QUARTERLY COMMENTARY

Ariel Small Cap Value Concentrated

• Value • Global

Quarter Ended September 30, 2022

All major indices closed out the third quarter at a loss, marking the first time Wall Street posted three consecutive quarters of declines since the aftermath of the global financial crisis. Persistently high inflation, escalating geopolitical tensions in Russia/Ukraine, energy-price shocks and aggressive central-bank tightening have weighed on consumer and business confidence. Recession watch has taken hold as many investors fear a Fed-induced hard landing. 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. Against this backdrop, the Ariel Small Cap Value Concentrated Composite fell –7.34% gross of fees (-7.57% net of fees), underperforming the Russell 2000 Value Index's -4.61% return and the -2.19% loss posted by the Russell 2000 Index in the quarter.

Wellness provider onboard cruise ships and destination resorts, OneSpaWorld Holdings Ltd. (OSW) was the top contributor in the quarter. Strong earnings results, highlighted by a top and bottom-line beat, as well as the delivery of positive free cash flow for the first time since the pandemic began drove share price appreciation. Looking ahead, we expect OSW's spa services to continue to be met with high demand and spend levels, particularly as onboard occupancy increases over time. With adequate liquidity and shares trading at a -44% discount to our estimate of private market value, we see the risk/reward skewed sharply to the upside.

Regional banking services provider, BOK Financial Corporation (BOKF) advanced in the period, as reflation themes in the marketplace raised interest rate expectations, boosting positive net-interest-margin trends. Additionally, the company continued to report solid loan growth along with tight expense controls, providing a tailwind for shares. Looking ahead, we believe BOKF's strong underwriting standards, diversified business model (which includes banking and fee service businesses), and experienced management team continue to present a long-term opportunity.

Cruise ship operator Norwegian Cruise Line Holdings Ltd. (NCLH) also aided relative performance in the period. Onboard spending has been stronger than management expectations and forward booking commentary remains encouraging with both trends and pricing for 2023 ahead of pre-pandemic levels. Though questions persist around the macro backdrop, NCLH has an experienced executive management team at its helm, a young average fleet and solid liquidity position. Over the long-term, we believe the current headwinds travel and leisure are experiencing will soften and expect NCLH's fundamentals will prove resilient in the face of adversity. At today's valuation, NCLH is currently trading at a -70% discount to our estimate of private market value.

Alternatively, logistics and cash management services provider The Brink's Company (BCO) declined over the period. We believe this price action runs counter to the company's improving long term fundamental outlook. Despite global economic uncertainty and translation headwinds from a strengthening dollar, BCO continues to experience a recovery in revenues post-pandemic with operating profit benefitting from strong operational execution and margin expansion. Management also provided guidance for robust free cash flow generation and additional debt repayment. We believe BCO's results demonstrate underappreciated resiliency amidst today's macroeconomic uncertainty, while longer term, the company's growth and productivity initiatives make this an attractive opportunity.

Shares of premiere oil services company, Core Laboratories NV (CLB) also traded lower in the quarter. The ongoing geopolitical conflict between Russian and Ukraine, as well as associated European and U.S. sanctions continue to disrupt the business and create near-term uncertainty. Although headwinds persist, we believe the industry will realign global supply to meet strong demand for oil and natural gas. In our view, this asset light business will deliver modest growth in reservoir description. We also expect to see greater activity in fracturing rock, which should increase output in well completions and fuel longer term growth of the production enhancement sector. We have conviction in the management team's long history of delivering strong operating results, robust free cash flow and returning capital to shareholders.

Finally, leading manufacturer and distributor of floorcovering products, Mohawk Industries Inc. (MHK) detracted from relative returns in the quarter. MHK has consistently demonstrated its ability to deliver sales growth and generate strong cash flow despite significant inflation, rising interest rates, and geopolitical instability. However, this quarter was an inflection point as the slowing U.S. housing market began to change consumer discretionary spend. Higher natural gas prices and constrained supply in Europe presented another headwind. Given these factors, MHK guided to softening demand and increasing pressure on margins moving forward. Management initiated corrective actions across the enterprise including implementing further price increases, enhancing service levels and restructuring to reduce costs. In our view, MHK's track record of success managing through economic cycles and healthy balance sheet have the company well positioned to benefit from long-term growth in residential remodeling, new home construction and commercial projects. At current levels, MHK is trading at a -67% discount to our estimate of private market value.

We did not add or exit any positions in the quarter.

Escalating geopolitical tensions, persistently high inflation, slowing economic growth and the potential for excessive Fed tightening continues to fuel recessionary fears. And yet, we view the probability of the most severe "hard landing," or deep recession, to be less likely. Unemployment remains near historic lows and balance sheets of U.S. financial institutions and households are generally in good shape. We continue to be cautiously optimistic these factors will protect against a severe downturn. Meanwhile, values are abundant when the investment environment feels the most uncomfortable. 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. We are diligently evaluating the collapsing prices of stocks on our watchlist versus our expectations of what these companies and their underlying business fundamentals should be valued at over the long-term. In times like these, we believe the worst-case scenario gets priced in giving us a margin of safety[1] to buy and hold our favorite companies with confidence through the uncertainty until the market digests the volatility. Although our portfolios have sold off in recent months, in our view they are statistically cheap—trading at a significant discount to their private market values (PMV)[2]—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.

Investing in small-cap companies is more risky and volatile than investing in large cap companies. The intrinsic value of the stocks in which the portfolio invests may never be recognized by the broader market. The portfolio is often concentrated in fewer sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market. A concentrated portfolio may be subject to greater volatility than a more diversified portfolio. Investing in equity stocks is risky and subject to the volatility of the markets.

Past performance does not guarantee future results. Performance results are shown net of the highest management fee charged to any client in the Composite during the performance period. Net returns reflect performance returns after the deduction of advisory fees and transaction costs and assume the reinvestment of dividends and other earnings. For the one-year period ended 9/30/22 and since inception on April 30, 2020, the performance (net of fees) for the Ariel Small Cap Value Concentrated Composite was -24.28% and +11.40%, respectively. For the one-year period ended 9/30/22 and since inception on April 30, 2020 of the Ariel Small Cap Value Concentrated Composite, the performance for the Russell 2000 Value Index was -17.69% and +17.10%, respectively. And over the same periods the Russell

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[1]Attempting to purchase a stock with a margin of safety does not protect investors from the loss of their investment, volatility associated with stocks, declining fundamentals, external forces, or our incorrect assumptions.

[2]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. References to PMV are for the time period: 12/31/07 – 09/30/22.

2000 Index delivered –23.50% and +11.72%, respectively. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. A complete fee schedule is available upon request and may also be found in Ariel Investments LLC's Form ADV, Part 2. Returns are expressed in U.S. dollars. Current performance may be lower or higher than the performance data quoted. The Ariel Small Cap Value Concentrated Composite differs from its primary benchmark in that it has dramatically fewer holdings and more concentration in fewer sectors.

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.

As of 9/30/22, OneSpaWorld Holdings Ltd. 9.67% of the Ariel Small Cap Value Concentrated Composite (representative portfolio); BOK Financial Corporation 5.26%; Norwegian Cruise Line Holdings Ltd. 6.25%; Brink's Company 6.67%; Core Laboratories 3.13% and Mohawk Industries, Inc. 3.33%. Portfolio holdings are subject to change. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings of the Ariel Small Cap Value Concentrated Composite.

A glossary of financial terms provided herein may be found on our website at www.arielinvestments.com.

The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios, lower forecast growth and lower sales per share historical growth. Its inception date is June 1, 1993. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Its inception date is January 1, 1984. Russell® is a trademark of London Stock Exchange Group, which is the source and owner of the Russell Indexes' trademarks, service marks and copyrights. 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.