

As of September 30, 2023

Performance (%)	Annualized						
	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel International Fund							12/30/2011
AINTX Investor Class	-4.55	2.13	16.78	0.73	0.66	2.39	4.00
AINIX Institutional Class	-4.49	2.33	17.16	1.00	0.91	2.65	4.25
MSCI EAFE Net Index	-4.11	7.08	25.65	5.76	3.24	3.83	6.00
MSCI ACWI ex-US Net Index	-3.77	5.34	20.39	3.74	2.58	3.35	5.06
MSCI EAFE Value Net Index	0.59	9.92	31.51	11.12	2.81	2.98	5.26
MSCI ACWI ex-US Value Net Index	-0.07	8.19	25.17	9.57	2.29	2.58	4.38
Ariel Global Fund							12/30/2011
AGLOX Investor Class	-3.16	4.25	15.64	6.46	3.96	5.65	7.09
AGLYX Institutional Class	-3.09	4.46	15.99	6.74	4.23	5.92	7.36
MSCI ACWI Net Index	-3.40	10.06	20.80	6.90	6.46	7.56	9.00
MSCI ACWI Value Net Index	-1.76	2.42	16.98	9.73	3.97	5.27	6.96

Dear Fellow Shareholder: The U.S. Federal Reserve’s September meeting proved tumultuous for equity markets in the third quarter. Against a backdrop of strong economic and labor growth, the Fed signaled that interest rates would remain “higher for longer,” leaving open the possibility for an additional increase this year and defying market expectations for a series of cuts beginning in 2024. While the concern that a Fed-induced recession would normally favor so-called defensive sectors, rising rates have been a headwind for some slower-growing but high-dividend paying sectors like utilities.

Negative sentiment pushed major equity indices into the red for the month of September and for the third quarter. Ariel International Fund declined -4.55% this quarter, trailing the MSCI EAFE Index, which returned -4.11%. Meanwhile, Ariel Global Fund decreased -3.16%, modestly outperforming the MSCI ACWI Index’s -3.40% return.

In the U.S., economic growth faces headwinds from interest rates, inflation, and political uncertainty, which makes American shares less attractive than those in Emerging Markets as well as in Europe. While U.S. indices have swelled with unbridled enthusiasm for artificial intelligence (AI) this year, we view these current market favorites as highly speculative and outside our focus. That said, some of our U.S. holdings could benefit from a surge in artificial intelligence investments, among other profitable opportunities.

Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes the reinvestment of dividends and capital gains. 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. Any extraordinary performance shown for short-term periods may not be sustainable and is not representative of the performance over longer periods. Performance data current to the most recent month-end for the Funds may be obtained by visiting our website, arielinvestments.com.

Headwinds and Opportunities

Positive data has reduced the likelihood of a hard economic landing in the U.S. in the near term. And yet, the prospect of better economic growth has pushed up the yield on 10-year treasuries to levels not seen since 2007, making a future slowdown more likely. Meanwhile, inflation in developed markets like the U.S. and Eurozone remains above government targets.

Compounding the risk of stagflation is the war between Israel and Hamas, which is unlikely to be short-lived. The conflict could lead to a reduction in the energy supply or simply an extended period of risk priced into the commodity markets—both of which can elevate inflation while slowing growth. Despite these potential challenges, market volatility remains low, and many stocks are still unfazed by the growing threats.

Our largest regional overweight is in Europe, where we mostly own less cyclical businesses selling at attractive valuations. Our overweight to Emerging Markets remains unchanged from last quarter—and will remain in line with our investment guidelines. That said, we believe EM economies offer better relative earnings and GDP growth in the coming years. In many cases, these countries exited the COVID recession later. Persistent slack in EM labor markets and low factory utilization rates should ultimately boost profit margins over time.

Interest Rates Higher for Longer

With interest rates likely to remain higher for longer, we shifted our positioning among European Financials, taking profits in **Deutsche Boerse** (though still retaining a position) while increasing our exposure to **BNP Paribas** and **KBC Group NV**.

We believe Deutsche Boerse has a very strong business model with longer-term growth possibilities. In the current market environment, increasing market volatility is a positive for a stock exchange that can offset the potential of market declines. But on the heels of strong performance, a rising valuation, and a growing position size, we pared back the name given its limited upside relative to other European Financials.

BNP and KBC both offer insurance, asset and wealth management, as well as traditional banking products. Both have better credit profiles, share buybacks, and expense controls than peers. And both outperformed the drag of an ultra-low interest rate environment that is now poised to normalize.

Our Position on Artificial Intelligence

The market has been propelled by a newfound fixation on the potential for artificial intelligence. Although AI models based on predefined rules and patterns have existed for some time, new models called generative AI are likely to be game changing. Generative AI models learn the structure and pattern of data to deliver entirely new outcomes in the form of text, voice, images, and other media. With the cloud presenting vast processing capacity and a huge data repository, generative AI models have the potential to affect all facets of the world economy, much like the Internet over the past 25 years.

That said, AI investments are highly speculative. Unbridled optimism for this new frontier could be problematic—much like the unfortunate end to last century's dotcom bubble. Although we have consciously avoided AI's most visible (and expensive) market darlings, we are contemplating AI's impact on our portfolio holdings in the coming years. In the near term, AI should largely help those companies providing infrastructure to build artificial intelligence services. Later, companies offering professional consulting and software applications to run those services should profit. For example, smartphones started with phone manufacturers, then telecom network operators, and later streaming service providers. Similarly, we think **Microsoft's** Azure cloud business should generate revenues from processing new AI-based workloads. Meanwhile, NetApp's cloud storage business is likely to serve as a data repository for AI-based applications.

Similarly, shortly after the quarter ended, we purchased **Samsung Electronics** in both Funds. We believe the company has a solid underlying business with an underappreciated AI opportunity. Samsung's key profit drivers are semiconductors (primarily computer memory) and mobile phones. And while investors have begun to appreciate the cyclical recovery in the memory industry, Samsung has lagged behind pure-play memory peers Hynix and Micron due to market pessimism related to its smartphone exposure. But this may change as consumers replace old phones, a trend we see likely to begin in 2024.

The company's AI opportunity derives from our belief that Samsung will become a competitive second source supplier of the latest generation of high bandwidth memory (HBM) technology. HBM is a high-speed computer memory interface that achieves greater bandwidth using less power and a smaller form factor than prior memory generations. AI accelerators are boosting demand for HBM, and while Hynix was first out of the gate, Samsung's technology has caught up and offers additional earnings upside. In addition to its memory, smartphone, and AI opportunities, Samsung's current valuation does not reflect any potential upside in its Display (including its market-leading OLED televisions) and Foundry (production of semiconductors designed by others) businesses.

Outlook

Although uncertainty is high and stagflation and recession are not out of the question, we view near-term risks as noise within the context of our long-term investment horizon. As value investors, we prefer to own business models and balance sheets that have the strength to cushion the blow from macro pressures. We have avoided the expensive U.S. market while leaning into undervalued opportunities in Emerging Markets and Europe.

As always, we appreciate the opportunity to serve you and welcome any questions or comments you might have.

Sincerely,



Henry Mallari-D'Auria
Chief Investment Officer
Global and Emerging Markets Equities

Investments in non-U.S. securities may underperform and may be more volatile than comparable U.S. stocks because of the risks involving non-U.S. economies, markets, political systems, regulatory standards, currencies, and taxes. The use of currency derivatives and exchange-traded funds (ETFs) may increase investment losses and expenses and create more volatility. Investments in emerging markets present additional risks such as difficulties in selling on a timely basis and at an acceptable price. 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 the Funds' 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.

As of September 30, 2022, Ariel International Fund's Investor Class and Institutional Class had gross annual expense ratios of 1.28% and 0.93%, respectively. As of September 30, 2022, Ariel International Fund's Investor Class and Institutional Class had annual net expense ratios of 1.13% and 0.88% respectively. As of September 30, 2022, Ariel Global Fund's Investor Class and Institutional Class had gross annual expense ratios of 1.30% and 0.94%, respectively. As of September 30, 2022, Ariel Global Fund Investor Class and Institutional Class had net annual expense ratios of 1.13% and 0.88%, respectively. Currently, expense ratio caps of 1.13% for the Investor Class and 0.88% for the Institutional Class of these Funds are in place to waive fees and reimburse certain expenses that exceed these caps. Ariel Investments, LLC (the Adviser) is contractually obligated to maintain these expense ratio caps through 9/30/24.

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. Views and opinions are as of the date of this commentary and can change without notice. There is no guarantee that any expressed views will come to fruition or any investment will perform as described.

As of 9/30/23, Ariel International Fund held the following positions referenced: Deutsche Boerse AG 8.08%; BNP Paribas SA 4.39% and KBC Group NV 2.56%. As of 9/30/23, Ariel Global Fund held the following positions referenced: Microsoft Corporation 7.53%; Deutsche Boerse AG 3.07%; BNP Paribas SA 2.43% and KBC Group NV 1.54%.

Each Fund's primary index is the first one listed below each respective Fund's performance data. Indexes are unmanaged. Investors cannot invest directly in an index. The MSCI EAFE Index is an equity index of large and mid-cap representation across 21 Developed Markets (DM) countries around the world, excluding the U.S. and Canada. Its inception date is May 31, 1986. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. Its inception date is December 8, 1997. The MSCI EAFE Momentum Index is based on MSCI EAFE Index, its parent index, which includes large and mid cap stocks across 21 Developed Markets (DM) countries excluding the US and Canada. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover. The inception date is December 11, 2013. The MSCI ACWI (All Country World Index) ex-US Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001. The MSCI ACWI ex-US Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Its inception date is December 8, 1997. The MSCI ACWI ex-US Momentum Index is based on MSCI ACWI ex-US, its parent index, which includes large and mid cap stocks across 22 Developed Markets (DM) countries excluding the US. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover. The inception date is December 11, 2013.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The inception date is May 31, 1990. The MSCI ACWI Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. Its inception date is December 8, 1997. The MSCI ACWI Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets countries* and 24 Emerging Markets (EM) countries. Its inception date is December 8, 1997. The MSCI ACWI Momentum Index is based on MSCI ACWI, its parent index, which includes large and mid cap stocks across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover. The inception date is February 15, 2013.

All MSCI Index net returns reflect the reinvestment of income and other earnings, including the dividends net of the maximum withholding tax applicable to non-resident institutional investors that do not benefit from double taxation treaties. MSCI uses the maximum tax rate applicable to institutional investors, as determined by the company's country of incorporation. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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