

Ariel investments

Performance as of September 30, 2025 (%)				Annualized			
	QTR	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Focus Fund							06/30/2005
ARFFX Investor Class	20.76	21.58	20.14	18.22	14.56	10.37	7.07
AFOYX Institutional Class	20.87	21.83	20.47	18.53	14.86	10.64	7.25
Russell 1000® Value Index	5.33	11.65	9.44	16.96	13.88	10.72	8.28
S&P 500® Index	8.12	14.83	17.60	24.93	16.47	15.30	11.02

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. Any extraordinary performance over short term periods may not be sustainable and is not representative of performance over longer periods. Performance data as of the most recent month-end may be obtained by visiting our website, arielinvestments.com.

Dear Fellow Shareholders: Ariel Focus Fund enjoyed significant outperformance in the third quarter of 2025, returning +20.76% compared to +5.33% for our primary benchmark, the Russell 1000 Value Index and +8.12% for the S&P 500. On an absolute basis, this gain represents the fourth best quarter in the fund's 20-year history. The Fund also notched its best relative return to the Russell 1000 Value Index in its history.

Year-to-date through September 30, 2025, Ariel Focus Fund gained +21.58%, leading the Russell 1000 Value Index which rose +11.65%, and ahead of the S&P 500's +14.83% return. On the back of the positive third quarter, we are pleased to see Ariel Focus Fund exceed the one-, three- and five-year returns of its primary benchmark.

Performance Roundup

Over the quarter, the returns of the five companies contributing most to our relative outperformance were **Resideo Technologies, Inc. (REZI)** +96%; **Barrick Mining Corporation (B)** +58%; **ZimVie, Inc. (ZIMV)** +102%; **APA Corporation (APA)** +35%; and **PHINIA Inc. (PHIN)** +30%. These companies operate in five different industries: building products, gold and copper mining, dental implants, oil and gas exploration and automotive power trains, respectively—with strong performance reflecting company specific developments.

Table 1: Top/Bottom Five Relative Contributors to Ariel Focus Fund Performance in the Third Quarter

Next Twelve-Month Price-to-Earnings as of June 30, 2025 ³	Company	Next Twelve-Month Price-to-Earnings as of September 30, 2025 ³	3 rd Quarter Return
Top Five Contributors			
10.6x	Resideo Technologies, Inc.	16.1x	96%
12.4x	Barrick Mining Corporation	13.4x	58%
11.0x	ZimVie Inc. ¹	--	102%
5.6x	APA Corporation	7.5x	35%
10.6x	PHINIA Inc.	11.5x	30%
Bottom Five Detractors			
11.8x	Mosaic Company	7.7x	-4%
--	Prestige Consumer Healthcare Inc. ²	12.7x	-4%
9.3x	Schlumberger Limited	9.9x	+3%
12.0x	Core Laboratories Inc. ¹	--	-7%
11.5x	First American Financial Corporation	11.5x	+6%
Indexes			
17.0x	Russell 1000 Value	17.3x	+5%
22.2x	S&P 500	22.9x	+8%

¹Exited ZimVie Inc. and Core Laboratories Inc. in the third quarter of 2025. ²Initiated a position in Prestige Consumer Healthcare Inc. in the third quarter of 2025. ³Forward earnings estimates are sourced from Ariel Investments, except for index multiples, which are sourced from FactSet. Top Contributors and Detractors are ranked by issuer Contribution to Return (%). Contribution to Return (%) is the Ending Weight (%) times the Total Return (%) linked daily for the holding period. The holdings shown do not represent all of the securities purchased, sold or recommended for investors.

Our highest contributing companies began the quarter trading at low P/E multiples on an absolute and relative basis to the benchmark and broad market. Table 1 shows the Ariel estimated forward P/E ratio for our top contributors as well as the FactSet estimated forward P/E ratio for our benchmarks as of June 30, 2025 and September 30, 2025. Given the market's prolonged preference for growth stocks in recent years, the underperformance of low P/E stocks has been frustrating. But in the third quarter, shares of our holdings with low valuations rose when good company specific news came to light.

Resideo was our second biggest position and the largest relative contributor during the quarter. On July 30th, the company announced it would pay \$1.6 billion to settle its \$140 million annual payments to Honeywell International, Inc. We calculate that Resideo can finance this settlement with annual interest expense payments that are nearly \$60 million lower than its previous payment. By our estimate, \$60 million of annual savings for a \$3.3 billion market cap company at the start of the quarter represents at least a 10% increase in value. Simultaneously with the settlement, Resideo announced plans to split into two separate public companies, one focused on products such as Honeywell-brand thermostats, and the other a more classic industrial distribution company.

Resideo raises a topic hotly debated by value investors, namely the role of a catalyst. Skeptics acknowledged the benefit of eliminating the annual Honeywell payment but saw no catalyst. And yet, Ben Graham, widely viewed as the father of value investing, believed buying companies at prices well below their intrinsic value would produce superior returns, even in the absence of a catalyst. Patience is needed and is often rewarded. In the case of Resideo, we are delighted value was realized sooner than expected.

Prior to 2025, mining had been a disappointing investment for Ariel Focus Fund. Barrick's operating difficulties resulted from legal disputes with foreign governments and its stock price trailed significant increases in the price of gold. This year, international trade battles as well as wars in the Middle East and Ukraine, along with more economic uncertainty propelled gold to record highs. On September 16th, Barrick

announced one of the largest gold discoveries in recent history at its Nevada Fourmile project, which is expected to produce 600,000-750,000 ounces of gold annually. This U.S. location was welcome news given the prior difficulties with foreign governments. Although inflationary pressures and global fiscal challenges have led me to be bullish on gold for years, operating challenges made me question if I was right about gold, but wrong about Barrick. Ultimately, Barrick's compellingly low valuation drove my conviction. I am glad I stayed.

Ariel Focus Fund became a shareholder of ZimVie Inc. after its lackluster spinoff from its former parent, Zimmer Biomet in March 2022. The company's two primary businesses, dental implants and spinal surgery products, had little in common. After a post-spin price in the low \$20s, ZimVie's shares drifted lower to \$5.31 by March 2023. Despite the price decline, we were impressed with senior management, particularly CEO Vafa Jamali and CFO Rich Heppenstall. Our confidence was rewarded when the company announced the sale of its spine business in December 2023 and again this past July when ZimVie revealed the rest of the company would be sold for a remarkable 99% premium at \$19 a share. When excellent work by our seasoned health care analyst, Sabrina Carollo, showed the company trading at less than half its intrinsic value, we added modestly to our position earlier this year and benefited from a +102% return in the quarter.

Strong performance over the last three months produced more trading than normal as some holdings moved from large, attractively priced positions to fairly priced and more modest weights. For example, we have taken profits and reduced our holdings in **Oracle Corporation (ORCL)** as its shares have surged +70% year-to-date. A top five holding last September, the name now ranks 20th as of the end of the quarter. In addition to ZimVie, we eliminated our position in **Core Laboratories Inc. (CLB)** and **Bio-Rad Laboratories, Inc. (BIO)**, in order to initiate positions in **Prestige Consumer Healthcare Inc. (PBH)**, **Fiserv, Inc. (FI)** and **Arthur J. Gallagher & Co. (AJG)**. Prestige and Fiserv are held in other Ariel portfolios. Recent price declines have given Ariel Focus Fund attractive entry points. We have admired the Gallagher management team for many years and snapped up falling shares when the company's acquisition of AssuredPartners ran into regulatory resistance.

In the quarter, the two largest detractors from relative performance were **Mosaic Company (MOS)**, which fell -4.29% and Prestige Consumer Healthcare which dropped -4.46% since we initiated a position. Mosaic's performance had been strong in the first six months of 2025 on expectations that it would be a beneficiary of new tariffs since many of its fertilizer mines sit in the U.S. However, investors have grown increasingly concerned that global trade wars will harm American farm customers as demand from China for their corn, wheat and soybeans could decline. Manufacturing problems at the Prestige's Clear Eyes facilities caused it to miss revenue and profit forecasts. We believe these issues are temporary and have been adding to our position on share price weakness since we initiated the position in the quarter.

We continue to believe the best predictor of future absolute performance is starting point valuation. We began the third quarter with a portfolio trading at an average forward P/E of less than 12. After a +20.8% gain, we now hold stocks with an average P/E under 14—lower than the 17x forward earnings P/E of the Russell 1000 Value index and the 23x forward earnings multiple of the S&P 500. As low P/E stocks regain, in our view, their historical place atop the performance tables, we believe we will be well-positioned. That said, as signs of irrational exuberance become more evident, we have shifted from being “cautiously optimistic” to just plain “cautious.”

Sincerely,



Charles K. Bobrinskoy
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 9/30/25, Ariel Focus Fund held the following positions referenced: Resideo Technologies, Inc. 5.38%; Barrick Mining Corporation 4.73%; ZimVie Inc. 0.00%; APA Corporation 4.38%; PHINIA, Inc. 4.77%; Mosaic Company 3.14%; Prestige Consumer Healthcare, Inc. 4.32%; Schlumberger NV 3.86%; Core Laboratories Inc. 0.00%; First American Financial Corporation 2.91%; Oracle Corporation 2.77%; Bio-Rad Laboratories, Inc. 0.00%; Fiserv, Inc. 0.50% and Arthur J. Gallagher & Company 2.53%. 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. 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.

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