

Ariel Fund

Quarter Ended September 30, 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 Fund may be obtained by visiting our website, arielinvestments.com. For the period ended September 30, 2025, the average annual returns of Ariel Fund (Investor Class) for the 1-, 5-, and 10-year periods were +9.86%, +14.79% and +9.98%, respectively.

U.S. equities advanced meaningfully in the third quarter, propelled by the Federal Reserve's first rate cut of the year, robust corporate earnings growth, and broadening market participation. Investor enthusiasm for artificial intelligence continued to drive outsized gains in technology, particularly among the Magnificent Seven¹, while small caps outperformed as capital rotated into undervalued segments of the market. Despite persistent concerns around tariffs, inflation, and labor market softness, the macro backdrop remained supportive. GDP growth proved resilient, and both consumer spending and core inflation held steady, reinforcing the bullish narrative. Although lingering policy and geopolitical risks may contribute to heightened volatility, investor sentiment remains upbeat; and we continued to view macroeconomic developments through the lens of our long-term investment horizon. Against this backdrop, Ariel Fund increased +12.39% in the quarter, nicely outperforming the +8.17% return posted by the Russell 2500 Value Index but behind the Russell 2000 Value Index's +12.60% gain.

Additionally, live entertainment, media and technology company, **Sphere Entertainment Co. (SPHR)** advanced over the period, supported by strengthening business fundamentals and demand for *The Wizard of Oz*, which continues to outperform expectations. We expect financial results will keep ramping as Sphere scales its concert residencies, launches the capital-light 'Sphere Network' of smaller immersive venues domestically and drives higher utilization across show types. We also anticipate incremental upside from advertising, sponsorship, and suite revenue. Additionally, international expansion plans beyond Abu Dhabi remain a strategic priority. Separately, SPHR owns a 33% stake in Madison Square Garden Entertainment (MSG). The U.S. Department of Transportation announced preliminary plans to redevelop Penn Station in NYC, where Madison Square Garden is located. While the implications for MSG Entertainment are

still unclear, the redevelopment could highlight the underappreciated value of its real estate and air rights. In our view, Sphere's Las Vegas venue and its scalable franchise potential represent a compelling long-term opportunity that remains meaningfully undervalued.

Supplier of residential thermal, comfort and security solutions, **Resideo Technologies, Inc. (REZI)** also advanced driven by strong earnings and a subsequent raise in guidance. Organic revenue, EBITDA and adjusted EPS all exceeded expectations. The company also finalized its agreement with Honeywell, eliminating future financial obligations under their indemnification arrangement. In our view, REZI remains undervalued, with long-term growth supported by rising demand for connected smart home solutions and continued product innovation.

Additionally, shares of **Paramount Skydance Corporation (PSKY)** rose following the completion of its merger with Skydance Media. While linear TV viewership and advertising remain headwinds, PSKY is investing for growth through intellectual property, creators, and sports. Recent strategic moves include exclusive streaming rights for *Ultimate Fighting Champion* (UFC) and *South Park*, and a content partnership with the Duffer Brothers post-Netflix. Media reports also suggest PSKY is preparing a bid for Warner Bros. Discovery. With new leadership in place, the company is expected to reinvigorate its content engine, enhance technology capabilities, and drive operational efficiencies.

By comparison, toy manufacturer **Mattel, Inc. (MAT)** traded lower on mixed earnings, which were impacted by timing shifts in retailer order patterns due to tariff uncertainty while consumer demand remained healthy. Despite macro headwinds, gross margins expanded and EPS topped consensus, reflecting continued progress on profitability initiatives. While 2025 guidance was set slightly below initial

¹ The Magnificent Seven include Nvidia, Alphabet, Meta Platforms, Microsoft, Tesla, Apple and Amazon.com.



expectations, management still expects revenue growth and market share gains. With resilient point of sale, disciplined cost control and active buybacks, we believe the quarter highlights operational momentum. Mattel's ability to monetize its IP through future media projects supports our view that shares remain undervalued.

Distributor of over-the-counter pharmaceutical drugs and products, **Prestige Consumer Healthcare Inc. (PBH)**, also declined following mixed earnings results and a downward revision to full year guidance. Sales were impacted by limited inventory in the eye care segment, but the announced acquisition of Pillar5, a leading sterile ophthalmic manufacturer, is expected to strengthen supply over time. While ophthalmic recovery will be gradual, PBH reaffirmed its free cash flow outlook, supporting continued share repurchases and strategic acquisitions. Outside of eye care, the core portfolio delivered as expected, including gross margin expansion. We believe PBH has room to close its valuation gap relative to peers in the consumer healthcare sector.

Lastly, professional football (soccer) club operator **Manchester United Plc (MANU)** fell during the quarter despite reporting strong fundamentals. The Club delivered better-than-expected top and bottom-line results and raised its full-year outlook, reflecting the benefits of ongoing cost-efficiency initiatives. Strategic investments continue, including the redevelopment of the Carrington Training Complex to enhance player and staff facilities. Discussions are also underway regarding a potential new stadium to support long-term growth in the Old Trafford area. We believe MANU is well-positioned to capitalize on its global brand, driving revenue expansion, attracting top talent, and strengthening its competitive edge. The Club's commercial opportunities across partnerships, sponsorships, and media rights remain compelling, supporting an attractive near- and long-term outlook.

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

As we enter the fourth quarter, U.S. markets are delicately balancing elevated valuations against a backdrop of emerging macroeconomic headwinds. The Federal Reserve's recent rate cut and possibility of further easing provides a measure of support, even as signs of moderating consumer demand and softening labor market dynamics suggest slowing growth. Yet, the underlying resilience of the U.S. economy and continued strength in corporate earnings remain constructive. Investor sentiment continues to be buoyed by AI-driven momentum, though risks tied to market concentration, policy uncertainty, and the ongoing government shutdown may contribute to heightened volatility. In this environment, we remain measured, deliberate, and actively patient—ready to capitalize on dislocations with a long-term lens. Our pro-cyclical

positioning reflects bottom-up conviction in undervalued businesses rather than macroeconomic forecasts. We see compelling value in small-cap equities and select cyclicals, many of which are trading at historically attractive levels. Consensus earnings projections suggest the Russell 2000 Index may outpace the Russell 1000 Index over the next two years², with small caps currently trading at one of the steepest discounts to large caps since the dot-com era.² As the performance gap narrows, we believe our positioning is well-aligned to capture the upside.

Ariel Fund Benchmark Update Effective February 1, 2025: The Russell 2000® Value Index is replacing the Russell 2500™ Index as a secondary benchmark for Ariel Fund because it more closely aligns with certain market sectors in which Ariel Fund invests.

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 Prospectus as of February 1, 2025, the Fund's Investor Class shares had an annual expense ratio of 1.00%.

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 9/30/25, Sphere Entertainment Company constituted 5.8% of Ariel Fund; Resideo Technologies, Inc. 3.0%; Paramount Skydance Corporation 1.0%; Mattel, Inc. 3.6%; Prestige Consumer Healthcare, Inc. 2.7% and Manchester United plc, Class A 2.2%. 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

² Source: FactSet Market Aggregates



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. Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios, lower forecast growth and lower sales per share historical growth. Its inception date is June 1, 1993. 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, an affiliated entity of Ariel Investments LLC. Ariel Distributors, LLC is a member of the Securities Investor Protection Corporation.

