

**Ariel Investments, LLC**  
**Verification and Ariel Mid Cap Value Composite Performance Examination Report**

**December 31, 2017**



## **Verification and Performance Examination Report**

Ariel Investments, LLC  
200 East Randolph Drive, Suite 2900  
Chicago, IL 60601

We have verified whether Ariel Investments, LLC (the "Firm") (1) has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the periods from April 1, 1990 through December 31, 2017, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2017. We have also conducted a performance examination of the Firm's Ariel Mid Cap Value Composite for the periods from April 1, 1990 through December 31, 2017. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures and for the Ariel Mid Cap Value Composite's compliant presentation. Our responsibility is to express an opinion based on our verification and performance examination. We conducted this verification and performance examination in accordance with the required verification and performance examination procedures of the GIPS standards. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Firm has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from April 1, 1990 through December 31, 2017; and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2017.

Also, in our opinion, the Firm has, in all material respects:



- Constructed the Ariel Mid Cap Value Composite and calculated the Ariel Mid Cap Value Composite's performance for the periods from April 1, 1990 through December 31, 2017 in compliance with the GIPS standards; and
- Prepared and presented the Ariel Mid Cap Value Composite's accompanying compliant presentation for the periods from January 1, 2008 through December 31, 2017 in compliance with the GIPS standards.

This report does not relate to or provide assurance on any composite compliant presentation of the Firm other than the Firm's Ariel Mid Cap Value Composite.

*ACA Performance Services, LLC*

ACA Performance Services, LLC

May 4, 2018

## ARIEL MID CAP VALUE COMPOSITE

## Compliant presentation

For the period from 01/01/08 – 12/31/17

Year end	Gross Annual Return	Net Annual Return	Russell Midcap Value Index	3-Year Annualized Standard Deviation		Composite Dispersion	Number of Portfolios	Composite Assets (\$ millions)	Total Firm Assets (\$ millions)
				Composite	Benchmark				
2008	-39.91%	-40.51%	-38.44%	n/a	n/a	0.35	35	1,309.0	4,362.3
2009	64.06%	62.42%	34.21%	n/a	n/a	1.62	25	1,828.5	5,106.0
2010	20.99%	19.79%	24.75%	n/a	n/a	0.42	21	414.0	5,466.9
2011	-6.03%	-6.96%	-1.38%	27.69%	22.78%	0.28	20	379.0	4,383.7
2012	19.39%	18.21%	18.51%	21.84%	16.76%	0.44	22	464.2	4,860.5
2013	48.19%	46.72%	33.46%	17.92%	13.69%	1.51	31	850.0	8,992.0
2014	9.04%	7.96%	14.75%	12.99%	9.81%	0.66	36	981.5	10,041.9
2015	-4.97%	-5.91%	-4.78%	14.05%	10.71%	0.70	40	1,105.6	10,133.2
2016	13.97%	12.84%	20.00%	14.27%	11.30%	0.30	37	894.0	10,967.5
2017	15.65%	14.50%	13.34%	13.60%	10.32%	0.51	39	958.9	13,132.2

1. Ariel Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Ariel Investments has been independently verified for the period from April 1, 1990 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Ariel Mid Cap Value Composite has been examined for the period from April 1, 1990 through December 31, 2017. The verification and performance examination reports are available upon request. **Past performance is no guarantee of future results.**

2. Ariel Investments, LLC ("Ariel"), a Delaware limited liability company, is a federally registered investment adviser regulated by the U.S. Securities and Exchange Commission. Ariel is headquartered in Chicago, Illinois, and has offices in New York, New York, and Sydney, NSW, Australia. Ariel offers investment strategies that seek long-term capital appreciation by investing primarily in equity securities. Ariel utilizes a bottom-up, fundamental analysis to select quality company stocks. Taking a long-term view and applying independent thinking to investment decisions, Ariel spans the market cap spectrum from micro to large and covers the globe with international and global offerings. Ariel Investments, LLC is a money management firm headquartered in Chicago, Illinois.

## ARIEL MID CAP VALUE COMPOSITE

# Compliant presentation, continued

3. The Ariel Mid Cap Value Composite includes all discretionary, fee-paying, commission-paying, non-wrap mid cap portfolios that are invested in the mid cap value strategy, excluding pooled funds with daily liquidity. This strategy seeks long-term capital appreciation by investing in mid cap undervalued companies that show strong potential for growth. The portfolio invests primarily in equity securities of U.S. companies that, at the time of initial purchase for the strategy, have market capitalizations between \$2 billion and \$15 billion. Over time, the market capitalizations for the strategy's portfolio companies will change. This means that the strategy could continue to invest in a company if its capitalization were to move outside the range. That said, the strategy will not hold stocks that fall within the top quintile (i.e., the largest cap stocks) of the Russell U.S. equity indexes (a comprehensive representation of market-cap weighted security indexes of the investable U.S. equity market) and if a stock held in the strategy moves into the top quintile, it will be sold by the end of the following quarter. Effective August 1, 2010, the Ariel Mid Cap Value Composite was redefined to exclude pooled funds due to differences in performance calculation methods. A list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The composite was created in 2005.
4. The 3-year annualized ex-post standard deviation measures the variability of the composite and the benchmark over the preceding 36-month period. It is not required to be presented for periods prior to 2011 or when 36 monthly composite returns are not available.
5. Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. Net returns reflect the deduction of the maximum advisory fee in effect for the respective period, which is currently 1.00% per annum. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Results are reported in U.S. dollars.
6. The standard fee schedule currently in effect is as follows: 1.00% on the first \$10 million; 0.75% on the next \$10 million; and 0.50% above \$20 million.
7. The dispersion of annual returns is measured by the standard deviation of asset-weighted portfolio returns represented within the composite for the full year. For those periods with one or fewer portfolios included for the entire year, dispersion is not presented.
8. The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values. The Ariel Mid Cap Value Composite differs from its benchmark with fewer holdings concentrated in fewer sectors. The Russell Midcap Value Index returns reflect the reinvestment of income and other earnings, are provided to represent the investment environment during the time period shown, and are not covered by the report of independent verifiers.