QUARTERLY COMMENTARY

Ariel Fund

• Value • Deep value • Global

Investing in small- and mid-cap stocks is riskier and more volatile than investing in large-cap stocks. The intrinsic value of the stocks in which the Fund invests may never be recognized by the broader market. Ariel Fund is often concentrated in fewer sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.

Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes the reinvestment of dividends and capital gains, and represents returns of the Investor Class shares. The investment return and principal value of an investment will fluctuate so that an investor's 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. Performance data current to the most recent month-end for Ariel Fund may be obtained by visiting our website, arielinvestments.com. For the period ended December 31, 2018, the average annual total returns of Ariel Fund for the 1-, 5-, and 10-year periods were -13.67%, +4.23%, and +14.60%, respectively. For the years ended September 30, 2018 and September 30, 2017, the Fund's Investor Class shares had an annual expense ratio of 1.01%.

Quarter Ended December 31, 2018

A quick look at the global stock market's final scorecard for 2018 makes it easy to forget how well things had been going for much of the year. In many ways, we got used to the success. Over nearly a decade, the S&P 500 slowly but steadily climbed from its 2008 lows to an all-time high this past September. Then, in an extreme and abrupt pivot, a crushing fourth quarter dragged all of the equity markets into the red, wiping out the year's gains. While downturns are never fun, they are to be expected. In fact, nine consecutive positive years of equity returns in the U.S. is far more of a statistical outlier than this recent negative year. For the quarter, Ariel Fund declined -19.00%, underperforming its primary benchmark, the Russell 2500 Value Index which returned -17.12% as well as the Russell 2500 Index which dropped -18.49%.

Some of the stocks that were top contributors had negative performance in the quarter, while others advanced. Shares of Meredith Corporation (MDP) advanced +2.68% during the fourth quarter. Despite facing secular issues within print media, we recognize MDP as one of the most trusted national media brands. Its portfolio remains popular with advertisers targeting very specific demographics. As such, the company has performed better than Wall Street's expectations, further driven by record demand for political advertising. Additionally, MDP continues to work to successfully integrate the Time, Inc. acquisition in order to maximize the value of its combined media portfolio.

MSG Networks, Inc. (MSGN) engages in sports production, content development, and distribution. Its shares fell -8.68% during the quarter despite reporting better than expected results—with subscription deceleration likely weighing on its stock price. Although the actual rate of decline was the second-slowest since MSGN became a standalone company, cable providers are not eager to pay MSGN premium prices. Additionally, the company's Chairman is widely believed to be open to selling the business. As a result, MSGN's share price thrashes in reaction to the evolving headlines surrounding Disney's disposition of the regional sports networks that accompanied the Fox acquisition. Ultimately, we still believe in the power of live sports and like MSGN's strong cash flow-generating characteristics.

Zebra Technologies Corporation (ZBRA) declined -9.95% during the period despite reporting excellent third quarter results that beat both revenue and earnings expectations. Broad-based strength across mobile computing, data capture, and specialty printing were primary drivers. Capital allocation also remains excellent as this asset intelligence solutions provider continues to aggressively pay down debt from the enterprise acquisition. Despite these stellar results, its shares have been vulnerable to the general softness in technology stocks. We think this is an overreaction precisely because Zebra solutions have become essential to growth and operating efficiency across several industries.

Other holdings underperformed in the quarter. Bristow Group, Inc. (BRS) is a helicopter services provider to the offshore oil and gas industry. The stock plummeted -79.97% during the quarter as the company battled the perfect storm of falling oil prices and uncertainty surrounding oil field services spending. Additionally, BRS announced the acquisition of privately-owned Columbia Helicopters. In our view, the deal makes sense because it diversifies the company's business mix while strengthening its balance sheet. That said, the structure of the transaction involves convertible debt securities which resulted in a significant selling of shares. This, in combination with weakening energy prices proved to be a real headwind for the company. BRS needs to continue to transform its oil and gas business to be profitable in current market conditions. We would be the first to admit we are at the point of maximum pain and are monitoring the position very closely.

Shares of U.S. Silica Holdings, Inc. (SLCA), producer and supplier of silica and frac sand, sagged -45.64% during the quarter due to falling oil prices and investor concerns regarding the supply and demand mix for silica sand. Overall, lower oil prices have produced a domino effect that has pressured oil field service spending. Beyond supply concerns, investors continue to underappreciate the company's industrial business relative to competitors. We believe the contributions from these less volatile return businesses—such as the investment in SandBox and EP Minerals—along with the company's stable balance sheet, has SLCA well positioned from a risk/reward standpoint going forward.

Global toy leader, Mattel, Inc. (MAT) dropped -36.37% in the quarter. The company has a portfolio of iconic brands including Barbie, Fisher-Price, and Hot Wheels. Given its scale, MAT is the licensee of choice for large content providers like Disney. The good news is that the company is seeing early success in the turnaround of two core brands despite the short-term headwind caused by the Toys 'R' Us bankruptcy. The bad news is the rest of the portfolio is still underperforming. While MAT is attempting to massively overhaul its supply chain, righting the ship will be a multiyear process with many moving pieces. Ultimately, MAT's long-term success will be determined by execution in the short- to medium-term. The fact that MAT's leadership has simplified the organization structure and strengthened its executive bench, while also adding new and logical appointees to the Board, gives us confidence in the company's future. In our view, market participants do not fully appreciate MAT's long-term potential.

During the quarter, we initiated new positions in Knowles Corporation (KN) and Masco Corporation (MAS). KN is one of the world's top suppliers of advanced components in microphones, hearing aids, and smart phones. We believe its much overlooked hearing aid business has the characteristics of a high quality franchise whose stability counterbalances the uncertainties in the evolving, yet promising mobile business. As a leading provider of branded residential repair and remodeling products, MAS stands to benefit as it rationalizes its portfolio of operating businesses. Additionally, a return to historic average household formation in North America would also boost the company.

During the quarter, we sold our position in motorsports entertainment company, International Speedway Corporation (ISCA), on the news of NASCAR's bid to take the company private.

While the market's comeuppance was inevitable, the swift and steep decline during what has historically been an uneventful December, re-awakened recollections of the financial crisis. In so doing, some are projecting a repeat of the catastrophic atmosphere that shook the financial markets to their core. By contrast, we believe 2008 was a once-in-a lifetime meltdown that would be hard to replicate given the structural changes now in place. In the meantime, the fears and volatility that have re-emerged create a fertile backdrop for bargain shopping. As our investors know well, we play long ball at Ariel and do not get caught up in the drama that whipsaws the markets. Over the long-term, the market's trajectory is upward but over the short-term, anything can happen. Accordingly, we will continue to follow our disciplined, patient investing approach and do our best to position our portfolios to withstand that which we cannot control, while always driving towards an ever elusive finish line.

This commentary candidly discusses a number of individual companies. 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.

As of 12/31/2018, Meredith Corporation constituted 3.20% of Ariel Fund; MSG Networks, Inc. 4.10%; Zebra Technologies Corporation 4.20%; Bristow Group, Inc. 0.40%; U.S. Silica Holdings, Inc. 2.30%; Mattel, Inc. 2.80%; Knowles Corporation 1.20%; and Masco Corporation 1.50%. Portfolio holdings are subject to change. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings of Ariel Fund.

Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index. The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment (companies with lower price-to-book ratios and lower forecasted growth values) of the U.S. equity universe. The Russell 2500™ Index (a subset of the smallest 2500 companies of the Russell 3000® Index) measures the performance of the small to mid-cap segment of the U.S. equity universe. Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes or underlying data and no party may rely on any Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication. The S&P 500® Index is the most widely accepted barometer of large cap U.S. equities. It includes 500 leading companies.

Investors should consider carefully the investment objectives, risks, and charges and expenses before investing. For a current prospectus or summary prospectus which contains this and other information about the funds offered by Ariel Investment Trust, call us at 800-292-7435 or visit our website, arielinvestments.com. Please read the prospectus or summary prospectus carefully before investing. Distributed by Ariel Distributors LLC, a wholly-owned subsidiary of Ariel Investments LLC. Ariel Distributors, LLC is a member of the Securities Investor Protection Corporation.