Ariel investments

Performance (%) as of September 30, 2024				Annualized			
	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Small Cap Value Tax-Exempt							09/30/1983
Gross of Fees	**10.34**	**10.36**	**24.98**	**4.32**	**11.17**	**8.68**	**12.33**
Net of Fees	**10.11**	**9.59**	**23.79**	**3.31**	**10.08**	**7.61**	**11.22**
Russell 2000™ Value Index	10.15	9.22	25.88	3.77	9.28	8.22	10.25
Russell 2000™ Index	9.27	11.17	26.76	1.84	9.38	8.78	9.09
S&P 500® Index	5.89	22.08	36.35	11.91	15.97	13.38	11.58
Ariel Small Cap Value Concentrated							04/30/2020
Gross of Fees	**11.33**	**12.68**	**25.81**	**4.19**	**-**	**-**	**16.54**
Net of Fees	**11.09**	**11.87**	**24.59**	**3.16**	**-**	**-**	**15.39**
Russell 2000™ Value Index	10.15	9.22	25.88	3.77	-	-	16.83
Russell 2000™ Index	9.27	11.17	26.76	1.84	-	-	14.30
S&P 500® Index	5.89	22.08	36.35	11.91	-	-	18.55
Ariel Small/Mid Cap Value							12/31/2000
Gross of Fees	**13.14**	**14.00**	**29.71**	**3.96**	**11.97**	**9.90**	**9.60**
Net of Fees	**12.91**	**13.20**	**28.49**	**2.95**	**10.87**	**8.82**	**8.52**
Russell 2500™ Value Index	9.63	11.28	26.59	6.06	9.98	8.47	9.11
Russell 2500™ Index	8.75	11.30	26.17	3.47	10.42	9.49	8.95
S&P 500® Index	5.89	22.08	36.35	11.91	15.97	13.38	8.45
Ariel Mid Cap Value							03/31/1990
Gross of Fees	**10.01**	**7.71**	**19.34**	**4.42**	**9.87**	**8.11**	**11.16**
Net of Fees	**9.78**	**6.96**	**18.21**	**3.40**	**8.80**	**7.05**	**10.06**
Russell Midcap® Value Index	10.08	15.08	29.01	7.39	10.33	8.93	11.21
Russell Midcap® Index	9.21	14.63	29.33	5.75	11.29	10.19	11.35
S&P 500® Index	5.89	22.08	36.35	11.91	15.97	13.38	10.79

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: All major U.S. indices posted gains in the third quarter with the economy demonstrating resilience and forecasters increasingly convinced of a soft landing. With inflation under control and the Fed's interest rate cuts underway, the market remained buoyant. In a leadership reversal, value stocks beat growth shares, small companies outperformed the big guys and Technology sector dominance was dethroned by a broadening rally. Against this shifting backdrop, our small cap and small/mid cap value strategies beat their primary benchmarks. Meanwhile, our mid cap value portfolio lagged its value index while edging ahead of the core.

More is Less

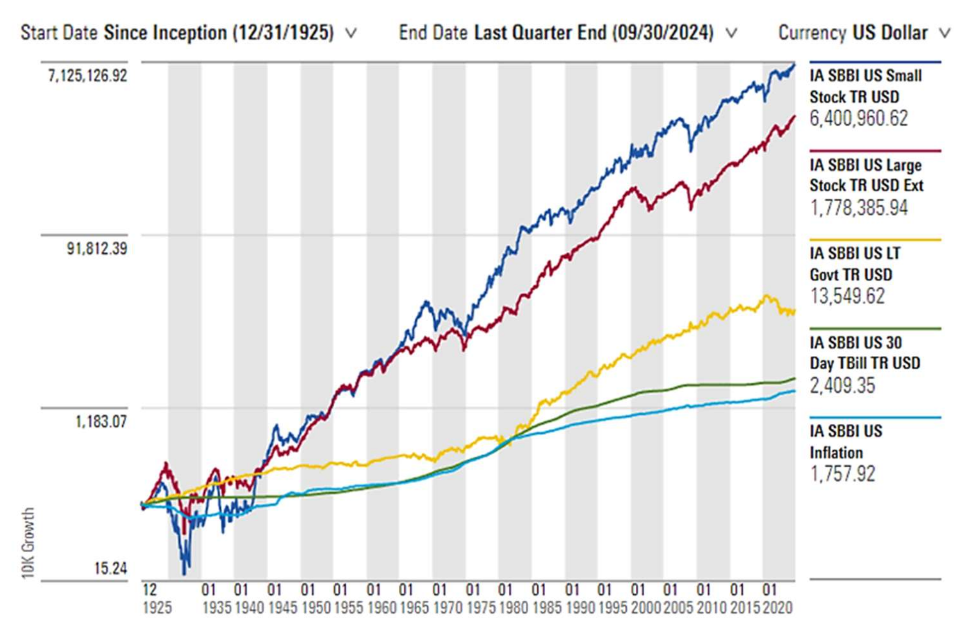
The staggering differential between the returns of large and small companies (as well as their respective growth and value counterparts) has resulted in growing speculation about the future of small cap investing. As natural contrarians, nothing gets us more excited than the "this time is different" crowd re-emerging to ponder the potential demise of a leading asset class that has stood the test of time. We believe the negative sentiment engulfing increasingly orphaned small and mid-cap stocks presents a rare opportunity for long-term investors.

From 1926 through 2010, small cap stocks solidly outperformed large company shares. This result is both logical and unsurprising. For one, math anchored to a smaller base is more significant. To this point, expanding from one location to two represents 50% growth—whereas multiplying from ten to eleven stores represents 10% growth. As companies get bigger, it is harder to grow because incremental progress on a large scale becomes less and less powerful. Meanwhile, sustained advancements on a large scale can be statistically compelling (i.e. Apple) but hard to come by.

As we all know, markets are also efficient. This means the more misunderstood, ignored and underfollowed a name, the more likely its shares can be mispriced. Since smaller companies often fly under Wall Street's radar and big issues generally receive a great deal of investor attention, the probability of finding an undervalued opportunity is higher at the smaller end of the market. This is increasingly true in today's environment where buy side neglect and dwindling analyst coverage of small and mid-cap companies is more pronounced than we have ever seen.

A closer look shows small and large cap leadership has ebbed and flowed since the stock market's modern-day beginnings. But when compounded returns are considered, small cap shares have outperformed all other public equities for over 80 years as depicted below.

Stock Market Performance Since 1926



Source: Morningstar Direct

Sure, there have been periods as recent as the end of the last century when large cap stocks dominated, but nothing compares to the current era that started in 2010 and represents the longest period of small cap underperformance on record. The magnitude and duration of the return disparities are shown on below.

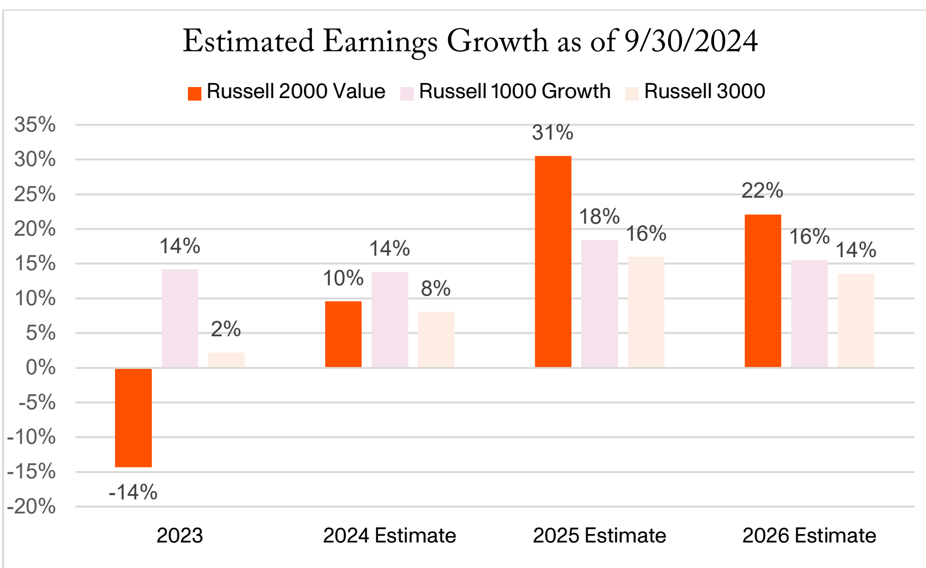
Performance (%) as of 9/30/2024			Annualized			
	YTD	1-Year	3-Year	5-Year	10-Year	Since 2011
Large Cap Growth	+24.55	+42.19	+12.02	+19.74	+16.52	+16.18
Small/Mid Cap Value	+11.28	+26.59	+6.06	+9.98	+8.47	+9.53
Small Cap Value	+9.22	+25.88	+3.77	+9.28	+8.22	+8.71
Small/Mid Cap Value vs Large Cap Growth	*(13.27)*	*(15.60)*	*(5.96)*	*(9.76)*	*(8.05)*	*(6.65)*
Small Value vs Large Cap Growth	*(15.33)*	*(16.31)*	*(8.25)*	*(10.46)*	*(8.30)*	*(7.47)*

Note: Reflects the Russell 1000 Growth, Russell 2500 Value, and Russell 2000 Value Index

Small Time

As the big have gotten bigger, market cap weighted indexes have become excessively concentrated in a few names. As a result, the largest 10% of publicly traded companies represent nearly 82% of the total value of the U.S. stock market[1], the narrowest breadth since the Great Depression[2]. Money pouring into passive index funds and momentum trading exacerbate inefficiencies, creating opportunities for contrarian, fundamental investors like Ariel.

Admittedly it is early days, but the leadership baton may have been passed in the third quarter as market performance broadened beyond the mega-cap tech darlings of the day. Not only did small caps outperform, but there was also a notable shift towards value. With large cap valuations near historic highs, we see a compelling opportunity to invest in a market cohort offering greater return potential for years to come. To this point, large cap growth stocks currently trade at 28.5x earnings compared to a 20-year historical average of 19.2x[3]. Meanwhile, earnings growth for the Russell 2000 Value Index is expected to outpace that of the Russell 1000 Growth Index as well as the Russell 3000 Index over the next two years. This dynamic could ignite a reversal of fortune between market leaders and laggards.



Source: FactSet. Represents the estimated consensus one-year earnings per share expected growth.

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[1] Analysis is based on the ending weight of the largest 10% of the 2,987 names composing the Russell 3000 Index as of September 30, 2024.
[2] Benjamin R. Nastou, CFA, Derek W. Beane, CFA and Johnathan Perlman. "The Other Side of Market Concentration Peaks." MFS. July 2024.
[3] Source: FactSet Market Aggregates

A growing U.S. economy, moderating inflation, modest unemployment and falling interest rates also increase our optimism. Small cap stocks typically benefit from lower borrowing costs and the associated economic growth monetary easing can generate. Furthermore, subdued valuations, strong balance sheets and a hopefully less onerous regulatory environment could set the stage for an acceleration in M&A activity as companies look to boost growth. Additionally, private equity dry powder and their need for portfolio exits could also heighten interest in small and mid-sized companies as the valuation gap between private and public markets eventually narrows.

We have been navigating smaller company markets for nearly 42 years. Today, there is a wide dispersion in the quality of small cap companies with some carrying high levels of debt and/or failing to generate earnings. Contrasting fundamentals could increase volatility, presenting skilled stock pickers with ample opportunity to drive returns. And inevitably, the hefty growth and profitability of the large cap market darlings will moderate. Whether or not a sustainable shift is in fact underway, investing in high quality, differentiated businesses with durable competitive advantages, strong balance sheets and high returns on equity has historically generated strong long-term returns with less volatility.

The cycles of smaller company versus large company sentiment have always come and gone. Periods of extreme dislocation and large cap dominance, while painful, have historically been followed by strong reversals and longer periods of smaller company outperformance. As inefficiencies build and returns are captured, capital will eventually return to the asset class. We believe the strong underlying fundamentals of our portfolios are hard to ignore and bode well for years to come.

Portfolio Comings and Goings

During the third quarter, we initiated a position in **WEX, Inc. (WEX)**, a niche payment solutions provider for the fleet, travel and healthcare benefits industries in our small cap value portfolios. Their unique offerings simplify, protect and analyze payment flows, most notably between fleet owners and fuel stations. Recent headwinds from a travel customer contract renewal as well as lower fuel prices have temporarily depressed near-term earnings growth. We believe these issues to be both overblown and transitory. We are excited to own shares in a market leader in attractive, recurring and high margin functions, poised to benefit from growing payments outsourcing. Meanwhile, we sold waste management services provider **Stericycle, Inc. (SRCL)** on the news of its acquisition. We also successfully exited global manufacturer and supplier of identification solutions and workplace safety products, **Brady Corporation (BRC)**, on valuation.

We did not initiate or exit any positions in our small cap concentrated portfolios. We purchased two positions in our small/mid cap value strategies in the quarter: **Bio-Rad Laboratories Inc. (BIO)**, manufacturer and developer of laboratory equipment and biological testing, and former holding **The Middleby Corporation (MIDD)**, which is a leading food equipment manufacturer. Bio-Rad boasts a solid financial profile, rising operating margins as well as high and recurring revenue streams. It is a classic Ariel stock, offering leading innovative products in a growing global marketplace. Longer term, MIDD's differentiated brands and focus on innovation should enable the company to benefit from secular demand for more automation and efficiency in the food service industry. We successfully exited **Simpson Manufacturing Co., Inc. (SSD)**, a manufacturer of building and construction solutions as well as waste management services provider Stericycle, Inc. on the news of its acquisition.

We did not purchase any new holdings in our mid-cap strategies during the period. However, we sold waste management services provider Stericycle, Inc. on the news of its acquisition.

As always, we appreciate your consideration, and welcome any questions you might have.

Sincerely,

John W. Rogers, Jr.
Chairman and Co-CEO

Mellody Hobson
Co-CEO and President

Investing in small- and mid-cap companies is riskier and more volatile than investing in large cap companies. The intrinsic value of the stocks in which the portfolios invest may never be recognized by the broader market. The portfolios are often concentrated in fewer sectors than their benchmarks, and their performance may suffer if these sectors underperform the overall stock market. A concentrated portfolio may be subject to greater volatility than a more diversified portfolio. Investing in equity stocks is risky and subject to the volatility of the markets.

Past performance does not guarantee future results. Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. Ariel Composite Net of Fees returns are calculated by deducting: (1) for the period from inception to August 31, 2024, the maximum advisory fee in effect for the respective period, applied on a monthly basis; and (2) for the period from September 1, 2024 onwards, the actual monthly advisory fee (on an asset-weighted basis) accrued for the accounts in the composite, using the fee rates in place as of the most recent calendar quarter-end. Gross returns do not reflect the deduction of advisory fees. Client returns will be reduced by advisory fees and such other expenses as may be incurred in the management of the account. Advisory fees are described in Part 2 of Ariel's Form ADV. Returns assume the reinvestment of dividends and other earnings. Returns are expressed in U.S. dollars. Current performance may be lower or higher than the performance data quoted. Any extraordinary performance shown for short-term periods may not be sustainable and is not representative of the performance over longer periods. Ariel's small, small concentrated, small/mid and mid cap portfolios differ from their primary benchmarks with fewer holdings and more concentration in fewer sectors. Effective August 1, 2010, the Ariel Mid Cap Value Composite was redefined to exclude pooled funds due to differences in performance calculation methods. 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 9/30/24, the Ariel Small Cap Value (representative portfolio) position size, if any, in the above holdings was WEX, Inc. 1.55%; Stericycle, Inc. 0.00%; Brady Corporation 0.00%; Bio-Rad Laboratories Inc. 0.00%; The Middleby Corporation 2.82%; and Simpson Manufacturing Company, Inc. 0.95%. As of 9/30/24, the Ariel Small Cap Value Concentrated (representative portfolio) position size, if any, in the above holdings was WEX, Inc. 0.00%; Stericycle, Inc. 0.00%; Brady Corporation 0.00%; Bio-Rad Laboratories Inc. 0.00%; The Middleby Corporation 0.00%; and Simpson Manufacturing Company, Inc. 0.00%. As of 9/30/24, the Ariel Small/Mid Cap Value (representative portfolio) position size, if any, in the above holdings was WEX, Inc. 0.00%; Stericycle, Inc. 0.00%; Brady Corporation 0.00%; Bio-Rad Laboratories Inc. 1.74%; The Middleby Corporation 1.33%; and Simpson Manufacturing Company, Inc. 0.00%. As of 9/30/24, the Ariel Mid Cap Value (representative portfolio) position size, if any, in the above holdings was WEX, Inc. 0.00%; Stericycle, Inc. 0.00%; Brady Corporation 0.00%; Bio-Rad Laboratories Inc. 2.18%; The Middleby Corporation 2.16%; and Simpson Manufacturing Company, Inc. 0.00%.

Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index. The 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 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index, representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Its inception date is January 1, 1984.

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. The Russell Midcap® Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. Its inception date is February 1, 1995. The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. Its inception date is November 1, 1991. The Russell 1000® Growth Index measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium term (2 year) growth and higher sales per share historical growth (5 years). Its inception date is January 1, 1987.

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.

SLOW AND STEADY WINS THE RACE