

Ariel Investments

Performance as of September 30, 2025 (%)				Annualized			
	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Emerging Markets Value							04/30/2023
Gross of Fees	9.80	24.72	12.27	-	-	-	18.77
Net of Fees	9.63	23.98	11.32	-	-	-	17.70
MSCI EM Net Index	10.64	27.53	17.32	-	-	-	17.09
Additional Indexes							
MSCI EM Value Net Index	8.74	24.79	13.30	-	-	-	15.85
Ariel Emerging Markets Value ex-China							05/31/2023
Gross of Fees	3.71	20.26	9.97	-	-	-	18.32
Net of Fees	3.48	19.39	8.87	-	-	-	17.11
MSCI EM ex-China Net Index	6.64	22.13	12.22	-	-	-	16.67

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 third quarter ended September 30, 2025, equity markets have been strong globally and particularly so in China. The MSCI EM Index rose +10.64% and the MSCI EM ex-China Index increased +6.64%. Against this backdrop, the Ariel Emerging Markets Value Composite trailed the core index but beat its value counterpart with its +9.80% gross of fees (+9.63% net of fees) gain. Meanwhile, the Ariel Emerging Markets Value ex-China Composite lagged with its +3.71% gross of fees (+3.48% net of fees) return.

Global equity markets continued their sharp recovery from the downturn earlier in the year, propelled by corporate AI data center investments, as well as the initial stages of a U.S. interest rate cutting cycle. China was the strongest major equity market in the world, as its domestic economy proved resilient to U.S. tariffs and its companies continued to benefit from localization trends. Taiwanese equities remained robust thanks to their strong positions in global technology value chains. By contrast, India's stock market lagged in the quarter, due to disappointing earnings growth and mounting political tensions, meanwhile U.S. equity returns in many international and emerging markets continued to benefit from a weaker U.S. Dollar, supplementing local-currency equity returns.

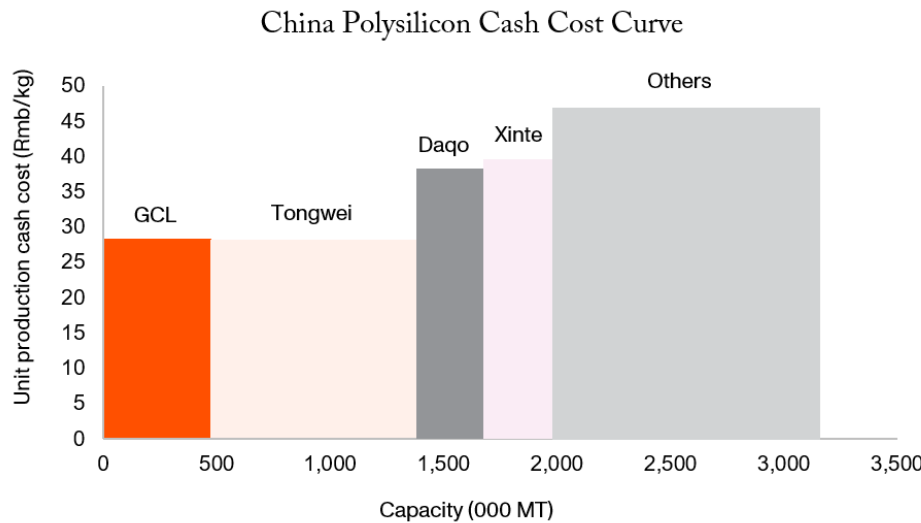
China's Anti-Involution: Easing off the Accelerator to Achieve a Better Ride?

Coming into 2025, many thought China's best shot at escaping the growth malaise of recent years was to more aggressively stimulate its economy—revving the economic engine to drive faster. With a real estate downturn weighing on consumer spending, and U.S. trade protectionism set to bring a meaningful new growth headwind, Chinese authorities were perceived to be on their heels. Instead, the country is in the early innings of a new policy approach. China's "anti-involution" program is a high-profile effort from the central government to mitigate "excessive" competition in a variety of industries. New mandates limit output in areas

that include cement, coal, glass, pig farming, solar energy and steel. In addition, measures have been imposed to stem price competition in e-commerce, electric vehicles and pharmaceuticals. On the surface, these methods may seem to contradict China’s historical model of maximizing production to spur economic growth. And yet, they can stimulate more productive allocation of resources while fostering healthier domestic industries. Government success in catalyzing genuine capacity reductions could significantly impact profitability and equity values.

China's solar industry is an excellent case in this post. Despite dominating global solar panel production, the country struggles with weak profitability. China currently produces more than 90% of the world's polysilicon, a critical input into the wafers which are manufactured into solar cells. And even with the low cost of production, the industry has been losing money since 2024 due to massive overcapacity. That same year, the Chinese government attempted to address the overcapacity by raising energy efficiency thresholds for new capacity. This past July, the government further ratcheted up its efforts, threatening to use anti-competition law to prohibit sales at below-cost levels. Polysilicon prices surged 40%. More substantively, the government is spearheading discussions of a potential buyout fund, capitalized by the polysilicon industry and banks to purchase and shut down excess capacity, monetized by the higher industry profits expected to be generated. While the technical and financial hurdles to such a fund's success are formidable, the advanced discussions and the money already raised strongly underscore the government’s priority to reduce overcapacity.

Encouraged by these efforts, we recently established positions in China's second-largest polysilicon producer, **GCL Technology Holdings Ltd.** GCL is the market leader in the lower-cost granular silicon production process that has been gaining market share, giving the company a sustainable competitive advantage. We estimate GCL has 50%+ upside assuming polysilicon prices settle at levels reflective of a balanced market, driven by replacement economics.



Source: Citi Research

While we are encouraged by early indications from China’s anti-involution program, we are still assessing the impact by industry. We are well aware that local governments are likely to resist capacity-reduction plans that force plant closures and cause job losses. In addition, "excessive" price competition is generally a symptom of an underlying problem (e.g., overcapacity), which cannot simply be mandated away by government fiat. The roll-up-the-sleeves, devil-in-the-details task of addressing overcapacity across various industries while managing the interests of stakeholders who may need to bear losses risks becoming bogged down and ineffective.

That said, we believe China's central government is genuinely committed to this new approach. Deflation has become a major economic concern in recent years, with growing understanding of the structural pressure on wages and consumer spending. While anti-involution brings risks of job losses from reduced capacity, many have been increasingly dissatisfied by a "race-to-the-bottom" mentality. In our view, there's an alignment of interests between China's central government, investors and the broader population in pursuit of anti-involution objectives.

In addition, there are precedents for successful supply-side reform in China. After its aluminum sector expanded tremendously beginning at the turn of the century, the government pumped the brakes by announcing a hard cap on capacity at 45 million tons per year in 2017. While companies were still able to add new capacity, they were effectively required to offset it with reductions of older, less-efficient plants. It worked. Nearly a decade later, China's production is running around 44 million tons, with utilization rates around 98%. As such, the domestic industry is profitable and global aluminum prices are firm.

This backdrop has been a key factor supporting our position in **Aluminum Corporation of China Ltd.**, also known as Chalco, the largest aluminum producer in the world. Chalco sits at the low end of the global cost curve for aluminum, enabling relatively strong profitability and an ability to withstand periods of commodity price volatility. We have been positive on aluminum prices because we see sufficient demand to incent global capacity additions, along with what has proven to be a firm capacity cap in China requiring higher-cost new production from countries outside China. In that context, Chalco is a bargain trading at 9x forward earnings estimates with what we believe to be attractive return potential ahead.

It is important to note, China's anti-involution policies can create opportunities beyond China. The same industry context that makes Chalco attractive due to limitations on incremental low-cost capacity has major implications for aluminum producers in other countries, such as Brazil's **Companhia Brasileira de Aluminio** or CBA. The company benefits from low-cost production due to its hydrological power generation, giving it potential to earn strong profits when aluminum prices are high. And yet the company is currently trading at 6x forward earnings estimates, one of the lowest valuations in the industry, providing significant upside as earnings power materializes.

Looking Ahead

While we are excited by some of the opportunities being created by China's anti-involution program and hopeful of more to come, it would be naïve to think we can predict economic policy in China or elsewhere. As always, we remain committed to bottom-up stock picking, seeking the most attractive opportunities across Emerging Markets. In our experience, however, cheap valuations combined with a sudden change in industry forces can be a powerful performance driver. We may be on the verge of such a scenario in China.

More broadly, we remain enthusiastic about the investment opportunities in Emerging Markets, which continue to trade at historically large valuation discounts to developed markets despite the technological and financial tailwinds beginning to emerge.

Sincerely,



Henry Mallari-D'Auria, CFA®
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. Ariel Composite Net of Fees returns are calculated by deducting the actual monthly advisory fee (on an asset-weighted basis) applicable to all accounts in the composite, using the fee rates in place as of the most recent calendar quarter-end. 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. Advisory fees are described in Part 2 of Ariel's Form ADV. 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 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 9/30/25, the Ariel Emerging Markets Value (representative portfolio) held the following positions referenced: GCL Technology Holdings, Ltd. 0.96%, Aluminum Corporation of China, Ltd. 1.42% and Companhia Brasileira de Aluminio 0.68%. As of 9/30/25, the Ariel Emerging Markets Value ex-China (representative portfolio) held the following positions referenced: GCL Technology Holdings, Ltd. 0.00%, Aluminum Corporation of China, Ltd. 1.00% and Companhia Brasileira de Aluminio 0.72%.

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 covers 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.

