Ariel Global

Quarter Ended September 30, 2025

Global equities advanced in the third quarter, supported by investor enthusiasm for artificial intelligence, resilient corporate earnings, the first U.S. rate cut of the year, and targeted policy easing across key regions. U.S. markets hovered near record highs, supported by robust consumer demand and moderating inflation, though elevated valuations warrant caution. Europe outperformed, driven by a rebound in bank lending, easing energy costs, rising defense investment, and coordinated fiscal and monetary support. China also posted gains, with sentiment improving on progress in U.S.–China trade negotiations and continued focus on anti-involution reforms aimed at enhancing productivity and innovation. Despite lingering macro risks, the quarter reinforced a strategic shift away from U.S.-centric exposure, as international markets offer more attractive valuations and cyclical upside, even as currency and policy risks remain. While near-term volatility may persist, we remain confident in our portfolio companies' ability to navigate uncertainty and capitalize on long-term structural growth opportunities. Against this backdrop, the Ariel Global Composite increased +5.06% gross of fees (+4.92% net of fees) in the period, falling short of the MSCI ACWI and MSCI ACWI Value indices, which returned +7.62% and +6.13%, respectively.

Ariel's non-consensus approach seeks to identify undervalued, out-of-favor, franchises that are misunderstood and therefore mispriced. The Ariel Global bottom-up strategy is overweight Health Care, Communication Services, Utilities and Consumer Discretionary, meaningfully underweight Information Technology, Industrials and Materials, as well as lacks exposure to Energy. At the sector level, positive stock selection among Information Technology and positioning in Consumer Staples were the greatest contributors to returns, while our Communication Services and Health Care holdings were the largest performance detractors.

First Solar, Inc. (FSLR), a U.S.-based company that makes solar panels and the technology behind them, was the top contributor this quarter following an earnings beat and upward revision in full year guidance. July bookings suggest the company is regaining pricing power, while the Commerce Department's Section 232 investigation into polysilicon could offer policy support that boosts pricing. Additionally, First Solar is nearing a strategic move to combine international front-end processing with domestic back-end assembly, which could enhance margins. As developers gain clarity on the safe harbor rules related to the One Big Beautiful Bill Act in the coming weeks, we expect FSLR's contract activity to accelerate, especially as customers rush to lock in capacity and qualify for subsidies before they expire.

Shares of semiconductor chip manufacturer, **Intel Corporation (INTC)** also rose following the announcement of a strategic partnership with NVIDIA to co-develop multiple generations of custom data center and personal computing solutions. The collaboration will integrate NVIDIA's accelerated computing and AI stack with Intel's x86 central processing unit (CPU) architecture, leveraging NVIDIA's NVLink interconnect technology to enhance performance and scalability. As part of the agreement, NVIDIA intends to invest $5 billion in Intel common stock, pending regulatory approval—underscoring confidence in Intel's long-term trajectory. The partnership arrives amid Intel's ambitious turnaround strategy, aimed at reclaiming leadership in the semiconductor space. The company is making substantial investments in manufacturing and foundry services, supported by significant subsidies from both U.S. and European governments. While execution risks remain, Intel's scale, deep engineering capabilities, and increasingly strategic role in securing resilient U.S. chip supply chains position it as a key beneficiary of the AI and computing revolution. At current levels, the stock offers long-term exposure to these secular trends at a relative discount.

Additionally, new holding and leading developer of electronic components including coils, filters, semiconductors, power supplies, and modules, **Murata Manufacturing Co., Ltd.** traded higher following solid earnings results. The company is benefitting from rising demand for Edge AI, which significantly increases multilayer ceramic capacitor (MLCC) content per device. As MLCC utilization recovers and supply tightens, margin expansion is likely. The company's diversification into batteries, radio frequency (RF) modules, and data center power systems provides additional long-term growth potential. With improving fundamentals, a rebound in its devices segment, and upside from AI adoption as well as next-generation iPhones, Murata presents a compelling investment opportunity.

Alternatively, French-based global advertising and communication firm, **Publicis Groupe SA** declined during the period, despite solid underlying fundamentals. The company continues to gain market share and recently delivered an earnings beat, supported by mid-single-digit organic revenue growth across geographies. Strong new business momentum also prompted management to raise its FY2025 growth outlook. We believe its unified digital platform and differentiated technology offerings will enable Publicis to deliver scalable, data-driven advertising solutions, leveraging advanced identity, demographic, behavioral and transactional insights to enhance client outcomes.

Fresenius Medical Care AG, the Germany-based global leader in kidney dialysis services and products, also experienced share price pressure following mixed quarterly results. While revenue aligned with expectations, EBITDA fell short, impacted by ongoing cost headwinds and continued weakness in the Care Delivery segment. Although, strong cash flow generation and momentum in Value-Based Care provided support, the softer first-half results underscore the urgency of delivering against full-year targets. Encouragingly, recent share price weakness has enhanced valuation, and the company's improving profitability and robust cash generation are contributing to balance sheet deleveraging. At current levels, we view Fresenius as attractively positioned from a risk/reward perspective.

Lastly, **Sega Sammy Holdings Inc.**, a Japanese holding company specializing in the development of video games and the production of pachinko and pachislot machines traded lower over the period. The decline was driven by widening losses and impairments related to past merger and acquisition activity. While the consumer entertainment segment continues to show resilience, these headwinds impacted investor sentiment. Nonetheless, the company remains well-positioned to capitalize on its core intellectual property licensing business. We expect upcoming mobile game launches and new animation content for flagship titles like *Sonic* and *Persona 5: The Phantom X* to drive sustainable revenue growth and margin expansion.

In addition to **Murata Manufacturing Co., Ltd.** discussed above, we initiated ten new positions in the quarter.

We purchased **BT Group PLC**, the UK's incumbent telecommunications provider, which operates through three core segments: Openreach, its wholesale fixed-line infrastructure arm; Consumer, which delivers retail mobile and broadband services; and Business, serving public institutions, private enterprises, and subject matter experts. The company recently announced its international operations will be reported separately from the Business unit, signaling a strategic shift in focus and transparency. Meanwhile, the broader industry is showing signs of stabilization, with improving return on invested capital (ROIC) and free cash flow (FCF) as peak capex cycles begin to taper. Historically slow to invest in fiber, BT's Openreach has ceded market share to a fragmented group of alternative network providers aggressively building out UK fiber infrastructure. However, this trend is expected to reverse as BT accelerates its fiber rollout, while competitors face capital constraints and have paused expansion. In Consumer, market consolidation from five to three mobile players is fostering more rational pricing, supporting monetization of 5G. Looking ahead, we think BT stands to benefit from emerging opportunities tied to AI-driven demand, including sovereign data centers and AI-enabled smartphones, which are fueling a rapid increase in data consumption. We believe these developments, combined with BT's strategic infrastructure investments and improving industry dynamics, position the company for a potential re-rating.

We added **FedEx Corporation**, a global leader in package delivery, operating in a stable, competitive market alongside UPS. Despite macro uncertainty, under new leadership the company has made progress improving margins through cost efficiencies. A major catalyst is the planned spin-off of FedEx Freight (LTL) by June 2026, which could unlock significant value given LTL peers trade at much higher valuations. This move also will allow FedEx to sharpen its focus on the core delivery business, where margin improvements could help close the gap with UPS. Additional catalysts include the upcoming anniversary of the United States Postal Service contract termination in October 2025, clarity on tariffs, and a potential cyclical recovery. While risks such as economic slowdown and tariff impacts remain, we think FedEx offers upside through operational improvements, portfolio simplification, and the potential for a re-rating as investor confidence builds.

We bought **Humana Inc.**, a US-based health insurer focused on Medicare Advantage (MA), Medicaid, and specialty healthcare services. Its largest MA plan, H5216—representing 47% of revenue—was downgraded from 4.5 to 3.5 Stars in 2025, impacting eligibility for federal bonus payments in 2026. However, with 2027 Star ratings due in October, we believe Humana has a strong chance of regaining its higher rating, which would restore access to quality-based federal bonuses.

We initiated a position in **Informa plc**, a global leader in B2B events and academic publishing. The company is accelerating organic growth in its core exhibitions business, supported by smart capital redeployment—selling slower-growth assets at premium valuations and reinvesting in higher-growth opportunities. Looking ahead, we see several catalysts that could unlock further value over the next 12–24 months. These include a sharper focus on organic execution, the potential sale of Taylor & Francis to become a pure-play events company, accelerated balance sheet deleveraging, and improved alignment of executive incentives with shareholder outcomes. The upcoming 2025 Capital Markets Day could also serve as a key moment to enhance transparency and raise long-term targets. With strong free cash flow growth, improving margins, a disciplined capital allocation strategy and an undemanding valuation relative to peers, we believe Informa is well-positioned for a re-rating as it continues to close the earnings growth gap and strengthen its strategic positioning.

We purchased **M&T Bank Corporation**, a regionally focused commercial bank with strong local scale in the Northeast and Mid-Atlantic. Its strategy prioritizes density over national expansion, with selective acquisitions like the successful People's merger enhancing its deposit base. The bank has actively reduced risk in its commercial real estate portfolio and leverages unique agency licenses to generate fee income. M&T is also well-positioned to benefit from partnerships in private credit. While near-term credit risks remain, especially in commercial real estate, the bank's consistent operating leverage and above-peer returns support a favorable long-term outlook.

We added **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 driven by profit-taking and tariff concerns offers an attractive entry point ahead of several potential re-rating catalysts over the next year.

We repurchased **Roche Holding AG**, a global leader in pharmaceuticals and diagnostics in the quarter. We believe Roche offers resilient growth through its leadership in oncology and neurology, backed by a strong biologics and personalized medicine pipeline. Its recent entry into obesity treatments adds a promising growth avenue, while diversification and robust cash flow help offset pricing pressures.

We bought **SUMCO Corporation**, a leading supplier of advanced silicon wafers used in both central and graphic processing units (CPUs and GPUs). We believe SUMCO is well-positioned to benefit from Edge AI adoption and a broader semiconductor recovery. The company is completing capacity expansion initiatives and expects stronger free cash flow over the next 18 months. Long-term agreements support stable pricing and volume, while limited supply of advanced wafers underpins future growth. With a double-digit free cash flow yield, we believe SUMCO is undervalued and poised for upside as fundamentals improve.

We initiated a position in **Samsung Electro-Mechanics Company, Ltd. (SEMCO)**, a global leader in electronic components with strong market positions in multilayer ceramic capacitors (MLCCs), semiconductor substrates, camera and communication modules. We believe SEMCOs key profit drivers are set to benefit from rising Edge AI adoption and accelerating demand for AI accelerators, which significantly increase component density and complexity per device. SEMCO's product mix is shifting toward higher-value components, supporting margin expansion. With improving fundamentals across radio frequency, battery, and power segments, and strategic investments in next-generation technologies like silicon capacitors and glass substrates, we believe SEMCO is well-positioned for sustained earnings growth.

And finally, we added **Syensqo SA**, a chemical manufacturer that we think is currently trading at trough earnings and depressed valuation multiples. The company struggled with inventory overstocking, but recent trends suggest destocking is largely complete, with customers placing smaller, more frequent orders. As volumes recover, Syensqo is well-positioned to benefit from operating leverage. Several macro and company-specific catalysts such as lower European gas prices, China's industrial reforms, and EU revitalization efforts could support a re-rating. We think Syensqo's aerospace materials segment alone warrants a higher specialty chemicals multiple. Broader improvements in margins, volumes, and pricing could unlock further upside. With end-market recovery expected by 2026 and early signs of improvement expected in late 2025, we view Syensqo as offering a compelling risk-reward profile relative to peers.

Meanwhile, we successfully exited French multinational tire manufacturer, **Michelin (CDGE)**, Peruvian banking franchise, **Credicorp, Ltd.**, multinational insurance and financial services company, **AXA SA**, German-based automotive manufacturing company, **Daimler Truck Holding AG (DTG)** and French pharmaceutical company, **Sanofi** on valuation.

We also sold specialty insurance company, **Beazley plc**, global manufacturer of residential and commercial building materials, **Owens Corning (OC)**, leading player in power semiconductor and system solutions, **Infineon Technologies AG** and Spain-based electricity provider, **Redeia Corp SA** to pursue more compelling opportunities.

Looking ahead, we believe global growth expectations are diverging. Since the start of the year, consensus forecasts for 2025 U.S. GDP have declined by more than 20%.[1] Historically, such a slowdown would have triggered a broader global deceleration, but this cycle is proving more resilient. Growth projections in the European Union have edged higher,

[1] "First Quarter 2025 Survey of Professional Forecasters," *Federal Reserve Bank of Philadelphia*, 14 February 2025 and "Third Quarter 2025 Survey of Professional Forecasters," *Federal Reserve Bank of Philadelphia*, 15 August 2025.

and emerging markets remain resilient, supported by proactive, growth-oriented policy responses that are helping to offset softer U.S. export demand. Capital flows are also shifting. After a decade of U.S. outperformance driven by strong equity markets, private capital strength, and a dominant dollar, global portfolios have become heavily concentrated in U.S. assets. Today, U.S. equities represent nearly 60% of global benchmarks[2], far exceeding their share of global GDP.[3] With the dollar down 10% year-to-date[4] and private market valuations under pressure amid sluggish exits and $1 trillion in unsold assets[5], that concentration increasingly resembles a fire hazard rather than a safe haven. In this environment, we think active management is critical. Our international and global holdings offer compelling valuations relative to their growth prospects, while maintaining the financial strength needed for operational resilience. We continue to prioritize companies with solid balance sheets, durable earnings, and diversified exposure—qualities we believe will be key to long-term outperformance.

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 Global Composite for the 1, 5, and 10-year periods were +15.81%, +11.54% and +9.44%, respectively. For the period ended 9/30/2025, the performance for the MSCI ACWI Index and the MSCI ACWI Value Index for the 1, 5, and 10-year periods were +17.27%, +13.55% and +11.91% and +12.14%, +13.45% and +9.12%, respectively. 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 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 of the views expressed will come to fruition or any investment will perform as described.

As of 9/30/2025, First Solar Inc. constituted 3.7% of the Ariel Global Composite (representative portfolio); Intel Corporation 1.7%; Murata Manufacturing Company, Ltd. 2.7%; Publicis Groupe SA 2.8%; Fresenius Medical Care AG 3.7%; Sega Sammy Holdings, Inc. 2.1%; BT Group plc 1.9%; FedEx Corporation 0.9%; Humana, Inc. 1.2%; Informa PLC 2.4%; M&T Bank Corporation 2.0%; Minth Group Ltd. 1.1%; Roche Holding AG 0.9%; SUMCO Corporation 2.1%; Samsung Electro-Mechanics Company, Ltd. 1.9%; Syensqo SA 1.8%; AXA SA 0.0%; Beazley plc 0.0%; Cie Generale des Etablissements Michelin SA 0.0%; Credicorp, Ltd. 0.0%; Daimler Truck Holding AG 0.0%; Infineon Technologies AG 0.0%; Owens Corning 0.0%; Redeia Corp SA 0.0% and Sanofi SA 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 Global Composite.

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

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[2] MSCI ACWI All Cap Index (USD) Factsheet, 30 September 2025.
[3] "GDP based on PPP, share of world," *International Monetary Fund*, April 2025.
[4] "ICE U.S. Dollar Index," *CNBC*, 2025.
[5] Valle, Sabrina, "Private equity sits on $1 trillion amid uncertainties, M&A stalls, PwC says," *Reuters*, 18 June 2025.

Indexes are unmanaged. An investor cannot invest directly in an index. The MSCI ACWI (All Country World Index) Index is an equity index of large and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001.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 company's 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.