

# Ariel Focused Value

Quarter Ended March 31, 2026

U.S. equities experienced a volatile, risk off start with major indices declining and briefly entering correction territory amid a sharp March selloff. The S&P 500 posted its worst quarterly return since the third quarter of 2022, driven by an escalating Middle East conflict that pushed energy prices higher, disrupted global supply chains and revived inflation concerns. Rising bond yields pressured valuations and accelerated a shift away from the mega-tech leaders toward Energy and more defensive sectors. Expectations for rate cuts waned, weighing on market sentiment despite resilient underlying earnings. Although late quarter headlines suggesting a cease fire sparked a brief relief rally, ongoing uncertainty underscored the value of fundamentals driven investing.

Periods of stress often widen the disconnect between price and value, particularly for companies with sustainable earnings power. Anchored in our private market value discipline—refined over more than four decades and five market cycles—we maintain a patient, long-term perspective, grounded in the belief that durable investment outcomes are achieved through thoughtful ownership of high-quality businesses across full market cycles. We know investment opportunities grow when uncertainty is elevated and risk appetite is limited. Against this backdrop, the Ariel Focused Value Composite jumped +7.20% gross of fees (+7.12% net of fees) in the quarter, outperforming both the Russell 1000 Value and S&P 500 indices, which returned +2.10% and -4.33%, respectively.

Oil and gas producer, **APA Corporation (APA)** was the top contributor during the quarter, benefiting from higher oil prices and the company's strong exposure to upstream operations, which tend to perform well when commodity prices improve. Longer term, we believe APA is well positioned to sustain production and generate cash. The company has a large inventory of drilling opportunities in the Permian Basin and a good track record of replacing production. Additionally, growing natural gas exposure in Egypt and APA's liquefied natural gas-linked marketing portfolio are beneficial. Together, we believe these assets support ongoing free cash flow, which can be returned to shareholders and drive value over time.

**SLB Limited (SLB)** advanced during the quarter as investors grew more confident in the company's resilient international growth profile, increasing exposure to secular growth areas such as Digital and Production Systems and consistent free cash flow generation. Management's constructive commentary on improving conditions across key international markets and

strengthening offshore activity reinforced confidence in the medium-term earnings outlook. The company also disclosed temporary, security related disruptions in parts of the Middle East, including restricted travel and selective staff demobilization, which the market largely viewed as manageable and transitory. Backed by disciplined capital returns, a strong balance sheet and unmatched global scale, we believe SLB remains the most resilient and strategically differentiated provider in the oilfield services industry.

Shares of **Chevron Corporation (CVX)** also rose solidly over the quarter, participating in the broad rally across the energy sector as oil prices soared against the backdrop of Middle East conflicts. Investors also cheered the company's robust capital return framework, including ongoing share repurchases and a higher dividend.

Conversely, global payments and financial technology leader, **Fiserv (FISV)** declined over the quarter despite reporting in-line earnings results and 2026 guidance. Although the closely watched Clover business showed modest underperformance, we believe broader macroeconomic concerns and fears of AI-related disruption rather than company specific fundamentals are weighing on the company's share price. While the current valuation reflects a narrow focus on 2026 as a transitional year, we continue to hold the position given Fiserv's scale, market leadership and deep client relationships, which we believe support durable recurring revenue and long-term participation in the continued shift toward digital payments.

Leading financial institution, **Bank of America Corporation (BAC)** detracted from performance during the quarter, as shifting expectations for the Federal Reserve's interest rate path and the conflict in the Middle East weighed on rate-sensitive financial stocks. While the company reported solid underlying fundamentals, including healthy net interest income, deposit growth and stable credit trends, uncertainty around the future direction of rates and the sustainability of net interest income pressured shares. In our view, Bank of America's significant scale advantages, strong balance sheet and long-term investments in technology leave the company well-positioned to generate attractive returns and create shareholder value over time, even amid near-term caution.

Lastly, global enterprise software leader **Oracle Corporation (ORCL)** underperformed during the quarter in the wake of near-term concerns around elevated capital spending, gross margin pressure and execution risk tied to its large scale AI infrastructure build out. While underlying cloud demand



remained strong, guidance fell modestly short of heightened expectations and heavy investment weighed on free cash flow, reinforcing skepticism around the timing of AI monetization. We continue to like the stock. Oracle is delivering visible acceleration in cloud and AI driven revenues, supported by a rapidly expanding backlog, strong execution and a growing base of long-term, recurring contracts. The sharp selloff has meaningfully reset expectations and valuation. We believe Oracle's scale, operating discipline, multi cloud capabilities and diversified growth beyond AI, position the company to translate today's investments into sustained earnings growth over time.

Also during the quarter, we initiated a position in **FactSet Research Systems (FDS)**, a leading provider of information and analytics to the global financial services industry. FactSet's data and tools are deeply embedded in both buy-side and sell-side workflows, creating exceptionally high switching costs. Meanwhile, its aggregated and rigorously curated data sets are difficult to replicate and highly scalable across clients and use cases. Shares have faced significant pressure amid concerns that slowing growth and margin compression signal AI related disruption; however, we believe these fears are overstated. In our view, FactSet's highly predictable, recurring revenue model and strong cash generation position the company to benefit from AI through enhanced analytics, workflow efficiency and internal productivity gains. We believe the company's durable competitive advantages support an attractive long-term return profile at current valuation levels.

Additionally, we repurchased **Bio-Rad Laboratories Inc. (BIO)**, a global leader in laboratory equipment and biological testing. Bio-Rad benefits from a well diversified geographic and end market footprint, with balanced exposure across clinical diagnostics, biopharma, academic research and applied markets. We believe the company's financial profile is attractive, characterized by rising operating margins and a high proportion of recurring revenue sales. We view Bio-Rad as a classic Ariel business, supported by strong innovation, global scale and leadership positions across much of its portfolio. Management estimates nearly 80% of sales are derived from categories where Bio-Rad holds dominant market share. Given these competitive advantages, we think the company is well-positioned to generate sustainable growth and long-term shareholder value in a steadily expanding global life sciences market.

By comparison, we successfully exited global investment bank, **Goldman Sachs Group, Inc. (GS)**, on valuation as shares began trading above our estimate of private market value.

We approach the remainder of the year with a measured and increasingly cautious outlook for U.S. stocks. While moderating inflation in select areas and generally resilient

corporate fundamentals offer pockets of support, recession risks have risen amid persistent trade policy uncertainty and ever-growing geopolitical tensions. Although job growth remains solid, economic momentum and labor market conditions could soften if tariffs continue and inflation re-emerges. The U.S. consumer continues to show resilience, however, lower- and middle-income households are vulnerable to higher energy prices and broader cost pressures.

Globally, growth remains modest and uneven, with developments in the Middle East creating unforeseen economic shocks. Against this backdrop, we believe narrow large-cap tech leadership heightens the risk of abrupt shifts in sentiment and underscores the importance of selectivity.

In response, we remain disciplined and long-term in our approach, emphasizing bottom-up fundamentals over macroeconomic forecasting. We believe our focus on durable business models, strong balance sheets, capable management teams and leading brands should enable us to navigate near-term uncertainty while capturing upside as market leadership evolves and opportunities broaden.

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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 3/31/2026, the performance (net of fees) for the Ariel Focused Value Composite for the 1-, 5-, and 10-year periods was +35.07%, +8.41% and +11.10%, respectively. For the period ended 3/31/2026 the performance for the Russell 1000 Value Index and the S&P 500 Index for the 1-, 5-, and 10-year periods was +15.87%, +9.43% and +10.58%, and +17.80%, +12.07% and 14.16%, 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. 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.

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 3/31/2026, APA Corporation constituted 5.1% of the Ariel Focused Value Composite (representative portfolio); SLB, Ltd. 5.1%; Chevron Corporation 4.8%; Fiserv, Inc. 3.0%; Bank of America Corporation 4.5%; Oracle Corporation 1.3%; Bio-Rad Laboratories, Inc. 0.8%; FactSet Research Systems, Inc. 2.3% and Goldman Sachs Group, 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](http://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 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.

