

**Investment Approach**

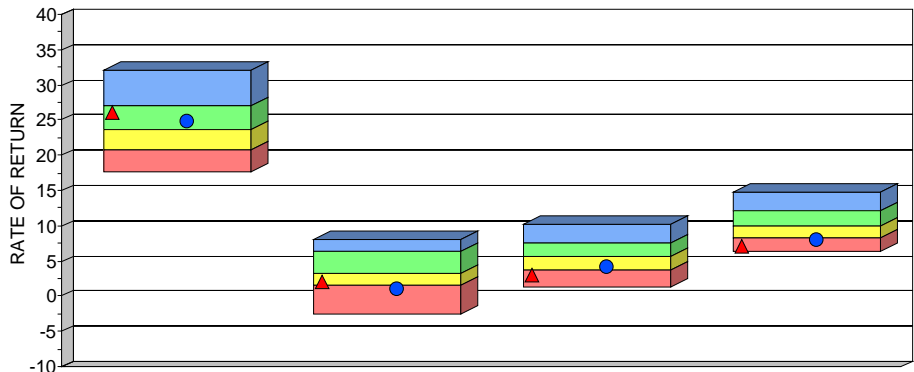
The Ariel Fund is a small company mutual fund focused on long-term capital appreciation. The fund maintains a concentrated portfolio, investing primarily in the stocks of companies with market capitalizations between \$1 billion and \$5 billion. The fund significantly underweights the utilities and energy sectors, relative to the benchmark, and may invest up to 10% of total assets in securities of foreign companies.

**Performance Commentary**

The Ariel Fund returned 25.99%, exceeding by 1.24% the Russell Midcap Value Index return of 24.75% for the twelve-month period ending December 31, 2010.

<b>Fund Characteristics</b>	<b>Ariel Fund</b>
Total Fund Assets	\$2.2 billion
Style Characteristics	Value
Capitalization Focus	Mid
Level of Diversification	Concentrated
Number of Holdings	37
Turnover	40%
Fees	1.14% Annually
Portfolio Manager (tenure)	John Rogers, Jr. since November 1986 inception and John Miller since November 2006

**ARIEL FUND  
QUARTILE RANKING BAR  
PSN SMALL-MID VALUE  
PERIODS ENDING DECEMBER 31, 2010**



	1 Year	3 Years	5 Years	10 Years
HIGH (0.05)	32.01	7.97	10.30	14.73
FIRST QUARTILE	27.12	6.32	7.53	12.11
MEDIAN	23.61	3.22	5.67	9.92
THIRD QUARTILE	20.86	1.47	3.80	8.28
LOW (0.95)	17.69	-2.63	1.38	6.33
MEAN	23.73	3.67	5.61	10.24
VALID COUNT	48	45	40	31

	1 Year		3 Years		5 Years		10 Years	
	VALUE	RANK	VALUE	RANK	VALUE	RANK	VALUE	RANK
▲ ARIEL CAPITAL ARIEL FUND	25.99	29	2.14	66	2.94	92	7.03	93
● Russell Mid Cap Value	24.75	37	1.01	82	4.08	70	8.07	77

**Historical Returns**

	Ariel Fund		Russell Midcap Value		Return Difference
	Return	Rank *	Return	Rank *	
2001	14.2%	36	2.30%	72	11.9%
2002	-5.2	13	-9.7	32	4.5
2003	28.0	88	38.1	44	-10.0
2004	22.0	70	23.7	4	-1.7
2005	0.9	91	12.7	17	-11.7
2006	10.4	78	20.3	12	-9.9
2007	-1.7	78	-1.4	74	-0.3
2008	-48.3	99	-38.4	68	-9.8
2009	63.4	1	34.2	53	29.2
2010	26.0	29	24.8	37	1.2
Trailing 3-Year	2.1%	66	1.0%	82	1.1
Trailing 5-Year	2.9	92	4.1	70	-1.2
Trailing 10-Year	7.0	93	8.1	77	-1.0

\* Rank of 1 is best and 100 is worst.

**Assessment**

The fund’s concentrated strategy continues to produce volatile results relative to the benchmark. Although recent results have been favorable, the fund has trailed over the five- and ten-year time periods, primarily due to fees. At this time, we recommend retention of the fund.