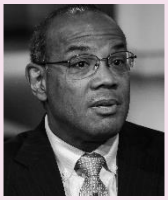
Ariel Fund & Ariel Appreciation Fund

As of December 31, 2022



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

Mellody Hobson
Co-CEO & President

Performance (%)

			Annualized			
	QTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Fund						11/06/1986
ARGFX Investor Class	**12.18**	**-18.82**	**5.20**	**4.62**	**9.96**	**10.53**
ARAIX Institutional Class	**12.27**	**-18.56**	**5.53**	**4.94**	**10.29**	**10.63**
Russell 2500™ Value Index	9.21	-13.08	5.21	4.75	8.93	10.45
Russell 2500™ Index	7.43	-18.37	5.00	5.89	10.03	10.23
S&P 500® Index	7.56	-18.11	7.66	9.43	12.56	10.31
Ariel Appreciation Fund						12/01/1989
CAAPX Investor Class	**15.04**	**-12.43**	**5.77**	**4.87**	**9.32**	**9.96**
CAAIX Institutional Class	**15.11**	**-12.16**	**6.10**	**5.19**	**9.67**	**10.08**
Russell Midcap® Value Index	10.45	-12.03	5.82	5.72	10.11	10.74
Russell Midcap® Index	9.18	-17.32	5.88	7.10	10.96	10.80
S&P 500® Index	7.56	-18.11	7.66	9.43	12.56	9.76

Lessons from 40 Years of Patient Investing

January marks Ariel Investments' 40th year in business. In recognition of this milestone, we are departing from our normal quarterly letter format for a candid conversation between our Co-CEOs reflecting on four decades of investing.

Mellody: I want to start off with your reflections on 40 years of patient investing. In your mind, does investing get easier, harder, or does it feel the same after four decades?

John: I've thought a lot about this. I think that in some ways I've become more confident after investing for 40 years. For example, our portfolios took some significant body blows during the '08-'09 financial crisis. But we stuck to our core investment principles while acknowledging we had room for improvement. Then we had great success coming out of that period with beaten-up stocks that went up dramatically—in some cases, share prices quadrupled or quintupled. That recovery gave us great confidence that with patience and discipline, we can weather any storm. After 40 years, I know first-hand that when you stick to your core beliefs while maintaining a learning culture, perseverance wins out. That gives me more confidence and more comfort as the years go on.

Mellody: How do you balance that confidence with humility?

John: I'm constantly trying to make sure I'm getting better—deepening both my knowledge and understanding. Constantly trying to read everything, study everything and learn new things. Recently, our research team has been inspired by the writings of Annie Duke, the professional poker player, about how to get away from bad hands, which is something that is really, really difficult to do in this business. Annie also happens to be a best-selling author on decision-making and Wharton PhD. We are hoping to work more closely with her in the future.

We've also focused on improving our behavioral finance expertise so that we can see and understand the behaviors that can lead to problems. Things like overconfidence or confirmation bias, etc. So, to answer the question directly, humility comes from a never-ending effort to improve. That's what we do. That's what I do.

Mellody: In the context of behavioral finance, what is your biggest blind spot?

John: Mine is confirmation bias. I must constantly fight the impulse to look for information that confirms what I already think. Instead, I must consciously search for opposing perspectives.

Mellody: When you think back over the decades, what market moments really stand out for you?

John: The biggest one by far was the Crash of 1987, when the market went down 22% in one day. I will never forget that experience. The '08-'09 financial crisis was also very memorable. In that case, it was the long duration as well as the sheer agony of the underperformance along with the asset and client losses. The whole period just didn't make sense at all.

The other memorable moment was when U.S. debt was downgraded by S&P in 2011. The fear amongst my DC friends was palpable. They thought it could potentially be an existential problem.

Mellody: What I find interesting is that the market moments that stay with you are the difficult times as opposed to moments of victory.

John: Yeah, I'm wired to remember the painful periods and I try to learn from those experiences. The downside of this approach is that I could probably do a better job celebrating our successes and our wins. I think that's something we can do better as a firm as well. There are a lot of great leaders who celebrate the great times like Duke's famous Coach K. Some of the organizations I've been involved with, like **McDonald's (MCD)** and **Nike (NKE)**, do a very good job of celebrating big moments.

Mellody: In difficult times, who do you look to for inspiration and/or support?

John: Clearly, Warren Buffett is my biggest inspiration. I'm always going back and re-reading things he has said. I just finished a long transcript of a talk that one of his deputies, Todd Combs, gave at the Graham and Dodd 2022 Annual Breakfast. I'm constantly trying to read and study Warren's thought process—past and present. I feel fortunate that I've had an opportunity to get to know him a bit. From time-to-time I have been able to call and get his insights. I go to the **Berkshire Hathaway (BRK-A)** meeting every year—along with members of our research team. Warren Buffett is just in a class by himself.

Of course, there are other investors who inspire me who have delivered really great returns over the years. People like Bill Miller and Mario Gabelli and Ralph Wanger, along with Tom Russo, Eddie Brown and Staley Cates. Investors who stick to their disciplines and stay the course. They are all people that I reach out to when I need to socialize ideas or talk stocks. And while each is an amazing, terrific, superstar investor in their own unique way, no one is quite as gifted as Warren in my mind.

Mellody: What makes Warren great?

John: First, he's an extraordinary communicator. He clearly articulates what he's looking for and he thoughtfully does it in a way that is understandable to the average person. He never adopts any of the modern jargon that has come and gone throughout his career. And he sticks to tried-and-true principles.

Warren also has enormous vision. He sees the future better than anyone around. And he has an innate ability to think long term. He never gets swept up in the emotions of the moment or the short-termism that is rampant in our society. And finally, he has no need to follow the crowd. Whether it's from an investment standpoint, or a governance standpoint, or just how he lives his life—he's willing to stand alone. I think a critical component of success is to be comfortable being different. To be unlike anyone else. My sense is that Warren simply does what he thinks is right and does not let others push him or stress him in any way. Despite the pressures to be like everyone else, he systematically rejects them all.

Mellody: You also are someone who's very comfortable standing alone. How do you think you came to be so comfortable with that posture?

John: I think a lot of it has to do with the way I was brought up. I'm an only child. By the age of three, I was raised by divorced parents who were both unique, idiosyncratic individuals. I'd go from one unique household to another, back and forth every week. And then I also grew up in Hyde Park in Chicago where The University of Chicago community is filled with quirky personalities who are proud to be independent thinkers. The University stands for free expression and rigorous inquiry and debate—not following the crowd. Lastly, at Princeton—where I attended college—I played for a legendary basketball coach, Peter Carril, who was also one-of-a-kind. When he sadly passed away last year, I was struck by the many articles and discussions about his life that underscored that he did not care what other people thought. The way he dressed, the way he coached, everything he did—he was an original. All of those formative experiences early in my life helped make me feel comfortable standing alone, holding a different view, liking a stock that others shunned, not having any mental model of what a person should be or think, starting an investing company at 24.

Mellody: By all accounts, the job of a portfolio manager is extremely difficult. What does it take to do this job for so long? It's mentally taxing, physically exhausting with the travel and then there is the daily scorecard and the endless rankings.

John: You have to love what you do to deal with the inevitable pressures and stresses that come with this job. I'm excited when the markets open on Monday morning and I'm sad when they are closed on Saturday, Sunday and holidays.

Mellody: What has changed about how you work now versus in the beginning?

John: As the years have gone on, we've been able to cultivate a great leadership team here. For one, I co-lead with you. So that's the big difference from 40 years ago. In the beginning, I was running the business, doing all the investing and driving every decision by myself. Now, I have Ariel teammates like you who've been here for a long time—some for 20 to 30 years. Over these years, we've all been able to learn from each other, get better together, and depend on each other. It's great to have teammates who can fill in for my inevitable weaknesses and hopefully I help fill in for theirs. It is great to have the opportunity to bring together a group of very different people who make us individually better. That's the big difference from when I was doing everything by myself and now—great teammates.

Mellody: How do you inspire and motivate those people, especially during difficult times?

John: From the beginning, giving everybody equity in the business was a really significant decision. It is also important to see everyone as a leader so that they understand their opinions matter and are valued. I think people enjoy working in a place where they feel like they are an important part of the solutions. This gives them the opportunity to impact decision-making as well as feel common ownership for those decisions. I think that's at the heart of what makes for an organization where good people want to work. I have always wanted Ariel to be a place where every person can see how they are able to contribute to the whole and in the process, feel valued.

Mellody: How do you teach young people today—especially the key tenets of the philosophy not in words, but in actions and deeds?

John: We have our portfolio management meetings twice a week and younger people are in the room. As they are listening, our job is to constantly remind them of our core values while we discuss individual stocks. It's also important to have younger people tag along on business trips as we speak to groups, see clients, visit and question portfolio management teams. There is no substitution for that direct exposure as well as the time to talk at the end of the day about important moments and lessons learned.

Mellody: Can you think of one area where you and the team have improved over time?

John: I think we ask better questions of management teams and that's really important. I always thought I was a pretty good questioner, but with practice, discipline and training, we've all gotten better over time. As you know, BIA Associates has helped our research team here. It has been great to have an independent critique of our questioning methods. They have also provided great insights and tips to help us discern the veracity and honesty of the answers we receive.

Mellody: How can you tell if you're improving?

John: You can tell you're doing better when you're not asking leading questions. Instead, it is important to focus on questions that will solicit the information that we need to know . . . and not just what we want to hear. Lyndon Johnson always said the most important thing a man has to tell you is what he least wants to talk about. Our job is to get people to do just that. One sign that you are getting better is when you ask questions that people haven't thought about or been asked before.

Mellody: 2022 was a tough year in the markets. We saw market volatility return. We saw negative returns around the world. When you're in the middle of a market downturn like last year, what are you thinking? Bad day, bad month. What are you thinking?

John: The market is worried about something that's not obvious. But there is no way of really knowing. As such, day-to-day market movements do not offer much useful information to true long-term investors like us. Bad days are certainly annoying and probably make me a little grumpier, but I know it's just noise. Rarely, if ever, does anything meaningful come out of short-term market gyrations. The most important thing is to constantly reconfirm that you own the right businesses that can be successful over the long run. Short term volatility is irrelevant.

And speaking of 2022 more specifically, it was a year dominated by macro-economic themes. There was very little focus on actual company fundamentals and, as a result, stock prices were dramatically more volatile than underlying company intrinsic values. Once the market gets tired of the inflation/Fed guessing game and the narrative returns to what companies are actually doing, our portfolios should benefit. Especially since they are very cheap on an absolute and relative basis. In fact, we are already benefitting just a few weeks into the new year.

Mellody: How do you make sure you're not just always dismissing? Is it possible that a short-term issue could really be a prelude to a much bigger issue? How do you distinguish?

John: If a company announces something that's significant, then it's your duty to go out and do the homework and see whether there are long-term implications to this new information that might affect your investment thesis. But in the absence of new information, the noise is extraneous.

If there's new information, you must redouble your efforts. This is where I really push and think we can get better. I often quote Robert Caro who wrote the definitive biographies of Robert Moses and Lyndon Johnson who, as a young writer, learned the importance of "turning one more page" when researching. And I can't overemphasize how important it is to not just depend on Wall Street or depend on management teams. You must work to find as many independent voices as possible to help you understand whatever issue is at hand. One of my strengths is that I'm often thinking more creatively about sources and places that can offer new and different insights.

Mellody: How do you fairly assess your own performance when your returns aren't keeping up with the benchmark? Are you a fair grader of yourself?

John: I'm extremely hard on myself—especially when I'm not winning. I'm committed to winning. Few people are more competitive. My job is to make sure we are executing our strategy with discipline. That's the most important thing. We cannot make exceptions to our core values or what we think makes for a great investment. Those factors include companies with strong brands and franchises that create a moat around the business. Companies led by talented and focused management teams who put the customer first. Companies with strong balance sheets that can weather the inevitable economic difficulties that arise. Companies whose shares are trading at a discount to the business's intrinsic worth. No cutting corners. No rationalizing. No excuses. But very few people in life stick to their values. Instead, they find reasons to make exceptions and justifications. The times when I am most disappointed is when I believe we have slipped when it comes to adhering to our principles.

You see, I grew up with a father who was extraordinarily disciplined and committed to every "i" being dotted every "t" being crossed. And I played for one of the most demanding coaches in college basketball history. As a result, I forget everyone was not influenced by that kind of leadership and believe people are *not* making exceptions. That's a weakness of mine. I assume everyone's been trained in a similar way and they're not going to let their discipline slip.

Mellody: Is there a mistake that you have made when it comes to investing or a miss that still haunts you?

John: Nothing dramatic like missing the final free throw to win a championship game! I don't have any of those types of haunts. That said, there are names where we did the homework, and should have bought but in a blink of an eye, the stock went up a lot and moved away from us. There are a handful of those over the years where I wished we had leaned in faster and didn't. But then I learned from the '08-'09 crash. There are stocks from that period that I missed that quintupled. And yet, it wasn't so bad in the context of names that went up even more. Enough of those things have happened over the years to leave me less haunted by the ones that I missed or didn't quite work.

Mellody: What do you think it takes to keep a company in business for 40 years?

John: Clearly creating an environment where great teammates want to work. People are key to building a successful business. And I've talked about that a lot. Firms that I've respected over the years are the ones that have created a culture where good people come and stay, like Berkshire Hathaway, William Blair, **T. Rowe Price Group Inc (TROW)** and **Morningstar Inc (MORN)**.

Secondly, longstanding companies show an obsessive concern for their customers. The customer knows that you're working hard for them and want them to succeed. That's critical. After all these years as an investor, I can tell the portfolio management teams that are committed to taking care of their employees, their customers and their shareholders.

Mellody: What do you think are the greatest misconceptions about the stock market and investing as far as you're concerned? Something that people just get wrong time and time again.

John: They confuse short-term performance with smarts versus luck or randomness. Whether the results are good or bad. They often measure the wrong thing based upon short term results. We've talked about this a thousand times. It just doesn't make any sense. Literally makes no sense.

Mellody: What *don't* you love about this job?

John: I don't love being evaluated based upon short-term, random results. Don't get me wrong, any day of underperformance hurts—but being assessed based upon the short-term is still the thing that frustrates me the most.

Mellody: How should you be evaluated?

John: We should be evaluated based upon our ability to execute against a process and a discipline over a market cycle. I also want our culture to be considered. Is it one where good, smart people want to come and stay?

Mellody: So, what if you do both of those things—you execute your philosophy with discipline to create a culture where smart people want to come and stay—and you underperform for a long time?

John: I don't think that would happen.

Mellody: How much longer do you think you'll do this job?

John: I'm hoping to be winding down as Chief Investment Officer as we approach our 50th year—a decade from now. Then my hope would be to still be involved—to stay on the board and be around to help coach and mentor.

Mellody: Knowing what you know today, if you were starting Ariel, what would you do differently?

John: I wish we'd diversified our business earlier. You have been the one to lead these efforts. You've done an excellent job leading our diversification efforts through our international/global strategies and now Ariel Alternatives. You greenlit offices in New York and California. I started the firm with this belief that we should all be focused on one strategy and all in Chicago. I think I should have had a more open mind earlier.

Mellody: And why do you think that was a mistake?

John: It was made clear in '08-'09. We had all of our eggs in one basket which led to a difficult period that put a great deal of stress on the organization. Moreover, it's harder to attract talent in the long run if you don't have opportunities for people to grow and have different leadership experiences.

Mellody: So, you say you have a decade left. What's your hope for your work over the next decade?

John: To continue to deliver excellence in our investment process and ultimately, our returns.

Mellody: Lastly, what do you hope for Ariel over the next 40 years? Neither one of us will likely be here. I'd be 93. You'd be over 100.

John: I just hope we have built a business that has a reputation for excellent performance and a commitment to bringing together an extraordinarily talented, diverse team of people. In addition, I want Ariel to be known for caring about others—an organization that makes a difference in our world.

Investing in small- and mid-cap stocks is more risky and volatile than investing in large-cap stocks. 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. Investing in equity stocks is risky and subject to the volatility of the markets.

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.

Per Ariel Fund's Annual Report for the year ended September 30, 2022, Ariel Fund's Investor Class and Institutional Class shares had an annual expense ratio of 0.98% and 0.67% respectively. For the year ended September 31, 2021, the Ariel Fund's Investor Class and Institutional Class shares had an annual expense ratio of 1.00% and 0.69% respectively.

Per Ariel Appreciation Fund's Annual Report for the year ended September 30, 2022, Ariel Appreciation Fund's Investor Class and Institutional Class shares had an annual expense ratio of 1.10% and 0.79% respectively. For the year ended September 31, 2021, Ariel Appreciation Fund's Investor Class and Institutional Class shares had an annual expense ratio of 1.12% and 0.81% respectively.

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 1, 1990.

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.

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The S&P 500® Index is widely regarded as the best gauge of large-cap U.S. equities. It includes 500 leading companies and covers approximately 80% of available U.S. market capitalization. Its inception date is March 4, 1957.

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.