THE PATIENT INVESTOR

DECEMBER 31, 2024

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Ariel Fund
Ariel Appreciation Fund

As of December 31, 2024

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

Mellody Hobson
Co-CEO and President

Average Annual Total Returns (%)

	Quarter	1-Year	3-Year	5-Year	10-Year	Since Inception*
Ariel Fund Investor Class	-0.66	11.80	1.68	8.56	7.62	10.70
Ariel Fund Institutional Class	-0.57	12.15	2.00	8.90	7.95	10.81
Russell 2500 Value Index	-0.26	10.98	3.81	8.43	7.80	10.61
Russell 2500 Index	0.62	12.00	2.39	8.76	8.85	10.46
S&P 500 Index	2.41	25.02	8.94	14.52	13.10	11.07

* The inception date for Ariel Fund is 11/06/86.

Average Annual Total Returns (%)

	Quarter	1-Year	3-Year	5-Year	10-Year	Since Inception*
Ariel Appreciation Fund Investor Class	-0.53	6.30	0.98	6.83	6.13	9.87
Ariel Appreciation Fund Institutional Class	-0.46	6.62	1.29	7.16	6.46	10.00
Russell Midcap Value Index	-1.75	13.07	3.88	8.59	8.10	10.86
Russell Midcap Index	0.62	15.34	3.79	9.92	9.63	11.10
S&P 500 Index	2.41	25.02	8.94	14.52	13.10	10.61

* The inception date for Ariel Appreciation Fund is 12/01/89.

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. Any extraordinary performance shown for short-term periods may not be sustainable and is not representative of the performance over longer periods. Performance data current to the most recent month-end for Ariel Fund and Ariel Appreciation Fund may be obtained by visiting our website, www.arielinvestments.com.

Dear Clients and Friends:

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]

> "In our view, higher quality companies with sustainable, profitable growth and robust balance sheets will be the drivers of future outperformance."

For the quarter, Ariel Fund declined -0.66%, falling shy of both the Russell 2500 Value and Russell 2500 Indices, which returned -0.26% and +0.62%, respectively. 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 Fund increased +11.80%, outpacing the Russell 2500 Value Index's +10.98% return and just short of the Russell 2500 Index +12.00% gain. Ariel Appreciation Fund traded +6.30% higher over the trailing one-year period, underperforming the Russell Midcap Value Index's +13.07% gain and the +15.34% return of the Russell Midcap Index.

Roaring 1920s

A century ago, after World War I, the 1918 flu pandemic and U.S. recession of 1920-1921, the world enjoyed an economic, cultural, social and technological boom, later immortalized as the "Roaring Twenties." Remarkable advancements including electrification, automobiles, mass production, movies and radio communication had a profound effect on people's lives. The U.S. economy was further supercharged by a consumer credit boom spurred by the introduction of stock margin loans and the rise of installment buying. The widespread availability of credit fueled corporate growth and boosted the labor sector. Our modern consumer culture emerged during the age of speakeasies, jazz, flappers and liberal spending on everyday household items such as washing machines, vacuum cleaners and refrigerators. Between 1921 and 1929, the U.S. experienced an astounding +43% increase in GDP and the stock market soared to unprecedented heights. "It was the biggest bull stock market in U.S. history, when you factor in inflation…the real total return for the Standard & Poor's Composite Index (an S&P predecessor), including dividends, from September 1919 to September 1929 averaged 20 percent a year… implying a sixfold increase in real value over the decade."[3] However, this period of economic prosperity and financial exuberance came to a stunning and abrupt end when the stock market crashed in October 1929, marking the beginning of the Great Depression.

Eerie Similarities of the 2020s

Some find the potential parallels of today's steadily growing economy, era of consumerism, robust stock market returns and improving productivity driven by technological innovation—on the heels of the Covid-19 pandemic and related economic contraction from global lockdowns—obvious. Major technological advancements, coming along at an exponentially faster pace, including internet expansion, smartphones, 5G connectivity, social media, 3D printing, the cloud and artificial intelligence (AI) are transforming lives today. Yet, we remain in the early innings of the AI revolution in terms of adoption and integration. Meanwhile, human behavior remains the same. People are spending money on food, travel, experiences, clothes and technology. They are investing. Day traders armed with FinTech apps and message boards are leveraging their collective scale to "crowd fund" random stocks. Meanwhile, rising valuations for speculative investments, such as cryptocurrencies and non-fungible tokens (NFTs) are placing head-scratching value on any and all things digital. The stock market's rise since 2022 has been equally stunning. Driven by the powerful technology sector, the S&P 500 jumped +25.0% in 2024 returning its second consecutive annual gain of more than 25% for only the fifth time over the past 100 years.[4] However, this rare back-to-back occurrence masks the extreme bifurcation between the narrow ascent of the magnificent seven throughout 2023 and 2024; and the +14.8% annualized return delivered by the remaining stocks in the S&P 500 over the same period. With the resemblance to the original Roaring 20s seemingly palpable, many question if we can enjoy the party without suffering a similar hangover.

[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.
[3] Shiller, Robert J. "Looking Back at the First Roaring Twenties." The New York Times. 16 April 2021.
[4] Rotblut, Charles. "Stock Market History After Back-to-Back 20% Gains." American Association of Individual Investors, 9 January, 2025.

Will History Repeat Itself?

"Not coincidentally, the beginnings of many bubbles are found in periods of profound innovation that have the potential to structurally boost growth…[although] valuation extremes alone do not end bull markets."[5] Valuations may dislocate from fundamentals and appear expensive, but history suggests they can remain elevated for extended periods of time.

Figure 1: The Running of the Bulls from FDR to DJT

Start	End	Length (mo)	Return	% Gain/mo
6/1/1932	3/10/1937	58	324%	5.6%
3/31/1938	11/0/1938	7	62%	8.9%
4/11/1939	10/25/1939	7	27%	3.8%
4/28/1942	5/29/1946	50	158%	3.2%
6/13/1949	8/2/1956	87	267%	3.1%
10/22/1957	12/12/1961	50	86%	1.7%
6/26/1962	2/9/1966	44	80%	1.8%
10/7/1966	11/29/1968	26	48%	1.8%
5/26/1970	1/11/1973	32	74%	2.3%
10/3/1974	9/21/1976	24	73%	3.0%
3/6/1978	1/6/1981	35	59%	1.7%
8/12/1982	8/25/1987	61	229%	3.8%
12/4/1987	7/16/1990	32	65%	2.0%
10/11/1990	3/24/2000	115	417%	3.6%
10/9/2002	10/9/2007	61	101%	1.7%
3/9/2009	2/19/2020	133	401%	3.0%
3/23/2020	1/4/2022	22	114%	5.2%
10/13/2022	???	26	65%	2.5%
	Avg (ex. Current)	50	152%	3.3%

Source: Bloomberg, Evercore ISI Research

And with large cap valuations trading at nosebleed levels—even if things get more volatile—small, small/mid and mid cap equity valuations are not over-amped and would have less far to fall in a market decline. To this point, large cap growth stocks currently trade at 28.9x earnings compared to a 20-year historical average of 19.3x.[6]

Meanwhile, the Russell 2000 Value Index currently trades at 17.2x compared to a 20-year historical average of 16.8x[7]; and its earnings growth is expected to outpace the Russell 1000 Growth Index as well as the Russell 3000 Index over the next two years. This dynamic suggests it may finally be time to celebrate earnings expansion and broaden the party to stocks beyond the world's largest tech giants.

Opportunities Ahead

The new U.S. administration's promise for tax reform and less regulation presents upside for capital markets and earnings growth in the years ahead. Small cap stocks typically benefit from lower taxes and borrowing costs as well as the associated economic growth monetary easing can generate. Furthermore, subdued valuations, strong balance sheets and favorable credit conditions could set the stage for an acceleration in M&A activity as companies look to boost growth. A growing U.S. economy, moderating inflation and falling interest rates alongside a strong labor market, healthy household spending and borrowing as well as greater business investments further increase our optimism. Meanwhile, the government and Federal Reserve have proven to be far more adept in delivering a soft landing than their predecessors.

These positive indicators appear consistent with an economy that is still expanding. And while our industry exposures are an outcome of our investment process, we continue to lean further into our power alleys—Consumer Discretionary, Financials and Industrial companies—where demand is closely tied to an improving economic cycle.

Risk Factors

As the business cycle matures, we look for inflection points that could signal increasing risk in the economy and stock market. Although the majority of economic indicators suggest the bull market still has room to run, escalating geopolitical tensions, rising deficits, stubborn inflation, trade tariffs, tax reform, immigration restrictions and unpredictable monetary policy pose risks. We expect these uncertainties will likely result in greater volatility and widening dispersion of returns in 2025, creating opportunities for active managers with focused expertise to shine. In our view, higher quality companies with sustainable, profitable growth and robust balance sheets will be the drivers of future outperformance. As such, we remain mindful of valuations, earnings growth and liquidity in the context of economic conditions, consumer sentiment and global events. The Roaring Twenty-Twenties are here. But it is important to remember, booms cannot last forever.

[5] Emanuel, Julian, et al. "2025 Through the Roaring '20's." Evercore ISI. 15 December 2024.
[6] Source: FactSet Market Aggregates

[7] Source: FactSet Market Aggregates

Portfolio Comings and Goings

We continue to exercise patience and "not unlike everyday consumers, we believe the best values are currently to be had in our own 'closet.'"[8] Although Ariel Fund did not add any new holdings in the quarter, Ariel Appreciation Fund re-initiated a 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

As always, we appreciate the opportunity to serve you and welcome any questions or comments you might have.

Sincerely,

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

Mellody Hobson
Co-CEO and President

People Update

Effective February 1, 2025, we will be changing the lineup of portfolio managers for our Mid-Cap Value Strategy and Ariel Appreciation Fund. Founder, Chairman, Co-CEO and Chief Investment Officer, John W. Rogers, Jr. is passing the baton to our next generation leaders. Longtime co-portfolio manager on Ariel's Mid-Cap Value Strategy and Ariel Appreciation Fund, Timothy Fidler, CFA will be joined by tenured co-portfolio manager on Ariel's Small Cap Value and Small Cap Value Concentrated strategies, Kenneth Kuhrt, CPA. We l believe this leadership change will yield fresh perspectives in our mid-cap area. Both individuals have proven track records as co-portfolio managers working alongside John, and while Tim will continue to create continuity for the strategy, we are excited to provide Tim and Ken the opportunity to demonstrate what they can do together on behalf of our clients and shareholders. Meanwhile, John is committed to being at Ariel for the long-term and remains focused on serving as Chief Investment Officer and managing our small cap value, small cap value concentrated and small/mid cap value portfolios.

[8] Hobson, Mellody and John W. Rogers Jr. "Leveraging Uncertainty" *The Patient Investor*, 24 October 2022.

Ariel Focus Fund

As of December 31, 2024

Charles K. Bobrinskoy
Vice Chairman

Average Annual Total Returns (%)

	Quarter	1-Year	3-Year	5-Year	10-Year	Since Inception*
Ariel Focus Fund Investor Class	-1.19	13.48	3.28	7.37	6.24	6.28
Ariel Focus Fund Institutional Class	-1.12	13.73	3.54	7.64	6.50	6.45
Russell 1000 Value Index	-1.98	14.37	5.63	8.68	8.48	8.00
S&P 500 Index	2.41	25.02	8.94	14.52	13.10	10.68

* The inception date for Ariel Focus Fund is 06/30/05.

Dear Clients and Friends:

In the fourth quarter, Ariel Focus Fund outperformed the Russell 1000 Value Index, marginally falling -1.19% versus -1.98% for its primary benchmark. For the full year, Ariel Focus Fund increased +13.48% compared to +14.37% for the Russell 1000 Value.

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. Any extraordinary performance shown for short-term periods may not be sustainable and is not representative of the performance over longer periods. Performance data current to the most recent month-end for Ariel Focus Fund may be obtained by visiting our website, www.arielinvestments.com.

Smaller with More Value

Over the course of the year, the smaller market capitalization of our portfolio versus the benchmark as well as our smaller weighting in growth stocks penalized our results during a time when large cap stocks continued to crush small cap issues and growth continued to trounce value.

As an "all cap" portfolio, Ariel Focus Fund can buy value across the cap ranges. We do this for three reasons. First, there has been consistent evidence in academic literature of a "small cap effect" in which smaller companies have outperformed larger companies over long investment horizons. Explanations for this effect are varied but include: less sell-side research resulting in less efficient pricing of small cap stocks; more difficulty in maintaining growth rates for large companies due to "the law of large numbers," and reduction in the primacy of shareholder interest in governance as companies become large. In our view, there is much more focus on "stakeholder interest" in large companies rather than the primacy of "shareholder interest" in smaller companies.

Likewise, the "value anomaly" in which value stocks have beaten growth stocks has been well documented in the financial literature. Fama and French were among the first of many to show how companies trading at low multiples of earnings and/or low percentages of accounting net worth tended to outperform. We acknowledge the recent reversal of this effect, with growth outperforming value since the Great Financial Crisis of 2008-2009, has been larger and lasted longer than we would have expected.

We also own more small cap value stocks than the benchmark, because our investment process is centered on purchasing companies whose shares are trading at discounts to our calculation of intrinsic value. Generally, we are finding more of these companies in the lower end of the market cap range and among value stocks. At Ariel, our daily Buy/Sell chart ranks our portfolio holdings from highest discount to intrinsic value to lowest. At year-end, eight of the ten portfolio companies trading at the highest discount to intrinsic value, or what we call Private Market Value ("PMV"), have a market capitalization of less than $10 billion. These eight companies were trading at discounts to PMV of 33-48% compared to an average discount of 21.8% for the entire portfolio. Conversely, the five companies at the bottom of our Buy/Sell chart, trading much closer to our calculation of intrinsic value, have a market cap above $10 billion—four exceed $100 billion in market cap.

Just as our valuation analysis points to smaller companies, we are also finding more opportunities in cheaper stocks versus more expensive growth alternatives. Of the nine companies we own trading at the largest discount to intrinsic value, five have price/earnings (P/E) ratios of 11x or less, essentially half of the 21.6x P/E ratio of the S&P 500. Mohawk Industries Inc. (MHK), BorgWarner Inc. (BWA), Mosaic Company (MOS), APA Corporation (APA) and new holding Schlumberger Limited (SLB) all trade at prices 11x or less our calculation of their next twelve-month earnings. We are finding value in value.

Trimming Winners

At the end of 2024, we face a conundrum common to value managers. Some of our favorite and largest holdings have performed well and are now approaching our calculation of intrinsic value. Goldman Sachs Group, Inc. (GS) rose +51.8% last year and was the second largest contributor to performance behind Oracle Corporation (ORCL). Goldman went from selling for one time book value in 2023 to 1.8x book in November of 2024. Readers of past letters will recall my grandfather's adage to "Buy 'Em at one and Sell 'Em at two." Buy a good bank at one time its book value; sell at two times book. It is much easier to earn a good return paying market value for a collection of a bank's marketable securities, than to earn a good return paying two times the market value. After 2024's strong performance, and with my grandfather's wisdom echoing, I am likely to reduce our Goldman position this year.

"Just as our valuation analysis points to smaller companies, we are also finding more opportunities in cheaper stocks versus more expensive growth alternatives."

Oracle Corporation presents a similar challenge. It has been one of our largest holdings over the last several years and best performers—surging +59.7% over the last year. In September of 2022, Oracle was my favorite stock in the technology sector, trading at 11.7x forward earnings. Since artificial intelligence (AI) is fundamentally about analyzing data, companies looking to implement AI will be analyzing their own internal, proprietary data. For many of the largest companies in the world, that data sits on Oracle platforms. Accordingly, we believe Oracle is well-positioned to develop AI applications to analyze this data that is also difficult for companies to move to other providers, giving Oracle a sustainable competitive advantage.

The market has come to agree with us with the stock now trading at 25.2x forward earnings. Although, we still believe Oracle is well-positioned for the AI future and will enjoy strong earnings growth, ours is no longer a contrarian position. Like Goldman Sachs, Oracle is still a great company that no longer trades at a great price. These days, both Goldman and Oracle are great companies trading at fair prices. We will continue to own smaller positions in both.

Buying Oversold Stocks

While Oracle and Goldman Sachs were the largest positive contributors to performance, the three largest detractors in 2024 were commodity, energy or materials companies. APA Corporation declined -33.3%, Mosaic Company lost -29.0%, while Barrick Gold Corporation (GOLD) fell -12.2%. With the possible exception of 2022 when oil prices spiked with the Russian invasion of Ukraine, commodity stocks have generally been disappointing investments for Ariel Focus Fund. As we have discussed in past letters, our investment in these companies is based on two ideas. First, high inflation will favor companies with hard assets such as oil, natural gas, gold and/or fertilizers. Second, global demand for energy, food and precious metals will increase while production and transportation costs will be driven higher by environmental regulations.

Thus far, demand for oil and gas continues to rise as developing countries increase their standard of living. Meanwhile, more fertilizers are used as diets improve with more food production. Gold's reputation as an inflation hedge combined with growing jewelry demand have led to record prices. Despite these favorable trends, APA, Barrick Gold and Mosaic shares have lagged.

Although commodity stocks remain very much out of favor, we will continue to buy what others are selling.

As always, we appreciate the opportunity to serve you and welcome any questions or comments you might have.

Sincerely,

Charles K. Bobrinskoy
Vice Chairman

Ariel International Fund
Ariel Global Fund

As of December 31, 2024

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

Average Annual Total Returns (%)

	Quarter	1-Year	3-Year	5-Year	10-Year	Since Inception*
Ariel International Fund Investor Class	-5.11	5.36	0.92	2.75	3.43	4.62
Ariel International Fund Institutional Class	-5.07	5.63	1.15	2.99	3.68	4.87
MSCI EAFE Net Index	-8.11	3.82	1.64	4.73	5.20	6.52
MSCI ACWI ex-US Net Index	-7.60	5.53	0.82	4.10	4.80	5.75
MSCI EAFE Value Net Index	-7.12	5.68	5.88	5.09	4.31	5.82
MSCI ACWI ex-US Value Net Index	-7.31	6.04	4.37	4.50	4.07	5.07

* The inception date for Ariel International Fund is 12/30/11.

Average Annual Total Returns (%)

	Quarter	1-Year	3-Year	5-Year	10-Year	Since Inception*
Ariel Global Fund Investor Class	-3.66	7.14	4.41	6.45	6.17	7.57
Ariel Global Fund Institutional Class	-3.57	7.42	4.67	6.73	6.43	7.84
MSCI ACWI Net Index	-0.99	17.49	5.43	10.06	9.23	10.33
MSCI ACWI Value Net Index	-4.71	10.76	4.61	6.42	6.24	7.83

* The inception date for Ariel Global Fund is 12/30/11.

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. Any extraordinary performance shown for short-term periods may not be sustainable and is not representative of the performance over longer periods. Performance data current to the most recent month-end for Ariel International Fund and Ariel Global Fund may be obtained by visiting our website, www.arielinvestments.com.

Dear Clients and Friends:

The fourth quarter global stock market was dominated by crowded trades in U.S. mega-cap tech, as investors stayed focused on the artificial intelligence (AI) boom. Across the pond, caution prevailed in Europe with the Stoxx Europe 600 posting its worst quarter in two years amid rate uncertainty and concerns over potential inflationary policies from the incoming U.S. administration. Meanwhile in the Pacific, China's economy ended the year sluggishly, with September's stimulus efforts losing momentum and consumer spending recovery remaining elusive.

In 2024, extreme market trends intensified, with U.S. equities returning +25.08% in the MSCI All World Index compared to +6.09% for ex-U.S. stocks (gross returns in USD). This gap was propelled by a stronger dollar and concentrated market leadership, with eight stocks accounting for half of the Index's performance.

Against this backdrop, Ariel International Fund led its primary benchmark for 2024 full year. Over the trailing one-year period, Ariel International Fund rose +5.36%, outperforming the MSCI EAFE Index's +3.82% return, but slightly lagging the +5.53% gain posted by the MSCI ACWI ex-US Index. Ariel Global Fund earned +7.14% over the trailing one-year period, underperforming the +17.49% gain posted by the MSCI ACWI Index and the +10.76% return of the MSCI ACWI Value Index.

Navigating Global Stocks is a Case for Active Patience®

In 2024, stocks had a good year—local currency returns were above long-term real return averages everywhere. Yet, U.S.-based investors faced diminished gains on foreign investment assets as the U.S. dollar continued to strengthen. This was especially pronounced in the fourth quarter when international stocks were flat in local currency, but U.S.-based investors experienced a decline of 8% in USD.

As of 12/31/2024	QTD			1 Year		
	USD	LOCAL	difference	USD	LOCAL	difference
MSCI EAFE–Net Return	-8.1	-0.6	-7.5	3.8	11.3	-7.5
MSCI Europe–Net Return	-9.7	-2.9	-6.9	1.8	7.8	-6.0
MSCI Japan–Net Return	-3.6	5.9	-9.5	8.3	20.7	-12.4
MSCI USA–Net Return	2.7	2.7	0.0	24.6	24.6	0.0
MSCI EM (Emerging Markets)–Net Return	-8.0	-4.4	-3.6	7.5	13.1	-5.6
MSCI China–Net Return	-7.7	-7.0	-0.7	19.4	19.5	-0.1

LOCAL= In local currency
Source: FactSet

On a relative basis, Ariel International Fund outperformed in a flat market environment, reflecting the intention of our portfolio enhancements, particularly on a risk-adjusted basis. This year, our stock selection has been driving performance and relative risk, not defensiveness. We are taking steps that we believe pave the way for more consistent alpha generation by holding a broader, more diverse range of stocks with idiosyncratic company-specific risks, sized for impact and with fundamentals poised for significant improvement.

Ariel Global Fund performance was disappointing as a handful of stocks declined. We remain confident that our research and investment process, which is showing results in Ariel International Fund, will also work for Ariel Global Fund.

Our robust research process is delivering differentiated insights, with many of our new names outpacing the benchmark. We remain bullish on free cash flow and dividends for Dubai real estate development company, **Emaar Properties PJSC**. Within financials, regional Italian bank, **Banca Monte dei Paschi di Siena SpA**, performed well as the market began to recognize its improved balance sheet and profitability. And as we expected, the eventual impact of GLP-1s on chronic kidney disease will not be felt until the next decade—leading to gains in German-based, **Fresenius Medical Care AG** compared with a pullback in leading GLP-1 provider, Novo Nordisk.

Some of our top 2024 contributors pulled back this quarter. **Michelin (CGDE)**, the French car-parts manufacturer cut its guidance for the year due to weaker demand resulting from high interest rates. Near-term pressures related to sales volume and downcycle for specialty tires caused the stock to decline. We pared back our holding size following a strong contribution earlier in the year and still, we have high conviction in our investment thesis for long-term secular trends that will continue to increase demand for premium tires. **Sanofi**, the French pharmaceutical company, performed poorly due to U.S. election concerns and potential harm to vaccine manufactures. We see a stable outlook for the company, believe the immunology pipeline is being overlooked and see blockbuster potential for Dupixent in the newly approved COPD indication.

Shares of e-commerce company, **JD.com, Inc.**, fell in response to overall Chinese consumer discretionary pessimism. Our reduction of **Baidu, Inc.** and shift toward JD.com during 2024, benefitted the portfolio, with JD.com shares rising 47% since inception, well ahead of the overall Chinese market's return of 24.7% over the same period.

The U.S. market has done extremely well over the last year, widening the gap with peers around the world. So yes, being underweight U.S. equities and, as a result, underweight the U.S. dollar, may be seen as a significant headwind for our global portfolio. But our stock selection within the U.S. was the main issue. As we hedged our USD weight closer to the benchmark, currency had negligible impact on our relative performance. The bulk of our shortfall came from two positions, **Intel Corporation** and **CVS Health Corporation**, both experiencing company-specific issues leading to a bumpy ride. We have re-assessed these holdings and see 2025 as a pivotal year for recovery. Intel and CVS are companies where management is taking decisive and transparent action to enhance shareholder value, with company boards activated; we see upside potential from here.

We believe that better performing U.S. stock holdings will result in outperformance, not increasing country weight. In a scenario where investors believe the U.S. economic outlook improves, the portfolio is well-positioned to participate. Several holdings, while based outside the U.S., also have substantial exposure to the U.S. economy. In fact, our global portfolio is close to its benchmark in terms of U.S revenue exposure.

Intel Is Primed for a Renaissance

There is no denying 2024 was an exceedingly difficult year for Intel. As the company posted the biggest loss in its 56-year history, its shares fell -60%. While part of the sell-off comes from market share losses in the Central Processing Unit (CPU) space and the broader industry pivot toward AI-focused Graphics Processing Unit (GPU) chips for data centers, the bigger issue for Intel has been its foundry business.

The company's strategy to build out a world-class foundry business has been slow to show results, with a current annualized $10B loss in this division. For the stock to perform well, investors will need more signs that the foundry business is on the path to achieving profitability.

2025 is expected to be a pivotal year for the company. And, while technology transitions are notoriously difficult, we see several signs which suggest that Intel may be in the process of regaining ground after falling behind. As an early adopter of ASML's newest capital equipment, we see strong odds of Intel achieving profitable production yields in leading edge node manufacturing sooner than competitors. We believe today's share price assumes there is *almost no chance* of success in the foundry business. There is significant upside if investors start to price *at least some* chance of success.

There are two key indicators we are monitoring as part of our investment thesis—factors that could also prompt us to reassess our strategy.

1) **Launch of Intel 18A needs to work.** The 18A process is poised to play a pivotal role in the company's foundry business. This advanced node aims to deliver competitive performance and power efficiency, making it an attractive offering for other potential foundry customers. By achieving leadership in process technology, 18A could position Intel as a credible alternative to Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC).

   We believe recent partnership announcements with Amazon to co-invest in custom chips and Apollo's stake in Intel's Semiconductor Co-Investment Program is an additional vote of confidence on Intel's turnaround process—i.e., long-term investors recognizing the potential value of Intel's assets.

2) **Wafer Insourcing needs to rise.** Intel has big launches in areas where it has strong competitive advantages, PC and CPU industry. In the PC market, Intel's plans to launch Panther Lake in the second half of 2025 should bring most of its manufacturing back in-house (after outsourcing productions to TSMC)—reducing the company's reliance on external foundries.

   Management also stated wafer insourcing is expected to be a key driver to profitability for Intel's foundry business. The most performance-critical portions of Panther Lake will leverage the Intel 18A process—enabling the company to manufacture competitive chips with a cost-effective structure.

Notably, Intel has locked down billions in grants from the CHIPS act to support its manufacturing efforts. We expect the company to benefit from the Trump administration given its strategic importance to U.S. technological independence. It is possible this support could be aimed at boosting domestic chip production. Intel's foundry division may also see stronger demand, particularly as companies look to rely on U.S. suppliers to avoid potential tariffs.

Intel's longstanding market position and much-anticipated CEO search should catalyze a stock price rally. We estimate more than 100% upside if we are right on our base case scenario—$185B of value on sum-of-the-parts basis versus $95B market cap currently. There could be further upside of $250B in total value if foundry executes according to our bull case scenario. While we see meaningful upside to downside in the shares, the wide ratio of outcomes leads us to maintain a 2% average position in Ariel Global Fund.

Looking Ahead

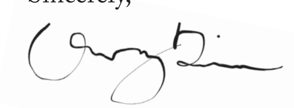
As we step into 2025, the global economy is navigating a transformative era boosted by powerful forces such as the rise of artificial intelligence, acceleration toward net-zero emissions and geopolitical fragmentation. In this evolving landscape, our focus remains on stock-specific scenarios rooted in fundamental growth and long-term secular trends like semiconductors, cybersecurity and electrification. We are not swayed by short-term market fluctuations or boom-and-bust dynamics.

Global and international stocks, which can include significant exposure to U.S. revenues, are trading at a discount relative to U.S. stocks. This offers solid investment opportunities at attractive valuations for long-term investors. Over the past two years, there is a growing dependence on U.S. stocks to drive global returns, raising concern about potential overdependence on its sustained performance. With the S&P 500 trading near record-high valuations (price to forward earnings), robust earnings growth will be critical to more appreciation.

While our portfolio may benefit from U.S. stocks pulling back, it is not our primary focus. We have many stock-specific scenarios which we believe can lead to outperformance. We believe our international and global portfolios offer significant upside while maintaining downside protection.

As always, we appreciate the opportunity to serve you and welcome any questions or comments you might have.

Sincerely,



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

Andrew Pon, CFA®
Vice President
Research Analyst, Global Equities

Endesa (ELE SM) is a leading Spanish vertically integrated utility, operating power generation, an extensive electric distribution network and a robust gas and electricity retail business. In the near-term, the company anticipates owning 10.2 GW of net capacity and overseeing a regulated asset base valued at €11.4 billion. Endesa also plans to serve 6.7 million power customers. The company's integrated business model positions it to deliver stable earnings while supporting Spain's energy transition goals.

New Regulations Spark Utility Investments

Spain's Ministry for the Ecological Transition has set ambitious targets in the National Integrated Energy and Climate Plan (PNIEC), aiming for aggressive renewable energy goals that will require significant investment across Endesa's business lines. We believe the company's regulated business could see higher returns compared to historical levels. This adjustment is expected as regulators account for higher risk-free rates when setting authorized return levels, which we envision will rise from the current 5.58% to 6.50-7.00%.

Vertical Integration Dampens Risk, Enhances Financing

While industry-wide changes should allow Endesa to enhance returns and further solidify its leadership in Spain's energy transition, its integrated utility model also presents shortcomings. Endesa's exposure to wholesale power prices, which are closely linked to natural gas prices, introduces potential challenges. We believe the market underestimates the possibility that natural gas prices could decline more rapidly than expected. Several factors could contribute to downward pressure on European natural gas and wholesale power prices, including:

- The outcome of the U.S. election, which may reduce permitting delays for the commercialization of U.S. liquefied natural gas (LNG) export facilities.
- Potential tariffs on the EU or China that could lower gas demand.
- A possible resolution of the Russia-Ukraine conflict.

Valuation and Risk Profile

As of December 31, 2024, Endesa trades at a two-year forward price-to-earnings (P/E) ratio of 10.9x. While this valuation remains attractive, we believe the balance of potential future catalysts has shifted. In our view, the upside potential from regulatory improvements is largely offset by downside risks associated with commodity exposures. Given the less favorable risk-reward profile, we reduced our position and reallocated the proceeds to more compelling opportunities.

J.M. Smucker Company

Founded in 1897, **The J.M. Smucker Company (SJM)** is headquartered in Orrville, OH and produces some of America's most beloved consumer products. The company's market-leading brands, such as Folgers Coffee, Jif peanut butter and now Twinkies, are found in nearly 90% of U.S. households. More recently, the company has faced challenges since its acquisition of Hostess last year. Market sentiment suggested the purchase conflicted with its strategy to focus on fewer brands in winning segments. As natural contrarians, we viewed it as an opportunity to enter a highly attractive snacking business. Meanwhile, the company's legacy business, which accounts for approximately 85% of its revenue has been expanding. Innovations such as Uncrustables have contributed to this growth with volumes increasing by more than 14% year-over-year.

Hostess with the Mostest

For several years now, CEO Mark Smucker has been on a journey to simplify and streamline the portfolio of brands. He divested several non-core businesses to focus all financial and human capital on the areas in which Smucker "has the right to win." Consequently, all legacy businesses are experiencing improved volumes—an uncommon trend among U.S. food manufacturers—which is reflected in the stock price that peaked in mid-2023 and declined sharply after the Hostess acquisition.

Hostess manufactures beloved snacking products such as Twinkies, Donettes and Ho Hos. The price and timing of the transaction led to skepticism about the company's less acquisitive nature moving forward. In our opinion, the deal has top- and bottom-line benefits that, if realized, will turn the transaction accretive. Current valuations reflect a pessimistic scenario for Hostess and skepticism around the turnaround strategy for the brand.

Pablo Torrado
Research Analyst, Domestic Research

Expecting a Sweet Comeback

Hostess, the sweet baked goods manufacturer, represents approximately 15% of the business but exerts a disproportionate amount of pressure on the stock. Smucker acquired the Donettes manufacturer in 2023 for a hefty sum, justified as an incursion into the snacking industry. The transaction gave Smucker access to the highly attractive snacking business and convenience stores, where its core brands were underrepresented. We believe the synergistic opportunities for sales and profits are real, and the strategic rationale for the acquisition is valid. From a long-term perspective, we remain confident Smucker can revitalize Hostess and leverage its brand-building abilities.

Other Externalities

When factoring in the potential changes under the new administration, the proliferation of GLP-1 drugs, healthier eating habits and the rise in green coffee prices, some investors are staying on the sidelines. We believe these to be transitory and highly speculative. To date, Smucker and its food peers have not seen an impact on financials attributable to GLP-1 drugs. Meanwhile, the food industry has adapted and reformulated to fulfill customer and regulatory needs. Coffee has historically been a pass-through category, where Folgers is the leading brand. We maintain our position that coffee, PB&J and Twinkies will continue to be consumed for years.

A Patient View

Over the long term, we think the Hostess brand complements the existing portfolio and will be successful. In our opinion, top- and bottom-line synergies are achievable. Above all, we remain confident Smucker has powerful leading brands that can stand the test of time. The company still generates strong cash flows, and at current prices, we believe the worst is already reflected in the stock. As of December 31, 2024, shares closed at $110.12, a 31% discount to our estimated private market value of $158.45.

redeia

Andrew Pon, CFA®
Vice President
Research Analyst, Global Equities

Redeia (RED SM) is a global operator of essential infrastructure. The company owns and operates Spain's high-voltage electric transmission network, ensuring reliable electricity transport from generation to distribution networks. Redeia also manages grid stability to support increasing demand. Additionally, the company operates regulated utilities in Latin America, as well as a fiber optics enterprise and a satellite communications business—all of which contribute to cash flow generation. Redeia's portfolio of assets in electric infrastructure not only underscores its strategic positioning as a leader in the energy transition but highlights Redeia's instrumental role in shaping a sustainable and innovative energy future.

Regulations Powering Progress

We anticipate Redeia will be a key beneficiary of upcoming regulatory changes in Spain, which may include higher authorized returns, faster capital recovery mechanisms and upgraded benchmarking for cost efficiencies. These improvements are expected to incentivize Redeia to invest more in its regulated asset base and augment the portfolio of assets that drive returns. These investments are critical as Spain aims for 81% renewable power generation by 2030, positioning Redeia at the forefront of the nation's ambitious decarbonization efforts.

Fueling Greater Investment Capacities

Redeia distinguishes itself among European regulated utilities due to its healthy balance sheet. As of September 2024, the company boasts a TTM FFO (Trailing Twelve Months Funds From Operations)/Net Debt ratio of 21.8%, which measures a company's ability to cover debt with its operational cash flow. The company also holds an A- credit rating from both Fitch and S&P. Redeia's strong financial position enables it to increase investments with minimal reliance on equity capital markets, thereby more effectively translating regulated asset expansion into higher earnings per share and dividend growth. Furthermore, we think Redeia's balance sheet capacity is underappreciated since the company could unlock additional levers by either accepting a credit downgrade or refining the business mix by selling its satellite communication business. These strategic options could reduce the company's credit downgrade threshold, emphasizing its ability to maintain and bolster profits.

As of December 31, 2024, Redeia trades at a two-year forward price-to-earnings (P/E) ratio of 14.7x, which we believe undervalues the company's risk-adjusted earnings and dividend growth potential compared to its peers. Importantly, we attribute Redeia's profitability to essential investments in modernizing the grid for enhanced renewable energy integration and to meet rising demand from data centers and electric vehicles. From our vantage point, its financial strength and long-term opportunities position Redeia to deliver ongoing value to shareholders.

Royal Caribbean Group

Kenneth E. Kuhrt, CPA
Executive Vice President
Portfolio Manager, Ariel Fund

Royal Caribbean Cruises Ltd. (RCL) was founded in 1968 and is now the second-largest cruise line in the world. The company operates under the Royal Caribbean International, Celebrity Cruises and Silversea Cruises brands as well as through joint ventures with TUI Cruises and Hapag-Lloyd Cruises. Altogether, Royal Caribbean owns 68 ships with a total passenger capacity of over 157,000 berths sailing to approximately 1,000 global destinations on all seven continents. Their presence will expand with the delivery of six new ships.

Trifecta Goal Achieved

In 2022, Royal Caribbean provided the market with longer-term guidance through its Trifecta Program, which is focused on achieving three important financial goals by 2025: triple-digit profitability per available passenger cruise days (APCD), double-digit earnings per share and a return on invested capital (ROIC) in the teens. The company not only exceeded those expectations but did so 18 months ahead of schedule. Royal Caribbean now expects to earn adjusted earnings per share above $11.50 in 2024, compared to guidance under the Trifecta plan of above $9.50 per share. This is the second time in the company's recent history that it set ambitious goals and surpassed expectations in a short period of time.

Turning the Corner: Balance Sheet Out of Deep Waters

Royal Caribbean's balance sheet was notably strained during the pandemic shutdown. However, leadership has successfully stabilized it through cost discipline and impressive revenue growth over the past few years. These actions have resulted in the company achieving investment-grade characteristics only a few years after the challenging COVID shutdown of the cruise industry. The resiliency of the core cruise consumer, in combination with management's superior operational expertise and revised earnings outlook, lays the foundation for Royal Caribbean to sustain its powerful growth trajectory and strengthen its position as a leader in the global cruise industry.

Sunny Isles

One of the best investments for Royal Caribbean has been the creation of Perfect Day at CocoCay in the Bahamas. The company has transformed a small island into one of the most desired travel destinations in the Caribbean. CocoCay now boasts seven beaches, 14 waterslides, nine dining spots, private cabanas, ziplines and much more. Following the success of Perfect Day at CocoCay, Royal Caribbean announced the development of additional private vacation destinations including Royal Beach Club Paradise Island (opening December 2025), Royal Beach Club Cozumel (opening 2026) and Perfect Day Mexico (opening 2027). Additionally, the company is benefitting from younger demographics who are "new-to-cruise." The investments they are making are expected to offer attractive, enhanced experiences that travelers of all ages will desire in the future.

Running a Tight Ship

Jason Liberty (CEO) and Naftali Holtz (CFO) have continued to demonstrate that they are some of the best executives in the industry. They outperformed competitors by commanding the capital structure during the COVID shutdown and streamlined the cost structure during the resumption of the business afterwards. Viewed as two of the most trusted leaders in the cruise industry, the market reacts to their perspectives on Royal Caribbean's future prospects and how the industry as a whole will fare over the next several years.

As of December 31, 2024, shares traded at $230.69, an 8% discount to our growing private market value of $251.36.

Our Portfolio Managers

Ariel Fund

John W. Rogers, Jr.
Lead Portfolio Manager

Kenneth E. Kuhrt, CPA
Portfolio Manager

John P. Miller, CFA®
Portfolio Manager

Ariel AppreciationFund

John W. Rogers, Jr.
Co-Portfolio Manager

Timothy Fidler, CFA®
Co-Portfolio Manager

Ariel Focus Fund

Charles K. Bobrinskoy
Portfolio Manager

Ariel International Fund | Ariel Global Fund

Henry Mallari-D'Auria, CFA®
Lead Portfolio Manager

Micky Jagirdar
Portfolio Manager

Vivian Lubrano
Portfolio Manager

Important Disclosures

Risks of Investing in the Funds

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 their performance may suffer if these sectors underperform the overall stock market. Equity investments are affected by market conditions. Ariel Fund, Ariel Appreciation Fund and Ariel Focus Fund invest in small and/or mid-cap companies, which is riskier and more volatile than investing in large cap stocks. Ariel Focus Fund is a non-diversified fund and therefore may be more volatile than a more diversified investment. Ariel International Fund and Ariel Global Fund invest in foreign securities and may use currency derivatives and ETFs. Investments in foreign securities may underperform and may be more volatile than comparable U.S. stocks because of the risks involving foreign economies and markets, foreign political systems, foreign regulatory standards, foreign currencies and taxes. The International and Global Funds' use of currency derivatives and ETFs may increase investment losses and expenses and create more volatility. The International and Global Funds' investments in emerging markets present additional risks, such as difficulties selling on a timely basis and at an acceptable price.

Specific Stocks Held by the Funds

In this report, we candidly discuss specific stocks held by the Funds. Our opinions are current as of the date they were written but are subject to change. We want to remind investors that the information in this report is not sufficient on which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security.

Please Read the Funds' Prospectuses

Investors should consider carefully the investment objectives, risks, and charges and expenses before investing. For a current summary prospectus or full 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 summary prospectus or full 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.

Information about the Funds' Indexes

Indexes are unmanaged. An investor 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. Inception of this benchmark is July 1, 1995. This index pertains to Ariel Fund.

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. Inception of this benchmark is June 1, 1990. This index pertains to Ariel Fund.

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. The inception date of this benchmark is February 1, 1995. This index pertains to Ariel Appreciation Fund.

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. The inception date of this benchmark is November 1, 1991. This index pertains to Ariel Appreciation Fund.

The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. The inception date of this benchmark is January 1, 1987. This index pertains to Ariel Focus Fund.

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. This index pertains to Ariel Fund, Ariel Appreciation Fund and Ariel Focus Fund.

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. Inception of this benchmark was 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. Inception of this benchmark was December 8, 1997. These indexes pertain to Ariel International Fund.

The MSCI ACWI (All Country World Index) ex-US Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Inception of this benchmark was January 1, 2001. The MSCI ACWI ex-US Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Inception of this benchmark was December 8, 1997. These indexes pertain to Ariel International Fund.

The MSCI ACWI (All Country World Index) Index is an equity index of large and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Inception of this benchmark was January 1, 2001.

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. Inception date of this benchmark was December 8, 1997. These indexes pertain to Ariel Global Fund.

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.

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What's Inside

WILL HISTORY REPEAT ITSELF? Co-CEOs John W. Rogers, Jr. and Mellody Hobson state that valuations may dislocate from fundamentals and appear expensive, but history suggests they can remain elevated for extended periods of time.

SMALLER WITH MORE VALUE Vice Chairman Charlie Bobrinskoy owns more small cap value stocks than the benchmark because the investment process is centered on purchasing companies whose shares are trading at discounts to our calculation of intrinsic value.

NAVIGATING GLOBAL STOCKS IS A CASE FOR ACTIVE PATIENCE® Chief Investment Officer, Global and Emerging Markets Equities, Henry Mallari-D'Auria thinks stock selection this year has been driving performance and relative risk, not defensiveness.

COMPANY SPOTLIGHTS Views from our investment team on Endesa, The J.M. Smucker Company, Redeia, and Royal Caribbean Cruises Ltd.

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