

Ariel Appreciation Fund

Quarter Ended June 30, 2025

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 June 30, 2025, the average annual returns of Ariel Appreciation Fund (Investor Class) for the 1-, 5-, and 10-year periods were +7.65%, +10.75% and +5.60%, respectively.

The second quarter of 2025 was a period of extremes. Stocks tumbled in early April as the "Liberation Day" tariff announcement pushed the S&P 500 to the brink of bear market territory. Yet, after the initial plan was put on "pause," equities staged a remarkable recovery. Reignited enthusiasm for artificial intelligence (AI) themed stocks, solid economic data and robust corporate earnings drove U.S. indices to new all-time highs. Growth beat value and large caps continued to outperform their small cap brethren. Although policy uncertainty and rising geopolitical risks will likely result in heightened volatility, we continue to view macroeconomic developments through the lens of our long-term investment horizon. Against this backdrop, Ariel Appreciation Fund advanced +5.81% in the quarter outpacing the Russell Midcap Value Index's +5.35% gain and trailing the +8.53% return posted by the Russell Midcap Index.

Several stocks in the portfolio delivered solid returns in the quarter. Leading global financial franchise **Northern Trust Corporation (NTRS)** advanced following strong quarterly earnings results and rumors of a potential merger with Bank of New York Mellon. 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 stability and strength in navigating macroeconomic volatility with a conservative, operating approach.

Live entertainment, media and technology company, **Sphere Entertainment Co. (SPHR)** traded higher following a quarterly earnings beat driven by resilient consumer demand and lower than anticipated operating costs. We expect financial results will continue to ramp as Sphere debuts its next fully immersive experience, The Wizard of Oz, later this summer; scales its concert residencies; and reaches higher venue utilization across show types. Advertising, sponsorship and suite revenue should provide further upside. Meanwhile, expansion with additional spheres beyond Abu Dhabi remains a priority. Additionally, MSG Networks and its lenders worked out an agreement in the quarter, reducing the debt

burden for the regional sports networks business going forward and removing an overhang on shares. In our view, the experiential immersive venue in Las Vegas and its franchise opportunities present a meaningfully underappreciated long-term opportunity.

Shares of global leader in electrical protection and connection solutions, **nVent Electric plc (NVT)** also increased during the period on solid earnings results. Notably, management raised its 2025 organic sales outlook on increasing orders and rising backlog, particularly in the infrastructure vertical. The company is also working to offset its tariff exposure with pricing, productivity and supply chain strategies. We expect NVT will continue to benefit from secular trends towards increased electrification and data center development, as well as from internal operational improvements.

Alternatively, oil services company, **Core Laboratories, Inc. (CLB)** declined in the quarter on mixed earnings results. Although increased demand for diagnostic services in U.S. onshore and offshore markets aided the Production Enhancement segment, this growth was neutralized by weaker-than-expected Reservoir Description performance due to seasonality, geopolitical tensions, tariff concerns and commodity price volatility. Importantly, management noted tariffs should not have a significant impact on the business given its service-related revenue. CLB's product sales are also primarily manufactured and consumed domestically. Looking ahead, the company continues to project international growth from projects in the Middle East, Asia Pacific and West Africa and remains laser focused on generating positive free cash flow, reducing debt and improving its return on invested capital.

Shares of **Schlumberger Limited (SLB)**, the largest oilfield services company in the world by revenue, also underperformed amidst falling oil prices and trade tensions. While quarterly earnings came in slightly behind expectations, the market appears more concerned with the rising supply and weak macroeconomic conditions weighing on energy prices and oilfield services demand going forward. Nonetheless, we



believe there are tailwinds supporting rising demand over the medium-term, as national oil companies invest in long-cycle projects to grow capacity and address the natural decline of production. We think SLB is the best positioned among the oilfield services companies, given their leading scale and expertise across nearly every product and service category, as well as their exposure to more resilient international markets. In the long run, we expect SLB will continue to evolve their capabilities to help clients with rising energy needs going forward.

Lastly, used and wholesale vehicle auction operator, **CarMax, Inc. (KMX)**, trader lower in the quarter. Although the company's earnings rose sharply year-over-year, management suspended the timeframes around its long-term strategic objectives due to macro uncertainty. At current levels, KMX's valuation is particularly attractive. Management has a strong track record of navigating headwinds and their inventory management expertise, alongside KMX's brand and scale are difficult to replicate. Looking out, we believe the company has a long runway for growth as its omni-channel presence and initiatives targeted at personalizing the consumer experience seamlessly combine its world-class in-store experience and online offerings.

We initiated two new positions during the quarter.

We added **Fiserv, Inc. (FI)**, leading global provider of payment processing and financial services technology solutions. The company possesses unmatched scale and cross-selling abilities across its businesses, including its core financial technology solutions, merchant acceptance and payment processing. Additionally, these innovative technologies are deeply entrenched in client operations, providing attractive and predictable recurring economics representative of a wide moat, high switching cost service business. A recent pullback in the stock provided an attractive entry point. Shares came under pressure due to investor concerns around Clover volumes decelerating in the quarter. However, the deceleration was due to one-time items and growth is expected to accelerate in the second half of this year. In our view, FI offers a rare opportunity to own a best-in-class financial technology business that should benefit from the secular demand for innovative financial technology.

We also repurchased global investment bank, **Goldman Sachs Group, Inc. (GS)**, as macro uncertainty, geopolitical tensions and shifts in global trade policy drove the name back down within our midcap portfolios' capitalization range in the quarter. In our view, GS has one of the strongest investment banking franchises on Wall Street.

By comparison, we successfully sold our position in manufacturer in the orthopedic marketplace, **Zimmer Biomet**

Holdings, Inc. (ZBH) on valuation. We also exited leading supplier of solutions for combustion, hybrid and electric vehicles **BorgWarner, Inc. (BWA)** to pursue more compelling opportunities.

It's impossible to control tariff policies, global trade negotiations and/or how geopolitics may reverberate across the economic landscape. As such, in times like these, we remain measured, deliberate and actively patient—with a willingness to take advantage of volatility with an eye towards long-term gains. Our current pro-cyclical positioning reflects our bottom-up conviction in undervalued businesses rather than macroeconomic prognostication.

In our view, underlying U.S. growth appears healthy, and we expect corporate profits will prove resilient. Although interest rates will likely remain “higher for longer,” tax cuts and deregulation should support the broadening of the current market rally beyond the AI trade. Consensus earnings estimates across a variety of sectors suggest the Russell 2000 Index could significantly outpace the Russell 1000 Index over each of the next two years.¹ Meanwhile, small cap stocks are trading at their biggest discount to large cap shares since the dot-com boom.¹ Once the performance gap between mega-cap growth stocks and smaller company counterparts narrows, we believe our portfolios should be rewarded.

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, 2025, the Fund's Investor Class shares had an annual expense ratio of 1.14%.

As of 6/30/25, Northern Trust Corporation constituted 2.7% of Ariel Appreciation Fund; Sphere Entertainment Company 2.9%; nVent Electric plc 1.9%; Core Laboratories, Inc. 1.9%; Schlumberger NV 2.1%; CarMax, Inc. 2.5%; Fiserv, Inc. 2.0%; Goldman Sachs Group, Inc. 1.4%; BorgWarner Inc.

¹ Source: FactSet Market Aggregates



0.0% and Zimmer Biomet Holdings Inc. 0.0%. Portfolio holdings are subject to change. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings of Ariel 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 cap and current index membership. Its inception date is November 1, 1991. Russell® is a trademark of London Stock Exchange Group, which is the source and owner of the Russell Indexes' trademarks, service marks and copyrights. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes or underlying data and no party may rely on any Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication. The S&P 500® Index is widely regarded as the best gauge of large-cap U.S. equities. It includes 500 leading companies and covers approximately 80% of available U.S. market capitalization. Its inception date is March 4, 1957.

Investors should consider carefully the investment objectives, risks, and charges and expenses before investing. For a current prospectus or summary prospectus which contains this and other information about the funds offered by Ariel Investment Trust, call us at 800-292-7435 or visit our website, arielinvestments.com. Please read the prospectus or summary prospectus carefully before investing. Distributed by Ariel Distributors LLC, a wholly-owned subsidiary of Ariel Investments LLC. Ariel Distributors, LLC is a member of the Securities Investor Protection Corporation.

