Ariel Fund

Quarter Ended June 30, 2024

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 June 30, 2024, the average annual returns of Ariel Fund (investor class) for the 1-, 5-, and 10-year periods were +5.74%, +7.33%, and +7.02%, respectively.

The bull market powered through the second quarter fueled by investor enthusiasm for artificial intelligence (AI) themed stocks. This narrow, momentum-driven, rally helped the S&P 500 eke out a modest gain, even as Mid- and Small-Cap companies declined. The resulting bifurcation has been extreme, as the non-AI companies in the S&P 500 Index lost 1.2%.[1] This limited market breadth likely reflects weakening economic growth and inflation in the U.S. With many investors cautiously optimistic the Federal Reserve will successfully engineer a soft landing, interest rate cuts may be at hand in the coming months. Still, the turmoil surrounding the U.S. election is becoming a new focal point. Although uncertainty is high and volatility will likely remain elevated, we view these risks as short-term noise within the context of our long-term investment horizon. Against this backdrop, Ariel Fund traded -5.64% lower in the quarter, lagging both the Russell 2500 Value and Russell 2500 Indices, which returned -4.31% and -4.27%, respectively.

Some holdings in the portfolio advanced considerably this quarter. Shares of global leader in for-profit education, **Adtalem Global Education (ATGE)**, jumped following a robust quarterly earnings beat, accelerating new student enrollment growth and a subsequent raise in full year guidance. Revenue per student also came in better than expected on tuition increases and higher credit hours. Meanwhile, we remain encouraged by management's solid execution of remediation initiatives at the medical and veterinary schools, where revenue growth outperformed and total enrollment trends are improving. As the number one grantor of nursing degrees in the U.S. and the largest producer of African American MDs, PhDs and nurses in the country, we remain confident ATGE will benefit from the healthcare worker shortage in the U.S.

Global cruise vacation company, **Royal Caribbean Group (RCL)**, advanced on another quarterly earnings beat and subsequent raise in full-year guidance. Stronger than anticipated consumer demand, healthy onboard spend, robust pricing and solid cost containment lifted recent results. Additionally, RCL is benefitting from several new megaships, more island destinations and re-entry into the China market. The resiliency of the core cruise consumer, in combination with management's superior operational expertise and revised earnings outlook, lays the foundation for RCL to exceed its three-year strategic imperative, the Trifecta Program, a year earlier than expected.

Leading provider of automated security solutions **ADT, Inc.** also traded up in the quarter. A top- and bottom-line earnings beat, highlighted by strong growth within the consumer and small business segment, low attrition, an improving payback period and margin expansion aided shares. Meanwhile, ADT sold its commercial business and is winding down its solar business to focus on profitability in the residential sector and pay down debt. We continue to believe ADT's industry-leading brand and national presence, coupled with its Google and State Farm strategic partnerships, position it to be a prime beneficiary of growing demand for smart home technologies, including fully monitored residential security.

By comparison, shares of live entertainment, media and technology company, **Sphere Entertainment Co. (SPHR)** traded down on mixed earnings results, giving back some of its strong first quarter gains. Although residency demand is robust and the venues' original content experience and Exosphere remain popular, some investors expect near-term utilization will slow due to Las Vegas seasonality. Meanwhile, international expansion remains the company's priority, with management suggesting a major announcement soon. Although we believe it will take time for Sphere to reach its

[1] Sindreu, Jon. "The Second Quarter Split the Market." *The Wall Street Journal*, July 1, 2024, p. B9.

full potential, the company is well on its way to having events 365 days a year. It is ramping up the scale of its concert residencies, securing marquee sporting and corporate events, and creating more original content for *The Sphere Experience*. In our view, the new experiential immersive venue in Las Vegas and its potential franchise opportunities alongside the company's two regional sports and entertainment networks present a long-term opportunity that remains meaningfully underappreciated at current trading levels.

U.S. direct-to-consumer pool and spa care services company, **Leslie's Inc. (LESL)**, also underperformed following another consecutive quarterly decline in earnings resulting from soft consumer demand. Importantly, management confirmed a material improvement in traffic and is forecasting an earnings recovery over the second half of the year. Although we have been deeply disappointed with this investment to date, trends have improved as weather conditions normalized. Meanwhile, we believe LESL is truly differentiated by its loyal client base, vertically integrated supply chain, scale advantage and seamless customer experience. At today's valuation, LESL appears to have more upside than downside.

Lastly, global dental manufacturing company, **Envista Holdings Corp. (NVST)**, declined over the period, as the company navigates changes in senior management, weakening demand in North America, sanctions in Russia and pricing pressures in China. Although shares are likely range-bound for the next couple of quarters, the new CEO seeks to assess the long-term earnings power of the business and address its current challenges. Although we have been deeply disappointed with this investment, after a full reassessment, we concluded NVST has multiple opportunities to outperform over the long-term. In our view, NVST should benefit from its rich research and development pipeline, several new products in high-growth dental segments, facility consolidation and previous IT investments. We believe the downside is priced in and we are now evaluating upside return potential.

We did not initiate any new positions in the quarter. However, we exited manufacturer of building and construction solutions **Simpson Manufacturing Co., Inc. (SSD)** and leading global life sciences company**, Laboratory Corporation of America Holdings (LH)** on valuation.

AI-themed stocks continue to dominate markets this year. Escalating geopolitical tensions, the potential timing of the Fed pivot and the outcome of the upcoming U.S. Presidential election also pose risks. As the bull market climbs the proverbial "wall of worry," we consider macroeconomic developments and recent headlines within the context of our long-term investment horizon. We continue to be cautiously optimistic and believe the underlying strength of corporate profits will prove resilient. Consumers are still spending, unemployment remains low and the balance sheets of U.S. financial institutions and households are generally in good shape. As rates begin to subside in 2024 and beyond, we think the gap between mega-cap stocks and their small to mid-cap counterparts will narrow.

Meanwhile, we remain focused on the underlying fundamentals and opportunities market dislocations can provide to long-term, actively patient investors. We strongly believe the disciplined investor that stays the course and consistently owns differentiated, quality business models with robust balance sheets will deliver superior returns over time.

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, 2024, the Fund's Investor Class shares had an annual expense ratio of 0.99%.

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 6/30/24, Adtalem Global Education, Inc. constituted 5.3% of Ariel Fund; Royal Caribbean Cruises, Ltd. 4.4%; ADT, Inc. 3.6%; Sphere Entertainment Co. 3.2%; Leslie's, Inc. 2.8%; Envista Holdings Corp. 2.9%; Laboratory Corp. of America 0.0%; and Simpson Manufacturing Co. Inc. 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. 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, a wholly-owned subsidiary of Ariel Investments LLC. Ariel Distributors, LLC is a member of the Securities Investor Protection Corporation.

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SLOW AND STEADY WINS THE RACE