

# Ariel International Institutional

## AINIX

Morningstar Analyst Rating

18 Mar 2020  
11:28, UTC-0500

## Analyst Notes

### **Ariel International's Defensive Traits Shine in Recent Sell-Off; Ratings Unchanged**

#### **Maintain Rating**

Mar 31, 2020 | Ariel International AINIX has held up well in the downturn that began in non-U.S. markets on Jan. 20, 2020. From then through March 23, the fund's Institutional shares dropped 25.9%. While painful, that was better than the MSCI EAFE Index's 33.9% decline and bested all but a few foreign large-blend rivals. Stock selection was solid across most sectors, but an over-weighting in--and solid picks within--the defensive telecommunication services industry notably buoyed results, as did an above-average cash stake, which stood at 9.4% of assets on Dec. 31, 2019.

The team's focus on resilient business and attention to downside risk has led to consistently strong relative results in down markets. The strategy's Institutional shares keep their Morningstar Analyst Rating of Silver, while its pricier Investor shares remain Bronze.

# Ariel International Institutional

## AINIX

**Morningstar Analyst Rating**  
 Silver  
 18 Mar 2020  
 11:28, UTC-0500

**Morningstar Category**  
 US Fund Foreign Large Blend

**Category Index**  
 MSCI ACWI Ex USA NR USD

**Total Assets**  
 623  
 Mil USD

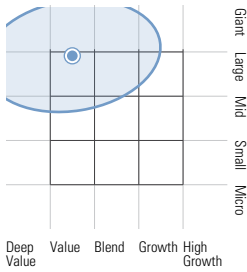
**Inception Date**  
 12/30/11

**Domicile**  
 USA

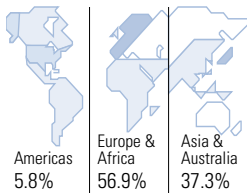
**Currency**  
 USD

**Morningstar Rating**  
 ★★

### Style Map



### Regional Exposure



### People

Rupal J. Bhansali 12/11  
 Total Named Managers 1

| 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Performance 08/31/20  |           |       |
|------|------|------|------|------|------|------|------|------|------|------|---|-----------|-------|
|      |      |      |      |      |      |      |      |      |      |      | Growth of 10,000 Annualized USD   | Value USD | Ret % |
|      |      |      |      |      |      |      |      |      |      |      | ■ Fund  | 16,387    | 5.86  |
|      |      |      |      |      |      |      |      |      |      |      | ■ Category  | 16,606    | 6.03  |
|      |      |      |      |      |      |      |      |      |      |      | ■ Index   | 16,410    | 5.88  |
|      |      |      |      |      |      |      |      |      |      |      | <b>Morningstar Rating</b><br>★★   |           |       |
|      |      |      |      |      |      |      |      |      |      |      | Quartile Rank in Category   |           |       |
|      |      |      |      |      |      |      |      |      |      |      | Percentile Rank in Category   |           |       |
|      |      |      |      |      |      |      |      |      |      |      | # of Funds in Category  |           |       |
|      |      |      |      |      |      |      |      |      |      |      | Total Return USD  |           |       |
|      |      |      |      |      |      |      |      |      |      |      | +/- Category  |           |       |
|      |      |      |      |      |      |      |      |      |      |      | +/- Index   |           |       |
|      |      |      |      |      |      |      |      |      |      |      | <b>Process</b><br>Equity Style Box<br>Asset Allocation: Stock (Blue), Bond (Orange), Cash (Green), Other (Grey)<br>Super Sector: Defensive (Blue), Sensitive (Orange), Cyclical (Green) |           |       |
|      |      |      |      |      |      |      |      |      |      |      | <b>Price</b> TER/OGC  |           |       |

## This strategy has weathered down markets well.

### Analyst View

Connor Young, Analyst

**Morningstar Analyst Rating**

### Morningstar Pillars

|                    |  |               |
|--------------------|--|---------------|
| Process Page 2-3   |  | Above Average |
| Performance Page 4 |  | Above Average |
| People Page 5      |  | Above Average |
| Parent Page 6      |  | Average       |
| Price Page 7       |  |               |

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum



Mar 18, 2020 | Ariel International's veteran manager and prudent, risk-conscious approach lift the Morningstar Analyst Rating of its Institutional shares to Silver, while its pricier Investor shares stay at Bronze.

A deep and experienced team guides this strategy. Rupal Bhansali has been the strategy's sole manager since its December 2011 inception. She posted solid results at MainStay MacKay International Equity MSIX for roughly a decade before launching this strategy, using the same approach she brought here. She draws support from 10 others on the research team, each with at least a decade of industry experience.

Bhansali and team attempt to beat the MSCI EAFE Index while delivering below-average risk. They focus on risk management first, using quantitative and qualitative screens to eliminate firms prone to impair capital and firms with questionable business models. They then dive into fundamentals, searching for durable and misunderstood businesses. For example, Bhansali believes investors have underappreciated the market op-

portunity and barriers to entry in the tire industry; thus, the portfolio has large positions in tire companies Michelin and Bridgestone. The team's long-term mindset shows in below-average annual portfolio turnover, while its price discipline often gives the portfolio a value tilt relative to its benchmark, which has been particularly pronounced recently.

The team's focus on resilient businesses and attention to downside risk has helped the strategy hold up well during challenging markets. It edged the index by 4 percentage points when stocks slipped in 2018, and its 24.5% loss from Jan. 20, 2020, through March 16, 2020, while painful, fared better than the index's 30.5% decline. This edge in down markets hasn't helped the strategy deliver superior results during the growth-led rally that has persisted for much of Bhansali's tenure here, but it could provide a long-term advantage.

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 Silver  
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### Process: Approach

**Morningstar Category**  
US Fund Foreign Large Blend

**Category Index**  
MSCI ACWI Ex USA NR USD

**Index Proxy**  
iShares Core MSCI EAFE ETF

#### Focused on risk management first.

**Process Pillar** ● Above Average

Mar 18, 2020 | This strategy's prudent approach earns it an Above Average Process rating.

Manager Rupal Bhansali attempts to deliver superior returns with below-average risk. She focuses on risk-management first, using quantitative and qualitative screens to eliminate firms that are prone to impair capital or have questionable

business models.

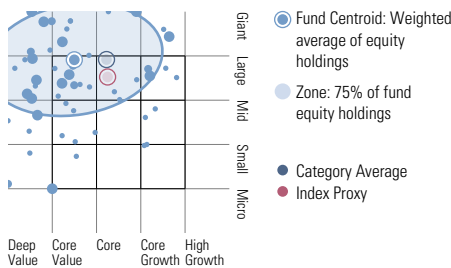
Bhansali looks for high-quality businesses with returns on invested capital well above their costs of capital. To do this, her analysts dive into company fundamentals, trying to assess the durability of business franchises. Analysts then come up with price targets based on several different scenarios, seeking stocks with asymmetric return profiles. To further mitigate security-specific risk, each stock is reviewed by a devil's-advocate analyst and a third analyst for an unbiased view.

This 70-90 stock portfolio is diversified

across sectors and countries. Sector weightings are capped at 1.5 times the MSCI EAFE Index's or 25% of assets, whichever is greater. Individual positions may not exceed 5% of assets at the time of purchase. There are no country constraints in place, but emerging markets may not exceed 10% of assets.

Bhansali does hedge some of the portfolio's currency exposure in order to keep it in line with the benchmark's country weightings. She aims to keep cash around 5% but has occasionally let it build to double digits.

#### Equity Style Box 06/30/2020



#### Style Box Factors 06/30/2020

| Market Cap             | Fund | 3-Yr Avg | Category | Proxy |
|------------------------|------|----------|----------|-------|
| Giant/Large            | 92.5 | 86.8     | 79.9     | 71.9  |
| Mid                    | 5.3  | 10.2     | 18.4     | 21.2  |
| Small/Micro            | 2.2  | 3.0      | 1.7      | 6.9   |
| Avg Market Cap Bil USD | 43.0 | 36.0     | 38.9     | 23.1  |

| Value Measures           | Fund | 3-Yr Avg | Category | Proxy |
|--------------------------|------|----------|----------|-------|
| Price/Prospect. Earnings | 15.2 | 15.1     | 17.7     | 18.7  |
| Price/Book               | 1.9  | 2.1      | 1.5      | 1.4   |
| Price/Sales              | 1.2  | 1.3      | 1.1      | 1.0   |
| Price/Cash Flow          | 8.2  | 8.3      | 6.2      | 6.1   |
| Dividend Yield           | 4.4  | 4.0      | 3.7      | 3.8   |

| Growth Measures       | Fund | 3-Yr Avg | Category | Proxy |
|-----------------------|------|----------|----------|-------|
| Long-Term Earnings %  | 4.4  | 7.0      | 8.7      | 9.5   |
| Historical Earnings % | 0.9  | 1.6      | 0.6      | -1.5  |
| Sales %               | 3.7  | 2.0      | 2.9      | 1.7   |
| Cash Flow %           | 0.4  | 2.5      | 6.8      | 5.5   |
| Book-Value %          | 2.7  | 3.8      | 4.4      | 3.7   |

#### Income

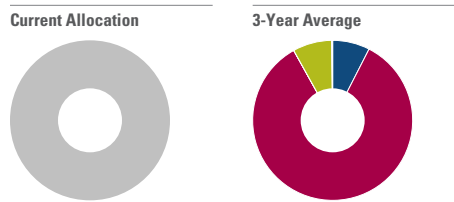
|           | Fund | 3-Yr Avg | Category | Proxy |
|-----------|------|----------|----------|-------|
| SEC Yield | —    | —        | —        | —     |

SEC Yield surveyed —

30-day Unsubsidized Yield

30-day Yield surveyed —

#### Asset Allocation 06/30/2020



#### Regional Exposure 06/30/2020

| Market Type | Equity % | Fund | 3-Yr Avg | Category | Proxy |
|-------------|----------|------|----------|----------|-------|
| Developed   |          | 90.9 | 91.1     | 93.0     | 99.7  |
| Emerging    |          | 9.1  | 8.9      | 7.0      | 0.3   |

| Top 5 Countries | Equity % | Fund | 3-Yr Avg | Category | Proxy |
|-----------------|----------|------|----------|----------|-------|
| Japan           |          | 27.3 | 22.1     | 20.5     | 26.3  |
| Germany         |          | 14.3 | 12.3     | 8.1      | 8.7   |
| Switzerland     |          | 10.8 | 11.0     | 9.1      | 9.8   |
| China           |          | 9.1  | 8.9      | 4.5      | 0.2   |
| United Kingdom  |          | 7.4  | 10.1     | 13.0     | 14.6  |

#### Economic Moat 06/30/2020

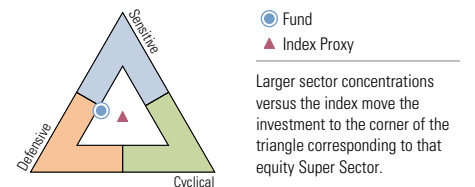
| Moat Rating    | Fund | 3-Yr Avg | Category | Proxy |
|----------------|------|----------|----------|-------|
| Wide Moat      | 44.5 | 32.7     | 34.7     | 31.7  |
| Narrow Moat    | 32.0 | 34.8     | 37.0     | 36.9  |
| No Moat        | 23.5 | 32.5     | 28.3     | 31.4  |
| Coverage Ratio | 87.0 | 76.2     | 73.9     | 66.8  |

#### Key Ratios 06/30/2020

|                      | Fund | 3-Yr Avg | Category | Proxy |
|----------------------|------|----------|----------|-------|
| Net Margin %         | 15.7 | 14.0     | 13.8     | 13.2  |
| ROA %                | 7.5  | 6.3      | 6.1      | 5.5   |
| Debt/Total Capital % | 28.9 | 30.0     | 34.6     | 35.0  |
| ROE %                | 19.8 | 18.9     | 15.9     | 14.2  |

| Assets %          | Fund | 3-Yr Avg | Category | Proxy |
|-------------------|------|----------|----------|-------|
| U.S. Equities     | 5.5  | 7.5      | 1.8      | 0.6   |
| Non-U.S. Equities | 96.8 | 84.4     | 95.9     | 98.6  |
| Bonds             | 0.0  | 0.0      | 0.1      | 0.0   |
| Cash              | -2.2 | 7.9      | 0.5      | 0.6   |
| Other             | 0.0  | 0.2      | 1.8      | 0.1   |

#### Sector Delta 06/30/2020




#### Equity Sector Breakdown 06/30/2020

| Sectors             | Fund        | 3-Yr Avg    | Category    | Proxy       |
|---------------------|-------------|-------------|-------------|-------------|
| <b>Defensive</b>    | <b>38.4</b> | <b>34.6</b> | <b>27.7</b> | <b>29.0</b> |
| Consumer Defensive  | 13.5        | 13.6        | 11.2        | 11.3        |
| Healthcare          | 16.3        | 14.2        | 13.3        | 14.0        |
| Utilities           | 8.7         | 6.7         | 3.3         | 3.8         |
| <b>Sensitive</b>    | <b>39.1</b> | <b>43.4</b> | <b>36.1</b> | <b>33.9</b> |
| Communication Serv. | 31.3        | 21.5        | 7.5         | 6.2         |
| Energy              | 0.0         | 3.4         | 3.6         | 3.3         |
| Industrials         | 3.5         | 5.9         | 14.0        | 15.4        |
| Technology          | 4.3         | 12.7        | 10.9        | 9.0         |
| <b>Cyclical</b>     | <b>22.5</b> | <b>22.0</b> | <b>36.2</b> | <b>37.1</b> |
| Basic Materials     | 0.0         | 0.3         | 7.4         | 7.2         |
| Consumer Cyclical   | 10.4        | 10.2        | 10.2        | 10.2        |
| Financial Services  | 11.2        | 10.6        | 16.2        | 15.3        |
| Real Estate         | 0.9         | 0.9         | 2.5         | 4.3         |

# Ariel International Institutional

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 Silver  
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### Process: Portfolio


**Morningstar Category**  
US Fund Foreign Large Blend

**Category Index**  
MSCI ACWI Ex USA NR USD

**Index Proxy**  
iShares Core MSCI EAFE ETF

#### A defensive portfolio.

##### Process Pillar

 Above Average

Mar 18, 2020 | Consistent with the focus on downside protection, the portfolio was overweight in healthcare, utilities, and consumer defensive stocks as of December 2019. These stocks tend to hold up well in economic downturns. The portfolio's largest overweighting, however, was in the communication services sector: Its 26% expos-

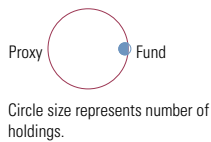
ure to such issues was much more than the MSCI EAFE Index's 6% weighting and included large positions in several telecommunications firms, including China Mobile and NTT DOCOMO. Rupal Bhansali believes these firms trade at compelling valuations, generate strong cash flows, and offer solid dividend yields. Given her emphasis on companies with strong business fundamentals, the portfolio tends to be underweight in sectors with undifferentiated business models. Therefore, it had below-index weightings in basic materials, industrials, and financial services firms.

Bhansali's attention to risk shows in the quality of the portfolio: The portfolio's debt/capital ratio has hovered below the index's, while its return on equity has generally been higher. Bhansali is particularly concerned about stretched balance sheets, believing the market has underappreciated the potential risks.

Bhansali's long-term orientation shows in below-average annual portfolio turnover, which has ranged from 8% to 34% during the past five years.

#### Similarity to Index Proxy 06/30/2020

##### Index Proxy Overlap



| Number of Equity Holdings     |       |
|-------------------------------|-------|
| Fund                          | 54    |
| Index Proxy                   | 2,366 |
| Fund Overlap With Index Proxy |       |
| Holdings Overlap              | 44    |
| Asset Overlap                 | 7.0%  |

##### Largest Common Holdings

|                                       | Fund % | Proxy % |
|---------------------------------------|--------|---------|
| Nintendo Co Ltd                       | 9.14   | 0.32    |
| Roche Holding AG Dividend Right Cert. | 8.85   | 1.58    |
| GlaxoSmithKline PLC                   | 6.35   | 0.66    |
| Novo Nordisk A/S B                    | 0.85   | 0.74    |
| Vodafone Group PLC                    | 0.60   | 0.28    |

##### Largest Distinct Holdings

|                                 | Fund % |
|---------------------------------|--------|
| China Mobile Ltd                | 6.26   |
| Philip Morris International Inc | 5.48   |
| Baidu Inc ADR                   | 3.07   |
| Nokia Oyj ADR                   | 2.21   |
| IGM Financial Inc               | 0.30   |

#### Portfolio Holdings 06/30/20

| Current Portfolio Date | Previous Portfolio Date | Equity Holdings | Bond Holdings | Assets in Top 10 Holdings | Turnover Ratio (Reported) |
|------------------------|-------------------------|-----------------|---------------|---------------------------|---------------------------|
| 06/30/20               | 03/31/20                | 54              | 0             | 65%                       | 20%                       |

| Top 10 Holdings                            | Country | Assets % 06/30/20 | Assets % 03/31/20 | Proxy % 06/30/20 | First Bought | Days Trading | Morningstar Rating for Stocks | Economic Moat | Sector              | 1-Yr Total Ret % |
|--|---------|-------------------|-------------------|------------------|--------------|--------------|-------------------------------|---------------|---------------------|------------------|
| ⊖ Deutsche Boerse AG                       | DEU     | 10.47             | 8.69              | 0.22             | 03/12        | <1           | ★★★                           | Wide          | Financial Services  | 20.60            |
| ⊖ Nintendo Co Ltd                          | JPN     | 9.14              | 7.51              | 0.32             | 03/12        | <1           | ★★★                           | Narrow        | Communication Serv. | 43.53            |
| ⊖ Roche Holding AG Dividend Right Cert.    | CHE     | 8.85              | 8.98              | 1.58             | 06/17        | <1           | ★★★★★                         | Wide          | Healthcare          | 19.99            |
| ⊖ GlaxoSmithKline PLC                      | GBR     | 6.35              | 6.42              | 0.66             | 08/12        | <1           | ★★★★★                         | Wide          | Healthcare          | -9.32            |
| ⊕ China Mobile Ltd                         | CHN     | 6.26              | 5.20              | —                | 06/16        | <1           | ★★★★★                         | Narrow        | Communication Serv. | -11.62           |
| ⊖ Philip Morris International Inc          | USA     | 5.48              | 5.59              | —                | 10/13        | <1           | ★★★★★                         | Wide          | Consumer Defensive  | 17.17            |
| ⊖ Koninklijke Ahold Delhaize NV            | NLD     | 5.28              | 5.11              | 0.19             | 04/16        | <1           | ★★                            | None          | Consumer Defensive  | 23.00            |
| ⊕ Nippon Telegraph & Telephone Corp        | JPN     | 4.62              | 3.92              | 0.19             | 09/16        | <1           | ★★★                           | Narrow        | Communication Serv. | -1.63            |
| ⊖ Cie Generale des Etablissements Michelin | FRA     | 4.44              | 4.06              | 0.11             | 07/14        | <1           | —                             | —             | Consumer Cyclical   | 1.07             |
| ⊖ Snam SpA                                 | ITA     | 3.75              | 3.15              | 0.07             | 03/12        | <1           | —                             | —             | Utilities           | -1.55            |

Change since last portfolio: ⊕ Increase ⊖ Decrease ✨ New

##### New Holdings Largest Purchases

|                               | % Assets | Sector              |
|-------------------------------|----------|---------------------|
| Novo Nordisk A/S B            | 0.85     | Healthcare          |
| Sankyo Co Ltd                 | 0.18     | Healthcare          |
| KDDI Corp                     | 0.13     | Communication Serv. |
| Bic                           | 0.07     | Consumer Defensive  |
| Element Fleet Management Corp | 0.07     | Consumer Cyclical   |

##### Eliminated Holdings Largest Sales


|   | % Assets | Sector              |
|---|----------|---------------------|
| Northern Institutional Treasury Premier | 3.56     | Government          |
| China Mobile Ltd ADR                    | 0.68     | Communication Serv. |
| EOG Resources Inc                       | 0.42     | Energy              |
| Mabuchi Motor Co Ltd                    | 0.37     | Consumer Cyclical   |
| Tenaris SA ADR                          | 0.25     | Energy              |

##### Largest Position Changes

|   | Current % | Prior % |
|---|-----------|---------|
| ⊖ Deutsche Boerse AG                      | 10.47     | 8.69    |
| ⊖ Roche Holding AG Dividend Right Cert.   | 8.85      | 8.98    |
| ⊖ GlaxoSmithKline PLC                     | 6.35      | 6.42    |
| ⊖ Reckitt Benckiser Group PLC             | 0.06      | 1.24    |
| ⊖ Northern Institutional Treasury Premier | 0.00      | 3.56    |

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### Performance

**Morningstar Category**  
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**Category Index**  
MSCI ACWI Ex USA NR USD

#### At its best in challenging markets.

#### Performance Pillar

Mar 18, 2020 | This fund's results don't stand out. From its December 2011 inception through February 2020, the 4.9% annualized return of the fund's Institutional shares trailed the MSCI EAFE Index's 6.0% gain and fell behind more than three fourths of foreign large-blend peers. The fund has been less volatile than its bogies, but it still falls behind

on a risk-adjusted basis. The primary culprit has been cash drag, followed by poor stock selection in the communication services and consumer defensive sectors.

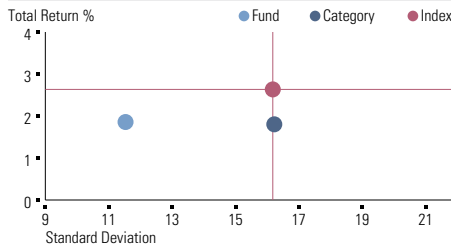
Consistent with Rupal Bhansali's defensive approach, the fund has done well during downturns. From July 4, 2014, to Feb. 12, 2016, the fund's 12.7% loss fared better than the index's 22.6% decline, buoyed by solid financial services and technology picks. It also fared better than the index when stocks slid in 2018. Overall, the fund has captured just 77% of the index's losses since

its inception. On the flip side, it hasn't kept up during rising markets. The fund's 16.7% gain in 2017 trailed the index's 25.0% rise and placed in the category's bottom decile. The fund again struggled in 2019's rally, falling behind all but a few peers, owing to poor tech and communication services picks, as well as an above-average cash position. Since inception, the fund has captured 78% of the index's gains.

#### Morningstar Rating and Risk 08/31/2020

| Period                | Load-Adj Return % | Morningstar Ret vs Cat | Morningstar Risk vs Cat | Morningstar Rating |
|-----------------------|-------------------|------------------------|-------------------------|--------------------|
| 3 Years               | 1.86              | Avg                    | Low                     | ★★★★               |
| 5 Years               | 3.97              | Below Avg              | Low                     | ★★★                |
| 10 Years              | —                 | —                      | —                       | —                  |
| <b>Overall Rating</b> |                   |                        |                         | <b>★★★</b>         |

#### 3-Year Return and Risk Analysis 08/31/20

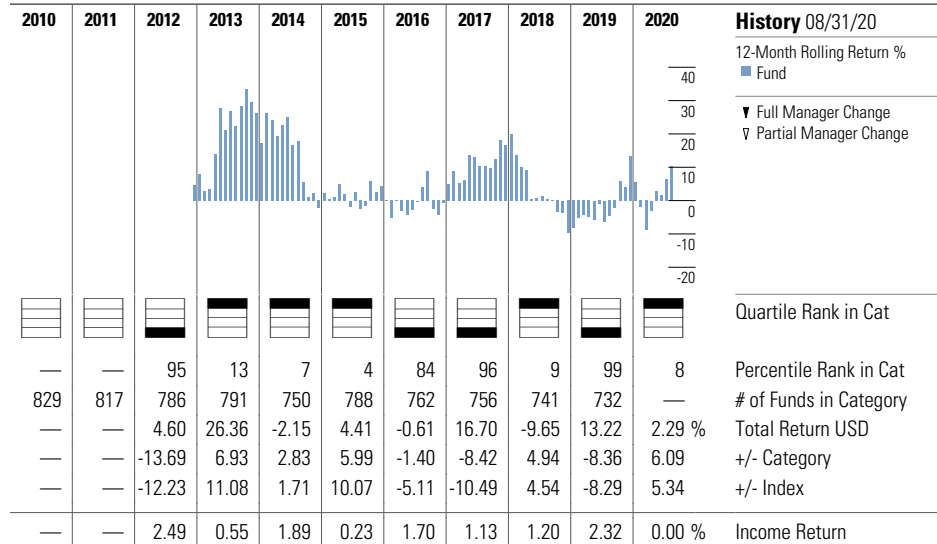


#### Return/Risk Analysis 08/31/2020

|                    | Fund  | Category | Index |
|--------------------|-------|----------|-------|
| Standard Deviation | 11.53 | 16.22    | 16.18 |
| Sharpe Ratio       | 0.07  | 0.10     | 0.14  |
| R-Squared          | 83.40 | 94.72    | —     |
| Beta               | 0.65  | 0.98     | —     |
| Alpha              | -0.63 | -0.74    | —     |

#### Maximum Drawdown

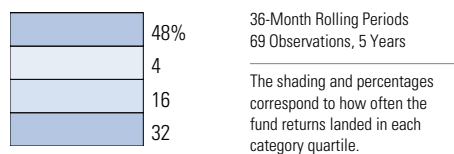
|                       | Fund | Category | Index  |
|-----------------------|------|----------|--------|
| Max Drawdown (%)      | —    | -18.62   | -20.85 |
| Peak Date             | —    | 02/18    | 07/14  |
| Valley Date           | —    | 12/18    | 02/16  |
| Max Drawdown (Months) | —    | 11       | 20     |



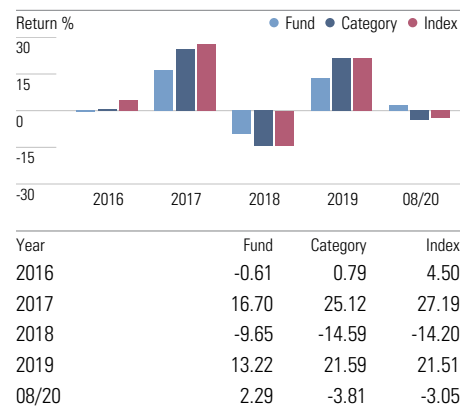
#### Trailing Returns (Annualized) 08/31/2020

|                 | Total Ret % | Investor Ret % | % Rank in Cat | Cat Ret % | Index Ret % |
|-----------------|-------------|----------------|---------------|-----------|-------------|
| 1 Year          | 10.48       | 9.07           | 23            | 6.96      | 8.31        |
| 3 Years         | 1.86        | 1.53           | 57            | 1.80      | 2.63        |
| 5 Years         | 3.97        | 3.12           | 75            | 4.75      | 5.75        |
| 10 Years        | —           | —              | —             | 5.56      | 5.26        |
| Tenure 12/11    | 5.86        | —              | —             | 6.03      | 5.88        |
| Inception 12/11 | 5.86        | —              | —             | 6.03      | 5.88        |

#### Rolling-Returns Summary 08/31/2020




#### Calendar Year Returns



# Ariel International Institutional

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 Silver  
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### People

**Morningstar Category**  
US Fund Foreign Large Blend

**Category Index**  
MSCI ACWI Ex USA NR USD

#### An experienced team.

**People Pillar**  Above Average

Mar 18, 2020 | Manager Rupal Bhansali is experienced and has deep analytical resources. The strategy earns an Above Average People rating.

Bhansali has been this strategy's sole manager since its December 2011 inception. She also manages sibling Ariel Global AGLOX. Before joining Ariel Investments in 2011, she spent a decade

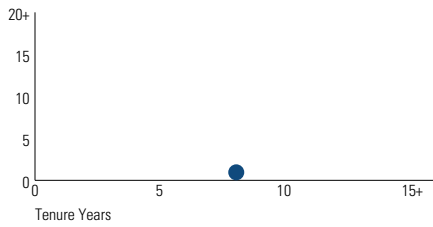
at MacKay Shields, where she managed non-U.S. and global equity portfolios. She posted solid results during her tenure at MainStay MacKay International Equity MSIX, using the same approach that she brought here.

Her team is based in New York and works independently of Ariel's Chicago team. It includes four research analysts and six research associates. The team is quite seasoned: Each member has spent at least a decade in the industry, and the group averages 19 years of industry experience, overall. Each analyst covers multiple industries to

obtain a broad perspective. Micky Jagirdar, who is head of investments, covers technology, health-care, and automobile stocks. Chaim Schneider worked with Bhansali at Mackay Shields and is director of research; he focuses on consumer staples, financials, utilities, and basic resources stocks. Krishna Chintalapalli covers the telecommunications and media industries, while John Rowley is a generalist. Bhansali also has analyst responsibilities, covering financials, consumer, and industrials stocks. Research associates provide additional support.

#### Experience and Asset Load

Total AUM Bil USD in Funds Managed



#### Management Team

| Number of Managers | Longest Tenure | 5-Year Manager-Retention Rate (Firm-wide) | Largest Manager Investment in Fund |
|--------------------|----------------|---|------------------------------------|
| 1                  | 8.75 Years     | 100%                                      | 50,001 to 100,000 USD              |

**Advisor**  
Ariel Investments, LLC

**Subadvisor**  
—

#### ● Rupal J. Bhansali 12/11 to Present

|                                  |  |
|----------------------------------|--|
| <b>Years of Experience</b><br>19 | <b>Investment in Fund</b><br>50,001 to 100,000 USD |
| <b>Fund AUM</b><br>730 Mil USD   | <b>Current Funds Managed</b><br>2                  |

| Largest Funds Managed    | Tenure Dates     | Role | Fund Size Mil USD | Investment Mil USD | Turnover Ratio Avg | Tenure Ret % | Index Ret % |
|--------------------------|------------------|------|-------------------|--------------------|--------------------|--------------|-------------|
| Ariel International Fund | 12/11 to Present | Lead | 623.10            | <0.1               | 23                 | 5.86         | 5.88        |
| Ariel Global Fund        | 12/11 to Present | Lead | 107.04            | <0.5               | 27                 | 8.06         | 10.25       |

# Ariel International Institutional

## AINIX

**Morningstar Analyst Rating**  
 Silver  
 18 Mar 2020  
 11:28, UTC-0500

### Parent

**Morningstar Category**  
US Fund Foreign Large Blend

**Category Index**  
MSCI ACWI Ex USA NR USD

#### A look to this boutique's future raises new questions.

##### Parent Pillar

Average

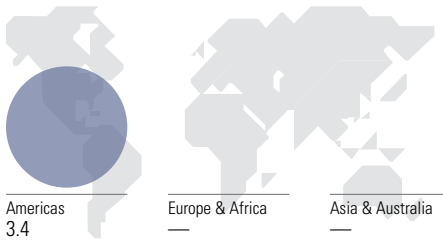
Jun 05, 2020 | While its core principles remain intact, Ariel Investments' Parent rating drops to Average as its transition to a new chapter creates some doubt surrounding the future of its investment leadership. Founder John Rogers remains the center of the firm's investment process, and just into his early 60s, he has no plans to step away

soon. Still, he recognized the importance of looking to the future. In 2019, he sold a sizable stake of his equity to longtime partner and co-CEO Melody Hobson, who now is the firm's largest shareholder. Hobson, who oversees non-investment-related functions, stands to be the firm's face for years to come. Rogers and Hobson have long championed charitable causes such as financial literacy and board diversity, efforts that should endure as the firm continues to evolve.

Such a proven leader to carry on Ariel's flagship domestic-equity franchise isn't as appar-

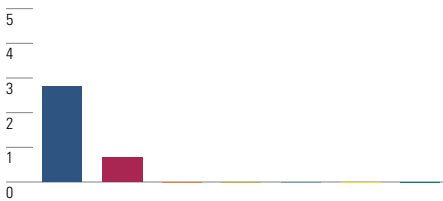
ent, though, particularly given that the sale wasn't shared with senior investment personnel. Ariel continues to manage competitive funds in U.S. small- and mid-cap and international equities. International and global equities CIO Rupal Bhansali's strategies now represent the majority of the firm's \$10.2 billion asset base and have helped offset outflows from the firm's domestic offerings. The firm stays within its circle of competence, launching few funds over the years.

#### Assets By Region, By Domicile Bil USD



#### Asset Class Breakdown United States

Assets Bil USD

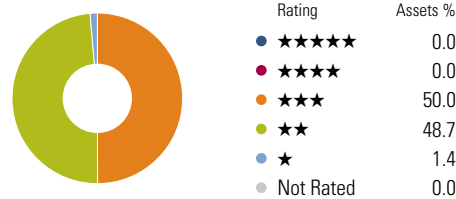


| Asset Class         | Assets Bil USD | Assets %     |
|---------------------|----------------|--------------|
| US Stock            | 2.7            | 79.4         |
| Non-US Stock        | 0.7            | 20.6         |
| Balanced            | —              | —            |
| Taxable Bond        | —              | —            |
| Municipal Bond      | —              | —            |
| Alternative         | —              | —            |
| Commodities         | —              | —            |
| <b>Total Assets</b> | <b>3.4</b>     | <b>100.0</b> |

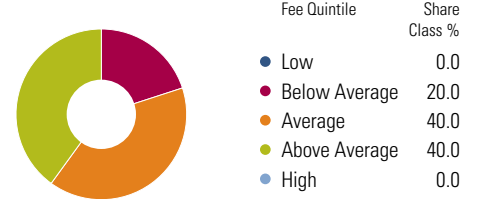
| 2010   | 2011   | 2012   | 2013  | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 08/2020 | Flows and Growth United States |
|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|---------|--------------------------------|
| 260    | 260    | 260    | 260   | 260    | 260    | 260    | 260    | 260    | 260    | 260     | Quarterly Net Flows USD        |
| 780    | 780    | 780    | 780   | 780    | 780    | 780    | 780    | 780    | 780    | 780     | Growth Rate %                  |
| -306.7 | -602.3 | -336.3 | 400.7 | -550.3 | -286.9 | -244.4 | -177.4 | -340.0 | -314.0 | —       | Net Flows USD Mil              |
| 3.7    | 2.8    | 3.0    | 4.8   | 4.6    | 4.1    | 4.3    | 4.8    | 3.9    | 4.4    | —       | Total Net Assets USD Bil       |
| -9.2   | -16.1  | -12.0  | 13.5  | -11.5  | -6.2   | -6.0   | -4.1   | -7.1   | -8.1   | —       | Growth Rate                    |
| 0.0    | 0.0    | 0.0    | 0.0   | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | —       | Industry Market Share          |

#### Fund Family Details United States

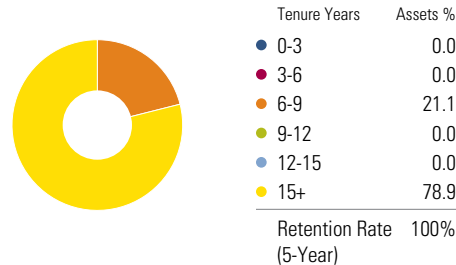
##### Morningstar Rating Breakdown



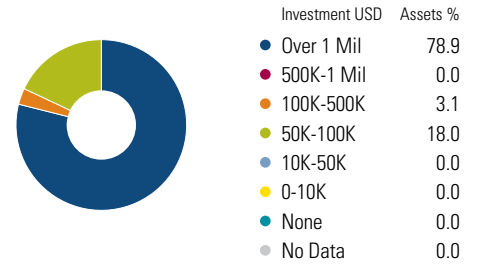
##### Fee Quintile Breakdown



##### Manager Tenure




##### Manager Ownership



# Ariel International Institutional

## AINIX

**Morningstar Analyst Rating**  
 Silver  
 18 Mar 2020  
 11:28, UTC-0500

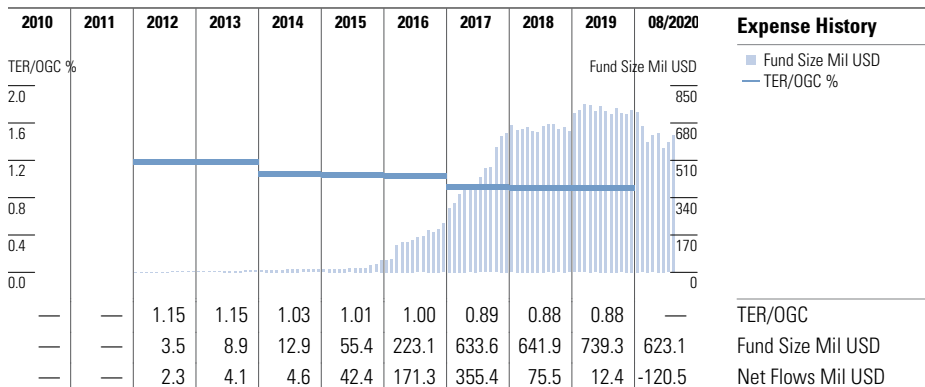
### Price

**Morningstar Category**  
US Fund Foreign Large Blend

**Category Index**  
MSCI ACWI Ex USA NR USD

#### Price Pillar

Mar 18, 2020 | It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's middle quintile. That's not great, but based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we think this share class will still be able to deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Silver.



#### Expense Breakdown

| Net Expense Ratio      | %    |
|------------------------|------|
| Annual Report 09/30/19 | 0.88 |
| Prospectus 02/01/20    | 0.89 |

| Selected Components                        | %    |
|--|------|
| Management Actual                          | 0.80 |
| 12b-1 Fee                                  | —    |
| Brokerage Commission (% of Avg Net Assets) | 0.06 |
| Category Average                           | 0.05 |
| Tax Cost Ratio (3-Year)                    | 0.77 |
| Potential Capital Gains Exposure           | 0    |

#### Fee Level

| Fee Level | Peer Group                      |
|-----------|---------------------------------|
| Avg       | Foreign Large Cap Institutional |

| Fee Level Breakpoints   | Peer Group |
|-------------------------|------------|
| High >0.99              |            |
| Above Average 0.89-0.99 |            |
| Average 0.80-0.89       |            |
| Below Average 0.61-0.80 |            |
| Low <0.61               |            |
| ◀ Fund 0.89             |            |
| ◀ Peer Median 0.85      |            |

#### Share Class Information

| Share Class | Identifier   | Status      | Expense Ratio | Fee Level  | Peer Group                             | 12b-1 Fee | Front Load | Deferred Load | Minimum Initial Inv | Assets Bil USD | 1-Yr Flow Mil USD |
|-------------|--------------|-------------|---------------|------------|--|-----------|------------|---------------|---------------------|----------------|-------------------|
| <b>Inst</b> | <b>AINIX</b> | <b>Open</b> | <b>0.89</b>   | <b>Avg</b> | <b>Foreign Large Cap Institutional</b> | —         | —          | —             | <b>1,000,000</b>    | <b>0.58</b>    | <b>-152.51</b>    |
| Inv         | AINTX        | Open        | 1.14          | Above Avg  | Foreign Large Cap No Load              | 0.25      | —          | —             | 1,000               | 0.02           | -4.86             |



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|              | 2018 | 2019 | 2020 |
|--------------|------|------|------|
| Gold         |      |      |      |
| Silver       |      |      |      |
| Bronze       |      |      |      |
| Neutral      |      |      |      |
| Negative     |      |      |      |
| Under Review |      |      |      |
| Not Ratable  |      |      |      |

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

## The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

### People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

### Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

### Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

### Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

#### Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

#### Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

#### Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

#### Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

#### Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

#### Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

#### Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

#### Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

#### Not Ratable

This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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#### Equity-Related Data Points

The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

##### Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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