

Ariel Appreciation Fund

Quarter Ended December 31, 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 Appreciation Fund may be obtained by visiting our website, arielinvestments.com. For the period ended December 31, 2024, the average annual returns of Ariel Appreciation Fund (Investor Class) for the 1-, 5-, and 10-year periods were +6.30%, +6.83%, and +6.13%, respectively.

Markets worldwide defied expectations in 2024 led by the dominating performance of mega-cap technology stocks known as the “magnificent seven.”¹ Even though gains have been concentrated, the results of the U.S. election, strong earnings momentum and a robust labor market drove bullish sentiment. This ebullience extended beyond the equity market: gold delivered its best year since 2010, bitcoin more than doubled and the U.S. dollar neared a 20-year high. Meanwhile, uncertainty surrounding the new U.S. administration's policies and the Federal Reserve signaling slower than anticipated easing in the year ahead drove small cap issues sharply lower in December. Although uncertainty and volatility are likely to remain elevated, the patient investor knows “stock prices trade on fundamentals. And when those solid fundamentals shine through, share prices rise.”² Against this backdrop, Ariel Appreciation Fund decreased -0.53% in the quarter, outperforming the Russell Midcap Value Index's -1.75% return, but lagging the Russell Midcap Index's +0.62% gain. Over the trailing one-year period, Ariel Appreciation Fund traded +6.30% higher, underperforming the Russell Midcap Value Index's +13.07% gain and the +15.34% return of the Russell Midcap Index.

Several stocks in the portfolio delivered solid returns in the quarter. Global investment bank, **Goldman Sachs Group, Inc. (GS)** outperformed on a robust quarterly earnings beat, highlighted by strength across its investment banking, trading and asset management segments. Meanwhile, the U.S. election has been widely viewed as a positive catalyst across the industry. Investors expect the incoming administration to

emphasize deregulation and exhibit a greater openness to business combinations compared to the prior regime. Hence, management's positive commentary around the operating momentum of its core franchises, an improving M&A outlook and the resilience of the U.S. economy sent shares higher.

Leading global financial franchise **Northern Trust Corporation (NTRS)** also advanced following the delivery of strong quarterly earnings results, highlighted by increasing trust fees, solid net interest income growth and margin expansion. Meanwhile, the newly appointed executive leadership team is taking actions to position the firm for profitable growth and greater operational efficiency while continuing to serve the evolving needs of its client base. In our view, NTRS remains a trusted name offering diversified products in a favorable industry with high barriers to entry. We believe Northern's 135-year track record highlights its strength and stability of navigating macroeconomic volatility with a conservative, operating approach.

Additionally, alternative asset manager, **Carlyle Group Inc. (CG)**, traded higher over the quarter following the U.S. election outcome. Hence, management's positive commentary around the expectation for increased capital market activity, fee-related earnings growth, private equity fund appreciation as well as returning capital to shareholders via buybacks sent shares higher. At current levels, we believe CG trades at a healthy discount to our private market value estimate.

Alternatively, shares of **Stanley Black & Decker (SWK)** traded lower on mixed earnings results. Although organic

¹ The “Magnificent Seven” are the largest stocks in the S&P 500 Index driving market performance: Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Alphabet Inc. (GOOGL), Meta Platforms Inc. (META), Microsoft Corp. (MSFT), NVIDIA Corp. (NVDA) and Tesla, Inc. (TSLA).

² Hobson, Mellody and John W. Rogers Jr. “What the Stock market Taught Us This Year: Don't Fall for These Investing Traps.” *Wall Street Journal*, 5 December 2023.



revenue growth declined on lower sales volumes, solid cost containment drove a bottom-line beat. Meanwhile, SWK's transformation initiatives remain on track. The company delivered margin expansion by realizing savings from sourcing initiatives, productivity improvements and cost efficiencies. Though the macroeconomic backdrop remains challenging, management is cautiously optimistic lower interest rates will drive consumer demand. We have conviction in SWK's experienced executive management team and think the balance sheet is well positioned to weather the storm.

Madison Square Garden Entertainment Corp. (MSGE) was another underperformer in the quarter. Despite the delivery of strong earnings results, shares traded lower following a reduction to fiscal 2025 adjusted operating income guidance. The revision was driven by unique circumstances surrounding concert tour cancellations and higher costs associated with bringing sponsorship sales in-house. Nonetheless, with marquee assets such as New York's Madison Square Garden, Radio City Music Hall, Beacon Theatre and The Chicago Theater, we believe MSGE is well positioned to capitalize on strong demand for live entertainment. Additionally, new sales and renewal activity in the company's hospitality business remains robust. MSGE recently announced multi-year sponsorship deals with Lenovo, its subsidiary Motorola Mobility, the Department of Culture and Tourism-Abu Dhabi, as well as a multi-year extension of its sponsorship deal with Verizon. In our view, MSGE's portfolio generates stable cash flow that should enable further deleveraging. At current levels, the company is trading at a significant discount to our estimate of private market value.

Lastly, marketing communication company, **Interpublic Group of Companies, Inc. (IPG)** weighed on results over the period. IPG reported an earnings miss primarily due to several significant recent account losses. Subsequently, Omnicom (OMC) announced plans to acquire IPG in an all-stock deal. We believe this strategic combination will create value for both groups of shareholders by combining highly complementary data and technology platforms as well as enabling new offerings.

Also in the quarter, we re-initiated our position in retail drugstore operator, **Walgreens Boots Alliance Inc. (WBA)** following the wash sale period for tax loss selling. Recent news reports suggest there is potential interest by a PE firm to take WBA private. We believe the strategic value of WBA's nationwide footprint and future growth opportunities has substantial upside at today's valuation. We did not exit any positions in the quarter.

We believe the U.S. economy looks healthy and expect corporate profits to prove resilient. Although interest rates will likely settle at a higher structural level compared to the past decade and potential policies around tariffs and immigration

present uncertainty, we think market friendly policies such as tax cuts and deregulation should support the broadening of the market beyond the Magnificent Seven. Once the performance gap between mega-cap stocks and smaller company counterparts narrows, our portfolios should be rewarded. We strongly believe the disciplined investor that stays the course and consistently owns differentiated businesses with solid competitive positioning and robust balance sheets will deliver superior returns over time.

Investing in 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 Appreciation 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.

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.

Per the Fund's Prospectus as of February 1, 2024, the Fund's Investor Class shares had an annual expense ratio of 1.13%.

As of 12/31/24, Goldman Sachs Group, Inc. constituted 3.6% of Ariel Appreciation Fund; Northern Trust Corporation 3.7%; Carlyle Group, Inc. 3.0%; Stanley Black & Decker, Inc. 2.2%; Madison Square Garden Entertainment Corporation 2.3%; Interpublic Group of Companies, Inc. 2.9%; and Walgreens Boots Alliance, Inc. 0.5%. 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 Appreciation 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 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



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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.



Ariel Investment Trust

c/o U.S. Bank Global Fund Services

P.O. Box 701

Milwaukee, WI 53201-0701

800.292.7435

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