and #2 commercial real estate managers in the world. And since companies large and small will always need help managing their office space, we think both represent lasting value. Fourth, we still have a position in media—albeit much smaller and more diversified than before. Just because we made a mistake with newspapers does not mean we cannot independently assess other high quality media properties. Lastly, we have broken with the past and recently made a big decision to buy oil companies—Hess Corp. (NYSE: HES) and Exxon Mobil Corporation (NYSE: XOM)—two great values uniquely positioned to benefit from the unstoppable wealth building that is and will continue to take place in emerging markets for years to come.

Conclusion

In the world of investing, there is the daily score of performance versus the market. For those who want to win, like we do, that score is a great motivator. Unfortunately, there is also an inherent drawback to this number in that some erroneously use shorter-term performance to evaluate big decisions—the wisdom of which is only revealed over time. In many ways, big investment decisions are like batting averages—you do not have to be perfect to be great. But you must have courage, discipline and humility to continuously step up to the plate.

As always, we appreciate the opportunity to serve you and welcome any questions or comments you might have. You can contact us directly at email@arielinvestments.com.

Sincerely,



John W. Rogers, Jr.
Chairman and CEO



Mellody Hobson
President

The Funds invest primarily in small and mid-sized companies. Investing in small and mid cap stocks is riskier and more volatile than investing in large cap stocks, in part because smaller companies may not have the scale, depth of resources and other assets of larger firms. Additionally, the Ariel Focus Fund is a non-diversified fund, which means its investments are concentrated in fewer names than diversified funds, such as Ariel Fund and Ariel Appreciation Fund. Ariel Focus Fund generally holds 20 stocks and therefore may be more volatile than a more diversified investment.

Investors should consider carefully the investment objectives, risks, and charges and expenses before investing. For a current prospectus which contains this and other information about the funds offered by Ariel Investment Trust, call us at 800.292.7435 or [click here](#). Please read the prospectus carefully before investing. Distributed by Ariel Distributors, LLC.

The Russell 2500™ Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. As of March 31, 2009, this index had an average market capitalization of \$1.1 billion based on a dollar-weighting of all holdings. The Russell 2500™ Index measures the performance of the 2500 smallest companies in the Russell 3000 Index. As of March 31, 2009, this index had an average market capitalization of \$1.2 billion based on a dollarweighting of all holdings.

The Russell Midcap® Value Index measures the performance of those Russell Midcap companies that are members of the Russell 1000 Value Index and that have lower price-to-book ratios and lower forecasted growth values. As of March 31, 2009, this index had an average market capitalization of \$3.5 billion based on a dollar-weighting of all holdings. The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 31% of the total market capitalization of the Russell 1000 Index. As of March 31, 2009, this index had an average market capitalization of \$4.0 billion based on a dollar-weighting of all holdings.

The Russell 1000® Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. As of March 31, 2009, this index had an average market capitalization of \$27.1 billion based on a dollar-weighting of all holdings. The Russell 1000® Index measures the performance of the 1000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. As of March 31, 2009, this index had an average market capitalization of \$26.2 billion based on a dollar-weighting of all holdings.

The Standard & Poor's 500 Index is a broad market weighted index dominated by blue-chip stocks.

This commentary candidly discusses a number of individual companies and sectors. These opinions are current as of the date of this commentary but are subject to change. The information provided in this commentary does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security.

Portfolio holdings are subject to change. The performance of any single portfolio holding or sector is no indication of the performance of other portfolio holdings or sectors of the funds. Click on the following links for information about portfolio holdings for: [Ariel Fund](#), [Ariel Appreciation Fund](#), and [Ariel Focus Fund](#).