Ariel investments

Performance (%) as of March 31, 2025			Annualized			
	QTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Emerging Markets Value						04/30/2023
Gross of Fees	**3.23**	**3.92**	-	-	-	**12.57**
Net of Fees	**2.95**	**2.89**	-	-	-	**11.48**
MSCI EM Net Index	2.93	8.09	-	-	-	9.12
Additional Indexes						
MSCI EM Value Net Index	4.32	7.60	-	-	-	9.65
Ariel Emerging Markets Value ex-China						05/31/2023
Gross of Fees	**-2.30**	**-7.53**	-	-	-	**10.62**
Net of Fees	**-2.56**	**-8.51**	-	-	-	**9.45**
MSCI EM ex-China Net Index	-1.72	-2.14	-	-	-	8.09

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 quarter ended March 31, 2025, the MSCI EM Index rose +2.93% and the MSCI EM ex-China Index declined –1.72%, both of which were ahead of the S&P 500 Index which fell -4.27%. The Ariel Emerging Markets Value Composite was in-line with its benchmark with its +3.23% gross of fees (+2.95% net of fees) return. Meanwhile, the Ariel Emerging Markets Value ex-China Composite trailed the MSCI EM ex-China Index with a -2.30% gross of fees (-2.56% net of fees) return.

Equity markets around the world grappled with the uncertainties driven by changing U.S. economic and trade policies, exacerbated by concerns about the sustainability of investment in artificial intelligence. China's equity market was one of the best-performing in the world, helped by signs of improving consumption and improving technological capabilities in its domestic industry. By contrast, Taiwanese equities pulled back after prior outperformance, due to the mounting worries about the global technology cycle.

Climbing the Great Wall of Worry: The Case for China Equities

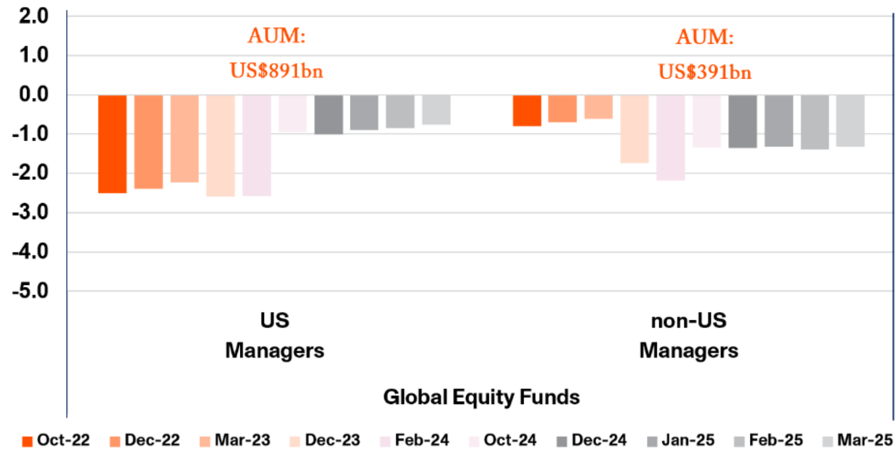
If there's one assumption that investors of all stripes have had in common in recent years, it is that China's days as an attractive investment opportunity are over. The common narrative holds that the economic growth drivers that fueled China's rapid development for decades have been overextended, leaving an economy fundamentally broken by a real estate crisis, excess infrastructure and manufacturing capacity and a private sector worn down by government controls. According to skeptics, the now escalating U.S. trade war is merely the final nail in the coffin for China's economy.

Our view is different: while China's economic challenges are substantial, low valuations and positive

inflection points from domestic policy shifts and global trade re-ordering are a powerful combination creating some of the most attractive investment opportunities in the world today. Although Chinese equities began to outperform last September, we see a long runway ahead for investors willing to be contrarian.

The evidence of China's unpopularity as an investment destination is clear given the large active portfolio underweights to the country. Low valuations provide further testament to the market's disfavor.

Active weights of China/HK equities by regional fund category and manager domicile



Source: Morgan Stanley

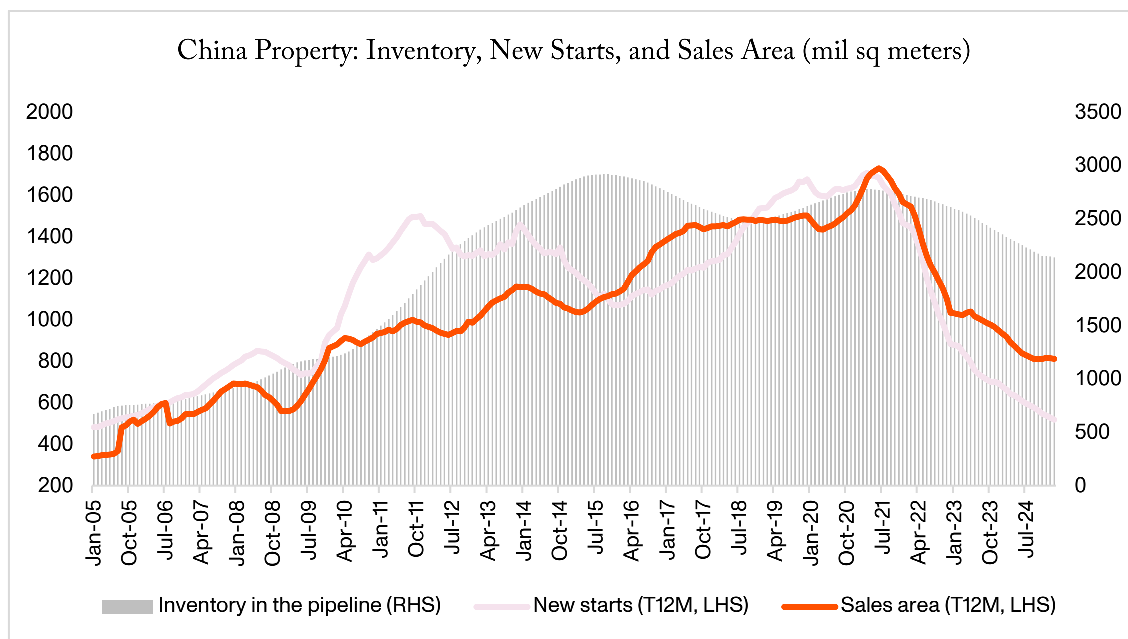
Source: Bloomberg, MSCI

Our own anecdotal experiences connecting with market participants both on the ground in China and outside its borders confirm near-unanimous bearishness.

And indeed, the economic and political challenges are substantial. GDP growth, which from 2010-19 averaged nearly 8%, slowed to 5% last year and is expected to continue decelerating. Many suspect the actual growth deceleration is more severe than the government reports. Government policies fueling widespread overcapacity

drove excess investment and has led to the risk of sustained deflation. Domestic producer prices fell 2% in 2024. Chinese consumers continue to show low propensity to spend or invest. And the impact of recent U.S. tariff increases has yet to be felt.

However, many of the best investment opportunities come from inflection points, and we see ample signs of an improving trajectory in China. For starters, the real estate market appears to be stabilizing. New home sales have picked up, and inventories are falling. With 70% of household wealth tied to real estate, a mere stabilization in that market will go a long way towards helping consumer confidence.



Source: UBS

In addition, the central government is signaling a shift in economic policy priorities. Recently, President Xi Jinping endorsed substantial consumption subsidies in the second half of 2024 with potential for more to come this year. He's even back-tracked on the private tech sector, extending olive branches to high-profile leaders like Alibaba founder Jack Ma in a symbolic show of mending corporate fences. We believe the Chinese government and private sector interests have become more aligned in the technology sector in recent years, with both sides pursuing “new productive forces” as a growth driver amidst external constraints. These developments have buoyed the Chinese equity market in recent months.

With U.S. exports representing less than 3% of China’s GDP, the impact of tariffs should be moderate and manageable. China is able to redirect its highly competitive exports to other countries. Our conviction in China’s resilience is underscored by its innovative efforts in breakthrough AI applications as well as high-speed EV battery charging.

Most importantly, we are finding stocks that have strong return potential even if China's economy does not experience meaningful acceleration. Our Chinese holdings have very little tariff exposure, as their sales are predominantly domestic or driven by exports to non-U.S. markets.

We like **Alibaba Group Holding, Ltd.**, China's leader in e-commerce and cloud computing. Long a higher flier for its rapid growth as the dominant marketplace platform, Alibaba's valuation suffered sharply from 2021-24 as investors fretted over slower growth partly due to rising competition. Meanwhile, even as it built up its growing cloud computing business—not unlike Microsoft, Amazon and Google in the U.S.—investors ascribed little value to the segment. We accumulated shares through 2023. We believed the core business would grow, its market share would stabilize with improved monetization, and an increasingly profitable and growing cloud business was undervalued. While Alibaba's valuation has risen, we still see meaningful upside

from here as earnings growth accelerates and its cloud business value gets more fully realized.

We also like **Tongcheng Travel Holdings, Ltd.**, the #3 player in online travel in China. In country travel continues to offer significant growth potential after the deep declines during COVID. Domestic tourism spending only barely surpassed 2019 levels in 2024, lagging well behind the overall growth in economic activity and consumer incomes during that time. Meanwhile, the top three industry players continue to gain share at the expense of smaller companies. Tongcheng has a great opportunity due to its relative focus on smaller-tier cities with higher pent-up demand for travel. Tongcheng trades at just 14x forward earnings despite high-teens expected earnings growth over the next few years.

Looking Ahead

It is worth re-emphasizing that each of these investments was, and remains, highly attractive for company-specific reasons. Our investment decisions were NOT predicated on a view that the companies would be boosted by economic policy changes such as consumer-focused stimulus. Any such stimulus has potential to be an added tailwind. That said, the companies are attractive on their own merits, and the stocks attractively valued even if stimulus does not play out.

One final point: we are continuing to monitor and take into consideration the risk that U.S. policymakers create new restrictions on investment in Chinese equities. At this stage, our view is that the risk of restrictions is highest in strategic industries with military or advanced-technology applications, and remains modest for consumer-oriented companies, in part because such restrictions would harm many U.S. market participants. We continue to avoid Chinese stocks where U.S. restrictions could result from any connection to technologies with national strategic importance.

Investing in China is not without risk, but the most attractive opportunities seldom are. We expect contrarian investors will be well rewarded.

Sincerely,

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

As part of our long-term succession plan, in late February we offered colleagues who are 55 years or older and have more than 10 years of service the opportunity to take an early retirement package that would allow participating team members to work with Ariel on a scheduled transition plan. Eight colleagues informed us by the April deadline that they intended to accept the early retirement offer, with exit dates spanning through calendar year 2026. Of these, 3 out of our 23 Senior Vice Presidents are participating: John Miller (Co-Portfolio Manager of Small/Mid Cap Value portfolios) who will officially depart on May 1st; Cheryl Cargie (Head Trader of Domestic Equities) who will leave us in the third quarter of 2025; and Wendy Fox (Chief Compliance Officer) who will retire in 2026.

With 35 years at the firm, John Miller is our longest tenured teammate after our founder, John Rogers. Miller—as we call him—is a passionate value investor with an insatiable appetite for information. Working alongside co-portfolio managers on his strategy, Miller's departure will be seamless as John Rogers and Ken Kuhrt continue in their efforts managing Ariel Fund. Moving forward, John Rogers and Ken Kuhrt will be co-portfolio managers on all Ariel Small/Mid Cap Value strategies. Cheryl has been a skilled and calm presence for 30 years at Ariel. For 15 of those years, she has worked alongside Jill Gracia who is deeply steeped in the very best trading practices. Jill will work with members of our three-member Global trading team under the

ongoing direction of Nichole Graveen, our Head of Operations. Against the backdrop of 20 years of tremendous service, Wendy's longer transition period allows us to thoughtfully and methodically recruit her successor.

These developments are normal in the maturation of any firm, and we have worked to ensure orderly transitions. Like the senior leaders who retired in the past, we do not anticipate any business disruptions. The other five individuals leaving Ariel are no less important but are not as senior. From the mailroom to portfolio management, our gratitude runs deep.

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 3/31/25, the Ariel Emerging Markets Value (representative portfolio) held the following positions referenced: Alibaba Group Holding, Ltd 6.46% and Tongcheng Travel Holdings, Ltd 2.65%. As of 3/31/25, the Ariel Emerging Markets Value ex-China (representative portfolio) held the following positions referenced: Alibaba Group Holding, Ltd 0.00% and Tongcheng Travel Holdings, 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

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