Ariel investments

Performance (%) as of December 31, 2024			Annualized				
	QTR	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel International (DM)							12/31/2011
Gross of Fees	**-4.98**	**7.56**	**7.56**	**2.33**	**4.07**	**4.66**	**6.01**
Net of Fees	**-5.12**	**6.90**	**6.90**	**1.69**	**3.42**	**4.10**	**5.39**
MSCI EAFE Net Index	-8.11	3.82	3.82	1.64	4.73	5.20	6.52
Additional Indexes							
MSCI EAFE Value Net Index	-7.12	5.68	5.68	5.88	5.09	4.31	5.83
Ariel International (DM/EM)							12/31/2011
Gross of Fees	**-4.94**	**5.98**	**5.98**	**3.31**	**4.71**	**5.13**	**6.45**
Net of Fees	**-5.07**	**5.43**	**5.43**	**2.73**	**4.11**	**4.51**	**5.76**
MSCI ACWI ex-US Net Index	-7.60	5.53	5.53	0.82	4.10	4.80	5.75
Additional Indexes							
MSCI ACWI ex-US Value Net Index	-7.31	6.04	6.04	4.37	4.50	4.07	5.08
Ariel Global							12/31/2011
Gross of Fees	**-3.51**	**8.12**	**8.12**	**5.58**	**7.68**	**7.50**	**9.23**
Net of Fees	**-3.65**	**7.55**	**7.55**	**5.04**	**7.14**	**6.97**	**8.61**
MSCI ACWI Net Index	-0.99	17.49	17.49	5.43	10.06	9.23	10.34
Additional Indexes							
MSCI ACWI Value Net Index	-4.71	10.76	10.76	4.61	6.42	6.24	7.83

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: The fourth quarter global stock market was dominated by crowded trades in U.S. mega-cap tech, as investors stayed focused on the artificial intelligence (AI) boom. Across the pond, caution prevailed in Europe with the Stoxx Europe 600 posting its worst quarter in two years amid rate uncertainty and concerns over potential inflationary policies from the incoming U.S. administration. Meanwhile in the Pacific, China's economy ended the year sluggishly, with September's stimulus efforts losing momentum and consumer spending recovery remaining elusive.

In 2024, extreme market trends intensified, with U.S. equities returning +25.08% in the MSCI All World Index compared to +6.09% for ex-U.S. stocks (gross returns in USD). This gap was propelled by a stronger dollar and concentrated market leadership, with eight stocks accounting for half of the Index's performance.

Against this backdrop, our international strategies led their respective primary benchmarks for 2024 full year. The Ariel International (DM) Composite advanced +7.56% gross of fees (+6.90 net of fees), significantly outperforming the MSCI EAFE Index's +3.82% gain. The Ariel International (DM/EM) Composite increased +5.98% gross of fees (+5.43% net of fees), modestly ahead of the MSCI ACWI-ex U.S. Index's +5.53% return. By contrast, the Ariel Global Composite traded +8.12% higher gross of fees (+7.55% net of fees) for the year, meaningfully lagging the MSCI ACWI Index's +17.49% return.

Navigating Global Stocks is a Case for Active Patience ®

In 2024, stocks had a good year—local currency returns were above long-term real return averages everywhere. Yet, U.S.-based investors faced diminished gains on foreign investment assets as the U.S. dollar continued to strengthen. This was especially pronounced in the fourth quarter when international stocks were flat in local currency, but U.S.-based investors experienced a decline of 8% in USD.

As of 12/31/2024	QTD			1 Year		
	USD	LOCAL	difference	USD	LOCAL	difference
MSCI EAFE - Net Return	-8.1	-0.6	-7.5	3.8	11.3	-7.5
MSCI Europe - Net Return	-9.7	-2.9	-6.9	1.8	7.8	-6.0
MSCI Japan - Net Return	-3.6	5.9	-9.5	8.3	20.7	-12.4
MSCI USA - Net Return	2.7	2.7	0.0	24.6	24.6	0.0
MSCI EM (Emerging Markets) - Net Return	-8.0	-4.4	-3.6	7.5	13.1	-5.6
MSCI China - Net Return	-7.7	-7.0	-0.7	19.4	19.5	-0.1

LOCAL= In local currency
Source: FactSet

On a relative basis, our international strategies outperformed in a flat market environment, reflecting the intention of our portfolio enhancements, particularly on a risk-adjusted basis. This year, our stock selection has been driving performance and relative risk, not defensiveness. We are taking steps that we believe pave the way for more consistent alpha generation by holding a broader, more diverse range of stocks with idiosyncratic company-specific risks, sized for impact and with fundamentals poised for significant improvement.

Our global portfolio performance was disappointing as a handful of stocks declined. We remain confident that our research and investment process, which is showing results in our international strategies, will also work for global strategies.

Our robust research process is delivering differentiated insights, with many of our new names outpacing the benchmark. We remain bullish on free cash flow and dividends for Dubai real estate development company, **Emaar Properties PJSC**. Within financials, regional Italian bank, **Banca Monte dei Paschi di Siena SpA,** performed well as the market began to recognize its improved balance sheet and profitability. And as we expected, the eventual impact of GLP-1s on chronic kidney disease will not be felt until the next decade—leading to gains in German-based, **Fresenius Medical Care AG** compared with a pullback in leading GLP-1 provider, Novo Nordisk.

Some of our top 2024 contributors pulled back this quarter. **Michelin (CGDE)**, the French car-parts manufacturer cut its guidance for the year due to weaker demand resulting from high interest rates. Near-term pressures related to sales volume and downcycle for specialty tires caused the stock to decline. We pared back our holding size following a strong contribution earlier in the year and still, we have high conviction in our investment thesis for long-term secular trends that will continue to increase demand for premium tires. **Sanofi**, the French pharmaceutical company, performed poorly due to U.S. election concerns and potential harm to vaccine manufactures. We see a stable outlook for the company, believe the immunology pipeline is being overlooked and see blockbuster potential for Dupixent in the newly approved COPD indication.

Shares of e-commerce company, **JD.com, Inc.**, fell in response to overall Chinese consumer discretionary pessimism. Our reduction of **Baidu, Inc.** and shift toward JD.com during 2024, benefitted the portfolio, with JD.com shares rising 47% since inception, well ahead of the overall Chinese market's return of 24.7% over the same period.

The U.S. market has done extremely well over the last year, widening the gap with peers around the world. So yes, being underweight U.S. equities and, as a result, underweight the U.S. dollar, may be seen as a significant headwind for our global portfolio. But our stock selection within the U.S. was the main issue. As we hedged our USD weight closer to the benchmark, currency had negligible impact on our relative performance. The bulk of our shortfall came from two positions, **Intel Corporation** and **CVS Health Corporation**, both experiencing company-specific issues leading to a bumpy ride. We have re-assessed these holdings and see 2025 as a pivotal year for recovery. Intel and CVS are companies where management is taking decisive and transparent action to enhance shareholder value, with company boards activated; we see upside potential from here.

We believe that better performing U.S. stock holdings will result in outperformance, not increasing country weight. In a scenario where investors believe the U.S. economic outlook improves, the portfolio is well-positioned to participate. Several holdings, while based outside the U.S., also have substantial exposure to the U.S. economy. In fact, our global portfolio is close to its benchmark in terms of U.S revenue exposure.

Intel Is Primed for a Renaissance

There is no denying 2024 was an exceedingly difficult year for Intel. As the company posted the biggest loss in its 56-year history, its shares fell -60%. While part of the sell-off comes from market share losses in the Central Processing Unit (CPU) space and the broader industry pivot toward AI-focused Graphics Processing Unit (GPU) chips for data centers, the bigger issue for Intel has been its foundry business.

The company's strategy to build out a world-class foundry business has been slow to show results, with a current annualized $10B loss in this division. For the stock to perform well, investors will need more signs that the foundry business is on the path to achieving profitability.

2025 is expected to be a pivotal year for the company. And, while technology transitions are notoriously difficult, we see several signs which suggest that Intel may be in the process of regaining ground after falling behind. As an early adopter of ASML's newest capital equipment, we see strong odds of Intel achieving profitable production yields in leading edge node manufacturing sooner than competitors. We believe today's share price assumes there is *almost no chance* of success in the foundry business. There is significant upside if investors start to price *at least some* chance of success.

There are two key indicators we are monitoring as part of our investment thesis—factors that could also prompt us to reassess our strategy.

1) **Launch of Intel 18A needs to work**. The 18A process is poised to play a pivotal role in the company's foundry business. This advanced node aims to deliver competitive performance and power efficiency, making it an attractive offering for other potential foundry customers. By achieving leadership in process technology, 18A could position Intel as a credible alternative to Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC).

   We believe recent partnership announcements with Amazon to co-invest in custom chips and Apollo's stake in Intel's Semiconductor Co-Investment Program is an additional vote of confidence on Intel's turnaround process—i.e., long-term investors recognizing the potential value of Intel's assets.

2) **Wafer Insourcing needs to rise.** Intel has big launches in areas where it has strong competitive advantages, PC and CPU industry. In the PC market, Intel's plans to launch Panther Lake in the second half of 2025 should bring most of its manufacturing back in-house (after outsourcing productions to TSMC)—reducing the company's reliance on external foundries.

> Management also stated wafer insourcing is expected to be a key driver to profitability for Intel's foundry business. The most performance-critical portions of Panther Lake will leverage the Intel 18A process—enabling the company to manufacture competitive chips with a cost-effective structure.

Notably, Intel has locked down billions in grants from the CHIPS act to support its manufacturing efforts. We expect the company to benefit from the Trump administration given its strategic importance to U.S. technological independence. It is possible this support could be aimed at boosting domestic chip production. Intel's foundry division may also see stronger demand, particularly as companies look to rely on U.S. suppliers to avoid potential tariffs.

Intel's longstanding market position and much-anticipated CEO search should catalyze a stock price rally. We estimate more than 100% upside if we are right on our base case scenario—$185B of value on sum-of-the-parts basis versus $95B market cap currently. There could be further upside of $250B in total value if foundry executes according to our bull case scenario. While we see meaningful upside to downside in the shares, the wide ratio of outcomes leads us to maintain a 2% average position in our global portfolio.

Looking Ahead

As we step into 2025, the global economy is navigating a transformative era boosted by powerful forces such as the rise of artificial intelligence, acceleration toward net-zero emissions and geopolitical fragmentation. In this evolving landscape, our focus remains on stock-specific scenarios rooted in fundamental growth and long-term secular trends like semiconductors, cybersecurity and electrification. We are not swayed by short-term market fluctuations or boom-and-bust dynamics.

Global and international stocks, which can include significant exposure to U.S. revenues, are trading at a discount relative to U.S. stocks. This offers solid investment opportunities at attractive valuations for long-term investors. Over the past two years, there is a growing dependence on U.S. stocks to drive global returns, raising concern about potential overdependence on its sustained performance. With the S&P 500 trading near record-high valuations (price to forward earnings), robust earnings growth will be critical to more appreciation.

While our portfolio may benefit from U.S. stocks pulling back, it is not our primary focus. We have many stock-specific scenarios which we believe can lead to outperformance. We believe our international and global portfolios offer significant upside while maintaining downside protection.

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: (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. 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 Ariel International (DM) Composite differs from its benchmark, the MSCI EAFE Index, because: (i) the Composite has fewer holdings than the benchmark, (ii) the Composite will invest in Canada, and (iii) the Composite will at times invest a portion of its assets in the U.S. and emerging markets. The Ariel International (DM/EM) Composite differs from its benchmark, the MSCI ACWI (All Country World Index) ex-U.S., because: (i) the Composite has fewer holdings than the benchmark and (ii) the Composite will at times invest a portion of its assets in the U.S. The Ariel Global Composite differs from its benchmark, the MSCI ACWI (All Country World Index), because the Composite has fewer holdings than the benchmark.

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 International (DM) (representative portfolio) position size, if any, in the above holdings was Emaar Properties PJSC 1.59%; Banca Monte dei Paschi di Siena SpA 2.78%; Fresenius Medical Care AG 4.52%; Michelin (CGDE) 4.16%; Sanofi 4.97%; JD.com, Inc. 2.11%; JD.com, Inc. ADR 0.09%; Baidu, Inc. ADR 0.46%; Intel Corporation 0.00%; CVS Health Corporation 0.00%; and Taiwan Semiconductor Manufacturing Company, Ltd 1.72%. As of 12/31/24, the Ariel International (DM/EM) (representative portfolio) position size, if any, in the above holdings was Emaar Properties PJSC 2.78%; Banca Monte dei Paschi di Siena SpA 2.20%; Fresenius Medical Care AG 3.86%; Michelin (CGDE) 4.15%; Sanofi 4.17%; JD.com, Inc. 3.36%; Baidu, Inc. ADR 0.96%; Intel Corporation 0.00%; CVS Health Corporation 0.00%; and Taiwan Semiconductor Manufacturing Company, Ltd 4.46%. As of 12/31/24, the Ariel Global (representative portfolio) position size, if any, in the above holdings Emaar Properties PJSC 1.78%; Banca Monte dei Paschi di Siena SpA 1.80%; Fresenius Medical Care AG 2.92%; Michelin (CGDE) 2.80%; Sanofi 2.17%; JD.com, Inc. 3.57%; Baidu, Inc. ADR 0.93%; Intel Corporation 1.31%; CVS Health Corporation 2.53%; and Taiwan Semiconductor Manufacturing Company, Ltd 3.29%.

Investors cannot invest directly in an index. The MSCI EAFE Index is an equity index of large and mid-cap representation across 21 Developed Markets (DM) countries around the world, excluding the U.S. and Canada. Its inception date is May 31, 1986. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. Its inception date is December 8, 1997. The MSCI ACWI (All Country World Index) ex-U.S. Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001. The MSCI ACWI ex-U.S. Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Its inception date is December 8, 1997.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The inception date is May 31, 1990. The MSCI ACWI Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. Its inception date is December 8, 1997. The MSCI ACWI Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets countries* and 24 Emerging Markets (EM) countries. Its inception date is December 8, 1997. 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 companies 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.