Ariel investments

Performance as of June 30, 2026 (%)				Annualized			
	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Focused Value							03/31/2005
Gross of Fees	**2.06**	**9.41**	**31.78**	**16.82**	**8.55**	**11.29**	**8.27**
Net of Fees	**1.96**	**9.21**	**31.31**	**16.41**	**8.17**	**10.90**	**7.60**
Russell 1000® Value Index	13.87	16.26	27.12	17.78	11.18	11.53	8.92
S&P 500® Index	15.20	10.21	22.32	20.61	13.41	15.51	11.19

Past performance is not indicative of future results. An investment's return and principal value 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. Any extraordinary performance over short term periods may not be sustainable and is not representative of performance over longer periods. Performance data as of the most recent month-end may be obtained by visiting our website, arielinvestments.com.

Dear Clients and Friends: For the quarter ending June 30, 2026, the Ariel Focused Value Composite's +2.06% gross of fees (+1.96% net of fees) return trailed its primary benchmark, the Russell 1000 Value Index, which gained +13.87%, and similarly lagged the broader market as measured by the S&P 500 which rose +15.20%. The last three months represented one of our most difficult quarters relative to indices fueled by a powerful, technology-led rally.

An Upside-Down Quarter

During the period, inflation soared to its highest level in three years—4.2%—as geopolitical tensions continued to escalate.[1] In an environment of rising prices and armed conflict, hard assets like energy, materials, defense and gold normally surge. Instead, these areas lagged as the high-multiple chipmakers at the center of the artificial-intelligence trade dominated.

To this point, information technology contributed +10.46 percentage points of the S&P 500's +15.20% return.[2] The tech shares that make up 18.0% of the Russell 1000 Value Index jumped +69.1% during the quarter. In just three short months, Micron Technology, Inc. and Intel Corporation shares skyrocketed +242% and +216% respectively as market sentiment shifted from AI "adopters" to AI "enablers."[3]

Ariel Focused Value is a concentrated, all-cap strategy with just 1.6% of its portfolio held in a single technology name—**Oracle Corporation (ORCL)**. The significant difference in tech exposure between our portfolio and its benchmarks explains our performance shortfall. We do not own these names—and price is only part of the reason. Semiconductors are deeply cyclical, capital-intensive businesses—brilliant in a boom, brutal in the bust that follows. Today's valuations suggest that this cycle has changed. History says otherwise.

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[1]U.S. Bureau of Labor Statistics (10 June 2026) "Consumer Price Index News Release," https://www.bls.gov/news.release/archives/cpi_06102026.htm.
[2]S&P Dow Jones Indices (30 June 2026) "U.S. Index Dashboard," pp. 1.
[3]Kantrowitz, Michael, CFA, et al. (1 July 2026) "What in the World Happened to Markets in 2Q?!?!" *Piper Sandler Portfolio Strategy & Macro Research*, pp. 2, 5, 6, 21.

Notwithstanding the tech surge, we would have expected our more defensive positioning to serve our portfolio well given the war-and-inflation backdrop. And yet, defense manufacturer **Lockheed Martin Corporation (LMT)** fell -15.1%; fertilizer producer **Mosaic Company (MOS)** dropped -16.1%; and even **Prestige Consumer Healthcare, Inc. (PBH)**, a defensive consumer-health business, plummeted -20.2%. The very companies built to perform when prices rise and conflict spreads were badly battered.

On Energy

While Technology was the benchmark's best performing sector during the quarter, Energy was the worst. As tensions eased in mid-June, oil gave back nearly all of its earlier gains, peaking at $124 a barrel before plummeting to $73 by quarter-end.[4] Our energy holdings fell -17%—with **APA Corporation (APA)** and **Chevron Corporation (CVX)** among the largest detractors. And yet, these companies own irreplaceable, long-lived, low-obsolescence assets. We purchased their shares at a time of falling exploration budgets despite rising demand. We expect our patience to be rewarded in time.

What Worked

Our best performers in the quarter delivered results for reasons specific to their own operations rather than global macro trends. **Generac Holdings, Inc. (GNRC)**, a maker of backup power equipment, surged +49.9% as data center related demand strengthened. **Madison Square Garden Sports Corporation (MSGS)**, owner of the New York Knicks and Rangers, rose +25.0%, and **Madison Square Garden Entertainment Corporation (MSGE)**, owner of the irreplaceable arena and its live-events business, gained +37.3%. **Affiliated Managers Group, Inc. (AMG)** climbed +22.3% on growing recognition of its higher-margin alternative-asset managers. **PHINIA, Inc. (PHIN)**, a fuel-systems and aftermarket auto-parts supplier, advanced +20.8%. **Mohawk Industries, Inc. (MHK)**, the flooring maker, gained +23.2% and **BorgWarner, Inc. (BWA)**, a powertrain manufacturer, rose +22.7%. All the aforementioned names trade at modest valuations—which offers downside protection.

The Case for Looking Different

A very large portion of the Russell 1000 Value Index has de facto become an AI-infrastructure investment—value in name but increasingly concentrated in the same momentum trade. For those holding meaningful exposure to growth, AI and momentum, we believe Ariel Focused Value offers true diversification.

We buy what others are selling, and we see the greatest opportunity in the areas currently being shunned. As a result, our largest holdings trade at deep discounts to the broad market—Affiliated Managers Group at 9x earnings, PHINIA and **BOK Financial Corporation (BOKF)** at 13x. As Ben Graham taught, such discounts can take time to be recognized.

In our view, **FactSet Research Systems, Inc. (FDS)** is the clearest example of a business shunned for all the wrong reasons. While the market has branded it a casualty of artificial intelligence, we see the opposite. As one of FactSet's own clients, we know firsthand how deeply its data is wired into our research and how costly it would be to change providers. As we build AI into our research, our spending is likely to rise, not fall. To this end, FactSet partners with the large language model providers rather than competing with them. We added to the position on weakness.

Our purchase and sale activity was modest during the quarter—one initiation and one exit. We purchased **DENTSPLY Sirona, Inc. (XRAY)**, the world's largest maker of professional dental equipment, whose shares had been left for dead after years of disappointment. At $10.61 against our $26.26 estimate of its private market value, we are buying a global leader that is repairing itself—paying down debt, cutting costs and launching new products—while the market prices in permanent decline. We exited **J.M. Smucker Co. (SJM)**,

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[4]Kantrowitz, Michael, CFA, et al. (1 July 2026) "What in the World Happened to Markets in 2Q?!?!" *Piper Sandler Portfolio Strategy & Macro Research*, pp. 5.

redeploying the proceeds toward more attractive opportunities. We added to **Bio-Rad Laboratories, Inc. (BIO)** on weakness during the quarter.

Looking Ahead

We entered 2026 cautiously given elevated market valuations. The second quarter only heightened that view. This year's market gains have come almost entirely from rising earnings, not from investors paying more for them—yet the market's forward price/earnings multiple still sits at a rich 20.3x. We continue to believe that higher inflation—driven by trillion-dollar deficits, tariffs and deglobalization—favors the hard assets and cash-generative businesses we own. The four-decade interest rate decline is behind us.

Despite the difficult second quarter, our year-to-date results remain positive. Concentration works against us in a narrow, momentum-led market like this one, but can also work powerfully in our favor when breadth returns and value is again rewarded. We have seen that pattern reassert itself many times over more than two decades. Patience is needed and is often rewarded.

We appreciate the opportunity to serve you and welcome any questions you might have.

Sincerely,

Charles K. Bobrinskoy
Vice Chairman

Investing in equity stocks is risky and subject to the volatility of the markets. Investing in small- and mid-cap companies is more risky and volatile than investing in large-cap companies. The intrinsic value of the stocks in which the portfolio invests may never be recognized by the broader market. A focused portfolio may be subject to greater volatility than a more diversified investment.

Past performance does not guarantee future results. Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. Ariel Composite Net of Fees returns are calculated by deducting: (1) for the period from inception to December 31, 2013, the maximum advisory fee in effect for the respective period, applied on a monthly basis; and (2) for the period from January 1, 2014 onwards, the actual monthly advisory fee (on an asset-weighted basis) accrued for the accounts in the composite, using the fee rates in place as of the most recent calendar quarter-end. Advisory fees paid by an account may be higher than the actual fee that applies to the composite as a whole, since the actual fee is asset-weighted and aggregated across all accounts. Advisory fee schedules are described in Part 2 of Ariel's Form ADV. Gross returns do not reflect the deduction of advisory fees. Client returns will be reduced by advisory fees and such other expenses as may be incurred in the management of the account. Returns assume the reinvestment of dividends and other earnings. Returns are expressed in U.S. dollars. Current performance may be lower or higher than the performance data quoted. The Ariel Focused Value Composite differs from its benchmark with dramatically fewer holdings concentrated in fewer sectors.

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. Views and opinions are as of the date of this commentary and can change without notice. There is no guarantee that any expressed views will come to fruition or any investment will perform as described.

As of 6/30/2026, the Ariel Focused Value (representative portfolio) held the following positions referenced: Oracle Corporation 1.29%; Lockheed Martin Corporation 3.66%; Mosaic Company 1.67%; Prestige Consumer

Healthcare, Inc. 3.81%; APA Corporation 3.86%; Chevron Corporation 3.80%; Generac Holdings, Inc. 1.27%; Madison Square Garden Sports Corporation 2.61%; Madison Square Garden Entertainment Corporation 1.89%; Affiliated Managers Group, Inc. 5.58%; PHINIA, Inc. 5.95%; Mohawk Industries, Inc. 4.06%; BorgWarner, Inc. 2.22%; BOK Financial Corporation 5.77%; FactSet Research Systems, Inc. 3.62%; DENTSPLY Sirona, Inc. 1.59%; J.M. Smucker Co. 0.00% and Bio-Rad Laboratories, Inc. 1.83%. The portfolio holdings are subject to change. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings of the Ariel Focused Value Composite. Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index.

The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. Its inception date is January 1, 1987. 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.