Ariel Fund

Quarter Ended September 30, 2023

Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes the reinvestment of dividends and capital gains, and represents returns of the Investor Class shares. 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. Performance data current to the most recent month-end for Ariel Fund may be obtained by visiting our website, arielinvestments.com. For the period ended September 30, 2023, the average annual returns of Ariel Fund (investor class) for the 1-, 5-, and 10-year periods were +14.56%, +3.73%, and +7.50%, respectively.

The U.S. stock market posted declines in the third quarter driven by fears of a government shutdown, striking autoworkers, surging oil prices and the prospect of interest rates remaining higher for longer. Against this backdrop, government bond yields soared, equities came under pressure and the richly valued "magnificent seven[1]" lost their shine. As the Federal Reserve attempts to steer the economy, some worry the risks of a hard-landing are growing. Although uncertainty and volatility are likely to remain elevated, we view the recession guessing game as noise within the context of our long-term investment horizon. Ariel Fund declined -7.15% in the quarter, underperforming both the Russell 2500 Value Index and the Russell 2500 Index, which returned -3.66% and -4.78%, respectively.

Live entertainment, media and technology company, **Sphere Entertainment Co. (SPHR)** was the top contributor during the quarter. Shares jumped following news the Las Vegas venue was on track to open in late September and costs were in-line with expectations. Additionally, the company delivered a profitable fourth quarter relative to the loss posted a year ago. While the Sphere venue will take some time to reach its full potential, the company is planning to have events 365 days a year. In addition to hosting concert residencies, marquee sporting and corporate events, The Sphere Experience will debut in October, consisting of a series of exhibits chronicling technology's impact on the development of human potential. Management also believes there is a significant opportunity for advertising and sponsorship on the Exosphere (the Sphere's exterior) as well as licensing interior VIP hospitality suites. Meanwhile, U2 opened to great fanfare on September 29th – sending shares even higher into the month of October. In our view, the Sphere's new experiential immersive venue and the company's two regional sports and entertainment networks present a long-term opportunity, which remains meaningfully underappreciated at current trading levels.

Shares of global leader in for-profit education, **Adtalem Global Education (ATGE)**, also advanced on a top- and bottom-line earnings beat and subsequent increase at the low-end of its FY2024 Adjusted EPS guidance. We remain encouraged by the continued recovery in nursing school programs, highlighted by Walden's new student enrollment up double-digits versus last year. Although, enrollment trends across the medical schools faced headwinds in the quarter, they appear temporary, with management having already implemented the necessary changes to convert strong underlying demand into students. Although investors remain skeptical of the near-term backdrop, we believe ATGE will benefit from the healthcare worker shortage in the U.S., evidenced by its market leadership as the number one grantor of nursing degrees in the U.S. and the largest producer of African-American MDs, PhDs and nurses in the country.

Toy manufacturer, **Mattel, Inc. (MAT)** also increased in the period. Although the retail environment remains challenging, MAT delivered a solid earnings beat and maintained full-year guidance. The successful release of the *Barbie* movie is expected to generate over $125 million of gross billings this year from film royalty payments while boosting the franchises' consumer products. These results continue to highlight MAT's progress towards expanding its entertainment offering and executing on its strategy to grow market share, improve profitability and generate higher levels of cash flow. In our view, MAT remains an undervalued asset with attractive growth prospects for its Barbie and Hot Wheels brands, as well as its Disney Princess and Frozen toy lines, Trolls and the global launch of Monster High.

[1] The "Magnificent Seven" are the largest stocks in the S&P 500 Index driving market performance: Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Alphabet Inc. (GOOGL), Meta Platforms Inc. (META), Microsoft Corp. (MSFT), NVIDIA Corp. (NVDA) and Tesla, Inc. (TSLA).

Alternatively, several positions weighed on performance. Leading direct-to-consumer pool and spa care services company in the U.S., **Leslie's Inc. (LESL)**, declined in the period following a preannounced earnings miss. Unfavorable weather across key markets and increased price sensitivity has resulted in weaker than expected store and website traffic trends. Investor concerns regarding the potential deflation on the price of chlorine further weighed on shares. In response to these results, management is reducing inventory, cutting costs and installed a new CFO. We believe our thesis remains intact. In our view, the company continues to differentiate itself through its loyal client base, vertically integrated supply chain, scale advantage and seamless customer experience.

Marketing communication company, **Interpublic Group of Companies, Inc. (IPG)**, also traded lower in the quarter. Broad macro uncertainty and a pullback in spend from tech, telecom and smaller client accounts resulted in an earnings miss and subsequent reduction in full-year guidance. Looking ahead, management expects to grow from new business wins and strengthening performance across its media and healthcare businesses. We believe in IPG's resilient business model and its management team's ability to flex its variable cost structure to weather the cyclical headwinds that may come its way.

Finally, leading global manufacturer of power generation equipment, **Generac Holdings, Inc. (GNRC)**, underperformed in the quarter. Management lowered full-year guidance as a soft consumer environment resulted in weaker-than-expected residential sales, margin contraction and an earnings miss. Subsequently, GNRC held an investor day and issued a new 3-year outlook above consensus driven by grid instability, climate change and accelerating power outages. In our view, GNRC's home standby generator business as well as its commercial and industrial opportunities will benefit from such heightened consumer sensitivities and result in a long runway of penetration across an expanding addressable market, margin expansion and free cash flow generation.

Also in the quarter, we added marketer and distributor of over-the-counter pharmaceutical drugs and products, **Prestige Consumer Healthcare Inc. (PBH)**. The company has a history of innovation and acquiring products to meet unmet consumer needs. Following an acquisition in 2017, the company levered the balance sheet and has been focused on using free cash flow to pay down debt. As its products, such as cough/cold and travel, rebound from COVID-19 pressures, we expect margins and earnings growth to lead to multiple expansion.

We did not exit any positions during the period.

As the pendulum of worry swings from one scenario to another, our focus on recent events and macroeconomic developments is to consider their effect on the long-term intrinsic worth of our holdings over the next five-to-ten years. Although the new "higher for longer" rate regime will likely present headwinds to corporate earnings growth, we remain confident in our portfolio positioning and stand ready to take advantage of market sell offs. We strongly believe the patient investor that stays the course and consistently owns differentiated business models with solid competitive positioning, low leverage and robust balance sheets will deliver stronger returns over the long run.

Investing in small- and mid-cap stocks is riskier and more volatile than investing in large-cap stocks. The intrinsic value of the stocks in which the Fund invests may never be recognized by the broader market. Ariel Fund is often concentrated in fewer sectors than its benchmarks, and its 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.

Per the Fund's Annual Report for the year ended September 30, 2022, the Fund's Investor Class shares had an annual expense ratio of 0.98%.

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 of the views expressed will come to fruition or any investment will perform as described.

As of 9/30/23, Sphere Entertainment Company constituted 3.1% of Ariel Fund; Adtalem Global Education Inc. 3.7%; Mattel, Inc. 4.1%; Leslie's, Inc. 2.5%; Interpublic Group of Companies, Inc. 2.8%; Generac Holdings Inc. 2.6%; and Prestige Consumer Healthcare, Inc. 2.4%. 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.

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

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 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 2500™ Index measures the performance of the small to mid-cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 Index is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. Its inception date is June

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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 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.

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