Ariel Fund

Quarter Ended December 31, 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 December 31, 2023, the average annual returns of Ariel Fund (investor class) for the 1-, 5-, and 10-year periods were +15.81%, +10.95%, and +7.54%, respectively.

Markets worldwide defied expectations in 2023 led by the dominating performance of mega-cap technology stocks known as the "magnificent seven.[1]" Even though gains have been concentrated, improving inflation data and dovish comments from the Federal Reserve drove a fourth quarter rally and strong finish to the year. Investor sentiment has shifted from fears of a recession towards optimism for a soft landing. Such turns in market psychology and economic forecasts continue to highlight the challenges of market timing and the importance of taking a long-term view. Although uncertainty and volatility are likely to remain elevated, the patient investor knows "stock prices trade on fundamentals. And when those solid fundamentals shine through, share prices rise.[2]" Against this backdrop, Ariel Fund advanced +13.41% in the quarter, falling slightly short of the Russell 2500 Value Index's +13.76% gain and relatively in-line with the +13.35% return posted by the Russell 2500 Index. Over the trailing one-year period, Ariel Fund increased +15.81%, falling just shy of the +15.98% return posed by the Russell 2500 Value Index and behind the +17.42% gain of the Russell 2500 Index.

Some holdings in the portfolio advanced considerably this quarter. Global cruise vacation company, **Royal Caribbean Group (RCL)**, advanced on another quarterly earnings beat and subsequent raise in full-year guidance driven by stronger than anticipated consumer demand and solid cost containment. The company continues to experience solid momentum in onboard spend, while 2024 booking trends are significantly ahead of historical ranges at higher pricing. We believe the resiliency of the core cruise consumer in combination with management's superior operational expertise and revised earnings outlook lays the foundation for RCL to exceed its three-year strategic imperative, the *Trifecta Program*.

Shares of global leader in for-profit education, **Adtalem Global Education (ATGE)**, also increased following a top- and bottom-line earnings beat and subsequent raise in full year guidance. After several quarters of annual enrollment declines, total enrollment trends turned positive led by strong growth at Chamberlain and Walden. Revenue per student also came in better than expected, as ATGE optimized program pricing and offered lower discounts. Although enrollment trends across the medical and veterinary schools continue to face headwinds, they appear temporary, with management having already implemented the necessary changes to convert strong underlying demand into new student enrollment. While 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.

Additionally, shares of real estate expert, **Jones Lang LaSalle (JLL)**, traded higher during the quarter on solid earnings results. Despite a slowdown in transaction and leasing activity due to higher long-term interest rates, the Property Management and Work Dynamics businesses delivered strong fee revenues and the business continues to prudently manage expenditures. Additionally, management highlighted a positive revenue outlook for 2024 and reiterated its 2025 financial

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[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).

[2] Hobson, Mellody and John W. Rogers Jr. "What the Stock market Taught Us This Year: Don't Fall for These Investing Traps." *Wall Street Journal*, 5 December 2023. https://www.wsj.com/finance/investing/stock-market-2023-lessons-investing-2cedd44f

targets. Despite the recent macro-uncertainty, company leadership is highly confident about the medium- and longer-term revenue outlook for both transactional and recurring revenue streams, alongside its efforts to streamline operations and increase efficiencies to generate higher profit over time.

There were a few notable performance detractors in the quarter. Shares of oil services company, **Core Laboratories, Inc. (CLB)**, declined in the period on mixed earnings results. Despite contract delays and lower-than-expected activity in the U.S., CLB maintained solid profitability, delivering operating margin expansion. Although the ongoing geopolitical conflict between Russia and Ukraine, as well as associated European and U.S. sanctions, continue to disrupt the business and create near-term uncertainty, CLB is seeing progress in both onshore and offshore activity across its global operations. We have conviction in the management team's long history of delivering strong operating results, robust free cash flow and returning capital to shareholders.

Toy manufacturer, **Mattel, Inc. (MAT)**, also traded lower in the period. Despite delivering a significant earnings beat, management maintained full-year guidance signaling a lighter-than-expected holiday outlook to investors. Nonetheless, we continue to expect MAT will gain share, improve profitability and generate higher levels of cash flow in this weaker retail environment. In our view, MAT remains an undervalued company with resilient consumer demand for toys such as Barbie, Hot Wheels and Disney Princesses, as well as an attractive opportunity for future film and TV projects.

Lastly, shares of live entertainment business**, Madison Square Garden Entertainment Corp. (MSGE)**, fell following an earnings miss. Revenue declined year-over-year due to fewer concerts versus the prior year period which benefitted from ~30 rescheduled performances due to COVID. Excluding the rescheduled shows, the number of events were up mid-teens and revenue per concert continued to increase. As a result of strong demand, the Christmas Spectacular added additional shows and given strong visibility into the event pipeline, management reiterated fiscal full year 2024 guidance. With marquee assets such as New York's Madison Square Garden, Radio City Music Hall, Beacon Theatre and The Chicago Theater, we believe MSGE is well positioned to capitalize on strong live entertainment demand. In our view, MSGE's assets are stable cash flow generators and should enable deleveraging. At current valuation levels, the company is trading at a significant discount to our estimate of private market value.

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

As the pendulum of worry swings from one scenario to another, our focus on recent headlines and macroeconomic developments is to consider their effect on the long-term intrinsic worth of our holdings over the next five-to-ten years. As rates begin to subside in 2024 and beyond, we believe the gap between mega-cap stocks and their small to mid-cap counterparts will begin to narrow, fortified by consumer confidence, wages that are not likely to go down, as well as slowing, yet steady long-term economic growth. Despite the continued concentration of the U.S. equity market, our 41 years of patient investing spanning five market cycles–the crash of 1987, the dot-com era, the global financial crisis, the U.S. debt downgrade and the Covid plunge–have taught us the fundamental principles of investing are resilient. We believe the disciplined investor that stays the course and consistently owns differentiated, quality business models with robust balance sheets will outperform in 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 12/31/23, Royal Caribbean Cruises, Ltd. constituted 4.0% of Ariel Fund; Adtalem Global Education, Inc. 3.9%; Jones Lang LaSalle, Inc. 4.0%; Core Laboratories, Inc. 1.9%; Mattel, Inc. 3.1%; and Madison Square Garden Entertainment Corporation 3.4%. 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 1, 1990. 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. 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.

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SLOW AND STEADY WINS THE RACE