

Ariel Focused Value

Quarter Ended December 31, 2025

U.S. equities delivered a modest gain in the fourth quarter, capping a third consecutive year of double-digit returns—an impressive accomplishment given the volatility earlier in the year. Markets navigated significant headwinds, including a sharp April sell-off following Liberation Day, the longest government shutdown on record and a surge in job cuts. Despite these challenges, resilient corporate earnings, easing inflationary pressure and growing expectations for more accommodative monetary policy helped restore investor confidence as the year progressed. Enthusiasm for artificial intelligence and cloud infrastructure continued to fuel outsized gains in Technology, while Consumer Discretionary benefited from improving sentiment and stabilizing household spending. Looking ahead, geopolitical risks and questions around the durability of economic growth and softening labor market dynamics may contribute to heightened uncertainty. However, investor confidence remains cautiously optimistic. We continue to view macroeconomic developments through the lens of our long-term investment horizon. Against this backdrop, the Ariel Focused Value Composite fell -0.33% gross of fees (-0.42% net of fees) in the quarter, trailing the Russell 1000 Value and S&P 500 indices, which returned +3.81% and +2.66%, respectively. Over the trailing one-year period, the Ariel Focused Value Composite increased +21.71% gross of fees (+21.28% net of fees), ahead of the Russell 1000 Value Index and the S&P 500 Index which returned +15.91% and +17.88%, respectively.

Shares of gold mining company, **Barrick Mining Corporation (B)** jumped on strong quarterly results, aided by higher gold production, lower costs and favorable commodity prices, which delivered record cash flow. The company's solid liquidity supports its commitment to shareholder returns, reflected in increased share repurchases and a raise in its quarterly dividend. Meanwhile, the interim CEO has launched an operational review to ensure Barrick remains focused on safe, consistent execution going forward.

Boutique asset manager, **Affiliated Managers Group, Inc. (AMG)** also advanced as the company continues to build momentum, with strong demand for differentiated, tax-aware investment solutions, particularly in the U.S. wealth channel. Affiliates like AQR are leading innovation in after-tax optimization strategies, reinforcing AMG's position in liquid alternatives. Management is also reshaping its U.S. wealth platform, highlighted by the upcoming Brown Brother Harriman (BBH) partnership. This collaboration reflects AMG's ability to provide strategic capital and develop

scalable, high-value offerings, including structured credit and expanded wealth solutions. Looking ahead, AMG expects meaningful earnings growth supported by record inflows into alternatives, contributions from recent investments, and disciplined capital allocation. With alternatives already a significant part of its business, AMG is focused on further scaling this segment to drive long-term value for clients and shareholders.

Additionally, consumer healthcare company, **Johnson & Johnson (JNJ)** traded up on strong earnings and a raise in full-year revenue guidance. With a sharpened focus on six priority areas—Oncology, Immunology, Neuroscience, Cardiovascular, Surgery and Vision—the company is entering a new era of accelerated growth and innovation. Performance was augmented by key growth products like Carvykti, promising new data for Rybrevant and more favorable erosion trends for legacy franchises. Management reaffirmed confidence in long-term prospects, supported by pioneering treatments and a robust pipeline. We continue to view JNJ as an attractive opportunity in large-cap biopharma, given its scale, innovation and consistent execution.

Conversely, producer of crop nutrients, **Mosaic Co. (MOS)**, detracted from performance in the period following mixed earnings results and management commentary that fell short of investor expectations. Higher potash and phosphate prices were offset by lower volumes and rising production costs. Despite these pressures, phosphate markets are expected to remain tight over the near-term 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.

Supplier of residential thermal, comfort and security solutions, **Resideo Technologies, Inc. (REZI)** also declined following mixed earnings results and a guidance cut—just one quarter after raising it. Weakness was concentrated in the residential HVAC channel, impacted by regulatory-driven refrigerant changes that disrupted demand for thermostats. While these headwinds and enterprise resource planning (ERP) related costs weighed on near-term results, management expects HVAC inventory levels to normalize over the next few quarters and views ERP issues as transitory. Despite short-term challenges, underlying trends remain encouraging: original equipment manufacturer sales, security, retail and e-commerce all grew year-over-year, and gross margins expanded for the tenth consecutive quarter. Management



reiterated confidence in 2026, noting internal targets above current Street estimates and a record ADI project pipeline. Additionally, the planned spin-off of ADI Global Distribution in the second half of 2026 is expected to unlock value, with margin expansion opportunities for both ADI and Products & Solutions. Long term, we believe REZI's scale, cost discipline, and strategic initiatives position the company for margin improvement and upside as macro conditions stabilize. We remain constructive on its ability to deliver shareholder value through operational execution and the upcoming separation.

Finally, **Fiserv, Inc. (FISV)**, a global leader in payment processing and financial technology, experienced a pullback during the period, as new CEO Mike Lyons reset growth and profitability expectations, while announcing further leadership changes. Management is actively recalibrating operations to emphasize growth and client value, supported by targeted investments in technology and distribution. While 2026 is likely to serve as a transition year, we believe this dynamic is already reflected in the current valuation. Looking ahead, successful execution of management's strategy should reinforce Fiserv's dominant market position and extensive distribution network, enabling the company to capture long-term growth in digital payments and financial technology. Fiserv's scale, integrated solutions and deep client relationships create high switching costs and durable recurring revenue—hallmarks of a wide-moat business. Against the backdrop of an accelerating shift toward digital payments, we see Fiserv as offering a compelling combination of resilience and growth potential.

Also during the quarter, we added **ADT Inc. (ADT)**, a leading provider of automated security solutions for consumers and businesses. With a history spanning more than 140 years, ADT's brand strength and national footprint are unmatched, supporting its market-leading share, highly recurring revenue base, and attractive free cash flow generation—key drivers for long-term growth. While some investors remain concerned that do-it-yourself (DIY) competitors could erode ADT's installation and technology-driven advantages, we believe this is a resilient business positioned to benefit from secular smart home adoption trends. We think strategic partnerships with Google and State Farm further enhance ADT's ability to innovate, expand distribution, and deepen customer engagement. In our view, ADT's scale, trusted brand and strategic alliances create a durable competitive moat and position the company for sustainable growth and margin expansion over time.

By comparison, we exited developer of laboratory equipment and biological testing, **Bio-Rad Laboratories Inc. (BIO)** to pursue more compelling opportunities.

We enter 2026 with a measured and cautious view on U.S. equities. While moderating inflation and generally resilient

corporate fundamentals offer areas of support, markets continue to experience elevated volatility and index performance remains heavily concentrated in a small number of large-cap stocks. These dynamics heighten the risk of sharper swings in sentiment and underscore the importance of selectivity.

Structural trends—particularly the continued adoption of artificial intelligence—are contributing to productivity gains and shifting competitive positioning across industries. However, the benefits of these developments are unevenly distributed, reinforcing the narrowness of market leadership and raising questions about the durability of recent performance patterns. At the same time, the U.S. economy may see some incremental improvement as financial conditions ease and targeted fiscal measures filter through, though the trajectory and breadth of any reacceleration remain uncertain.

Against this backdrop, we remain disciplined and long-term in our approach, grounding our decisions in bottom-up fundamentals rather than macro assumptions. We are mindful of key risks, including geopolitical tensions, fiscal constraints and evolving labor-market dynamics, as well as the potential for valuations in highly concentrated areas of the market to come under pressure. Still, solid corporate balance sheets, operational flexibility and the possibility of supportive policy actions help mitigate some of these concerns.

On balance, we believe our portfolios are well-positioned to navigate this environment. Our focus on robust balance sheets, durable fundamentals, valuation discipline, capable management teams and strong brands gives us confidence in our ability to capture attractive upside as market leadership evolves and opportunities broaden.

Investing in equity stocks is risky and subject to market volatility. A focused portfolio may be subject to greater volatility than a diversified portfolio. The intrinsic value of the stocks in which the portfolio invests may never be recognized by the broader market. The portfolio 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 12/31/25, the performance (net of fees) for the Ariel Focused Value Composite for the 1-, 5-, and 10-year periods was +21.28%, +10.23% and +10.55%, respectively. For the period ended 12/31/25 the performance for the Russell 1000 Value Index and the S&P 500 Index for the 1-, 5-, and 10-year periods was +15.91%, +11.33% and +10.53%, and +17.88%, +14.43% and 14.82%, 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 Focused Value Composite differs from its benchmark with dramatically fewer holdings concentrated in fewer sectors.

The opinions 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 12/31/25, Barrick Mining Corporation constituted 5.6% of the Ariel Focused Value Composite (representative portfolio); Affiliated Managers Group, Inc. 5.2%; Johnson & Johnson 5.4%; Mosaic Company 2.1%; Resideo Technologies, Inc. 3.5%; Fiserv, Inc. 2.5%; ADT, Inc. 1.0% and Bio-Rad 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 the Ariel Focused Value Composite.

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

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