Ariel investments

Performance (%) as of September 30, 2024				Annualized			
	QTR	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel International Fund							12/30/2011
AINTX Investor Class	**7.56**	**11.03**	**19.60**	**3.90**	**4.83**	**3.71**	**5.14**
AINIX Institutional Class	**7.64**	**11.28**	**19.86**	**4.17**	**5.08**	**3.97**	**5.40**
MSCI EAFE Net Index	7.26	12.99	24.77	5.48	8.20	5.71	7.36
MSCI ACWI ex-US Net Index	8.06	14.21	25.35	4.14	7.58	5.22	6.53
Additional Indexes							
MSCI EAFE Value Net Index	8.89	13.79	23.14	8.94	8.27	4.56	6.56
MSCI ACWI ex-US Value Net Index	9.26	14.40	24.04	7.48	7.78	4.28	5.80
Ariel Global Fund							12/30/2011
AGLOX Investor Class	**6.94**	**11.21**	**19.89**	**7.66**	**8.56**	**6.51**	**8.04**
AGLYX Institutional Class	**7.02**	**11.40**	**20.14**	**7.92**	**8.83**	**6.77**	**8.31**
MSCI ACWI Net Index	6.61	18.66	31.76	8.09	12.18	9.38	10.63
Additional Indexes							
MSCI ACWI Value Net Index	9.42	16.23	26.89	8.49	9.04	6.65	8.40

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 Clients and Friends: The third quarter ended with keen focus on China's surprise economic stimulus announcements and the resulting stock market rally. The People's Bank of China's plans to lower borrowing costs and increase bank lending capacity represented significant policy shifts. On the last day of the quarter, these plans drove a record $372 billion in domestic trading volume. Historically, Chinese stock market rallies are powered by economic stimulus. If policymakers sustain their efforts and China's economy shows signs of a durable recovery, this rally could have room to run.

Macroeconomic forces like inflation and interest rates continued to influence the broad indices, which remain heavily weighted toward AI-driven mega-cap tech stocks. As we witnessed this quarter, interest rate cuts typically boost sectors like Real Estate, Utilities and Financials, with lower borrowing costs fueling demand. However, this time, growth stock valuations did not see the same uplift which is a shift from recent trends.

Against this backdrop, our international and global portfolios outperformed their respective benchmarks during the quarter. Ariel International Fund advanced +7.56% in the quarter, ahead of the +7.26% return of its primary benchmark, the MSCI EAFE Index, but lagging the +8.06% gain of its secondary benchmark, the MSCI ACWI ex-US Index. Similarly, Ariel Global Fund increased +6.94% in the quarter, ahead of the +6.61% return of its primary benchmark, the MSCI ACWI Index, but trailing the +9.42% gain of its secondary benchmark, the MSCI ACWI Value Index.

Portfolio Positioning

Our international and global portfolio construction practices have evolved over the past year, providing more avenues to generate returns. Our portfolio construction enhancements have led to more diverse types of stocks which we believe paves the way for more consistent alpha generation. Previously, downside protection resulted from cash allocations and an overweight in high dividend yielding stocks. Today, we believe our broader diversification will effectively insulate our portfolio during downturns, with certain issuers expected to outperform in challenging environments.

We are increasingly focused on idiosyncratic company risk, where fundamentals have room for significant improvement. We emphasize patience. In our approach to "value with a catalyst," business momentum is a key indicator. And while our beta has marginally increased, the portfolio remains less volatile than the benchmark.

Our research remains the same. We are active, long-term managers who are willing to take a contrarian approach when we believe the market misprices opportunities. We select financially healthy companies trading below their intrinsic worth. We do not chase short-term trends or cyclical plays. Instead, we build positions based on long-term, secular trends. As we seek to have high active share, our portfolios will intentionally differ from our benchmarks.

Ariel Global Fund now consists of 45 names representing at least a 1% weighting or higher. Prior to the change in portfolio manager, the portfolio had 54 stocks with a long tail of 25 names under 1%. To build a higher conviction strategy, we increased our holdings in some existing names such as cybersecurity company, **Check Point Software Technologies, Ltd.**, which has been a top contributor this year. Implementing these portfolio enhancements has also resulted in more new names than typical. Chinese e-commerce company, **JD.com, Inc.**, and Japanese toy maker and video game publisher, **Bandai Namco Holdings, Inc**., are new names that were strong performers this quarter. Meanwhile, other recently added holdings have been detractors, notably **Intel Corporation** whose punishing earnings miss has sparked takeover rumors. Despite this share price sell-off, Intel's expanded collaboration with Amazon Web Services (AWS) validates the company's chip process manufacturing catch-up which is core to our turnaround thesis. **Samsung Electronics Company, Ltd.'s** shares were pressured recently by investor concerns over weak demand in conventional memory. However, we anticipate a sustained upcycle in the memory market, which should support further growth and robust operating profit next year. Additionally, we remain positive on Samsung's diversified business model, particularly its foundry operations, which offers additional paths for growth beyond memory. Despite these gains and setbacks, we believe our portfolios are moving in the right direction.

It is our intention to position the international and global strategies to capture more upside participation while maintaining a defensive tilt to withstand market difficulties. Our increased exposure to cyclically sensitive companies results from individual stock selection rather than broad sector bets. We also maintain relatively low exposure to cyclically sensitive sectors—for example, we are not invested in Materials or Energy based on current valuations, heightened vulnerability to economic cycles and geopolitical tensions, such as trade conflicts.

Electrification Remains the Future of Autos, Despite Some Softness in Regional Sales

Since April, the MSCI World Auto Index has risen +7.22%, in line with the broader market. However, Tesla Inc. surged +49% during that period, while, on average, the rest of the sector has fallen -25%. Although Tesla often grabs the spotlight, we see other success stories playing out in the auto industry over time.

Secular growth is driven by shifts in consumer behavior, not today's economic environment. Nearly one in five cars sold in 2023 was electric, a 35% year-over-year increase. Of the nearly 14 million electric vehicles (EV) manufactured, 95% were sold in China, Europe and the United States.

Half the weight of our auto and truck holdings is in tires, a tech-driven, consolidating sector with expanding margins. Three-quarters of tires are sold in the replacement market, with rising demand for premium EV tires. The manufacturing process is complex, creating high barriers to entry. **Michelin (CGDE)**, the French multinational tire manufacturer, and **Bridgestone Corporation**, the Japanese tire manufacturer, have been top portfolio contributors.

Original Equipment Manufacturers (OEMs) and suppliers are adapting to new powertrain systems. They are also updating supply chains and services to support production of internal combustion engine (ICE) vehicles as well as EVs and hybrids. We have exposure to high-voltage cable/wire suppliers and power semiconductor companies through our positions in Dublin-based automotive technology supplier, **Aptiv plc** as well as German-based semiconductor manufacturer, **Infineon Technologies AG**. We believe these holdings will benefit from changes in the automotive supply chain as OEMs rethink the manufacturing processes of transmissions, exhaust and fuel systems.

Cyclically sensitive holdings, where vehicle replacement can be postponed, have been more volatile during this recent cycle. Since April, **Stellantis NV** and **Daimler Truck Holding AG (DTG)** have underperformed for company specific reasons.

Stellantis shares fell nearly -30% during the quarter after lowering its 2024 profit forecast, citing performance issues in North America and rising competition from Chinese EV makers. Despite short-term challenges such as fluctuating demand, production cuts and labor unrest, we see long-term upside in the company's EV growth strategy. Near-term pressures on profitability do not alter the company's disciplined approach to capacity and pricing. Stellantis continues to streamline operations and improve profitability, positioning itself for a recovery once current headwinds ease.

German-based automotive manufacturing company, **Daimler Truck Holding AG** is closely tied to industrial and commercial activity. Weaker demand in Europe and Asia have contributed to recent revenue declines. However, the North American market showed resilience, with record margins in its truck and bus segments. Battery-electric truck sales surged +69% year-over-year, as Daimler Trucks aims to lead the transition to emission-free, autonomous and connected trucking. Despite near-term challenges, we view DTG as a top-tier manufacturer poised for long-term growth.

Meanwhile, shares of Japanese auto manufacturer, **Subaru Corporation,** have underperformed following production cuts aimed at aligning with current market conditions, alongside offering significant incentives on select models. Investor concerns have grown due to foreign exchange volatility and a weakening macroeconomic environment. Despite short-term challenges, the company's focus remains on strong fundamentals and advancing its electric and hybrid vehicle line-up which should drive future growth.

Looking Ahead

As we head into the final quarter of 2024, geopolitical uncertainties continue to be elevated. We remain laser-focused on stocks that we feel are reasonably priced with less earnings risk. In so doing, we regularly assess potential economic and market drivers, preparing for scenarios that could challenge current market narratives. On this point, we believe AI-exhaustion may be at hand, with a rotation toward other sectors underway. And while our portfolio may benefit when high-valuation AI stocks pullback, this is not the primary focus. We have many stock-specific scenarios which we believe can lead to outperformance. In our view, our international and global portfolios offer significant upside potential. We are forecasting lower valuations and reduced volatility than our benchmark indices, while maintaining comparable growth potential.

Sincerely,

Henry Mallari-D'Auria, CFA®
Chief Investment Officer
Global and Emerging Markets Equities

Investments in non-U.S. securities may underperform and may be more volatile than comparable U.S. stocks because of the risks involving non-U.S. economies, markets, political systems, regulatory standards, currencies, and taxes. The use of currency derivatives and exchange-traded funds (ETFs) may increase investment losses and expenses and create more volatility. Investments in emerging markets present additional risks such as difficulties in selling on a timely basis and at an acceptable price. The intrinsic value of the stocks in which the Funds invest may never be recognized by the broader market. The Funds are often concentrated in fewer sectors than their benchmarks, and the Funds' 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 Ariel International Fund's Prospectus as of February 1, 2024, the gross expense ratio for the Investor Class and Institutional Class was 1.29% and 0.93%, and had an annual net expense ratio of 1.14% and 0.89%, respectively. Ariel Investments, LLC, the Adviser, has contractually agreed to waive fees and reimburse expenses (the "Expense Cap") in order to limit Ariel International Fund's total annual operating expenses to 1.13% and 0.88% of net assets for the Investor Class and Institutional Class, respectively, through January 31, 2025. The net expense ratio for the Investor Class and Institutional Class do not correlate to the Expense Cap due to the inclusion of acquired fund fees and certain other expenses which are excluded from the Expense Cap.

Per the Ariel Global Fund's Prospectus as of February 1, 2024, the gross expense ratio for the Investor Class and Institutional Class was 1.36% and 0.97%, and had an annual net expense ratio of 1.14% and 0.89%, respectively. Ariel Investments, LLC, the Adviser, has contractually agreed to waive fees and reimburse expenses (the "Expense Cap") in order to limit Ariel International Fund's total annual operating expenses to 1.13% and 0.88% of net assets for the Investor Class and Institutional Class, respectively, through January 31, 2025. The net expense ratio for the Investor Class and Institutional Class do not correlate to the Expense Cap due to the inclusion of acquired fund fees and certain other expenses which are excluded from the Expense Cap.

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. Views and opinions are as of the date of this commentary and can change without notice. There is no guarantee that any expressed views will come to fruition or any investment will perform as described.

As of 9/30/24, Ariel International Fund's position size, if any, in the above holdings was Check Point Software Technologies, Ltd. 5.80%; JD.com, Inc. 2.26%; Bandai Namco Holdings, Inc. 4.56%; Intel Corporation 0.00%; Samsung Electronics Company, Ltd. 1.31%; Michelin (CGDE) 6.48%; Bridgestone Corporation 3.29%; Aptiv plc 2.17%; Infineon Technologies AG 2.20%; Stellantis NV 2.00%; Daimler Truck Holding AG 2.88%; and Subaru Corporation 3.04%. As of 9/30/24, Ariel Global Fund's position size, if any, in the above holdings was Check Point Software Technologies, Ltd. 5.48%; JD.com, Inc. 4.58%; JD.com, Inc. ADR 0.31%; Bandai Namco Holdings, Inc. 2.61%; Intel Corporation 1.39%; Samsung Electronics Company, Ltd. 1.91%; Michelin (CGDE) 4.75%; Bridgestone Corporation 1.94%; Aptiv plc 1.28%; Infineon Technologies AG 1.35%; Stellantis NV 1.08%; Daimler Truck Holding AG 1.80%; and Subaru Corporation 1.60%.

Each Fund's primary index is the first one listed below each respective Fund's performance data. Indexes are unmanaged. Investors cannot invest directly in an index. The MSCI EAFE Index is an equity index of large and mid-cap representation across 21 Developed Markets (DM) countries around the world, excluding the U.S. and Canada. Its inception date is May 31, 1986. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. Its inception date is December 8, 1997. The MSCI ACWI (All Country World Index) ex-U.S. Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001. The MSCI ACWI ex-U.S. Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Its inception date is December 8, 1997.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The inception date is May 31, 1990. The MSCI ACWI Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. Its inception date is December 8, 1997. The MSCI ACWI Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets countries* and 24 Emerging Markets (EM) countries. Its inception date is December 8, 1997.

All MSCI Index net returns reflect the reinvestment of income and other earnings, including the dividends net of the maximum withholding tax applicable to non-resident institutional investors that do not benefit from double taxation treaties. MSCI uses the maximum tax rate applicable to institutional investors, as determined by the companies country of incorporation. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.

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