

Ariel Investments

Performance as of June 30, 2026 (%)

Annualized

	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Fund							11/06/1986
ARGFX Investor Class	13.59	11.91	29.82	14.57	6.78	11.00	10.96
ARAIX Institutional Class	13.67	12.08	30.22	14.92	7.11	11.35	11.08
Russell 2500™ Value Index	18.50	24.16	38.54	19.40	10.28	11.28	11.13
Russell 2000® Value Index	17.19	22.99	43.01	18.72	8.24	10.89	10.41
S&P 500® Index	15.20	10.21	22.32	20.61	13.41	15.51	11.36
Ariel Appreciation Fund							12/01/1989
CAAPX Investor Class	13.71	15.01	29.77	12.04	6.46	9.32	10.19
CAAIX Institutional Class	13.80	15.17	30.16	12.39	6.78	9.66	10.32
Russell Midcap® Value Index	13.40	17.58	26.62	16.50	9.48	10.63	11.21
Russell Midcap® Index	13.83	15.30	21.63	16.51	8.50	12.00	11.36
S&P 500® Index	15.20	10.21	22.32	20.61	13.41	15.51	10.95

Past performance is not indicative of future results. An investment's return and principal value 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 as of the most recent month-end may be obtained by visiting our website, arielinvestments.com.

Dear Fellow Shareholders: The second quarter of 2026 was, by almost any measure, an extraordinary one for equities. Fueled by the AI boom, the S&P 500 reached new highs, surging +15.20%—its strongest quarterly gain in roughly six years.¹ Although our domestic value portfolios participated meaningfully in the rally, keeping up with the benchmarks proved challenging given the market's narrow leadership.

When one considers the expected absolute returns of stocks over time, we find it hard to call double-digit three-month returns a “difficult stretch.” And yet, just as a strong rally quietly has been unfolding in small-cap stocks this year, our small, small/mid, and mid-cap value portfolios have mostly lagged their benchmarks, as investors have piled into AI infrastructure-related stocks. As an advisor in *Pensions & Investments* recently noted, “...the managers that have done probably the poorest have been underexposed to some of the AI themes...”² as roughly two-thirds of the S&P 500's second quarter gains³ and one-third of the Russell 2000 Value's gains have come from a single sector.⁴

¹Valetkevitch, Caroline and Niket Nishant (30 June 2026) “S&P 500, Nasdaq register best quarter since 2020 despite Iran war” *Reuters*, <https://www.reuters.com/business/us-stock-futures-little-changed-strong-quarter-nears-end-2026-06-30/>.

²Kozlowski, Rob (16 July 2026) “Why small-cap's revival is punishing active managers and what pension funds are doing about it” *Pensions & Investments*, <https://www.pionline.com/asset-management/pi-pension-small-cap-equity-terminations-market-quality-july-2026/>.

³S&P Dow Jones Indices (30 June 2026), “Index Dashboard: U.S.,” pp. 1.

⁴FactSet.

The primary differentiator between an Ariel strategy that outperformed its benchmark and those that trailed was its technology exposure. Our non-existent weightings in the red-hot sector made it very difficult to keep up. The hotter, the harder. For example, tech shares in the Russell Midcap Value Index rose +63%, a gap that our strong stock selection in consumer discretionary and industrials in Appreciation Fund more than offset.⁵ Meanwhile, technology in the Russell 2500 Value Index surged +84%, which proved too large a headwind for solid stock picks in Ariel Fund to overcome.⁶

Interestingly, the tech companies that propelled the benchmarks forward the most in recent months "...have since exited the small-cap index with the latest June reconstitution."⁷

Avoiding Tech Wrecks

*"If their price is too damn high, exciting companies won't create wealth for investors. They will instead end up in the annals of terrible wealth destroyers."*⁸

Our reluctance to fully participate in the market's hottest technology names does not result from a tactical sector view but instead reflects our investment discipline. We do not chase rallies we cannot underwrite. As the market's fixation has shifted from AI "adopters" to AI "enablers," the recent gains in semiconductor and memory-chip companies have been remarkable. Still, these businesses remain highly cyclical and capital intensive. Their history is marked by repeated periods of strong demand, capacity expansion, oversupply and ultimately margin compression. To embrace many of today's market favorites requires presuming this cycle will unfold differently and believing competition will not respond as it often has. Such a leap is a bet against economic gravity, which is a risk we are not willing to take.

We are always highly selective because rapid innovation, obsolescence and shifting competitive dynamics require an especially high hurdle for tech investments. While this discipline has weighed on relative results during a period of exceptionally narrow, AI-driven market leadership, we believe it remains essential to preserving capital and creating long-term value. Market leadership inevitably changes; our commitment to valuation, business quality and downside protection is foundational.

There are times when technology does clear our bar. We have invested successfully in technology-related businesses when both the underlying franchise and valuation met our standards. For example, we have long owned **Generac Holdings, Inc. (GNRC)** for its leading residential and commercial backup-power franchise. While we welcome the incremental demand created by AI-driven data centers, that was never the basis of our investment thesis. Similarly, we acquired **Accenture Plc (ACN)** in the wake of the dot-com collapse and held it successfully for more than a decade. In both cases, we were attracted to durable competitive advantages, high-quality management teams and compelling valuations.

⁵FactSet.

⁶FactSet.

⁷Kozlowski, Rob (16 July 2026) "Why small-cap's revival is punishing active managers and what pension funds are doing about it" *Pensions & Investments*, <https://www.pionline.com/asset-management/pi-pension-small-cap-equity-terminations-market-quality-july-2026/>.

⁸Sommer, Jeff (3 July 2026) "The Hottest Stock Markets Lead to the Biggest Losses," *The New York Times*, <https://www.nytimes.com/2026/07/03/business/stocks-investing-markets.html>.

Activists See What We See

Other rational owners increasingly share our views. A notable number of our portfolio companies have become the target of some form of shareholder activism since the start of 2025—spanning industrials, financials, health care and consumer names. During a period when our style has lagged, some of the market’s most demanding capital allocators are underwriting the same names. This activity suggests these activists, by and large, agree that our quality franchises are materially undervalued. Value hidden in a temporary dislocation tends to be recognized. Again, quoting *Pensions & Investments*, “...when we look back through history, quality often trails large market rallies.”⁹

Looking Ahead

“The big money is not in the buying and the selling, but in the waiting.”¹⁰

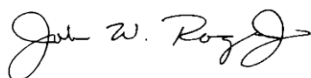
The line—which Charlie Munger was fond of quoting from the old speculator Jesse Livermore—captures our disposition in a quarter like this one. A market that so richly rewards concentration can test the resolve of any patient investor, but more than four decades of investment experience counsels against capitulation. In our view, our companies are not fundamentally impaired despite being priced as if they are. More importantly, we believe they carry the earnings power to support materially higher prices when sentiment turns.

A market in which a single stock can rise more than +250% in three months,¹¹ and in which the largest initial public offering on record was priced at more than 90x trailing sales,¹² is one in which there is a big disconnect between price and value. This gulf is precisely where our opportunity set is created. And although counterintuitive in a market reaching new all-time highs, our new idea pipeline is overflowing because the damage to the perceived AI “losers” is so severe and, at times, indiscriminate.

The Japanese art of *kintsugi* repairs broken pottery by filling the fractures with gold—making the mended vessel more precious than the unbroken one. For disciplined value investors, market cracks can also get filled with gold—making the seemingly broken stock more valuable than the one that appears to be pristine.

We appreciate the opportunity to serve you and welcome any questions you might have.

Sincerely,



John W. Rogers, Jr.
Chairman and Co-CEO



Mellody Hobson
Co-CEO

⁹Kozlowski, Rob (16 July 2026) “Why small-cap’s revival is punishing active managers and what pension funds are doing about it” *Pensions & Investments*, <https://www.pionline.com/asset-management/pi-pension-small-cap-equity-terminations-market-quality-july-2026/>.

¹⁰Shukla, Piyush (25 December 2025) “Wealth Quote of the Day by Charlie Munger: ‘The big money is not in the buying and the selling, but in the waiting’ – why Munger believed patience is where millions are made” *The Economic Times*, <https://economictimes.indiatimes.com/news/international/us/wealth-quote-of-the-day-by-charlie-munger-the-big-money-is-not-in-the-buying-and-the-selling-but-in-the-waiting-why-munger-believed-patience-is-where-millions-are-made/articleshow/126189017.cms>.

¹¹ Kantrowitz, Michael, CFA, et al. (1 July 2026) “What in the World Happened to Markets in 2Q?!?” *Piper Sandler Portfolio Strategy & Macro Research*, pp. 21.

¹²Shulman, Joel (3 June 2026) “8 Things to Know Before SpaceX Goes Public” *Forbes*, <https://www.forbes.com/sites/investor-hub/article/spacex-ipo-things-to-know/>.

New positions for quarter ending June 30, 2026:

Company Name	Company Description	Ariel Fund	Ariel Appreciation Fund
Haemonetics Corporation	Developer and distributor of a broad portfolio of hematology products and solutions.	●	●
Houlihan Lokey Inc.	A global financial advisory firm with a leading position in middle-market M&A and restructuring.		●
Masco Corporation	The world's largest manufacturer of plumbing fixtures and a leading provider of paint in the United States.		●
Progressive Corporation	Personal auto insurer and one of the highest- quality compounders in financial services.		●
RLI Corp.	Specialty insurer among the industry's top underwriters.	●	
Royal Caribbean Group	The world's second-largest cruise operator.		●

Eliminated positions for quarter ending June 30, 2026:

Company Name	Exit Rationale	Ariel Fund	Ariel Appreciation Fund
ADT, Inc.	Sold in order to redeploy capital into higher conviction opportunities.		●
First American Financial Corporation	Sold to pursue other opportunities.	●	
Molson Coors Beverage Company	Sold in order to redeploy capital into higher conviction opportunities.		●
Paramount Skydance Corporation	Sold on valuation.	●	
Stanley Black & Decker	Sold in order to redeploy capital into higher conviction opportunities.		●

Investing in small- and mid-cap companies is riskier and more volatile than investing in large-cap companies. The intrinsic value of the stocks in which the Funds invest may never be recognized by the broader market. The Funds are often concentrated in fewer sectors than their benchmarks, and their 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.**

Per the Ariel Fund's Prospectus as of February 1, 2026, the Investor Class and Institutional Class had an annual expense ratio of 1.01% and 0.70% respectively. Per the Ariel Appreciation Fund's Prospectus as of February 1, 2026, the Investor Class and Institutional Class had an annual expense ratio of 1.15% and 0.84%, respectively.

Returns assume the reinvestment of dividends and other earnings. Returns are expressed in U.S. dollars. 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. The Funds' portfolios differ from their primary benchmarks with 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. There is no guarantee that any expressed views will come to fruition or any investment will perform as described.

As of 6/30/2026, Ariel Fund's position size, if any, in the above holdings was: Generac Holdings, Inc. 2.60%; Accenture plc 0.00%; Haemonetics Corporation 1.48%; Houlihan Lokey, Inc. 0.00%; Masco Corporation 0.00%; Progressive Corporation 0.00%; RLI Corporation 1.26%; Royal Caribbean Cruises, Ltd. 0.00%; ADT, Inc. 0.00%; First American Financial Corporation 0.00%; Molson Coors Beverage Company 0.00%; Paramount Skydance Corporation 0.00% and Stanley Black & Decker 0.00%. As of 6/30/2026, Ariel Appreciation Fund's position size, if any, in the above holdings was: Generac Holdings, Inc. 2.27%; Accenture plc 0.00%; Haemonetics Corporation 1.53%; Houlihan Lokey, Inc. 1.84%; Masco Corporation 2.72%; Progressive Corporation 0.79%; RLI Corporation 2.45%; Royal Caribbean Cruises, Ltd. 1.20%; ADT, Inc. 0.00%; First American Financial Corporation 2.84%; Molson Coors Beverage Company 0.00%; Paramount Skydance Corporation 0.00% and Stanley Black & Decker 0.00%.

Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index.

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.

The Russell 2500™ Value Index measures the performance of the small to mid-cap value segment of the U.S. equity universe. It includes those Russell 2500 companies with relatively lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. Its inception date is July 1, 1995. The Russell 1000® Growth Index measures the performance of the large cap growth segment of the U.S. equity universe. It includes those Russell 1000 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). Its inception date is January 1, 1987.

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, lower forecasted growth values, and lower sales per share historical growth. Its inception date is February 1, 1995. The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. Its inception date is November 1, 1991.

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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

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