

Ariel Focus Fund

Quarter Ended September 30, 2025

Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes the reinvestment of dividends and capital gains, and represents returns of the Investor Class shares. The investment return and principal value of an investment 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 current to the most recent month end for Ariel Focus Fund may be obtained by visiting our website, arielinvestments.com. For the period ended September 30, 2025 the average annual returns of Ariel Focus Fund (Investor Class) for the 1, 5, and 10 year periods were +20.14%, +14.56%, and +10.37%, respectively.

U.S. equities advanced meaningfully in the third quarter, propelled by the Federal Reserve's first rate cut of the year, robust corporate earnings growth, and broadening market participation. Investor enthusiasm for artificial intelligence continued to drive outsized gains in technology, particularly among the Magnificent Seven¹, while small caps outperformed as capital rotated into undervalued segments of the market. Despite persistent concerns around tariffs, inflation, and labor market softness, the macro backdrop remained supportive. GDP growth proved resilient, and both consumer spending and core inflation held steady, reinforcing the bullish narrative. Although lingering policy and geopolitical risks may contribute to heightened volatility, investor sentiment remains upbeat; and we continued to view macroeconomic developments through the lens of our long-term investment horizon. Against this backdrop, Ariel Focus Fund surged +20.76% higher in the quarter, trouncing the +5.33% gain posted by Russell 1000 Value Index and the S&P 500 Index's +8.12% return.

Supplier of residential thermal, comfort and security solutions, **Resideo Technologies, Inc. (REZI)** was the top contributor in the quarter driven by strong earnings and a subsequent raise in guidance. Organic revenue, EBITDA and adjusted EPS all exceeded expectations. The company also finalized its agreement with Honeywell, eliminating future financial obligations under their indemnification arrangement. In our view, REZI remains undervalued, with long-term growth supported by rising demand for connected smart home solutions and continued product innovation.

Shares of gold mining company, **Barrick Mining Corporation (B)** also jumped in the quarter on strong financial results buoyed by rising gold prices. The company also announced the strategic divestiture of its Hemlo Gold Mine to Carcetti Capital for \$1.09 billion, a move aimed at

streamlining its asset portfolio and sharpening operational focus. Barrick's solid liquidity position continues to underpin its commitment to shareholder returns, reflected in ongoing dividends and share repurchase activity. In a notable leadership transition, President and CEO Mark Bristow will step down after nearly seven years of service. The company has initiated a formal search for his successor.

Additionally, manufacturer and distributor of medical devices specializing in dental products, **ZimVie, Inc. (ZIMV)**, advanced following an announcement it will be acquired by ARCHIMED, a leading healthcare-focused investment firm, with the transaction expected to close by year-end.

In contrast, producer of crop nutrients, **Mosaic Co. (MOS)**, was the biggest detractor from performance in the period following an earnings miss that came after a strong share price run. Higher potash and phosphate prices were offset by lower volumes and rising production costs. Despite near-term pressures, phosphate markets are expected to remain tight through 2025 due to limited new supply. MOS remains focused on cost discipline, free cash flow generation, and preserving its investment-grade credit profile, while continuing to return significant capital to shareholders.

New holding and distributor of over-the-counter pharmaceutical drugs and products, **Prestige Consumer Healthcare Inc. (PBH)**, also declined following mixed earnings results and a downward revision to full year guidance. Sales were impacted by limited inventory in the eye care segment, but the announced acquisition of Pillar5, a leading sterile ophthalmic manufacturer, is expected to strengthen supply over time. While ophthalmic recovery will be gradual, PBH reaffirmed its free cash flow outlook, supporting continued share repurchases and strategic acquisitions. Outside of eye care, the core portfolio delivered as expected, including gross margin expansion. We believe

¹ The Magnificent Seven include Nvidia, Alphabet, Meta Platforms, Microsoft, Tesla, Apple and Amazon.com.



PBH has room to close its valuation gap relative to peers in the consumer healthcare sector.

Lastly, **Schlumberger Limited (SLB)** traded lower during the quarter, pressured by a challenging macroeconomic environment. OPEC+ supply increases and heightened geopolitical uncertainty weighed on oil prices, dampening upstream investment activity. Revenue softness and margin pressure in the Reservoir Performance and Well Construction segments impacted results, despite solid contributions from Digital and Production Systems services. Looking ahead, we see medium-term tailwinds as national oil companies accelerate investment in long-cycle projects to offset expected production declines. With unmatched scale, broad technical capabilities, and strong exposure to resilient international markets, we believe SLB remains the best-positioned oilfield services provider to meet rising global energy demand.

In addition to **Prestige Consumer Healthcare (PBH)** discussed above, we initiated two new positions in the quarter.

We added **Arthur J. Gallagher & Co. (AJG)**, the world's largest insurance broker focused on middle-market clients. Shares came under modest pressure during the quarter due to a delay in closing its \$13.4 billion acquisition of AssuredPartners. The deal ultimately closed in August 2025, with management now projecting stronger synergies than initially anticipated. Looking ahead, we believe AJG's scale, specialized expertise, and highly scalable platform position it well for continued organic growth and margin expansion. The resilience of the global insurance market further supports its long-term outlook, reinforcing our confidence in AJG as a core holding.

We also purchased **Fiserv, Inc. (FI)**, leading global provider of payment processing and financial services technology solutions. The company possesses unmatched scale and cross-selling abilities across its businesses, including its core financial technology solutions, merchant acceptance and payment processing. Additionally, these innovative technologies are deeply entrenched in client operations, providing attractive and predictable recurring economics representative of a wide moat, high switching cost service business. A recent pullback in the stock provided an attractive entry point. Shares came under pressure due to investor concerns around Clover volumes decelerating. However, the deceleration was due to one-time items and growth is expected to accelerate later this year. In our view, FI offers a rare opportunity to own a best-in-class financial technology business that should benefit from the secular demand for innovative financial technology.

By comparison, we sold our position in manufacturer and distributor of medical devices specializing in dental products,

ZimVie, Inc. (ZIMV) on valuation. We also exited oil services company, **Core Laboratories, Inc. (CLB)** and manufacturer and developer of laboratory equipment and biological testing, **Bio-Rad Laboratories Inc. (BIO)** to pursue more compelling opportunities.

As we enter the fourth quarter, U.S. markets are delicately balancing elevated valuations against a backdrop of emerging macroeconomic headwinds. The Federal Reserve's recent rate cut and possibility of further easing provides a measure of support, even as signs of moderating consumer demand and softening labor market dynamics suggest slowing growth. Yet, the underlying resilience of the U.S. economy and continued strength in corporate earnings remain constructive. Investor sentiment continues to be buoyed by AI-driven momentum, though risks tied to market concentration, policy uncertainty, and the ongoing government shutdown may contribute to heightened volatility. In this environment, we remain measured, deliberate, and actively patient—ready to capitalize on dislocations with a long-term lens. Our pro-cyclical positioning reflects bottom-up conviction in undervalued businesses rather than macroeconomic forecasts. We see compelling value in small-cap equities and select cyclicals, many of which are trading at historically attractive levels. Consensus earnings projections suggest the Russell 2000 Index may outpace the Russell 1000 Index over the next two years², with small caps currently trading at one of the steepest discounts to large caps since the dot-com era.² As the performance gap narrows, we believe our positioning is well-aligned to capture the upside.

Investing in equity stocks is risky and subject to the volatility of the markets. Investing in small and mid cap companies is riskier and more volatile than investing in large cap companies. The intrinsic value of the stocks in which the Fund invests may never be recognized by the broader market. Ariel Focus Fund is a non-diversified fund and therefore may be subject to greater volatility than a more diversified investment. The Fund is often concentrated in few sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.

As of February 1, 2025, Ariel Focus Fund Investor Class had an annual net expense ratio of 1.00% and an annual gross expense ratio of 1.18%. Currently, an expense ratio cap of 1.00% is in place for the Investor Class to waive fees and reimburse certain expenses that exceed this cap. Ariel Investments LLC (the Advisor) is contractually obligated to maintain this expense ratio cap through 1/31/26. The net expense ratio for the Investor Class does not correlate to the Expense Cap due to the inclusion of acquired fund fees and

² Source: FactSet Market Aggregates



certain other expenses which are excluded from the Expense Cap.

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As of 9/30/25, Resideo Technologies, Inc. constituted 5.4% of Ariel Focus Fund; Barrick Mining Corporation 4.7%; ZimVie Inc. 0.0%; Mosaic Company 3.1%; Prestige Consumer Healthcare, Inc. 4.3%; Schlumberger NV 3.9%; Arthur J. Gallagher & Company 2.5%; Fiserv, Inc. 0.5%; Bio-Rad Laboratories, Inc. 0.0% and Core Laboratories, Inc. 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 Ariel Focus Fund.

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

Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index. The Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. Its inception date is January 1, 1987. Russell® is a trademark of London Stock Exchange Group, which is the source and owner of the Russell Indexes' trademarks, service marks and copyrights. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes or underlying data and no party may rely on any Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication. The S&P 500® Index is widely regarded as the best gauge of large-cap U.S. equities. It includes 500 leading companies and covers approximately 80% of available U.S. market capitalization. Its inception date is March 4, 1957.

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