

Ariel Fund

Quarter Ended June 30, 2026

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, 2026, the average annual returns of Ariel Fund (Investor Class) for the 1-, 5-, and 10-year periods were +29.82%, +6.78% and +11.00%, respectively.

U.S. equities rebounded sharply in the second quarter, delivering their strongest quarterly gains since 2020. Easing geopolitical tensions, lower oil prices and resilient corporate earnings supported the advance, while leadership returned to growth-oriented sectors, particularly technology, semiconductors and AI-related businesses. Although macro uncertainty around inflation, interest rates and Fed policy persisted, improving earnings expectations helped sustain investor confidence. Periods of volatility often create opportunities as market sentiment moves more quickly than underlying fundamentals. Through it all, we remain focused on the long term as we seek to own high-quality businesses at attractive valuations. Despite the strong market recovery, performance dispersion remained significant, reinforcing the importance of fundamental research, valuation discipline, and a clear-eyed view of long-term business quality. Against this backdrop, Ariel Fund earned +13.59% in the quarter, trailing both the Russell 2500 Value and Russell 2000 Value indices, which returned +18.50% and +17.19%, respectively.

Shares of **Madison Square Garden Entertainment (MSG)** advanced following better-than-expected results, fueled by continued strength in concerts and solid growth in sponsorship and advertising. Earnings exceeded expectations, underscoring resilient demand for live entertainment. Sentiment was further supported by news that Amtrak selected a master developer for the Penn Station redevelopment project, which includes taking over MSG's Infosys Theater. Our thesis remains centered on MSG's ownership of iconic, irreplaceable venues with strong pricing power and high barriers to entry. A robust event pipeline, including marquee residencies and flagship productions like *The Christmas Spectacular*, supports sustained growth and cash flow visibility. Combined with a strong balance sheet and disciplined capital allocation, we view MSG as a distinctive, asset-backed investment with durable demand tailwinds.

Leslie's Inc. (LESL), a U.S. direct-to-consumer pool and spa care services company, contributed to performance during the quarter as operating trends improved. Higher sales, stronger

comparable store performance and gross margin expansion combined with lower SG&A expenses, boosted results. By reducing inventory and lowering capital expenditures, management was able to reaffirm its full-year outlook. We believe these results reflect continued progress on the company's operational improvement initiatives and position Leslie's for stronger performance as the year progresses—particularly during the seasonally strong second half.

Live entertainment, media, and technology company, **Sphere Entertainment Co. (SPHR)** traded higher, on solid earnings and improving operating fundamentals. Strong demand for *The Wizard of Oz* is driving operating leverage as fixed costs are spread across higher attendance, supporting margin expansion. Momentum continues to build as the company expands concert residencies, broadens its immersive film offering and increases venue utilization. The success of the Las Vegas Sphere has continued to spark growing interest from partners seeking to develop additional locations in the U.S. and internationally, including a smaller-format Sphere planned for National Harbor and a larger venue under development in Abu Dhabi. We believe ongoing demand for the Las Vegas Sphere, combined with the opportunity to build a global network of Spheres, underpins an attractive long-term growth trajectory for the company.

By comparison, oil services company **Core Laboratories (CLB)** declined over the quarter as geopolitical tensions, weather disruptions and softer U.S. land drilling activity impacted performance. These factors weighed on revenue and margins, particularly as Middle East disruptions affected operations. While the company had previously flagged these challenges and delivered results in line with updated expectations, shares moved lower as investors focused on near-term earnings pressure. Despite this backdrop, management continued to return capital through dividends and share repurchases. In our view, CLB's global footprint and specialized services offer an attractive way to participate in future energy development cycles.



Shares of **Prestige Consumer Healthcare (PBH)** moved lower following disappointing earnings, driven primarily by ongoing supply constraints in its eye care segment and extended lead times in the Middle East. These issues weighed on revenue, EBITDA and earnings, while temporary disruptions tied to upgrades at the Pillar5 manufacturing facility further pressured performance. Despite these near-term headwinds, management continues to prioritize product quality, debt paydown and pursue strategic acquisitions, including Breathe Right and LaCorium Health, to expand into adjacent consumer health categories. Looking ahead, we believe Prestige is well positioned to navigate near-term challenges and drive long-term growth through portfolio strength, disciplined execution and targeted expansion.

Finally, shares of alternative asset manager **Carlyle Group (CG)** fell following a modest earnings miss where flat AUM, net outflows and slower fee-related earnings growth weighed on investor sentiment. Healthy fundraising and a growing pool of dry powder were offset by mixed investment performance and the added pressure of elevated stock-based compensation. More broadly, concerns surrounding private credit, particularly potential stress in software lending tied to AI-driven disruption impacted alternative asset manager stock prices. Given private credit's important contribution to industry asset growth, especially across wealth and retail channels, increased redemption activity raised questions about the durability of this growth trajectory. We continue to hold Carlyle as our long-term investment thesis remains intact, supported by strong fundraising momentum, significant undeployed capital and achievable targets for accelerating inflows and fee-related earnings. As deployment and realization activity recover, we see meaningful upside to both earnings power and valuation.

Also during the quarter, we initiated a position in **Haemonetics Corporation (HAE)**, a developer and distributor of a broad portfolio of hematology products and solutions. The company operates across three primary segments: Plasma, Blood Center and Hospital. The Plasma segment provides automated plasma collection systems and donor management software, while the Blood Center segment offers apheresis-based technologies that enable the collection, filtration and separation of blood components, returning remaining elements safely to the donor. The Hospital segment encompasses interventional technologies such as vascular closure devices and sensor-guided systems alongside comprehensive blood management solutions. With management's continued emphasis on life-sustaining healthcare applications, we believe Haemonetics stands to benefit from favorable demographic trends, rising demand for plasma-based therapies and continued innovation in critical care technologies.

We also purchased specialty insurer **RLI Corp. (RLI)**. RLI is among the industry's top underwriters, having generated underwriting profits for thirty consecutive years across multiple economic cycles. The company's expertise in niche areas of the market and their unique compensation program tied to underwriting profits that are paid over the life of an insurance product sets them apart from peers. Near-term results face headwinds as growth slows in a softening property market while casualty loss trends remain elevated due to inflation. However, we believe RLI's proven underwriting discipline and long-term orientation will allow the company to navigate the current cycle and sustain attractive earnings growth over time.

Conversely, we exited **Paramount Skydance Corporation (PSKY)** on valuation. We also sold out of title insurer, **First American Financial Corporation (FAF)** to pursue other opportunities.

We enter the second half of the year with a measured outlook. Globally, growth remains modest and uneven, while ongoing geopolitical tensions have the potential to create periods of economic and market volatility. At the same time, market leadership is still concentrated in a narrow group of large-cap technology companies, increasing valuation sensitivity and the potential for shifts in sentiment. The U.S. consumer continues to be an important source of support, though higher borrowing costs and persistent inflationary pressures are likely to weigh on certain segments of the economy.

Still, we remain focused on long-term value creation rather than short-term macroeconomic forecasts. Our investment approach is grounded in rigorous bottom-up research and emphasizes durable business models, strong balance sheets, capable management teams and sustainable competitive advantages. Armed with this time-tested framework, we seek to navigate near-term uncertainty while capitalizing on opportunities as market leadership broadens and company-specific fundamentals become increasingly important drivers of returns.

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, 2026, the Fund's Investor Class shares had an annual expense ratio of 1.01%.

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 6/30/2026, Madison Square Garden Entertainment Corporation constituted 5.3% of Ariel Fund; Leslie's, Inc. 0.7%; Sphere Entertainment Company 2.8%; Core Laboratories, Inc. 2.6%; Prestige Consumer Healthcare, Inc. 2.8%; Carlyle Group, Inc. 3.0%; Haemonetics Corporation 1.5%; RLI Corporation 1.3%; First American Financial Corporation 0.0% and Paramount Skydance Corp. 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.

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. 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.

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