

Ariel 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 Fund may be obtained by visiting our website, arielinvestments.com. For the period ended June 30, 2025, the average annual returns of Ariel Fund (Investor Class) for the 1-, 5-, and 10-year periods were +9.56%, +13.15% and +7.00%, 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 Fund increased +6.96% in the quarter falling short of the +7.29% return posted by the Russell 2500 Value Index but exceeding the Russell 2000 Value Index's +4.97% gain.

Several stocks in the portfolio had strong returns in the quarter. Live entertainment, media and technology company, **Sphere Entertainment Co. (SPHR)** advanced 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 for-profit education, **Adtalem Global Education (ATGE)**, also jumped following a top- and bottom-line quarterly earnings beat driven by accelerating new student enrollment growth and a subsequent raise to fiscal year

2025 guidance. Revenue per student and margins at Chamberlain and Walden also came in significantly better than expected. Meanwhile, we remain encouraged by management's solid execution of remediation initiatives at the medical and veterinary schools, where revenue growth outperformed and total enrollment trends are improving. Although regulatory uncertainty within the U.S. education landscape remains, we view ATGE as well insulated, if not a beneficiary of potentially less onerous government scrutiny. Longer term, we believe ATGE's strong fundamentals, quality programs, free cash flow generation and sturdy balance sheet are attractive. As the number one grantor of nursing degrees in the U.S. and the largest producer of African American MDs, PhDs and nurses in the country, we remain confident ATGE will benefit from the healthcare worker shortage in the U.S.

Additionally, leading global financial franchise **Northern Trust Corporation (NTRS)** advanced in the quarter 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.

By comparison, oil services company, **Core Laboratories, Inc. (CLB)** traded lower 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.

Leading manufacturer of consumer food products, **J.M. Smucker Co. (SJM)** also declined during the period. Quarterly earnings benefitted from the company's legacy businesses anchored by the Uncrustables brand and coffee portfolio, however continued challenges at Hostess weighed on results. Meanwhile, management delivered disappointing fiscal year 2026 guidance due to expected profit declines driven by inflation related to higher expected coffee costs, tariffs and continued weakness at Hostess. SJM remains focused on stabilizing revenue and management believes SKU and display rationalization alongside marketing investments will help. Longer-term, we continue to believe SJM's portfolio of iconic and emerging foods brands, coupled with its broad-based innovation and productivity agenda, supports an attractive total shareholder return opportunity.

Lastly, U.S. direct-to-consumer pool and spa care services company, **Leslie's Inc. (LESL)** continued to weigh on performance over the period. The company has had a slow start to the year as adverse weather conditions resulted in softer top-line results. As the company heads into the summer pool season, the new executive leadership team is re-evaluating pricing, optimizing inventory and implementing customer loyalty programs. Although investors remain on the sidelines, these initiatives should yield efficiency improvements. While we have been deeply disappointed with this investment, we are optimistic the new efforts will positively impact the business and position the company for future success. In our view, Leslie's current valuation reflects extreme pessimism, which is unwarranted given the company's loyal client base, vertically integrated supply chain, scale advantage and seamless customer experience.

We did not initiate any new positions in the quarter.

By comparison, we successfully exited marketing communication company, **Interpublic Group of Companies, Inc. (IPG)** and branded home improvement and building products manufacturer **Masco Corporation (MAS)** on valuation. We also sold specialty cutting tool insert maker, **Kennametal, Inc. (KMT)** 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.

Ariel Fund Benchmark Update Effective February 1, 2025: The Russell 2000® Value Index is replacing the Russell 2500™ Index as a secondary benchmark for Ariel Fund because it more closely aligns with certain market sectors in which Ariel Fund invests.

Investing in small- and 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 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.

Per the Fund's Prospectus as of February 1, 2025, the Fund's Investor Class shares had an annual expense ratio of 1.00%.

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.

As of 6/30/25, Sphere Entertainment Company constituted 5.1% of Ariel Fund; Adtalem Global Education, Inc. 3.9%; Northern Trust Corporation 3.0%; Core Laboratories, Inc. 2.6%; J.M. Smucker Company 2.9%; Leslie's, Inc. 0.8%; Interpublic Group of Companies, Inc. 0.0%; Kennametal Inc. 0.0% and Masco Corporation 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 Fund.

A glossary of financial terms provided herein may be found on our website at www.arielinvestments.com.

¹ Source: FactSet Market Aggregates



Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors 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. Its inception date is July 1, 1995. 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 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. 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.

