

Ariel Emerging Markets Value ex-China

Quarter Ended September 30, 2025

The MSCI Emerging Markets ex-China Index delivered a strong performance in the third quarter, buoyed by continued momentum in Taiwanese and South Korean technology stocks. Investor enthusiasm for artificial intelligence (AI) remained a key catalyst, fueling gains across semiconductor and hardware sectors. By contrast, Indian equities underperformed, weighed down by rising political tensions with the United States and tempered corporate earnings expectations. While macro risks including potential tariff escalations and geopolitical uncertainty remain top of mind, we remain confident in the resilience and strategic positioning of our portfolio companies. We believe our high-quality, undervalued franchises with durable competitive advantages and strong governance are well-equipped to navigate volatility and capitalize on long-term structural growth. Against this backdrop, the Ariel Emerging Markets Value ex-China Composite advanced +3.71% gross of fees (+3.48% net of fees), underperforming the MSCI EM ex-China Index's +6.64% return.

Shares of **Banco BTG Pactual S.A.** advanced in the third quarter, with strong top- and bottom-line results. The firm delivered significantly better-than-expected capital markets revenues alongside consistent growth in its wealth management business. Looking ahead, we see continued upside supported by market share expansion and the anticipated tailwinds from interest rate cuts in Brazil.

Maruti Suzuki India Limited, an Indian auto company, also contributed positively this quarter, with improved demand following India's recent Goods and Services Tax (GST) reduction. This measure—part of a broader government stimulus including income tax cuts and wage hikes—has lowered prices across several auto segments, enhancing affordability for entry-level and compact cars where Maruti holds a competitive edge. The company also reported stronger-than-expected earnings and gained market share from key competitors, positioning it as a prime beneficiary of the demand uplift.

Additionally, **Ivanhoe Mines Ltd.**, a Canadian-listed copper producer with key assets in the Democratic Republic of Congo, traded higher over the period. Following a seismic event that temporarily shut part of its mine in Q2 2025, the company has resumed partial operations and initiated rehabilitation efforts, with September updates indicating solid progress. Preliminary assessments suggest only a modest long-term impact on production. The stock also benefited from

rising copper prices, buoyed by significant global supply disruptions in Q3, which are expected to tighten the market into 2026. We maintain a constructive view on copper and see further upside for Ivanhoe as output recovers. Additional value may come from its adjacent acreage, where a large resource has already been discovered and is under evaluation, alongside ongoing exploration in nearby areas.

Conversely, 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, was our largest detractor in the 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.

Shares of Brazilian apparel company, **Lojas Renner S.A.** also 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.

Lastly, shares of **Power Grid Corporation of India Limited**, the country's leading power transmission company, fell following lackluster earnings results driven by temporary delays affecting project timelines. While these delays impacted near-term sentiment, the long-duration cash flow generation from these projects once operational suggest minimal impact to the company's intrinsic value. More importantly, Power Grid continues to benefit from India's robust economic growth and rising electricity demand, alongside the structural shift toward renewable energy, both of which are driving increased transmission needs. The company



maintains guidance for a significant acceleration in project volume, which is expected to support stronger earnings growth in the years ahead.

In addition to **Samsung Electronics Co., Ltd.** discussed above, we initiated two 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 also purchased **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.

By comparison, we exited Indian banking services provider, **IndusInd Bank Limited** and **PetroVietnam Drilling & Well Services JSC** to pursue 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 ex-China Composite for the 1-year and since inception on 5/31/2023 was +8.87% and +17.11%, respectively. For the period ended 9/30/2025, the performance for the MSCI EM ex-China Net Index over the 1-year and since inception of the Ariel Emerging Markets Value ex-China Composite on 5/31/2023 was +12.22% and +16.67%, 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 ex-China Composite differs from its benchmark, the MSCI EM ex-China 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, Banco BTG Pactual SA constituted 3.8% of the Ariel Emerging Markets Value ex-China Composite (representative portfolio); Maruti Suzuki India, Ltd. 2.2%; Ivanhoe Mines, Ltd. 1.2%; Samsung Electronics Company, Ltd. 4.2%; Lojas Renner SA 2.2%; Power Grid Corporation of India, Ltd. 2.6%; Companhia Brasileira de Alumínio 0.7%; Hyundai Marine & Fire Insurance Company, Ltd. 0.5%; IndusInd Bank Ltd. 0.0% and PetroVietnam Drilling & Well Services JSC 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 ex-China 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. 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 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.

