Ariel investments

Quarterly Commentary

Ariel Emerging Markets Value ex-China

Quarter Ended March 31, 2026

Global equity markets got off to a volatile, risk-off start to 2026, as an initially broad-based rally gave way to sharp, geopolitically-driven swings. Market sentiment volleyed between brief periods of stability and abrupt moves tied to Middle East tensions. Amid chaos, emerging economies showed relative resilience, with the MSCI Emerging Markets ex-China Index outperforming the MSCI ACWI as well as the S&P 500. Tech heavy markets in South Korea and Taiwan were supported early in the period by sustained demand for memory chips and advanced semiconductor manufacturing. By March, this momentum reversed in Asia, reflecting their dependency on oil flowing through the Strait of Hormuz. By contrast, Brazil benefitted from higher commodity prices as those same supply disruptions boosted local resource exporters. India lagged amid concerns that some of its key sectors, including IT services—faced artificial intelligence (AI) disruption at the same time that the broader economy remains exposed to rising oil prices. Despite ongoing geopolitical uncertainty, we believe our portfolio companies can navigate across a range of outcomes. Against this backdrop, the Ariel Emerging Markets Value ex-China Composite advanced +6.29% gross of fees (+6.06% net of fees) during the quarter, outperforming the MSCI EM ex-China Index's +3.16% return.

Korea based **SK Hynix Inc.**, a leading pure play producer of memory semiconductors, was the top contributor during the period following a strong quarterly earnings beat. Robust pricing and volume growth in high performance memory products used in AI applications helped profitability exceed expectations. Margins expanded meaningfully as operating leverage from AI related demand continued to build. We view the acceleration of AI inference workloads as a powerful long-term tailwind for memory, benefiting both high bandwidth memory (HBM) and high-density NAND. SK Hynix remains the clear leader in HBM, maintaining a dominant supply position with key customers such as Nvidia, and is further differentiated by its technological advantage in emerging high bandwidth flash solutions. In our view, disciplined industry supply alongside structurally rising demand supports a favorable pricing environment through the next cycle. Overall, we believe the company is well positioned as AI-driven memory demand increasingly shifts from cyclical to secular.

Companhia Brasileira de Alumínio (CBA), an integrated aluminum producer, rose sharply during the quarter following the announcement of a joint acquisition by Aluminum Corporation of China and Rio Tinto. The transaction resulted in a re-rating in the shares, unlocking value after a strong run since our initial investment. Given the appreciation and realization of our investment thesis, we exited the position during the quarter.

Shares of **Banco BTG Pactual S.A.** also outperformed during the period with continued strong operating results and a favorable top-down backdrop for Brazilian assets. The firm continues to deliver robust growth across its asset and wealth management businesses, steadily gaining market share through the strength of its platform, scale and execution. At the same time, Brazilian assets benefited from growing expectations for interest rate cuts and the prospect of enhanced economic policy clarity. We see even more upside coming from company specific momentum and broader country level tailwinds.

By comparison, Indian equities weakened during the quarter following the escalation of the Iran conflict, reflecting heightened sensitivity to energy prices given India's reliance on imported oil. This macro-driven pullback weighed on several holdings despite largely intact underlying fundamentals.

GAIL (India) Limited underperformed as geopolitical tensions affected near-term gas availability, with a portion of transported volumes sourced from Qatar. While earnings were temporarily pressured, our long-term thesis remains intact. Rising natural gas demand in India, supported by economic growth, higher transport volumes, operating leverage and gradual tariff increases should drive recovery. This outlook is further reinforced by an expected increase in global liquified natural gas supply and the commissioning of new petrochemical capacity, which should contribute meaningfully to earnings as the cycle improves.

Indian automaker, **Maruti Suzuki** was another detractor amid broader market weakness rather than company specific deterioration. We remain constructive on the outlook, supported by rising passenger vehicle penetration, a strong product pipeline, improving mix, and operating leverage as volumes and market share recover. Favorable tax policies continue to enhance affordability in entry level and compact segments, where Maruti holds a clear competitive advantage.

Finally, shares of Indian financial services company, **Shriram Finance Limited** declined modestly but outperformed India's broader market. Fundamentals remain strong, underpinned by resilient asset quality and opportunities to accelerate loan growth and reduce funding costs following Mitsubishi UFJ Financial Group's 20% strategic stake acquisition. We believe these factors support an attractive risk reward profile and our confidence in the company's medium-term earnings trajectory.

Also during the quarter, we initiated a new position in **Kia Corporation**, a leading Korean automaker. A strong 2026 new model cycle should drive more hybrid vehicle sales, which carry higher margins. In addition, increasing demand in the United States, which is Kia's largest market, should boost its stock price. Beyond core automotive fundamentals, the shares also offer longer term optionality through Kia's ownership stake in Boston Dynamics. We expect the market to increasingly recognize the value of this asset as the company reaches key development milestones ahead of planned mass production in the 2027–2028 timeframe.

We also added **Columbia EM Core ex-China ETF** as a cash alternative.

By comparison, we exited the following names on valuation:

- Brazil's integrated aluminum producer, **Companhia Brasileira de Alumínio**
- **Copa Holdings S.A.**, one of the leading airlines in the Americas
- **FPT Corporation**, a Vietnam based conglomerate focused on technology, telecommunications, and private education
- **OTP Bank Nyrt**, a leading retail and corporate bank in Central and Eastern Europe

In addition, we sold our position in **Hyundai Marine & Fire Insurance Co., Ltd.** to reallocate capital toward more compelling opportunities.

Looking ahead to the remainder of 2026, the investment environment is likely to be whipsawed by ongoing macroeconomic and geopolitical crosscurrents. Although investors feel uncomfortable, history suggests these volatile environments often reward those who look beyond narrow, concentrated areas of leadership and uncover value across a broader range of sectors and regions. Emerging markets, in particular, offer compelling long-term opportunities, with the MSCI EM and MSCI EM ex-China indices trading at meaningful discounts to developed markets. Earnings growth across emerging economies is also positioned to outpace that of advanced markets, supported by rising productivity, an expanding middle class and accelerating innovation. At the corporate level, EM companies are exhibiting greater capital discipline through improved operational efficiency, dividends, and share repurchases. A weaker U.S. dollar could provide an additional tailwind. Importantly, emerging markets sit at the forefront of critical innovation cycles—including AI, where semiconductor leaders are enabling next generation technologies. As such, we believe a disciplined, value investment philosophy that emphasizes strong fundamentals and selective exposure to secular growth drivers can generate resilient, superior long-term returns amid a shifting global backdrop.

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 3/31/2026, 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 +47.81% and +21.70%, respectively. For the period ended 03/31/2026, 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 +41.30% and +18.81%, 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. 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 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 3/31/2026, SK Hynix, Inc. constituted 7.4% of the Ariel Emerging Markets Value ex-China Composite (representative portfolio); Companhia Brasileira de Aluminio 0.0%; Banco BTG Pactual SA 3.8%; GAIL India, Ltd. 1.8%; Maruti Suzuki India, Ltd. 1.3%; Shriram Finance, Ltd. 1.7%; Kia Corporation 1.4%; Columbia EM Core ex-China ETF 1.1%; Copa Holdings SA 0.0%; FPT Corporation 0.0%; Hyundai Marine & Fire Insurance Co., Ltd. 0.0% and OTP Bank Nyrt 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. 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. 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. 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.

SLOW AND STEADY WINS THE RACE