

Ariel Investments

Performance (%) as of June 30, 2024

Annualized

	QTR	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Fund							11/06/1986
ARGFX Investor Class	-5.64	0.41	5.74	-0.81	7.33	7.02	10.53
ARAIX Institutional Class	-5.55	0.57	6.06	-0.50	7.67	7.35	10.65
Russell 2500™ Value Index	-4.31	1.50	11.24	2.15	8.01	6.77	10.49
Russell 2500™ Index	-4.27	2.35	10.47	-0.29	8.31	7.99	10.34
S&P 500® Index	4.28	15.29	24.56	10.01	15.04	12.86	10.99
Ariel Appreciation Fund							12/01/1989
CAAPX Investor Class	-6.56	-2.76	0.68	-0.72	6.28	5.62	9.74
CAAIX Institutional Class	-6.46	-2.60	1.00	-0.41	6.61	5.96	9.87
Russell Midcap® Value Index	-3.40	4.54	11.98	3.65	8.49	7.60	10.78
Russell Midcap® Index	-3.35	4.96	12.88	2.37	9.45	9.04	10.97
S&P 500® Index	4.28	15.29	24.56	10.01	15.04	12.86	10.51

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 Clients and Friends: 2024 has been a tremendous year for U.S. large cap artificial intelligence-(AI) themed stocks. Meanwhile, the rest of the S&P 500 Index along with their small- and mid-cap brethren have gone unloved. The performance divergence in the most recent quarter was extreme, with the Magnificent Seven¹ accounting for *all* of the S&P 500's +4.28% gain and non-AI companies collectively falling -1.2%.² This narrow, momentum driven rally has left our small, small/mid and mid-cap value portfolios struggling to keep pace.

Big Mo

Momentum is a technical indicator measuring the rate at which a stock price rises and falls over time, typically a twelve-month period. It has been the most pronounced factor driving large cap indices for the year ending June 30, 2024, as evidenced by the S&P 500 Momentum Index's colossal +57.9% return, which was +33.3% higher than the S&P 500 Index's already rich +24.6% gain.

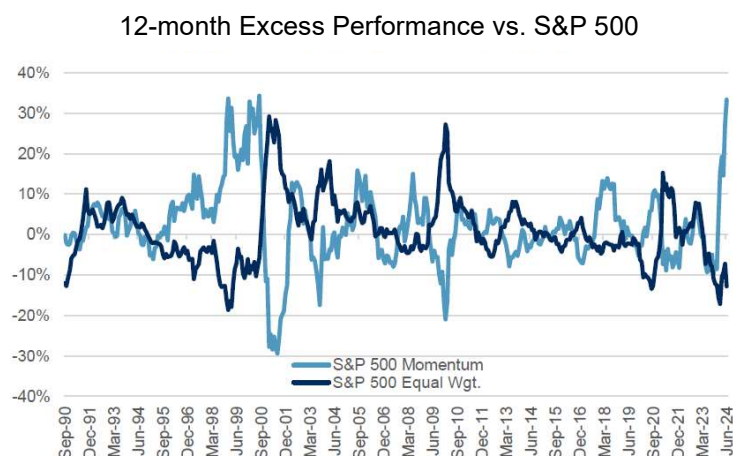
As we wrote last quarter, Sir Isaac Newton's First Law of Motion perhaps best defines this phenomenon. As he explained: "An object at rest, stays at rest and an object in motion, stays in motion . . . unless acted upon by

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

² Sindreu, Jon. "The Second Quarter Split the Market." *The Wall Street Journal*, July 1, 2024, p. B9.

an unbalanced force.”³ If a stock has been trading higher, positive momentum indicates it will stay on its upward course. If a stock is trading lower, negative momentum suggests shares will fall further. In its simplest form, momentum bets recent winners will continue to win and recent losers will continue to lose.

The chart below highlights the trailing twelve-month excess performance of the S&P 500 Momentum and S&P 500 Equal Weight Indices relative to the S&P 500 Index over nearly 35 years.⁴ Recently, momentum’s stark outperformance has reached a level financial markets have not experienced since the dot-com bubble was sucking in all the air in 2000.



The tendency to extrapolate the present into the future may also explain the momentum-driven dominance of large cap growth over small cap value as evidenced by the massive return differential depicted below:

Performance (%) as of 6/30/2024	Annualized					
	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Large Cap Growth	+8.33	+20.70	+33.48	+11.28	+19.34	+16.33
Small Cap Value	-3.64	-0.85	+10.90	-0.53	+7.07	+6.22
Differential	-11.98	-21.55	-22.59	-11.81	-12.27	-10.10

Note: Reflects the Russell 1000 Growth Index compared to the Russell 2000 Value Index

Meanwhile, money pouring into index funds has created a self-fulfilling prophecy. Passive strategies must hold positions with the same weighting as the indices they track without regard for price or fundamental analysis. Therefore, when markets rally, index funds are forced to buy popular and expensive issues like the Magnificent Seven, leaving other areas of the market starved for attention. As The Evidence Based Investor blog noted, “as bull markets run, cap-weighted indexes tend to become more concentrated in a handful of sectors and stocks. These same sectors and stocks tend to account for a disproportionate amount of the market’s gains.”⁵ In a bifurcated market led by a narrow group of names, the most overlooked investment opportunities become even more compelling. Therein lies the silver lining for Actively Patient® investors.

³ Ariel Investments Q1 2024 Portfolio Manager letter.

⁴ Source: S&P Dow Jones Indices LLC and/or its affiliate. Date as of June 28, 2024. Returns in U.S. Dollars.

⁵ Johnson, Ben. “Is market-cap indexing a form of momentum investing.” TEBI. 24 February 2020.

Succession?

In July, small cap value stocks suddenly began to rally while large cap growth and the high-octane technology names—which make up nearly two-thirds of the Russell 1000 Growth Index—stumbled. Although it is early days, some believe, as *Reuters* reported, that “small caps have benefitted from a rotation out of this year’s biggest winners into unloved areas of the market.”⁶ The turnaround is significant—and hopefully not a head fake. “The Russell 2000 Index of smaller stocks beat the S&P 500 over the seven days [July 9th through July 17th] . . . by the largest margin [since] 1986...”⁷ As of July 26, 2024, the Russell 2000 Value Index has outperformed the Russell 1000 Growth Index by 1,550 basis points.

Performance (%) as of 7/26/2024

	MTD
Large Cap Growth	-3.11
Small Cap Value	12.39
Differential	-15.50

Note: Reflects the Russell 1000 Growth Index compared to the Russell 2000 Value Index

Notably, these gains are not based on a significant change in the revenue or earnings profile of small-cap companies. Potential regime changes, which often occur rapidly and unexpectedly, can have immediate impacts on relative performance for concentrated strategies like ours. Our optimism is not rooted in “mean reversion,” although one can hypothesize that such an occurrence is likely to also drive future returns. Instead, our enthusiasm is fueled by several positive indicators.

The first is economic. Softening June inflation data boosted expectations for an interest rate cut before year end. Small-cap stocks typically benefit from lower borrowing costs and the associated economic growth monetary easing can generate. Second, our portfolios remain cheap and even sell at a discount to their value benchmarks. Third, as the valuation gap between the cheapest and most expensive stocks has widened over the last year, we are flush with new ideas. We also continue to have high conviction in our current holdings. Lastly, as *Barron’s* recently noted, any “negative news about adoption of artificial intelligence or disappointing commentary about capital spending by tech companies could spell trouble for Big Tech shares, potentially sending more money into small-caps.”⁸ And although some of the world’s largest tech giants will likely maintain dominance for years to come, we question the price many are willing to pay for growth expectations stretching far out into the future.

While we are encouraged by our recent portfolio gains, we never want to overemphasize short-term results. Whether or not a sustainable shift is in fact underway, we strongly believe the underlying fundamentals are hard to ignore and value will eventually be realized in good businesses. The disciplined investor who consistently owns differentiated, quality business models with robust balance sheets at sound valuations should deliver superior returns over time.

Portfolio Comings and Goings

During the second quarter, we did not initiate any new positions in Ariel Fund. However, we exited manufacturer of building and construction solutions **Simpson Manufacturing Co., Inc. (SSD)** and leading global life sciences company, **Laboratory Corporation of America Holdings (LH)** on valuation.

In Ariel Appreciation Fund, we bought shares in former holding **Middleby Corporation (MIDD)**, which is a leading food equipment manufacturer. Longer term, MIDD’s differentiated brands and focus on innovation should enable the company to benefit from secular demand for more automation and efficiency in the food service industry. We did not exit any positions in Ariel Appreciation Fund during the period.

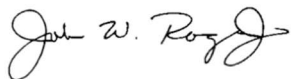
⁶ Krauskopf, Lewis. “Rotation trade takes small caps from dead money to Wall Street darlings.” *Reuters*, 17, July 2024.

⁷ Langley, Karen. “A Stock-Market Rotation of Historic Proportions Is Taking Shape.” *The Wall Street Journal*, 22 July 2024.

⁸ Vanjani, Karishma. “The Smallest Stocks Have Staged an Epic Rally. Here’s What to Do Next.” *Barron’s*, 17 July 2024.

As always, we appreciate your consideration and welcome any questions you might have.

Sincerely,



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



Mellody Hobson
Co-CEO and President

Ariel Update as of July 29, 2024:

We look forward to welcoming our clients and friends to our office at 477 Madison Avenue this fall—***where all Ariel New Yorkers are excited to finally be together in one location!*** As we prepare for the move, our global and emerging markets equities teams will work from home in August and September. We believe this short-term arrangement will ensure all regular and ongoing conversations with portfolio company managements and our clients are uninterrupted. In the meantime, please know we are fully engaged in our relentless effort to grow and protect your money while providing exceptional service along the way. Should you have any questions or need additional information, do not hesitate to contact us.

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. Investing in equity stocks is risky and subject to the volatility of the markets.

Per the Ariel Fund's Prospectus as of February 1, 2024, the Investor Class and Institutional Class had an annual expense ratio of 0.99% and 0.68% respectively. Per the Ariel Appreciation Fund's Prospectus as of February 1, 2024, the Investor Class and Institutional Class had an annual expense ratio of 1.13% and 0.82%, respectively.

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 6/30/24, Ariel Fund's position size, if any, in the above holdings was Simpson Manufacturing Co., Inc. 0.0%; Laboratory Corporation of America Holdings 0.0%; Middleby Corporation 0.00%. As of 6/30/24, Ariel Appreciation Fund's position size, if any, in the above holdings was Simpson Manufacturing Co., Inc. 0.0%; Laboratory Corporation of America Holdings 3.1%; Middleby Corporation 1.00%.

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. Its inception date is November 1, 1991. The Russell 1000® Growth Index measures the performance of the large cap growth segment of the US 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.

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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.

