

Ariel Investments

Performance as of June 30, 2025 (%)				Annualized			
	QTR	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Focus Fund							06/30/2005
ARFFX Investor Class	4.75	0.68	10.03	8.19	11.62	6.63	6.15
AFOYX Institutional Class	4.86	0.80	10.27	8.45	11.89	6.90	6.33
Russell 1000® Value Index	3.79	6.00	13.70	12.76	13.93	9.19	8.11
S&P 500® Index	10.94	6.20	15.16	19.70	16.64	13.64	10.73

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 Fellow Shareholders: There's an old saying, "If you don't like the weather, just wait—it'll change." Lately, the same could be said about the stock market. After a strong finish to 2024, fueled by optimism around potential tax cuts, a robust M&A environment, and expectations of a business-friendly administration, sentiment quickly shifted. The first quarter of 2025 brought a wave of uncertainty amid headlines suggesting potential tariff increases, forecasts of reduced AI spending, concerns about the health of the U.S. consumer and ambiguity surrounding future interest rate cuts.

Then equities staged a remarkable recovery during the second quarter. The Trump Administration delayed proposed tariffs and reassured investors that Federal Reserve Chair Jerome Powell would remain in his role through the end of his term. By the end of June, U.S. equities were once again approaching all-time highs. However, the rally was relatively narrow, driven primarily by large-cap technology and growth stocks—particularly those tied to artificial intelligence and semiconductors—while broader market participation remained limited.

Our Contributors and Detractors

Ariel Focus Fund gained +4.75% for the three-month period ending June 30, 2025, compared to +3.79% for its primary Russell 1000 Value Index. The Fund trailed the S&P 500 which jumped +10.94% with a giant assist from its hefty, large-cap growth stock weightings. **Oracle Corporation (ORCL)**, **Mosaic Company (MOS)** and **Resideo Technologies, Inc. (REZI)** helped drive our portfolio gains. Meanwhile, our biggest detractors were **J.M Smucker Company (SJM)**, **APA Corporation (APA)** and **Core Laboratories Inc. (CLB)**.

We initiated our position in Oracle Corp. in November 2013 at \$34.70 per share, based on our conviction that its data software business possessed a wide economic moat. Oracle's proprietary technology and the mission-critical nature of its software create high switching costs, making it difficult for clients to move to competitors. At the time, the stock traded at just 11x forward earnings and the company was transitioning from traditional licensing to smaller, recurring subscription sales. While this shift temporarily slowed GAAP revenue growth, it enhanced long-term customer value. We believed the market's short-term focus overlooked Oracle's strong long-term positioning.

Our long-term conviction in Oracle is being rewarded. The company's shares recently reached an all-time high of over \$245 as we go to print, fueled by the prospect of doubling its backlog and a pending \$30 billion annual cloud contract with AI leader OpenAI. Oracle is uniquely positioned to help clients unlock the value of their proprietary data, using embedded AI tools to optimize operations and drive innovation. As we look ahead, we remain confident in Oracle's growth potential—but we also recognize the need to balance that conviction with valuation discipline. Oracle is no longer the overlooked, contrarian investment we identified in 2013. As Warren Buffett once said, selling your winners and holding your losers is "like watering your weeds and cutting your flowers." In that spirit, we expect to trim our position modestly while maintaining meaningful exposure to this well-positioned leader in AI-driven enterprise software.

The second-largest contributor to performance in the second quarter was Mosaic Corporation, which rose +35.88% during the period. Our original investment thesis centered on two key themes: first, Mosaic's potash and phosphate mines are strategically located in the U.S. and Canada; second, rising economic growth in developing countries would increase demand for animal protein, thereby boosting the need for feedstocks like corn and soybeans. With limited arable land, higher crop yields per acre require more fertilizer—directly benefiting Mosaic.

Prior to 2024, Mosaic's margins were under pressure due to aggressive pricing from foreign competitors. That headwind has since turned into a tailwind, as the Trump Administration seeks to expand exports of U.S. goods. The company is now benefitting from favorable trade dynamics as agricultural commodities like soybeans, corn and potash are far easier to negotiate for export—particularly to countries like China—than more complex products such as automobiles or consumer goods. Additionally, management's renewed focus on cost discipline, free cash flow generation and maintaining an investment-grade credit profile—while continuing to return capital to shareholders—further strengthens our conviction. With improved capital allocation and supportive market conditions, we believe Mosaic remains well-positioned for continued outperformance.

After being one of our largest detractors in the first quarter, Resideo Technologies, Inc. rebounded strongly in the second quarter, gaining +24.63% and becoming our third-largest contributor. Spun out of Honeywell in 2018, Resideo is a market leader in home energy control and security systems. Despite its strong competitive position, the company has faced headwinds from a sluggish U.S. housing market. The pace of home construction remains historically low—roughly equivalent to 1961 levels, when the U.S. population was nearly half of what it is today. This supply-demand imbalance has weighed on Resideo's results. However, we believe the company is well-positioned to benefit from a normalization in housing activity. As homebuilding picks up to meet structural demand, we expect Resideo's earnings to recover, supported by its leadership in smart home technology and energy efficiency solutions.

In contrast, J.M. Smucker Company was the largest detractor to performance this quarter, declining -16.28%, primarily due to underwhelming results from Hostess Brands, acquired in late 2023 for approximately \$5.6 billion. Hostess, which accounts for just over 11% of total sales, saw a -14% drop in comparable revenue for the fiscal quarter ending June 30, 2025. While this weakness weighed on overall results, Smucker's core businesses—anchored by strong brands like Uncrustables, Folgers and Jif—continued to perform well. Nevertheless, investor sentiment was further dampened by cautious fiscal 2026 guidance, citing inflationary pressures, rising coffee costs, tariffs and ongoing softness at Hostess. Management remains focused on stabilizing the top-line through SKU and display rationalization and increased marketing investment. Despite near-term challenges, we believe Smucker's diverse portfolio and commitment to innovation position it well for long-term shareholder value.

The second and third largest detractors from performance this quarter were energy holdings, with APA Corporation and Core Laboratories Inc. declining -11.62% and -23.09%, respectively. Our overweight position



in the sector further amplified the impact. While many investors anticipate a rapid transition to renewable energy—driven by the rise of solar power and electric vehicles—we believe this view underestimates the enduring role of oil and gas. Over the next five years, the accelerating adoption of AI is likely to significantly increase global electricity demand, even as the U.S. faces challenges in scaling renewable infrastructure. In this context, natural gas remains a cost-effective and reliable energy source. Additionally, oil and gas will continue to meet the growing energy needs of consumers in emerging markets. Despite these dynamics, some of our highest-conviction energy holdings are being valued as if the sector is in terminal decline.

Although the market continues to favor large-cap growth stocks—which returned +17.84% in the second quarter—we are finding compelling opportunities in smaller-cap value shares, which rose just +4.97% over the same period. Early signs in the third quarter suggest momentum may be starting to shift in our favor. We remain optimistic and well-positioned to benefit as market leadership broadens. Stay tuned.

We appreciate the opportunity to serve you and welcome any questions or comments you may have.

Sincerely,



Charles K. Bobrinsky
Vice Chairman

Investing in equity stocks is risky and subject to the volatility of the markets. Investing in small- and mid-cap companies is more risky and 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 portfolio. The Fund is often concentrated in fewer sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.

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 6/30/25, Ariel Focus Fund held the following positions referenced: Oracle Corporation 5.01%; Mosaic Company 3.98%; Resideo Technologies, Inc. 5.28%; J.M. Smucker Company 4.38%; APA Corporation 3.97% and Core Laboratories, Inc. 1.80%. The 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.

Per the Ariel Focus Fund's Prospectus as of February 1, 2025, the gross expense ratio for the Investor Class and Institutional Class was 1.18% and 0.87%, respectively. Effective February 1, 2014, Ariel Investments, LLC, the Adviser, has contractually agreed to waive fees and reimburse expenses (the "Expense Cap") in order to limit Ariel Focus Fund's total annual operating expenses to 1.00% and 0.75% of net assets for the Investor Class and Institutional Class, respectively, through January 31, 2026. Prior to February 1, 2014, the Expense Cap was 1.25% of net assets for the Investor Class and 1.00% of net assets for the Institutional Class.



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. 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 lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. The inception date of this benchmark is January 1, 1987. Russell® is a trademark of the 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.

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.

