

# Ariel Investments

Performance as of December 31, 2025 (%)	Annualized					
	QTD	1-Year	3-Year	5-Year	10-Year	Since Inception
<b>Ariel Focused Value</b>						<b>03/31/2005</b>
<b>Gross of Fees</b>	<b>-0.33</b>	<b>21.71</b>	<b>14.45</b>	<b>10.61</b>	<b>10.93</b>	<b>8.00</b>
<b>Net of Fees</b>	<b>-0.42</b>	<b>21.28</b>	<b>14.04</b>	<b>10.23</b>	<b>10.55</b>	<b>7.33</b>
Russell 1000® Value Index	3.81	15.91	13.89	11.33	10.53	8.36
S&P 500® Index	2.66	17.88	23.00	14.43	14.82	10.95

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. Any extraordinary performance over short term periods may not be sustainable and is not representative of performance over longer periods. Performance data as of the most recent month-end may be obtained by visiting our website, [arielinvestments.com](http://arielinvestments.com).

**Dear Clients and Friends:** Ariel Focused Value ended a very strong year with a modest fourth quarter loss. More specifically, for the three months ending December 31, 2025, the Ariel Focused Value Composite's -0.33% gross of fees (-0.42% net of fees) return trailed both the Russell 1000 Value Index which gained +3.81% and the S&P 500 Index which earned +2.66%. For the 1-year period, the Ariel Focused Value Composite posted a +21.71% gross of fees (+21.28% net of fees) gain—significantly outpacing the Russell 1000 Value and the S&P 500 which grew +15.91% and +17.88%, respectively.

## A Portfolio in Focus

During the quarter, the three biggest performance contributors on a relative basis were our largest holding, **Barrick Mining Corporation (B)**, which surged +33.46%, **Affiliated Managers Group, Inc. (AMG)**, which rose +20.91% and **Johnson & Johnson Corporation (JNJ)**, which returned +12.31%. The biggest detractors were the **Mosaic Company (MOS)**, which declined -29.90%, **Resideo Technologies, Inc. (REZI)** which fell -18.67% and **Fiserv, Inc. (FISV)**, which dropped -47.90%.



<sup>1</sup>Source: Kantrowitz, CFA, Michael et. al (2 January 2026) "What In The World Happened To Markets In 2025!?" Piper Sandler, pp. 1. Represents 1-year returns of S&P ETFs by size and style as of December 31, 2025.

As depicted in the aforementioned chart, Ariel Focused Value's strong absolute and relative performance in 2025 came despite ongoing headwinds for value investors as growth stocks continued to reign supreme. Beyond our value investing philosophy, Ariel Focused Value has also intentionally held larger weightings in smaller cap stocks than our benchmarks. In addition to their long-term outperformance, we believe small cap issues are especially attractive because they are significantly undervalued relative to their large cap brethren.

Our best and worst performing holdings in the fourth quarter traded on company-specific news and events rather than on macro or sector themes. Barrick Mining moved higher on the back of record spot gold prices. Beyond the macro environment, we do not believe the market has fully incorporated recent company-specific developments into estimates of Barrick's near- and long-term earnings power. Barrick remained our largest position at year end.

In 2025, Affiliated Managers Group was a good example of a company being "positively re-rated." We were initially attracted to AMG for its ownership of highly respected money management firms and for its low price/earnings ratio. While investors were focused on outflows from many of AMG's long-only managers, we felt they were underestimating the company's alternative asset managers that typically command higher fees and higher price/earnings multiples. While we appreciate the recent strong performance reflecting greater recognition of AMG's higher margin products, we still believe its shares trade well below the company's intrinsic value. AMG remained a top five holding at year end.

Johnson & Johnson is a long-time fund holding. The company's development of a Covid-19 vaccine propelled its share price to \$186 in 2022. And yet, like many companies whose sales and profits increased during the pandemic, JNJ also had trouble sustaining growth. Its shares languished and hit a 2025 low of \$142 in January. However, when the company announced long-term earnings forecasts of mid-single digit annual revenue growth in July following their second quarter update, market sentiment moved from "stodgy and slow grower" to "long-term grower with consistent and predictable results." The market also viewed the non-cyclical nature of JNJ's business positively.

Our three biggest performance detractors during the quarter also had company specific issues. We initiated a position in Fiserv, Inc. at the end of September after its shares had fallen -37% from the beginning of the year. Fiserv EPS in 2004 vs. 2024 accelerated at a double-digit compound annual growth rate. In October, the new CEO, Michael Lyons, cut estimates for 2025, and suggested investments would be required in 2026 to return the company to its historical growth rates. Lyons also disclosed that past growth had been aided by 10% growth in Argentina, which was mostly driven by local inflation. Its shares were quickly re-rated by Wall Street analysts. While our initiation in Fiserv was clearly ill-timed, we believe the company's sell off is overdone. We are encouraged by recent significant insider buying, including the company's new CFO.

Mosaic, another laggard during the quarter, has posted inconsistent operating results over the past four years. Global fertilizer prices have been volatile, as substantial production exists in countries affected by the Russia-Ukraine war including Belarus. Our long-term thesis on Mosaic remains intact: improving diets and greater protein consumption among emerging economies will increase demand for grain. Fertilizer is a proven method for improving agricultural yields with a high return on investment. However, weaker North American agricultural prices have, at least temporarily, reduced short-term demand.

Although Resideo Technologies, Inc. was one of our best performing stocks for the first nine months of 2025, its shares declined -18.67% in the fourth quarter. During the quarter, the company reversed course and lowered guidance for the rest of the year while indicating that 2026 results would be above market expectations. Resideo's plan to separate its ADI Global Distribution business remains on schedule for the second half of 2026, positioning the company to concentrate on its core Products & Solutions segment. Although we trimmed our position early in the mid-\$40s, we are holding our remaining shares in the mid-\$30s.

## Outlook

Looking forward, we are cautiously entering 2026. As value investors, we care deeply about the price we pay for a company's shares relative to its long-term earnings power. In our view, valuations are currently stretched, although less so for the small and mid-capitalization value stocks held in our portfolio.

We believe a 3% inflation rate will exceed the Fed's 2% target. Fiscal deficits of over a trillion dollars, higher tariffs, de-globalization, reduced immigration, a shrunken labor force and a new Federal Reserve Chair who is expected to lower interest rates, will propel inflation, in our opinion. AI productivity improvements, if achieved, could offer the only significant counterweight to our less rosy view.

As bottom-up investors, we do not count on economic, or geopolitical prognostications. And yet, we believe recent events in Venezuela increase the risk of China invading Taiwan where a large percentage of the semiconductors used by American manufacturers in consumer products from automobiles, to phones, to computers are made. Although the market has essentially shrugged off events in Venezuela, we believe a Chinese blockade of Taiwan would generate a much more significant reaction.

Sincerely,



Charles K. Bobrinsky  
Vice Chairman

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Investing in equity stocks is risky and subject to the volatility of the markets. Investing in small- and mid-cap companies is more risky and volatile than investing in large-cap companies. The intrinsic value of the stocks in which the portfolio invests may never be recognized by the broader market. A focused portfolio may be subject to greater volatility than a more diversified investment.

**Past performance does not guarantee future results.** Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. 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. Advisory fees paid by an account may be higher than the actual fee that applies to the composite as a whole, since the actual fee is asset-weighted and aggregated across all accounts. Advisory fee schedules are described in Part 2 of Ariel's Form ADV. 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. 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 Focused Value Composite differs from its benchmark with dramatically fewer holdings concentrated in fewer sectors.

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As of 12/31/25, the Ariel Focused Value (representative portfolio) held the following positions referenced: Barrick Mining Corporation 5.64%; Mosaic Company 2.08%; Affiliated Managers Group, Inc. 5.20%; Johnson & Johnson 5.38%; Resideo Technologies, Inc. 3.46% and Fiserv, Inc. 2.52%. The 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 Focused Value Composite. 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.

