Investing in small-cap stocks is more risky and more volatile than investing in large-cap stocks. Past performance does not guarantee future results. 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. Fee information is available upon request and may also be found in Ariel’s Form ADV, Part 2. Results shown may be preliminary. Returns are calculated in U.S. dollars. Performance data quoted in the excerpt represent average annual gross returns of the Ariel Small Cap Value Tax-Exempt Composite for the period from 09/30/1983 to 07/31/2013 and the benchmark data quoted are the average annual returns of the Russell 2000® Index for the same period. For the period from 09/30/1983 to 07/31/2013, the Russell 2000® Value Index’s average annual return was +11.17%. For the period ended 6/30/2018, the performance (net of fees) of the Ariel Small Cap Value Tax-Exempt Composite for the 1, 3 and 5 year periods was +14.34%, +7.64% and +10.36%, respectively. For the period ended 6/30/2018, the performance of the Russell 2000® Value Index and the Russell 2000® Index for the 1, 3 and 5 year periods was +13.10%, +11.22% and +11.18% and +17.57%, +10.96% and +12.46%, respectively.

Ariel Investments, LLC is a money management firm headquartered in Chicago, Illinois, with offices in New York and Sydney. Taking a long-term view and applying independent thinking to our investment decisions, we span the market cap spectrum from micro to large and cover the globe with our international and global offerings. The Ariel Small Cap Value Tax-Exempt Composite seeks long-term capital appreciation by investing in small-sized undervalued companies that show strong potential for growth. The Ariel Small Cap Value Tax-Exempt Composite differs from its benchmark, the Russell 2000® Value Index, with fewer holdings concentrated in fewer sectors. Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index.

Ariel Investments, LLC offers its advisory services in the form of composite accounts, which are available to institutional clients, including public and private retirement plans, union plans, foundations and endowment funds, high net worth individuals, and managed accounts under wrap programs sponsored by other firms. Advisory services provided and the fees charged will vary depending upon the nature of the account under management. Ariel Investments also manages mutual funds that are available to the public for purchase or sale directly or through an intermediary, such as a broker, bank, investment adviser or record-keeper. The performance of the Ariel Investments mutual funds will differ from the composite performance presented in this excerpt.

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 and lower forecasted growth values. 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. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Russell® is a trademark of Russell Investment Group, which is the source and owner of the Russell Indexes’ trademarks, service marks and copyrights.
In this unique book by Magnus Angenfelt (published by Roos & Tegnér), the most successful investors in the world generously share their insights with the next generation of investors. These distinguished individuals reveal the experience they gained from a quarter-century of investing, and the conclusions are both surprising as well as enlightening.

The World’s 99 Greatest Investors

Please enjoy the following excerpt from The World’s 99 Greatest Investors.
With nearly 30 years working in the market, I have tremendous respect for just how efficient it is. Increasingly, I think the only way to beat the market is to think independently to find the few opportunities it offers. Going along with the crowd doesn’t work, and even paying too much attention to conventional wisdom – which is often groupthink – will make it very difficult to achieve outstanding results.

Investing demands that you focus on the long term, even though most market participants are increasingly focused on the short term. The short term is noise, the long term is signal.

 Investors should only buy what they understand. Whether you are talking about an individual company or a stock mutual fund, if it does not make good sense to you, you are likely to sell at the wrong time due to confusion or fear.

**BORN** Chicago, USA 1958.

**EDUCATION** Rogers graduated in economics from Princeton University in 1980.

**CAREER** After graduating he worked as a stockbroker at the investment bank William Blair & Company in Chicago. In 1983, at the age of 24, with the financial backing of family and friends, Rogers started his own firm Ariel Capital Management (now Ariel Investments, LLC). He is the chairman and CEO of the company as well as its chief investment officer.

**INVESTMENT PHILOSOPHY** As a value-oriented investor, Rogers originally had the simple idea of identifying undervalued small and medium-sized stocks with a proven ability to grow over the long-term, and then holding them until they reached full value, which turned out to mean four or five years. This was a tactic that worked then, and still works now. He believes that
patience, independent thinking, and a long-term outlook are essential to achieving good returns. His fund seeks to purchase companies whose prospects allow for double-digit cash earnings growth with a low valuation relative to potential earnings. The P/E multiple should be less than 13 times forward cash earnings and/or a 40% discount on the intrinsic value (counted as private market value PMV), or the price a professional investor would be prepared to pay for the whole company. In addition he also requires several parameters of quality in the process. The company should have high barriers to entry, sustainable competitive advantages, and predictable profit levels.

Roger’s passion for investing started when he was 12 years old, and instead of toys his father bought him stocks every birthday and Christmas. Since 2001, he has written a regular column, ‘The Patient Investor’, for Forbes magazine.

Ariel Investment has close to $5 billion in assets under management and is the largest minority-run mutual fund firm in the US. Its logo is a turtle, and the company slogan is ‘Slow and steady wins the race’. Ariel runs an academy for children in one of the most deprived communities in Chicago.

Beyond Ariel, Rogers serves as a board member of McDonald’s Corporation and is a director of the Robert F. Kennedy Center for Justice and Human Rights. Following the election of President Barack Obama, Rogers served as co-chair for the Presidential Inaugural Committee in 2009. He is a former basketball player.

Sources: John Rogers; Ariel Investments; Wikipedia.