

Ariel Investments

Performance as of September 30, 2025 (%)

	Annualized						
	QTR	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel International Fund							12/30/2011
AINTX Investor Class	2.26	28.58	22.01	19.45	8.33	5.98	6.29
AINIX Institutional Class	2.25	28.81	22.27	19.74	8.59	6.24	6.54
MSCI EAFE Net Index	4.77	25.14	14.99	21.70	11.16	8.17	7.90
MSCI ACWI ex-US Net Index	6.89	26.02	16.45	20.67	10.26	8.23	7.22
Additional Indexes							
MSCI EAFE Value Net Index	7.39	31.92	22.53	25.65	15.66	8.16	7.65
MSCI ACWI ex-US Value Net Index	8.13	29.64	20.17	23.10	14.42	8.10	6.79
Ariel Global Fund							12/30/2011
AGLOX Investor Class	4.99	19.85	15.46	16.98	10.80	8.63	8.56
AGLYX Institutional Class	5.02	20.03	15.75	17.27	11.08	8.89	8.84
MSCI ACWI Net Index	7.62	18.44	17.27	23.12	13.55	11.91	11.10
Additional Indexes							
MSCI ACWI Value Net Index	6.13	17.68	12.14	18.51	13.45	9.12	8.67

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 Fellow Shareholders: Global equities posted solid gains this quarter, buoyed by optimism over U.S. rate cuts, resilient earnings and targeted policy support. U.S. stocks hovered near record highs on consumer strength and easing inflation, though valuations look stretched. Europe outperformed, fueled by banks, defense and tech. China drew inflows on stimulus hopes, while IPO activity in Hong Kong and mainland held firm. Overall, the quarter reinforced the shift away from U.S.-tilted exposure, with markets abroad offering more valuation appeal and cyclical upside, even as they contend with currency and policy risk.

Our international and global portfolios trailed our benchmarks for the quarter, while continuing to outpace for the year-to-date period. The pullback this quarter stemmed from company-specific scenarios across healthcare, Japanese consumer stocks and an evolving advertising industry with share price weakness at **Publicis Groupe SA** (even as it is taking significant market share). We continue to re-underwrite and remain focused on our sell discipline.

U.S. Policy is Seeding Non-U.S. Equity Upside

De-globalization has ignited *little fires everywhere*—conflicts, choices and rebellions—that can flare up and transform everything.

U.S. policy is reshaping global rules, sparking friction points—or “fires”—across trade and industry. Europe and Asia sit squarely in the crosshairs of Washington’s protectionist turn, given their deep economic ties. The catch is ... leaders from Brussels to Beijing are responding by channeling capital into reduced reliance on America, triggering a surge of local investment as governments race to build self-sufficient economies.

These structural shifts will take years to play out, but the process is already in motion. Recent sparks—U.S. tariffs on EVs and solar panels, plus billions in reshoring subsidies and export controls—aim to impose Washington’s rules but risk backfiring. Uncertainty is not only a threat; it can be an ignition point for growth, as policy shifts and capital reallocation open new pathways for returns across countries, sectors and industries. For investors, that means not only guarding against concentrated U.S. risk, but also actively owning the beneficiaries abroad.

The Next Growth Cycle is Being Lit Outside the U.S.

We see flare-ups around industrial policy, fiscal strain, supply-chain and energy realignment. Those same flashpoints can also mark potential inflection points.

🏰 **Energy.** The U.S. wants to pull the EV, solar and battery value chain back onshore and corral allies into a “clean tech bloc” that keeps China at arm’s length. The EU, unwilling to play second fiddle, is doubling down on its own Green Deal Industrial Plan, at the International Energy Agency (IEA). Grid and storage investment is climbing from \$82 billion to \$141 billion by 2035. China is hardly standing still. Instead, the country continues to scale up to serve non-U.S. markets—while the rest of Asia is attracting new EV and battery investments as companies hedge their bets.

Given this secular shift in energy transition, we have diversified our portfolio holdings to include stakes in: **First Solar, Inc.**, an American manufacturer of solar energy solutions which benefits from increased domestic demand; and **Aptiv PLC**, an Irish technology company that develops global energy systems to power vehicle electrification, where funding tailwinds strengthen the customer base.

🏰 **National Security.** Europe’s military spending is flaring higher: in June, NATO members committed to lift defense budgets to 5% of GDP—well above long-standing norms of under 2%. Turning pledges into disbursements will take time, but even partial follow-through would reshape Europe’s defense landscape. National-security priorities are also recasting telecom as a strategic asset, steering long-term investment, regulation and standards.

Digital-sovereignty ambitions are fueling heavy spending on fiber, 5G and infrastructure—marking another front where investments and government mandates are reshaping the competitive landscape. We own France’s leading mobile operator, **Orange SA**, which is benefitting from structural tailwinds, creating a more favorable environment for pricing and network expansion. We also own Belgium specialty polymers provider **Syensqo SA**, which is well-positioned as a “trusted” local materials provider.

🏰 **AI / Semiconductors.** Washington’s efforts to curb China’s access to advanced chips and bind allies into a U.S.-centric stack has ignited a global semiconductor arms race. Allies and rivals alike are pouring billions into domestic capacity to reduce strategic dependence. Europe rolled out the EU Chips Act, aiming to double its global share to 20% by 2030 with heavy subsidies for fabrications (fabs)—like Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) in Dresden, Germany.

Meanwhile, multinationals are spreading production across Asia to reduce concentration risk, pursuing a “China + One” strategy that is opening opportunities in Japan, South Korea, Taiwan, India and Vietnam—most visible in fabs and Outsourced Semiconductor Assembly and Test (OSAT). In response, Beijing is fast-tracking funds for homegrown graphics processing units (GPUs) and AI accelerators, especially after tighter U.S. export controls blocked access to cutting-edge chips and tools.

While U.S. mega-caps dominate the AI spotlight, momentum is building abroad—where European and Asian supply-chain leaders offer cheaper, underappreciated upside.

The Quiet Enablers of AI Scale

Increasingly, AI is moving closer to where we live and work—into our smartphones, home security cameras, connected cars, factory robots and medical devices. This technological expansion, known as Edge AI, means everyday devices will be able to process information on the spot instead of in the cloud. In parallel, the hyper-scalers that include Microsoft, Amazon and Google are deploying entire AI data centers—and the constraints are shifting to power delivery, cooling, connectivity and reliability.

The AI supply chain was once defined by a race to print the smallest nodes, but the focus is widening. Today, it is not just about leading-edge semiconductors—it is about the supporting components that make those chips usable at scale. That is where Multilayer Ceramic Capacitors (MLCCs) step in, quietly powering the stability and reliability of the entire AI stack.

MLCCs are tiny components that stabilize voltage by storing and releasing charge in nanoseconds, filtering out electrical noise and preventing system crashes. They may be microscopic, but they punch far above their weight: a single GPU server can require tens of thousands of MLCCs to smooth out spiky power loads, and with Edge AI spreading into billions of phones, cars and connected devices, the demands shift from staggering to systemic.

Although AI investors are crowding into Nvidia and ASML, we think the MLCC makers are overlooked winners. Historically priced as cyclical electronics suppliers, these companies now sit on a secular growth curve, offering another avenue to capture AI's hardware build out—and with valuations we find more attractive.

Murata Manufacturing Co., Ltd., in Kyoto, Japan, dominates the global MLCC market with unmatched breadth and depth in high-reliability components. Murata's edge lies in its diversified customer base and strength in automotive-grade and miniaturized MLCCs. Its scale, R&D leadership and pricing power underpin resilient margins.

South Korea-based, **Samsung Electro-Mechanics Company, Ltd.** (SEMCO), is a top producer of MLCCs and a technology leader in the high-capacity, miniaturized MLCCs required for AI servers, EVs and Edge AI devices. Its scale, advanced manufacturing and relationships with Samsung Electronics, Apple and global hypers-scalers creates significant switching costs.

While Murata and SEMCO anchor the downstream side of AI hardware stability through MLCCs, demand ultimately starts upstream with silicon wafers—the first layer of the supply chain. Japan-based, **SUMCO Corporation**, one of the world's top wafer producers, underpins every advanced chip etched by TSMC, Samsung and Intel. After the 2023-24 downturn, growth is rebounding—global wafer shipments rose 10% in the second quarter of 2025, driven by 300mm wafers that are critical for AI workloads. Unlike equipment makers, wafer suppliers benefit from recurring volume growth as each node transition demands higher quality and tighter specifications. In our view, the market was overly pessimistic on the supply-demand outlook, and we see upside from greater adoption of CMOS bonded to array (CBA) designs in NAND flash memory, layered on top of a traditional market recovery and additional uplift from Edge AI demand.

While they rarely make headlines, wafers and capacitors are the load-bearing walls of AI—remove them, and the whole stack crumbles.

Looking Ahead

Since the start of the year, consensus forecasts for 2025 U.S. GDP growth have dropped by more than 20%. Historically, such a slide would have hit harder abroad. As the old saying goes, when America sneezes, the rest of the world catches a cold. Not this time. EU growth forecasts have edged higher this year, while emerging markets are holding steady. Growth-oriented policy abroad is cushioning the drag from softer U.S. export demand.

Beyond the real economy, U.S. policy shifts are prompting a reallocation of capital. After a decade of outperformance in equities and private markets with a strong dollar, global portfolios have a heavy overweight in U.S. assets. U.S. equities account for roughly 60% of global equity benchmarks—far above their share of world GDP. Coupled with a weakening dollar (down 10% so far this year) and private valuations under pressure (sluggish exits and \$1 trillion in unsold assets), that concentration now looks more like a fire hazard than a safe haven.

Sincerely,



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

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 exchange-traded funds (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 in which the Funds invest may never be recognized by the broader market. The Funds are often concentrated in fewer sectors than their benchmarks, and the Funds' 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.

Per the Ariel International Fund's Prospectus as of February 1, 2025, the gross expense ratio for the Investor Class and Institutional Class was 1.40% and 1.01%, and had an annual net expense ratio of 1.17% and 0.91%, respectively. Ariel Investments, LLC, the Adviser, has contractually agreed to waive fees and reimburse expenses (the "Expense Cap") in order to limit Ariel International Fund's total annual operating expenses to 1.13% and 0.88% of net assets for the Investor Class and Institutional Class, respectively, through January 31, 2026. The net expense ratio for the Investor Class and Institutional Class do not correlate to the Expense Cap due to the inclusion of acquired fund fees and certain other expenses which are excluded from the Expense Cap.

Per the Ariel Global Fund's Prospectus as of February 1, 2025, the gross expense ratio for the Investor Class and Institutional Class was 1.53% and 1.14%, and had an annual net expense ratio of 1.14% and 0.89%, respectively. Ariel Investments, LLC, the Adviser, has contractually agreed to waive fees and reimburse expenses (the "Expense Cap") in order to limit Ariel Global Fund's total annual operating expenses to 1.13% and 0.88% of net assets for the Investor Class and Institutional Class, respectively, through January 31, 2026. The net expense ratio for the Investor Class and Institutional Class do not correlate to the Expense Cap due to the inclusion of acquired fund fees and certain other expenses which are excluded from the Expense Cap.

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. Views and opinions are as of the date of this commentary and can change without notice. There is no guarantee that any expressed views will come to fruition or any investment will perform as described.

As of 9/30/25, Ariel International Fund's position size, if any, in the above holdings was Publicis Groupe SA 3.23%; First Solar Inc. 0.00%; Aptiv plc 3.86%; Orange SA 2.69%; Syensqo SA 3.30%; Murata Manufacturing Company, Ltd. 3.94%; Samsung Electro-Mechanics, Ltd. 1.14% and SUMCO Corporation 3.13%. As of 9/30/25, Ariel Global Fund's position size, if any, in the above holdings was Publicis Groupe SA 2.87%; First Solar Inc. 3.71%; Aptiv plc 1.39%; Orange SA 2.01%; Syensqo SA 1.53%; Murata Manufacturing Company, Ltd. 2.69%; Samsung Electro-Mechanics, Ltd. 1.87% and SUMCO Corporation 2.11%.

Each Fund's primary index is the first one listed below each respective Fund's performance data. Indexes are unmanaged. Investors cannot invest directly in an index. The MSCI EAFE Index is an equity index of large and mid-cap representation across 21 Developed Markets (DM) countries around the world, excluding the U.S. and Canada. Its inception date is May 31, 1986. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. Its inception date is December 8, 1997. The MSCI ACWI (All Country World Index) ex-U.S. Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001. The MSCI ACWI ex-U.S. Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Its inception date is December 8, 1997.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The inception date is May 31, 1990. The MSCI ACWI Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. Its inception date is December 8, 1997. 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 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.

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