Memorandum

To: Friends of Ariel Investments

From: John W. Rogers, Jr., Chairman, Co-CEO and Chief Investment Officer
Mellody Hobson, Co-CEO and President

Date: August 2, 2022

Re: Ariel Fund and Ariel Appreciation Fund 2Q22 Client Letter

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Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes the reinvestment of dividends and capital gains. 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. Any extraordinary performance shown for short-term periods may not be sustainable and is not representative of the performance over longer periods. Performance data current to the most recent month-end for the Funds may be obtained by visiting our website, arielinvestments.com.

ARIEL FUND PERFORMANCE INVESTOR CLASS | ARGFX

As of June 30, 2022

Inception date: November 6, 1986			Annualized				
	2Q22	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception
Ariel Fund	**-17.57%**	**-21.79%**	**-19.14%**	**5.68%**	**5.58%**	**10.70%**	**10.57%**
Russell 2500™ Value Index	-15.39%	-16.66%	-13.19%	6.18%	5.54%	9.54%	10.48%
Russell 2500™ Index	-16.98%	-21.81%	-21.00%	5.91%	7.04%	10.49%	10.25%
S&P 500® Index	-16.10%	-19.96%	-10.62%	10.60%	11.31%	12.96%	10.40%

ARIEL APPRECIATION FUND PERFORMANCE INVESTOR CLASS | CAAPX

As of June 30, 2022

Inception date: December 1, 1989			Annualized				
	2Q22	Year to Date	1 Year	3 Years	5 Years	10 Years	Since Inception
Ariel Appreciation Fund	**-15.44%**	**-19.30%**	**-16.16%**	**5.12%**	**4.46%**	**9.47%**	**9.85%**
Russell Midcap® Value Index	-14.68%	-16.23%	-10.00%	6.70%	6.27%	10.62%	10.75%
Russell Midcap® Index	-16.85%	-21.57%	-17.30%	6.59%	7.97%	11.29%	10.79%
S&P 500® Index	-16.10%	-19.96%	-10.62%	10.60%	11.31%	12.96%	9.84%

After a volatile start to the year, stocks continued their negative descent through the second quarter. Like the wildfires sparked by the record-breaking summer heat, the market has been engulfed in its own flames both in the U.S. and abroad. This time, the combustion is fueled by rising inflation resulting from post-Covid supply chain imbalances and the Russia-Ukraine war. So far, prices and escalating wages remain unaffected by the interest rate hikes meant to contain them. As a result, recession watch has now taken hold as many worry the possibility of a more aggressive stance by the Federal Reserve (and other central bankers) might inadvertently shrink global economies. While Wall Street sits on edge and markets remain erratic, we are actively leaning into the moment by judiciously acquiring the downtrodden shares of quality companies whose value we believe should be realized over the long term.

"The storms come, but the sky remains unchanged." —*Anonymous*

Other than Energy and a handful of commodities, little has been spared in this market downturn. "Despite its late June rally, the S&P 500 Index dropped -20.6%, marking its worst first six months of a year since 1970."[1] (Which, by the way, coincided with the last time inflation spiked.) In most, but not every case, our small and mid cap value portfolios trailed their primary value benchmarks. Generally, the value indices were buoyed by the Energy and Utility sectors we have historically underweighted. They were also helped by the more defensive Consumer Staple sector whose stocks have been a bit too rich for our tastes of late. Still, most of our strategies managed to outperform their secondary core benchmarks, which were penalized by their "growthier," more expensive names.

In keeping with our belief that inflation would be "gravity for growth stocks," many of the market's most expensive and popular high-flyers have come down to earth—their share prices in tatters. We believe this reset is justified given the decade-plus rally that propelled these "can't miss/must own" names to stratospheric levels. By comparison, many of the much cheaper and less widely loved value shares outperformed their growth stock counterparts on a relative basis. Case in point, year-to-date through June 30th, the smaller companies comprising the Russell 2000 Growth Index plummeted -29.45% compared to -17.31% for the Russell 2000 Value Index.

Meanwhile, the recession guessing game has become a Wall Street past-time with WSJ.com reporting, "About 90% of investors expect the U.S. to enter a recession before the end of 2023."[2] In the normal course of economic cycles, bear markets and recessions are to be expected—typically every three years or so. But when the good times roll for too long, people forget market recalibrations will happen. To this point, the last real recession was born during the Global Financial Crisis and lasted 517 days. The S&P 500 took 1,480 days to recover from the resulting bear market trough before reaching a new record high. During the more recent Covid drop in March of 2020, it only took 22 days for the market to fall into bear territory. Its 148-day recovery is the shortest on record. Despite the market pain, America never officially entered a recession.

These days, there is the possibility the U.S. *may* experience at least two consecutive quarters of negative growth—which technically defines a recession—if the Federal Reserve raises rates too far and too fast. And yet, we view the probability of the most severe "hard landing," or a deep recession, to be less likely. Unemployment remains near historic lows. Pent-up post-Covid demand is strong as American consumers are flush with cash and much less indebted than in times past. According to Russell Investments, "Household debt relative to gross domestic product (GDP) in the U.S. is the lowest in 20 years . . ."[3] The vast majority of our company management teams have pointed to their ability to take pricing actions to alleviate inflationary pressures without noticeably weakening demand. Since we intentionally seek to hold franchises of superior quality with economic moats that enable the businesses to exercise pricing power, the exceptions are few and far between. It also helps that ". . . households are still sitting on more than $2 trillion of excess savings accumulated during the pandemic."[4]

The financial system is also in vastly better shape than during prior economic downturns. To this point, "Every recession in the past 50 years has been preceded by a large positive financing gap where the corporate sector

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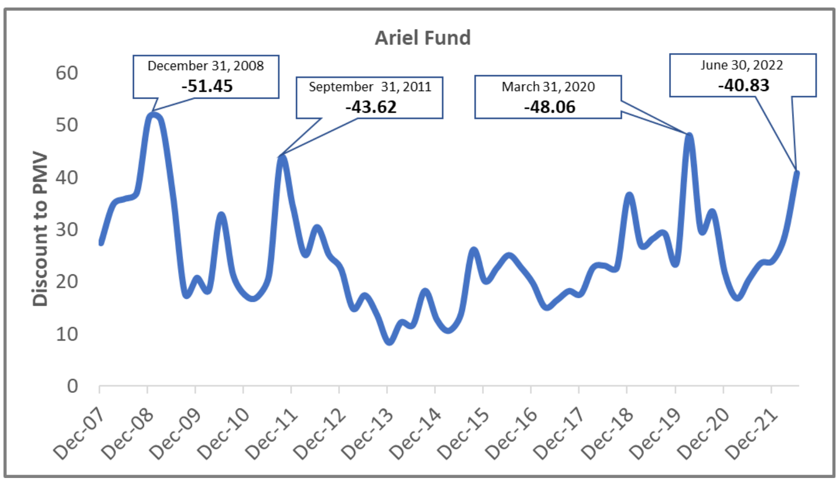
[1] Nicholas Jasinski. "Stocks Had a Nasty 6 Months. The Second Half could be Ugly Too." *Barron's.com.* July 1, 2022.
[2] Akane Otani. "S&P 500 Posts Worst First Half of Year Since 1970." *WSJ.com*. June 30, 2022.
[3] Andrew Peaase. "Fear of the Unknown." *2022 Markets Outlook, Q3 Update, Russell Investments*. Page 6.
[4] Andrew Peaase. "Fear of the Unknown." *2022 Markets Outlook, Q3 Update, Russell Investments*. Page 6.

overexpanded and was forced to cut back aggressively during the downturn. This time, the financing gap is deeply negative, indicating that the corporate sector is accumulating reserves, even after paying for capex."[5]

"Even the brightest days started out in darkness." —*Anonymous*

Given the growing chorus of recession fears, we were not surprised to see small and mid-sized company stocks take a harder hit during the quarter. Conventional wisdom says the smaller fries do worse going into a downturn and better when economies are rebounding. That said, as *Barron's* recently reported, "This time the Russell [2000]'s drop has been far more severe than the S&P 500's and has created a 'relative oversold' condition . . . The Russell's valuation is now less than half a percentage point above that of the S&P 500. But the gap is usually about five points, implying that there's more upside ahead for small caps, even if there is a recession ahead."[6]

Values are abundant when the investment environment feels the most uncomfortable, and with 39 years of experience, we are trained and battle-tested for these moments. We believe bear markets and oversold stocks create ripe buying opportunities for long-term, patient investors. Although our portfolios have sold off in recent months, they are, in our view, statistically cheap—trading at a significant discount to their private market values (PMV)[7]—or what some call intrinsic worth. In the past, portfolio dislocations of this magnitude have often served as a prelude to our most robust recoveries as shown below.



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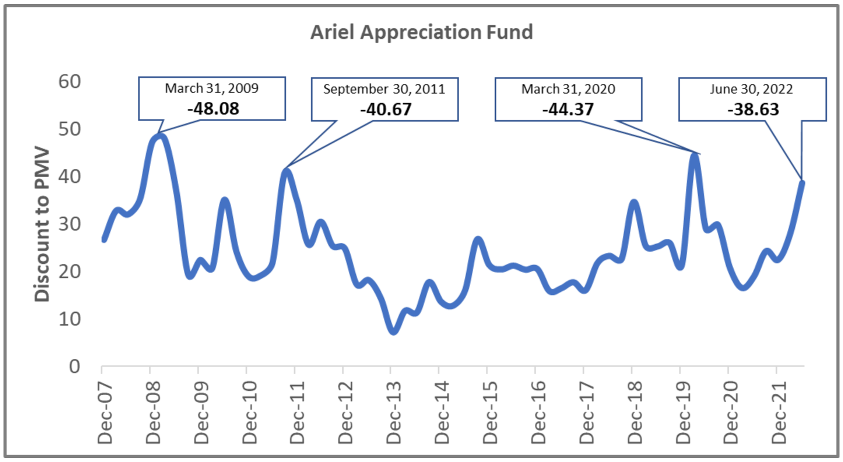
5 Andrew Peaase. "Fear of the Unknown." *2022 Markets Outlook, Q3 Update, Russell Investments*. Page 6.
6 Ben Lewisohn. "It's Going to Get Worse Before It Gets a Lot Better." *Barron's*. June 20, 2022. Page 31.
7 Discount to Private Market Value ("PMV") represents the percentage discount at which the portfolio traded as compared to the portfolio holdings' PMV as determined by Ariel Investments. Time period: 12/31/07 – 06/30/22.



Past performance is not indicative of future results.

In the course of our everyday stock picking, we seek to purchase businesses with strong brands and franchises selling at a 40% discount to our estimate of their private market values. In other words, we want to pay sixty cents for a company that is worth a dollar. On any given day, some holdings are closer to that entry point, while others are approaching full value and thus are candidates for sale. As a result, in normal market environments, the overall portfolio tends to trade at a 20-25% discount to our PMV. But after this year's market sell off, we believe our portfolios are trading at deep discounts that we rarely see as shown in the charts above.

Not surprisingly, we consider our best "buys" coming from our own portfolio. While nothing is certain, our confidence in the upside embedded in these holdings often rises as their stock prices fall. In recent months, we have been doubling down on names that we know, like and already own.

There is always the possibility more pain lies ahead. Since no one knows, we stay focused on the long-term. As *The New York Times* noted, "History shows that the U.S. stock market has always recovered from declines in the past. If you put money in the stock market over 10 years, you would have been down only 6 percent of the time. Over 20-year periods, the market has never been down."[8] Bottom line, bear markets come—and they go.

Portfolio Comings and Goings

No new positions were added to Ariel Fund during the quarter. Meanwhile, we successfully sold leading media analytics provider, **Nielsen Holdings PLC (NLSN)**, following the announcement of its acquisition by a private equity consortium.

Ariel Appreciation Fund initiated a position in **Resideo Technologies, Inc. (REZI)**, a leading supplier of residential thermal, comfort and security solutions. We view this investment as a way to benefit from the ongoing housing recovery and a secular preference for more connected smart home solutions. Nielsen was successfully sold.

As always, we appreciate the opportunity to invest for you and welcome any questions you might have.

Investing in small- and mid-cap stocks is more risky and volatile than investing in large-cap stocks. The intrinsic value of the stocks in which the Funds invest may never be recognized by the broader market. The Funds are often

[8] Jeff Sommer. "Investing in Times of Market Decline Can Be Opportune." *The New York Times*. June 14, 2022.

concentrated in fewer sectors than their benchmarks, and their performance may suffer if these sectors underperform the overall stock market. Investing in equity stocks is risky and subject to the volatility of the markets.

The opinions expressed 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.

For the year ended September 30, 2021, the Investor Class shares of Ariel Fund and Ariel Appreciation Fund had annual expense ratios of 1.00% and 1.12%, respectively.

As of 6/30/22, Ariel Fund held the following position referenced: Resideo Technologies 3.5%. As of 6/30/22, Ariel Appreciation Fund held the following position referenced: Resideo Technologies 2.0%. 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 or Ariel Appreciation Fund. Portfolio holdings mentioned do not represent all holdings purchased or sold for the Funds.

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. The Russell Midcap® Value Index measures the performance of the mid-cap value segment (companies with lower price-to-book ratios and lower forecasted growth values) of the U.S. equity universe. The Russell Midcap® Index measures the performance of the mid-cap segment (a subset of the smallest securities Russell 1000® Index) of the U.S. equity universe..

The Russell 2000® Growth Index measures the performance of the small cap growth segment of the US equity universe. It includes those Russell 2000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). The Russell 2000 Growth Index is constructed to provide a comprehensive and unbiased barometer for the small-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

The Russell 2000® Value Index measures the performance of the small cap value segment of the US equity universe. It includes those Russell 2000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium term (2 year) growth and lower sales per share historical growth (5 years). The Russell 2000 Value Index is constructed to provide a comprehensive and unbiased barometer for the small-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

 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 that 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.