Ariel investments

Performance (%) as of March 31, 2024		Annualized				
	QTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Emerging Markets Value						04/30/2023
Gross of Fees	**9.00**	**-**	**-**	**-**	**-**	**20.79**
Net of Fees	**8.74**	**-**	**-**	**-**	**-**	**19.74**
MSCI EM Net Index	2.37	-	-	-	-	9.39
Additional Indexes						
MSCI EM Value Net Index	1.31	-	-	-	-	10.91
Ariel Emerging Markets Value ex-China						05/31/2023
Gross of Fees	**10.26**	**-**	**-**	**-**	**-**	**30.14**
Net of Fees	**9.97**	**-**	**-**	**-**	**-**	**29.01**
MSCI EM ex-China Net Index	4.01	-	-	-	-	17.87

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. Performance data as of the most recent month-end may be obtained by visiting our website, arielinvestments.com.

Dear Clients and Friends: For the first quarter ended March 31, 2024, the MSCI EM Index rose +2.37% as prospects for the global economy improved. Information Technology was the strongest contributor, as global investors remained focused on the endless opportunities that might arise from Artificial Intelligence (AI). Our largest positions in the sector benefitted from these higher AI investments.

By contrast, Chinese stocks continued to underperform. The MSCI EM ex-China Index returned +4.01% for the three-month period, whereas the MSCI China Index declined -2.19% as concerns surrounding the country's mixed economic data persisted. For now, the market is ignoring attractively valued Chinese stocks that we believe should be able to generate double-digit earnings growth.

The Ariel Emerging Markets Value Composite gained +9.00% gross of fees (+8.74% net of fees), which compares quite favorably to the MSCI EM Index. This outperformance was driven by our largest, highest conviction names. Even after this strong performance, our portfolio trades at a compelling 8.7x forward price-to-earnings (P/E) ratio and 1.2x price-to-book (P/B) with 13.4% return-on-equity (ROE) and a strong earnings growth outlook.

We see meaningful upside potential, underpinned by a powerful combination of heavily discounted valuations and accelerating earnings, with an additional kicker from a likely weakening of the US dollar.

China: Home to Growing Disruptors at Cheap Valuations

In a world where the future has arrived, a family rushes into their autonomous SUV, ready for an adventure beyond the city limits. The night before, a charging bot ensures their journey will begin with a fully charged battery pack. As the doors respond to their voices and the car glides through rush-hour traffic, no human touches the wheel. Drivers are a relic of the past. The family entertains itself. Parents shout into the shopping app. A favorite TV show streams on a big screen for the kids. A forgotten lunch sends the car to the supermarket, where the SUV parks itself. There is even a built-in refrigerator waiting to be filled with their pre-ordered groceries. Above, conveyor belts buzz with activity, delivering bags filled with goods to eager customers. As digital price tags flicker with the latest deals, temptation leads to an unplanned snack easily paid for with a glance at the screen, thanks to facial recognition technology. Now, it's time to hit the road again.

This is *not* a scene from a sci-fi movie about a not-so-distant future where technology becomes more and more ubiquitous. This is Shanghai in 2024.

China is one of the few markets in the world where today's investors are not forced to choose between value and growth. And yet, China has become the market everyone loves to hate, with many foreign and domestic investors steering clear. We disagree.

We believe China offers significant return potential powered by innovation under-appreciated and overly discounted by global investors. The myopic focus on real estate pressures, geopolitical tensions, and an aging population ignores a transformation that will propel economic growth in both China and the rest of the world over the next decade. At today's prices, investors can get this growth for next to nothing. We find it difficult to ignore these unique opportunities.

During our recent visit to China, the level of pessimism surpassed our already low expectations. It permeated everywhere, from global and local investors to business executives and taxi drivers. China's challenges are well documented: demographics, global trade share decline, real estate overinvestment, and high debt.

In our view, things are not as dire as they might seem. Here are four reasons:

1. **The real estate market is still under pressure, but there is less downside from here than many think.** Unlike the 80-100% loan-to-value ratios at the peak of real estate crises in other parts of the world[1], China's loan-to-value ratios on outstanding mortgages hover around 50%. Unlike Japan in the 1990s, China's property inventories have already begun to decline, with new starts down over 60% from the 2021 peak.[2]
2. With total domestic debt to GDP estimated at 280%, elevated leverage remains a relevant concern. However, **unlike other emerging markets, most of this debt is funded domestically, providing ample monetary and fiscal strategies to support the economy.** China's external debt to GDP is less than half of the level of other emerging markets.[3]
3. The geopolitical landscape remains fraught and requires close monitoring. However, China's elevated equity risk premium (relative to history and other markets) reflects many of these geopolitical risks. **At the stock level, not all companies will be negatively impacted by these concerns.** In fact, some companies focusing on the domestic market could benefit from reduced foreign competition.
4. **Finally, demographic headwinds from an aging population are a reality in China. Still, its impact is likely overstated, given rising productivity growth fueled by innovation.** Higher productivity can indeed propel China's economy in the next decade and beyond. China is a global innovation hub across industries, powered by increasing Research & Development investments and a large and growing pool of engineers. In 2022, China represented 47% of the world's patent

[1] China Real Estate Department, Goldman Sachs, accessed February 18, 2024.
[2] Global Research and Evidence Lab, UBS, accessed February 26, 2024.
[3] China Monthly Chartbook (April 2024), Emerging Advisors Group, published April 26, 2024.

applications with the US a distant second at 17%.[4] This leadership is underpinned by companies that can deliver double-digit earnings growth yet trade single-digit multiples.

We are investing in companies like **Great Wall Motor Company Ltd.,** which produces cars with cutting-edge technologies and designs that make them competitive globally. China is now the largest auto exporter in the world, and a third of Great Wall's volumes are sold abroad. Meanwhile, another one of our holdings, **Tongcheng Travel Holdings, Ltd.,** is leveraging artificial intelligence to improve customer value and revenue generation. Lastly, **Ping An Insurance Group of China, Ltd.** is leveraging technology to increase agent productivity and underwriting.

These advances are enabling cost reduction and higher value creation in upstream activities like R&D and design, both driving margin expansion and powering earnings growth. Additionally, improving capital allocation and greater capital discipline have already contributed to better shareholder returns. Higher dividend payouts and stock buybacks are boosting these gains. In the first three months of 2024, Chinese listed companies' share repurchase value has already exceeded 70% of the average annual amount between 2019 and 2023.[5]

Positioning and Outlook

We are optimistic about investment prospects in China and other emerging markets where growth comes at compelling valuations. To benefit from these opportunities, investors must separate noise and headlines from long-term fundamentals.

As always, we appreciate the opportunity to serve you and welcome any questions you might have.

Sincerely,

Henry Mallari-D'Auria
Chief Investment Officer
Global and Emerging Markets Equities

Investments in non-U.S. securities may underperform and may be more volatile than comparable U.S. stocks because of the risks involving non-U.S. economies, markets, political systems, regulatory standards, currencies, and taxes.

The use of currency derivatives, exchange-traded funds (ETFs), and other hedges may increase investment losses and expenses and create more volatility. Investments in emerging markets present additional risks, such as difficulties in selling on a timely basis and at an acceptable price. The intrinsic value of the stocks in which the portfolios invest may never be recognized by the broader market. The portfolios are often concentrated in fewer sectors than their benchmarks, and their 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.

Past performance does not guarantee future results. Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. Net performance of each Composite has been reduced by the amount of the highest fee charged to any client in each Composite during the performance period. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. A complete fee schedule is available upon request and may also be found in Ariel Investments LLC's Form ADV, Part 2. Returns are expressed in U.S. dollars. Current performance may be lower or higher than the

[4] World Intellectual Property Indicators 2023, World Intellectual Property Organization, published 2023.
[5] JP Morgan Chase, accessed April 2, 2024.

performance data quoted.

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 expressed views will come to fruition or any investment will perform as described.

As of 3/31/24, Ariel Emerging Markets Value (representative portfolio) held the following positions referenced: Ping An Insurance Group Company of China, Ltd. 2.79%; Tongcheng Travel Holdings, Ltd. 2.07%; Great Wall Motor Company 1.92%. As of 3/31/24, Ariel Emerging Markets Value ex-China (representative portfolio) did not hold any of the above holdings referenced.

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 Composites. Portfolio holdings mentioned do not represent all holdings purchased or sold for the Composites.

Investors cannot invest directly in an index. The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,377 constituents, the index coves approximately 85% of the free float-adjusted market capitalization in each country. Inception of this benchmark was January 1, 2001.

The MSCI Ariel Emerging Markets Value Index captures large and mid cap securities exhibiting overall value style characteristics across 24 Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. Inception of this benchmark was December 8, 1997. MSCI Emerging Markets ex-China Index captures large and mid cap representation across 23 of the 24 Emerging Markets (EM) countries excluding China. Its inception date is March 9, 2017.

All MSCI Index net returns reflect the reinvestment of income and other earnings, including the dividends net of the maximum withholding tax applicable to non-resident institutional investors that do not benefit from double taxation treaties. MSCI uses the maximum tax rate applicable to institutional investors, as determined by the company's country of incorporation. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used to create indices or financial products. This report is not approved or produced by MSCI.