

Ariel Fund

Quarter Ended March 31, 2026

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 March 31, 2026, the average annual returns of Ariel Fund (Investor Class) for the 1-, 5-, and 10-year periods were +22.25%, + 5.22% and +9.38%, respectively.

U.S. equities experienced a volatile, risk off start with major indices declining and briefly entering correction territory amid a sharp March selloff. The S&P 500 posted its worst quarterly return since the third quarter of 2022, driven by an escalating Middle East conflict that pushed energy prices higher, disrupted global supply chains and revived inflation concerns. Rising bond yields pressured valuations and accelerated a shift away from the mega-tech leaders toward Energy and more defensive sectors. Expectations for rate cuts waned, weighing on market sentiment despite resilient underlying earnings. Although late quarter headlines suggesting a cease fire sparked a brief relief rally, ongoing uncertainty underscored the value of fundamentals driven investing.

Periods of stress often widen the disconnect between price and value, particularly for companies with sustainable earnings power. Anchored in our private market value discipline—refined over more than four decades and five market cycles—we maintain a patient, long-term perspective, grounded in the belief that durable investment outcomes are achieved through thoughtful ownership of high-quality businesses across full market cycles. We know investment opportunities grow when uncertainty is elevated and risk appetite is limited. Against this backdrop, Ariel Fund declined -1.48% in the quarter, trailing both the Russell 2500 Value and Russell 2000 Value indices, which returned +4.77% and +4.96%, respectively.

Leading global manufacturer of power generation equipment, **Generac Holdings (GNRC)** was the top contributor this quarter as investors looked beyond near-term earnings softness toward the company's long-term growth potential. At investor day, management highlighted a multi-year growth trajectory supported by powerful tailwinds including rising electricity demand, higher power costs, grid reliability challenges and rapid growth in AI and data centers. Generac reaffirmed its 2026 outlook and introduced a three-year plan through 2028 targeting strong revenue growth, margin expansion and nearly 90% EBITDA growth. Strength in the Commercial & Industrial (C&I) segment, fueled by increasing data center and hyperscaler demand and a growing backlog, further boosted

confidence. We believe investors are increasingly recognizing Generac's evolution from a home backup leader to a critical power infrastructure provider. We believe a durable residential base and expanding C&I opportunity driving sustained growth should drive higher margins and strong free cash flow.

Live entertainment, media, and technology company, **Sphere Entertainment Co. (SPHR)** traded higher during the quarter, supported by solid earnings and improving operating fundamentals. Strong demand for *The Wizard of Oz* is driving operating leverage as fixed costs are spread across higher attendance, supporting margin expansion. Momentum continues to build as the company expands concert residencies, broadens its immersive film offering and increases venue utilization. The success of the Las Vegas Sphere has also sparked growing interest from partners to develop additional locations in the U.S. and internationally, including a smaller-format Sphere planned for National Harbor and a larger venue under development in Abu Dhabi. We believe sustained demand for the Las Vegas Sphere, combined with the opportunity to build a global network of Spheres, underpins an attractive long-term growth trajectory for the company.

Additionally, global dental manufacturing leader **Envista Holdings Corp. (NVST)** advanced after beating earnings expectations. Broad-based strength across its businesses and continued market share gains in both specialty products and equipment boosted investor sentiment. In addition, NVST displayed strong momentum in Spark clear aligners, orthodontics, implants and consumables, as well as improved operating leverage that more than offset modest gross margin pressure. Management's outlook reinforced confidence, highlighting sustained momentum, benefits from prior strategic investments and an active new product pipeline. We continue to like NVST given its strong innovation engine, exposure to attractive long-term dental growth categories and ongoing operational efficiencies that support durable margin expansion.



By comparison, toy manufacturer, **Mattel, Inc. (MAT)** detracted from performance during the quarter after reporting weaker-than-expected earnings and guidance amid soft consumer demand. Results were also pressured by tariff uncertainty and elevated promotions, which pinched margins. During the period, management outlined a package of strategic investments aimed at reigniting growth, with a focus on digital gaming, direct to consumer capabilities and brand initiatives that go beyond traditional toys. While these investments are expected to drag down near-term profits, management anticipates they will ultimately generate attractive returns and become self-funding in 2027. Combined with ongoing cost efficiency efforts and a meaningful stock buy-back program, we believe the market is underestimating Mattel's ability to unlock value from its iconic intellectual property through higher margin content, entertainment and brand extensions. In our view, the stock remains undervalued because this long-term monetization potential has yet to be reflected in today's share price.

Shares of **Norwegian Cruise Line Holdings Ltd. (NCLH)** also declined during the quarter after earnings guidance came in below investor expectations. The results reflect a transitional period under new leadership as the company works through residual operational inefficiencies and a higher cost environment, including elevated fuel expenses. Booking trends were uneven, while pricing pressures and economic uncertainty weighed on sentiment. Although we believe recent board changes and increased shareholder engagement are constructive, the market has remained focused on near-term cost and execution risks rather than the longer-term benefits of improving governance and strategic realignment. Importantly, premium brands at the higher end of the portfolio—particularly Oceania Cruises—are showing materially improved booking trends, reinforcing the company's brand strength and pricing power. In addition, Norwegian maintains solid liquidity and continues to make progress reducing debt to investment grade status, an important driver of long-term shareholder value.

Finally, alternative asset manager **Carlyle Group (CG)** traded lower during the quarter as investors weighed ongoing volatility across equity and credit markets against an otherwise constructive long-term outlook. While the firm outlined ambitious three-year financial targets and announced a sizeable share repurchase authorization at its investor day, the guidance largely reinforced longer-dated expectations rather than providing a near-term catalyst. Softer private credit activity amid market uncertainty, coupled with continued investment in platform capabilities, further pressured near-term sentiment. As a result, concerns around timing and earnings visibility outweighed CG's longer-term growth ambitions and shareholder return framework during the quarter.

Also during the quarter, we initiated a position in **Scotts Miracle Gro (SMG)**, a market leader in the U.S. lawn and garden industry. The company benefits from iconic brands, deep retail partnerships and a dominant distribution network, which together provide durable competitive advantages. The steady, recurring nature of the lawn and garden category supports our confidence in the company's ability to de-leverage over time, though management execution remains an area to monitor. Assuming improved stewardship following past missteps, we believe SMG has the potential to become an enduring, Ariel-like franchise and a compelling long-term investment.

By comparison, we sold asset manager, **Janus Henderson Group PLC (JHG)**, on valuation as shares began trading above our estimate of private market value.

We approach the remainder of the year with a measured and increasingly cautious outlook for U.S. stocks. While moderating inflation in select areas and generally resilient corporate fundamentals offer pockets of support, recession risks have risen amid persistent trade policy uncertainty and ever-growing geopolitical tensions. Although job growth remains solid, economic momentum and labor market conditions could soften if tariffs continue and inflation re-emerges. The U.S. consumer continues to show resilience, however, lower- and middle-income households are vulnerable to higher energy prices and broader cost pressures.

Globally, growth remains modest and uneven, with developments in the Middle East creating unforeseen economic shocks. Against this backdrop, we believe narrow large-cap tech leadership heightens the risk of abrupt shifts in sentiment and underscores the importance of selectivity.

In response, we remain disciplined and long-term in our approach, emphasizing bottom-up fundamentals over macroeconomic forecasting. We believe our focus on durable business models, strong balance sheets, capable management teams and leading brands should enable us to navigate near-term uncertainty while capturing upside as market leadership evolves and opportunities broaden.

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, 2026, the Fund's Investor Class shares had an annual expense ratio of 1.01%.



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 3/31/2026, Generac Holdings, Inc. constituted 2.9% of Ariel Fund; Sphere Entertainment Company 3.8%; Envista Holdings Corporation 4.3%; Mattel, Inc. 3.3%; Norwegian Cruise Line Holdings, Ltd. 3.2%; Carlyle Group, Inc. 3.3%; Scotts Miracle-Gro, Co. 2.3% and Janus Henderson Group PLC 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 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 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. 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.

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