Ariel Emerging Markets Value

Quarter Ended September 30, 2025

The MSCI Emerging Markets Index posted double-digit gains in the third quarter, outperforming both the MSCI ACWI and S&P 500. China led the rally, fueled by artificial intelligence (AI) leaders Alibaba and Tencent, as well as improving sentiment around U.S.–China trade negotiations and continued focus on anti-involution reforms aimed at boosting productivity and innovation. Taiwan and South Korea also outperformed amid growing investor enthusiasm for AI. By contrast, India lagged due to rising political tensions with the U.S. and softer earnings expectations. While near-term risks such as tariffs and geopolitical uncertainty persist, we believe our portfolio companies are well-positioned to navigate volatility. Within this environment, the Ariel Emerging Markets Value Composite advanced +9.80% gross (+9.63% net of fees), trailing the MSCI EM Index's +10.64% gain but ahead of the MSCI EM Value Index's +8.74% return.

China-based technology-driven e-commerce company, **Alibaba Group Holding, Ltd.** advanced over the period, driven by accelerating revenue growth in its cloud segment and better-than-expected margins. AI-related revenues now account for approximately 20% of external cloud revenue, with triple-digit growth continuing to underscore the company's leadership in this space. The stock was further supported by an announced increase in capital expenditures to expand cloud infrastructure in response to surging AI demand. Enhancements to Alibaba's proprietary large language model and internal chip development offer additional upside potential. Meanwhile, the core domestic e-commerce business continues to perform well, with solid revenue growth driven by improved monetization. Importantly, the earnings drag from investments in the food delivery segment proved less severe than anticipated, reinforcing the company's operational momentum.

Shares of Chinese auto maker, **Great Wall Motor Company, Ltd.** also traded higher during the period, supported by new product launches that are gaining meaningful traction and driving volume growth. The company also delivered robust performance in international markets beyond Russia, with the ramp-up of its Brazil plant in the second half of 2025 expected to further accelerate global expansion. This domestic and international growth is poised to enhance margins through improved operating leverage and economies of scale, reinforcing Great Wall Motor's competitive positioning.

Additionally, **Aluminum Corporation of China Ltd. (Chalco)** contributed positively during the period, supported by strong first-half 2025 results and robust free cash flow generation. During its post-results roadshow, management signaled a willingness to increase the dividend payout ratio and initiate a share buyback program—both positive developments for shareholder returns. The upbeat sentiment was further reinforced by steady aluminum prices and a tightening supply-demand balance over the coming years, consistent with our original investment thesis. We continue to expect higher aluminum prices to improve profitability and enhanced capital returns to shareholders.

In contrast, shares of Brazilian apparel company, **Lojas Renner S.A.** traded lower during the quarter, reflecting investor concerns over rising competition from e-commerce platforms, particularly cross-border players that may benefit from a potential tariff repeal ahead of Brazil's presidential elections. While a key risk worth monitoring, we believe Renner's differentiated positioning and curated product mix leave it less exposed. Additionally, expectations for slower third-quarter growth following a strong second quarter and seasonal demand shifts have weighed on sentiment. However, we remain constructive on the company's medium-term growth outlook. The ramp-up of its new distribution center continues to enhance inventory management, driving higher store productivity and reducing markdowns, which supports margin stability and operational efficiency.

Another detractor was our underweight position in **Samsung Electronics Co., Ltd.**, a global leader in semiconductors and consumer electronics, which we re-initiated a position in during the third quarter. The stock outperformed amid improving indicators for the memory semiconductor industry and early signs that Samsung may regain lost market share in 2026. While we have maintained meaningful exposure to the memory space through peer SK Hynix Inc., which also delivered strong performance, we recently increased our position in Samsung in light of strengthening industry fundamentals and favorable leading indicators.

Finally, **KB Financial Group Inc.**, Korea's largest financial institution by assets and customer base, detracted from performance this period as shares lagged the broader index. Net interest margins (NIM) came under pressure following rate cuts by the Bank of Korea, but the company's growing share of non-interest income continues to support a return on equity comfortably above its cost of capital. Despite recent relative underperformance, we remain constructive on KB Financials' medium-term outlook. With increasing total shareholder return, a high dividend yield, and an attractive valuation, the stock is well-positioned to remain a solid contributor going forward.

In addition to **Samsung Electronics Co., Ltd.** discussed above, we initiated four new positions in the quarter.

We added **Cia Brasileira de Alumínio**, Brazil's vertically integrated aluminum producer, which is well-positioned to benefit from tight global supply and rising aluminum prices. With China maintaining its production cap, incremental supply is expected to come from higher-cost markets, enhancing the company's competitive advantage. Medium-term upside is supported by its transition to lower-cost energy contracts and ongoing efforts to debottleneck operations, which should drive improved efficiency and profitability.

We bought **GCL Technology Holdings Ltd.**, China's second-largest and lowest-cost polysilicon producer. After a period of overexpansion and weak profitability, the industry has become a focal point for China's anti-involution policies aimed at curbing excess capacity and unsustainable price competition. Recent regulatory measures—including a ban on below-cost product dumping and new energy efficiency standards—are expected to accelerate the exit of less efficient producers. Concurrently, industry participants are forming a buyout fund to consolidate capacity and stabilize pricing. With a strong balance sheet and cost leadership, we believe GCL is well-positioned to navigate near-term volatility and capture long-term growth as polysilicon prices normalize.

We initiated a position in **Hyundai Marine & Fire Insurance Co Ltd. (HMF)** following a regulatory shift in Korea toward a more accommodative stance on solvency and capital requirements under the IFRS 17 framework. After two years of tightening and accounting volatility, the regulator has largely finalized its revisions, paving the way for more stable earnings and improved transparency across the sector. The recent reduction in the local solvency threshold from 150% to 130% provides HMF, historically the most capital-constrained among peers, with greater flexibility to resume shareholder returns. We believe this will catalyze a rerating of the stock's depressed valuation and help narrow its discount to other Korean financials.

Finally, we purchased **Minth Group Ltd.**, a leading global supplier of automotive components with growing exposure to the European electric vehicle supply chain through its rapidly expanding battery housing business. Strong relationships with original equipment manufacturers and significant revenue growth potential through 2029 underpin a compelling investment case. Operating leverage is expected to drive margin and earnings expansion. Beyond automotive, Minth's strategic entry into humanoid robotics and electric Vertical Take-Off and Landing aircrafts (eVTOLs) introduces meaningful optionality. A recent dip in share price due to profit-taking and tariff concerns offers an attractive entry point ahead of several potential re-rating catalysts over the next year.

By comparison, we successfully sold our position in Indian banking services provider, **Industrial Bank Co Ltd**. and leading white goods manufacturer, **Midea Group Co. Ltd.** on valuation. We also exited Indian banking services provider, **IndusInd Bank Limited** to purse more compelling opportunities.

Emerging markets continue to present compelling long-term opportunities. Despite recent equity outperformance, EM valuations remain deeply discounted relative to developed markets. Corporate earnings in emerging economies are poised to outpace those of advanced markets, supported by structural tailwinds such as rising productivity, a growing middle class, and rapid innovation. EM companies are also demonstrating greater capital discipline, enhancing returns through operational efficiency, dividends, and buybacks. Additionally, we believe sustained U.S. dollar weakness could further bolster EM assets. Notably, EM firms are playing a pivotal role in global innovation, particularly in AI, with semiconductor leaders driving next-generation technologies. As such, our EM value portfolios are well-positioned, emphasizing strong fundamentals, attractive valuations, and exposure to secular growth drivers—an approach we believe will deliver resilient, superior long-term returns.

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 and ETFs 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 within the strategy may never be recognized by the broader market. The strategy is often concentrated in fewer sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.

Past performance does not guarantee future results. For the period ended 9/30/2025, the performance (net of fees) of the Ariel Emerging Markets Value Composite for the 1-year and since inception on 4/30/2023 was +11.32% and +17.70%, respectively. For the period ended 9/30/2025, the performance for the MSCI EM Net Index and the MSCI EM Value Net Index over the 1-year and since inception of the Ariel Emerging Markets Value Composite on 4/30/2023 was +17.32% and +17.09%, and +13.30% and +15.85%, respectively. 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 Ariel Emerging Markets Value Composite differs from its benchmark, the MSCI EM Net 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 of the views expressed will come to fruition or any investment will perform as described.

As of 9/30/2025, Alibaba Group Holding, Ltd. constituted 7.4% of the Ariel Emerging Markets Value Composite (representative portfolio); Great Wall Motor Company, Ltd. 3.9%; Aluminum Corporation of China, Ltd. 1.4%; Lojas Renner SA 1.7%; Samsung Electronics Co., Ltd. 3.1%; KB Financial Group, Inc. 3.2%; Companhia Brasileira de Aluminio 0.7%; GCL Technology Holdings, Ltd. 1.0%; Hyundai Marine & Fire Insurance Company, Ltd. 0.5%; Minth Group, Ltd. 1.2%; IndusInd Bank Ltd. 0.0%, Industrial Bank Co., Ltd. 0.0% and Midea Group Co. Ltd 0.0%.

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 Ariel Emerging Markets Value Composite.

A glossary of financial terms provided herein may be found on our website at www.arielinvestments.com.

Indexes are unmanaged. 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 December 29, 2001. The MSCI 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 January 08, 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.