

Ariel Focus Fund

Quarter Ended March 31, 2025

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 Focus Fund may be obtained by visiting our website, arielinvestments.com. For the period ended March 31, 2025 the average annual returns of Ariel Focus Fund (Investor Class) for the 1, 5, and 10 year periods were +1.50%, +15.37%, and +6.05%, respectively.

Given the significant downturn since the quarter ended, we are closely monitoring the turn of events and assessing the situation daily. As we write, the commentary below reflects our current thinking in this ever-changing landscape.

Most major U.S. indices ended the first quarter of 2025 in the red, with investors fleeing to safety as optimism for another year of U.S. outperformance driven by economic momentum and the new administration's pro-business stance was quickly replaced by tariff fears and policy uncertainty. The Magnificent Seven¹, which drove most of the markets gains over the last three years, led the decline, falling nearly -15%. Value bested growth and large caps held up better than their small cap brethren. International equity markets, led by Europe and China, surged—delivering their strongest quarterly outperformance versus the U.S. in 15 years. Meanwhile, deteriorating confidence and apprehension about a global trade war is fueling recession fears. While Wall Street sits on edge and markets remain erratic, we are actively leaning into the volatility by judiciously acquiring the downtrodden shares of quality companies whose value should be realized over the long term. Against this backdrop, the Ariel Focus Fund traded -3.88% lower in the quarter, short of the Russell 1000 Value Index's +2.14% gain, but ahead of the S&P 500 Index's -4.27% return.

Gold mining company **Barrick Gold Corporation (GOLD)** advanced in the quarter as gold prices soared and investors flocked to safety amidst recession concerns. Strong quarterly earnings results driven by higher gold and copper production further aided shares. Although management delivered cautious 2025 guidance, there are rumors GOLD's prolonged dispute

with the African government of Mali may be nearing an end. Despite ongoing uncertainty, management remains laser focused on upgrading mining operations and broadly improving efficiencies. The company also continues to prioritize capital returns to shareholders via dividends and share repurchases.

Shares of **Chevron Corporation (CVX)** also traded higher in the quarter, following news CVX acquired ~5% of Hess Corporation (HES) stock, reflecting confidence in the completion of its long-awaited acquisition. While an arbitration panel is due to consider the case in May, many signs are pointing to a successful merger which would strengthen CVX's long-term performance and enhance its portfolio by adding world-class assets. We remain confident in the firm's ability to remain a global leader in energy production.

Additionally, leading manufacturer of consumer food products, **J.M. Smucker Co. (SJM)** delivered solid returns over the period. While sales came in below expectations, a significant bottom-line beat and subsequent raise to its FY25 EPS outlook boosted shares. While Hostess remains under pressure, management reiterated its long-term sales target, with near-term focus on stabilizing revenue. The company is implementing a five-pillar plan to improve the brand with marketing investments. Looking ahead, we believe SJM's portfolio of iconic and emerging foods brands, coupled with its broad-based innovation and productivity agenda, supports an attractive total shareholder return opportunity.

In contrast, supplier of residential thermal, comfort and security solutions, **Resideo Technologies, Inc. (REZI)**, declined over the period. Despite strong quarterly earnings

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).



results, shares traded lower on management's relatively cautious market outlook, tariff concerns and higher for longer interest rates. Although 2025 guidance came in above expectations with broad-based growth across product categories and the integration of Snap One synergies running ahead of schedule, management did not disclose the potential impact tariffs could have on the business. That said, the company believes price increases, inventory positioning and running factories at different utilization rates can help mitigate near-term pressure. We believe REZI's earnings potential is underappreciated as the company is entering a new phase of sustainable growth driven by a secular preference for more connected smart home solutions and product innovation.

Manufacturer and developer of laboratory equipment and biological testing, **Bio-Rad Laboratories Inc. (BIO)**, decreased over the period after the National Institutes of Health (NIH) announced significant cuts to its internal funding structure. Management also issued disappointing guidance on continued softness in the biopharma and academic research segments as well as uncertainty in the funding environment. Despite the challenging backdrop, we believe the company offers a solid financial profile, including recurring revenue streams and rising operating profit margins.

Lastly, global leader in enterprise software, **Oracle Corporation (ORCL)**, traded lower alongside the broader technology sector due to macroeconomic uncertainty and in particular, the near-term prospects for artificial intelligence investment (AI) spending. As a result, ORCL reported weaker than expected quarterly earnings results. Nonetheless, management expects double-digit growth for fiscal 2026 and 2027, citing significant demand for its cloud and AI capabilities. This supports our view that ORCL's positioning as the leading provider of database software and cloud-based infrastructure is entrenched, making it a key beneficiary of global demand for generative AI development.

We did not initiate any new positions during the quarter.

By comparison, we exited leading global financial franchise, **Northern Trust Corporation (NTRS)**, to pursue more compelling investment opportunities.

Concerns for slower growth, higher inflation and mounting tail risks amidst tariffs fears and policy uncertainty continue to

stoke recessionary fears. Still, the U.S. labor market remains on solid footing and balance sheets of U.S. financial institutions and households are generally in good shape. We are cautiously optimistic that these factors could protect against a severe downturn. Meanwhile, values are abundant when the investment environment feels the most uncomfortable. With 42 years of experience, we are trained and battle-tested for these moments. We believe bear markets and oversold stocks create ripe buying opportunities for long-term, patient investors. We are diligently evaluating the collapsing prices of stocks on our watchlist versus the long-term value embedded in these companies. In times like these, we believe the worst-case scenario gets priced in providing a margin of safety² to buy and hold our favorite companies with confidence as the market digests the uncertainty. Despite the sell-off, our holdings are statistically cheap—trading at a significant discount to their private market values (PMV)³—also known as intrinsic worth. In the past, dislocations of this magnitude have often served as a prelude to the most robust recoveries.

Investing in equity stocks is risky and subject to the volatility of the markets. 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 Fund invests may never be recognized by the broader market. Ariel Focus Fund is a non-diversified fund and therefore may be subject to greater volatility than a more diversified investment. The Fund is often concentrated in few sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.

As of February 1, 2025, Ariel Focus Fund Investor Class had an annual net expense ratio of 1.00% and an annual gross expense ratio of 1.18%. Currently, an expense ratio cap of 1.00% is in place for the Investor Class to waive fees and reimburse certain expenses that exceed this cap. Ariel Investments LLC (the Advisor) is contractually obligated to maintain this expense ratio cap through 1/31/26. The net expense ratio for the Investor Class does not correlate to the Expense Cap due to the inclusion of acquired fund fees and certain other expenses which are excluded from the Expense Cap.

² Attempting to purchase a stock with a margin of safety does not protect investors from the loss of their investment, volatility associated with stocks, declining fundamentals, external forces, or our incorrect assumptions.

³ Discount to Private Market Value is the percentage discount the portfolio trades at relative to Ariel Investments' internal estimate of the portfolio's private market value (PMV). There is no guarantee that companies we invest in will achieve our PMV or projected future earnings.



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 3/31/25, Barrick Gold Corporation constituted 3.2% of Ariel Focus Fund; Chevron Corporation 4.8%; J.M. Smucker Company 6.3%; Resideo Technologies, Inc. 4.6%; Bio-Rad Laboratories, Inc. 3.2%; Oracle Corporation 4.0% and Northern Trust Corporation 0.0%. 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 Focus 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 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. Its inception date is January 1, 1987. 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.

