

Ariel Emerging Markets Value ex-China

Quarter Ended December 31, 2025

The MSCI Emerging Markets ex-China Index posted double-digit gains in the fourth quarter. Tech-heavy markets in South Korea and Taiwan led the advance, fueled by cutting-edge semiconductor manufacturers driving progress in artificial intelligence (AI). India, South Africa and Brazil also made notable contributions: India was buoyed by stronger-than-expected economic growth and government stimulus; Brazil saw momentum from an improving outlook; and South Africa benefitted from rising commodity prices. By contrast, Saudi Arabian equities underperformed, pressured by weaker crude prices and still elevated valuations. While macro risks—including potential tariff escalations and geopolitical uncertainty—remain top of mind, we are confident in the resilience and strategic positioning of our portfolio companies. 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 +14.00% gross of fees (+13.75% net of fees), outperforming the MSCI EM ex-China Index's +10.22% return. Over the trailing one-year period, the Ariel Emerging Markets Value ex-China Composite surged +37.11% gross of fees (+35.80% net of fees), ahead of the MSCI EM ex-China Index's +34.61% gain.

SK Hynix Inc., Korea's leading pure-play memory semiconductor producer, was the top contributor this quarter as rising memory prices were fueled by surging demand from AI data centers. With AI adoption accelerating, memory needs are growing rapidly while supply remains constrained—making memory one of the biggest bottlenecks in the AI buildout. Leveraging its technology leadership in high-bandwidth memory (HBM), which is essential for AI workloads, we believe SK Hynix is well-positioned to capitalize on these trends and drive long-term growth.

Shares of Indian finance company **Shriram Finance Limited** also advanced during the period, supported by Japan's Mitsubishi UFJ Financial Group acquiring a 20% stake in the company. This strategic investment is expected to create significant value through a likely credit rating upgrade and access to lower-cost funding. In addition, quarterly results highlighted continued improvement in asset quality, with non-performing loans declining further reinforcing the company's solid fundamentals and growth outlook.

Additionally, shares of **Companhia Brasileira de Alumínio**, Brazil's integrated aluminum producer, rose after reporting

strong earnings, indicating its alumina operations are stabilizing following a tough first half. The company also benefited from a strong rise in aluminum prices, supported by tight supply-demand dynamics. We expect alumina prices to remain elevated near term. However, we think medium-term upside will be caused by a transition to lower-cost energy contracts and ongoing efforts to debottleneck operations, which are initiatives that should enhance efficiency and profitability.

Conversely, shares of Brazilian apparel company, **Lojas Renner S.A.** declined during the quarter following weaker-than-expected earnings results, fueled by temporary weather-driven demand shifts that weighed more heavily on its store network compared to peers. Despite this short-term pressure, we remain constructive on its medium-term outlook. The ramp-up of its new distribution center is improving inventory management, boosting store productivity and reducing markdowns, which supports margin stability and operational efficiency.

Brazilian food retailer **Grupo Mateus SA** also fell sharply during the period amid a tough consumer environment in Brazil, where high domestic interest rates continue to weigh on retail sector growth. Reflecting these pressures, the company reported weak and deteriorating same-store sales. Additionally, recent adjustments and policy changes to inventory accounting could slow progress in reducing working capital. Despite near-term headwinds, we see meaningful long-term opportunity for Grupo Mateus to benefit from an improved consumer environment and deliver structural gains in working capital efficiency, though we will closely monitor signs of progress.

Lastly, **GAIL (India) Limited**, the country's leading gas transmission and marketing company with a growing chemicals business, traded lower following a weaker-than-expected earnings release. Transmission volumes fell short due to several one-off events and the anticipated tariff increase came in slightly below market expectations—though the next hike is will come sooner than previously thought. Despite these near-term setbacks, we see meaningful upside ahead, supported by a likely recovery in gas demand. Structural tailwinds include lower global gas prices amid an emerging Liquefied Natural Gas (LNG) supply glut from large-scale projects coming online in the U.S. and Qatar. Additionally, GAIL is set to commission new chemicals capacity over the next year, which should further boost earnings, particularly as



chemical prices recover from recent lows. These developments reinforce our constructive view on GAIL's long-term growth potential.

Also in the quarter, we initiated four new positions.

We purchased **Astor Transformator Enerji Turizm Insaat Ve Petrol Sanayi Ticaret AS**, a leading Turkey-based manufacturer of power transformers and switches, which recently doubled its production capacity with a new state-of-the-art facility in Ankara. This expansion comes as global demand for transformers surges, supported by U.S. and European utilities accelerating investments to meet rising electricity needs from AI and electrification trends. With industry lead times stretching years, we believe Astor is uniquely positioned to capture strong pricing, margins and volumes creating a compelling growth opportunity for investors.

We added **Copa Holding SA**, one of the leading airlines in the Americas, specializing in low-cost travel connecting smaller cities, thanks to its hub-and-spoke model centered in well-located Panama. Despite delivering industry-leading profitability, we believe Copa trades at one of the most attractive valuations among global airlines. With a robust orderbook of new planes set to fuel accelerated capacity growth amid tight supply-demand dynamics in its core markets, we think Copa offers compelling upside potential for investors.

We initiated a position in **Hero MotoCorp Ltd.**, India's leading two-wheeler manufacturer, which we believe is well-positioned for growth. The company stands to benefit from a demand rebound in entry-level segments where it dominates. Additionally, the recent Goods and Services Tax cut by the Indian government should particularly favor Hero's mass-market and rural customer base. Over the medium term, we think its refreshed product cycle, including scooters and electric two-wheelers, supports market share recovery and long-term growth potential.

Finally, we bought **National Bank of Greece SA**, a leading bank in the country, which we believe is well-positioned for continued growth. The bank has recently benefited from healthy expansion in its corporate loan book as the segment rebounded after a decade of deleveraging. Looking ahead, we expect further loan growth driven by rising demand in retail, particularly mortgages and in the construction sector. These positive trends are not yet reflected in the stock's valuation, and with the strongest capital base in Greece, National Bank of Greece is uniquely positioned to capture this opportunity.

Alternatively, we successfully exited Mexico-based cement producer, **GCC SAB de CV**, India-based global leader in IT services, **Infosys Limited**, leading construction company in India, **Larsen & Toubro Ltd.**, Taiwanese producer of electronic connectors, **Lotes Company, Ltd.** and Vietnam's

leading commercial banks **Military Commercial Joint Stock Bank** on valuation.

Emerging markets continue to offer compelling long-term opportunities. Despite recent equity outperformance, the MSCI EM ex-China Index trades at 13.6x forward price-to-earnings, a meaningful discount relative to the S&P 500 and MSCI EAFE at 22.2x and 15.4x, respectively. Corporate earnings in emerging economies are poised to outpace those of advanced markets, supported by structural tailwinds such as rising productivity, an expanding middle class and accelerating innovation. Companies across EM are also exhibiting greater capital discipline, driving shareholder value through operational efficiency, dividends and buybacks. Additionally, continued U.S. dollar weakness could further enhance EM asset performance. Importantly, emerging market firms are at the forefront of global innovation—particularly in artificial intelligence—where semiconductor leaders are enabling next-generation technologies. Against this backdrop, our EM value portfolios are strategically positioned, emphasizing strong fundamentals, attractive valuations and exposure to secular growth drivers. We believe this disciplined approach 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 12/31/2025, 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 +35.80% and +21.21%, respectively. For the period ended 12/31/2025, 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 +34.61% and +19.34%, 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 12/31/2025, SK Hynix, Inc. constituted 8.4% of the Ariel Emerging Markets Value ex-China Composite (representative portfolio); Shriram Finance, Ltd. 2.1%; Companhia Brasileira de Alumínio 1.2%; Lojas Renner SA 1.9%; Grupo Mateus SA 0.6%; GAIL India, Ltd. 2.5%; Astor Transformator Enerji AS 0.5%; Copa Holdings, S.A. 0.9%; Hero MotoCorp, Ltd. 1.1%; National Bank of Greece SA 1.2%; GCC SAB de CV 0.0%; Infosys Ltd. 0.0%; Larsen & Toubro, Ltd. 0.0%; Lotes Co., Ltd. 0.0% and Military Commercial Joint Stock Bank 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.

