Ariel investments

Performance (%) as of December 31, 2024	QTD	YTD	1-Year	3-Year (Annualized)	5-Year (Annualized)	10-Year (Annualized)	Since Inception (Annualized)
Ariel Emerging Markets Value							04/30/2023
Gross of Fees	**-9.99**	**9.72**	**9.72**	**-**	**-**	**-**	**12.40**
Net of Fees	**-10.21**	**8.66**	**8.66**	**-**	**-**	**-**	**11.32**
MSCI EM Net Index	-8.01	7.50	7.50	-	-	-	8.65
Additional Indexes							
MSCI EM Value Net Index	-9.21	4.51	4.51	-	-	-	8.38
Ariel Emerging Markets Value ex-China							05/31/2023
Gross of Fees	**-8.56**	**4.36**	**4.36**	**-**	**-**	**-**	**14.03**
Net of Fees	**-8.80**	**3.23**	**3.23**	**-**	**-**	**-**	**12.82**
MSCI EM ex-China Net Index	-8.12	3.56	3.56	-	-	-	10.61

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.

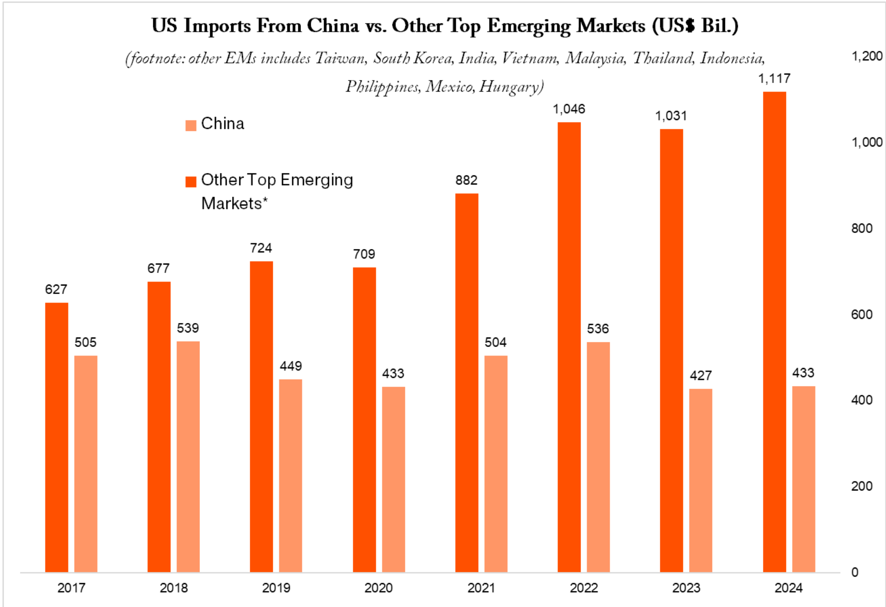
Dear Clients and Friends: For the fourth quarter ended December 31, 2024, the MSCI EM Index fell -8.01% and the MSCI EM ex-China Index declined –8.12%, driven primarily by the strength of the U.S. Dollar which weighed on returns in non-U.S. markets. The Ariel Emerging Markets Value Composite trailed with its -9.99% gross of fees (-10.21% net of fees) return, while the Ariel Emerging Markets Value ex-China Composite lost -8.56% gross of fees (-8.80% net of fees).

It was a challenging quarter for non-U.S. equity markets broadly given concerns about rising tariffs, higher interest rates, and a stronger U.S. Dollar. In addition, South Korean equities suffered due to the political uncertainty created by the president's aborted attempt to institute martial law. Brazil's markets were also weak as a deteriorating fiscal outlook hurt investor sentiment. By contrast, Taiwan saw strong returns, driven by continued strength in its technology sector.

Emerging Markets: Winning in a More Protectionist World

As emerging markets investors, we are as excited as we have ever been about the opportunities at hand. Some may be surprised by our enthusiasm given the prevailing narrative post the U.S. election that a more protectionist U.S. spells doom for non-U.S. markets, and particularly for emerging markets. Our optimism in a more anxious world is fueled by a number of facts and is opening an attractive entry point for investors.

For starters, as global trade evolves, we expect a continuing process of de-concentration, not de-globalization. This presents major under-appreciated opportunities for EM companies as trade routes and supply chains get remapped. The U.S. is reducing its imports from China, a trend nearly certain to continue in coming years. But overall U.S. hunger for imports remains voracious—and increasingly satisfied by EM countries. The decline in imports from China is being more than offset by rising imports from other EM countries such as Vietnam, the Philippines, Mexico, and Hungary.



Source: Bloomberg and International Monetary Fund

We expect that trend to continue even if U.S. tariffs increase and are applied more broadly. The U.S. imports 15% of its GDP, but with 4% unemployment–well below the long-term average of 6%–there are not enough workers to replace much of the manufacturing done in lower-cost EM countries.

We expect sustained growth in Vietnam regardless of U.S. policy. The country's exports have boomed, fueled by the U.S., which have expanded at a 21% CAGR over the past six years. Even if the country were to face higher U.S. tariffs, its advantages of a large, well-educated, low-cost labor force tied into existing supply chain infrastructure and trade routes should sustain the country's attractiveness as a manufacturing base. Despite these tailwinds, promising Vietnamese stocks are selling at deep discounts. For example, retailer **Mobile World Investment Corporation** trades at 14x its anticipated 2026 earnings, while delivering double-digit growth resulting from its exposure to growing consumer spending and a long runway to take market share from informal retail.

Similar opportunities can be found across other regions. Mexico is another country where the persistent strength of the export sector should provide a sustained tailwind for domestic consumption. Mexico's **Coca-Cola FEMSA SAB de CV**, a soft-drink bottler trading at just 13x forward earnings, should benefit from strong volume growth underpinned by rising demand and new products. In Central and Eastern Europe, **OTP Bank**, one of the largest banks in the region, headquartered in Hungary trades at just 6x forward earnings despite its opportunity to directly capitalize on continued manufacturing share shifts to the region.

We are mindful that despite the competitive advantages that EM countries bring to global trade, U.S. policymakers are intent on building up domestic manufacturing and sourcing more locally, particularly in strategic industries. Even this perceived headwind brings new opportunities for some EM companies that have the expertise and resources to facilitate the U.S.'s objectives. In the process, these companies are getting attractive growth opportunities while improving their business resilience through supply chain diversification.

One prominent example is Taiwan's **Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC)**, the leading manufacturer of advanced semiconductors, which is establishing major new production facilities in Arizona. TSMC is often regarded as being in the crosshairs of global trade conflicts, but its critical importance in producing chips that power everything from AI servers to mobile phones makes it impossible to disintermediate the company from supply chains. U.S. customers' reliance on TSMC continues to rise, and the company is building capacity in the U.S. to respond to the needs of its customers as well as U.S. policymakers. And this new U.S. capacity will benefit TSMC's earnings growth, with additional volume growth and production yields that are matching those of its Taiwanese plants.

Infrastructure expansion and renovation is another strategic area for the new administration, and cement is a critical input. **GCC SAB de CV** is a cement company headquartered in Mexico which earns 80% of its profit from plants located across the U.S. mountain west region. GCC is expanding its U.S. capacity with a large addition to its Odessa, Texas plant, taking advantage of a tight market for U.S. cement when peers have been constrained in adding capacity. GCC is trading at less than half the valuations of its U.S. peers – 5x forward EV/EBITDA versus 12x for its peer group average. This is yet another instance of an EM company which can have meaningful financial upside as a result of U.S. onshoring objectives.

One big question remains: will this trade shift kill China Inc? We do not believe investors should count China out. For one, lower Chinese exports to the U.S. have been more than compensated by its rising exports to other countries – indeed, its share of global imports continues to inch higher.

Source: Bloomberg and International Monetary Fund

Furthermore, Chinese exports to the U.S. only represent 3% of China's GDP. That makes downside risks to these exports a manageable challenge for Chinese policymakers, who are finally showing more willingness to counter economic pressures by supporting the domestic economy. While Chinese exporters to developed markets will likely experience further headwinds, we see big opportunities in companies linked to domestic consumption, where valuations have been hit hard despite healthy earnings momentum.

We also expect Chinese companies to grow exports in other markets that do not have the same incentives nor interests as the U.S. For example, **Great Wall Motor Company, Ltd.** is a leading automobile company trading at 7x forward earnings which fails to reflect its strong growth potential. Indeed, the company has seen an explosive growth in exports, with 42% of volumes now sold in foreign markets. This volume is predominantly sold in other emerging markets that do not have a domestic auto industry to defend.

Looking Ahead

The global economy is heading for changes under the new U.S. administration, with trade flows and supply chains set to continue evolving, and higher U.S. tariffs a near-certainty. Even so, looking beyond the headlines, we could not be more excited about emerging markets—which are full of companies able to adapt and thrive in the changing environment while trading at compelling valuations.

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. 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 12/31/24, the Ariel Emerging Markets Value (representative portfolio) held the following positions referenced: Mobile World Investment Corporation 0.51%; Mobile World Investment Corporation P-Note 1.51%; Coca-Cola Femsa SAB de CV 0.91%; OTP Bank Nyrt. 1.86%; Taiwan Semiconductor Manufacturing Company, Ltd. 9.03%; GCC SAB de CV 1.75%; Great Wall Motor Company, Ltd. 3.92%. As of 12/31/24, the Ariel Emerging Markets Value ex-China (representative portfolio) held the following positions referenced: Mobile World Investment Corporation 0.87%; Mobile World Investment Corporation P-Note 1.50%; Coca-Cola Femsa SAB de CV 0.98%; OTP Bank Nyrt. 2.65%; Taiwan Semiconductor Manufacturing Company, Ltd. 14.97%; GCC SAB de CV 1.76%; Great Wall Motor Company, Ltd. 0.00%.

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.