

Ariel Global

Quarter Ended March 31, 2026

Global equity markets had a volatile, risk-off start to 2026, as the breadth of an early rally gave way to sharp, geopolitically-driven swings. Market sentiment shifted quickly, with brief periods of stability interrupted by abrupt moves tied to escalating tensions in the Middle East—underscoring how external shocks can rapidly reprice risk. At the same time, a familiar macro challenge persisted: inflationary pressures remained firm even as growth expectations softened, complicating the path to sustained equity gains.

U.S. equities proved relatively resilient, outperforming many international peers, though tighter financial conditions and a less certain economic outlook weighed on returns. Major indices moved into correction territory, driven by weakness in mega cap technology stocks following a prolonged period of outperformance. Europe began the year on stronger footing, but that momentum quickly faded once war broke out in the Middle East and higher energy prices followed. Japanese stocks saw early strength, supported by reform progress and steady inflows, before volatility tempered gains. China's recovery remained uneven, with policy support and selective strength in technology offset by ongoing concerns about the durability of growth.

As the quarter progressed, macroeconomic and geopolitical forces increasingly shaped market outcomes, driving greater divergence across regions and sectors. While near term uncertainty intensified, these conditions reinforced the importance of disciplined, selective positioning in a more complex investment landscape. Against this backdrop, the Ariel Global Composite declined -3.82% gross of fees (-3.94% net of fees) in the quarter, trailing both the -3.20% return of the MSCI ACWI Index and the +1.17% gain of the MSCI ACWI Value Index.

Ariel's non-consensus approach seeks to identify undervalued, out-of-favor, franchises that are misunderstood and therefore mispriced. The Ariel Global bottom-up strategy is overweight Communication Services, Utilities and Financials; underweight Consumer Discretionary, Industrials, Consumer Staples, Information Technology, Real Estate, Health Care and Materials as well as lacks exposure to Energy. At the sector level, positive stock selection among Consumer Discretionary and Information Technology were the greatest contributors to returns, while our avoidance of Energy and Materials holdings were the largest performance detractors.

Shares of semiconductor chip manufacturer, **Intel Corporation (INTC)** rose after revenue beat expectations and

management provided clearer visibility on easing 2026 supply constraints during the quarter. Investors reacted positively to guidance that shortages will peak in Q1 before supporting above-seasonal growth for the rest of the year. The stock also benefited from continued traction in Intel's manufacturing and foundry roadmap, including new Panther Lake Stock Keeping Units (SKUs) and active customer engagement on the 14A node, which could convert to commitments in late 2026. While margins will be pressured early in the year, Intel reiterated profitability should improve as supply normalizes and volumes scale.

Leading European telecommunications services operator based in France, **Orange SA** outperformed following its Capital Markets Day in February, which reinforced confidence in the company's strong free cash flow (FCF) outlook and dividend growth potential. While the stock has benefited from a broader telecom rotation, recent gains reflect increasing investor recognition of incremental FCF from the company's planned acquisition of MasOrange, Spain's leading operator, and value unlocked in Spain. The company has successfully executed on its France earnings turnaround despite a competitive pricing environment, supporting improved market sentiment. Looking ahead, we think Orange SA offers a favorable "win-win" setup, with either French consolidation improving long-term growth or a no deal scenario allowing for earlier and higher dividend growth. In both cases, the key driver remains robust cash generation and dividends converging toward FCF. We view Orange as undervalued and well-positioned for further upside as fundamentals continue to improve.

FedEx Corporation, a global leader in package delivery, also contributed to performance this quarter, following a well-received investor day in February. The update provided greater clarity around the company's longer-term earnings trajectory and reinforced progress on margin improvement initiatives under new leadership. Operational execution continues to improve, with cost efficiencies being realized across the network and strengthening performance within the Express segment through DRIVE and Network 2.0 initiatives. A key development is the planned spin-off of FedEx Freight in June, which has the potential to unlock value while sharpening the company's focus. While macroeconomic uncertainty remains, we believe ongoing execution, portfolio simplification and a potential re-rating can create long-term value.



By comparison, shares of **First Solar, Inc. (FSLR)**, a U.S.-based company that makes solar panels and its technology, declined as investors confronted policy uncertainty and slow sales. Shifting dynamics around tariffs, FEOC (Foreign Entity of Concern) requirements and forthcoming safe harbor guidance led delayed customer orders, raising concerns about near-term cancellations and softer first quarter volumes. The latest tariff actions further clouded visibility into future cost structures. While these issues pressured the stock in the short-term, we believe First Solar's strong U.S.-based volume, pricing power and market position suggest a durable long-term growth outlook.

Syensqo SA shares traded lower this quarter after the company released a full-year 2026 outlook that fell short of market expectations. The guidance highlighted ongoing challenges in several end markets and reduced visibility, which weighed on sentiment given the cyclical nature of parts of the business. Following the sharp sell-off, we believe the risk reward has become more attractive. Importantly, we believe Syensqo's new CEO reset expectations at a conservative level. While a rapid turnaround is unlikely, our longer-term investment case remains intact, supported by differentiated products and meaningful exposure to growing markets including aerospace and defense, semiconductors, mining and electric vehicles. As demand in these end markets improves, we think Syensqo can outperform peers and benefit from valuation upside.

Publicis Groupe SA shares also detracted from performance during the period despite solid underlying fundamentals. The company continues to gain market share and recently delivered an earnings beat, supported by mid-single digit organic revenue growth, margin expansion and outperformance versus peers across geographies. Strong new business momentum has led management to suggest continued organic growth and further margin improvement, with the possibility for additional upside from AI-driven efficiencies over time. While the absence of share buybacks may have disappointed some investors, we like the company's preference for bolt-on acquisitions which we view as a good use of its strong balance sheet to drive differentiated capabilities and faster growth. We believe Publicis's unified digital platform and advanced data and technology offerings are well-positioned to meet growing client demand across advertising, data, ecommerce and digital transformation.

We also initiated ten new names during the quarter.

We purchased leader in life sciences, healthcare and agriculture, **Bayer AG**, during the quarter. We believe the market remains anchored to the company's past challenges and is overlooking several catalysts that could materially improve the company's outlook. The stock has been weighed down for years by Roundup litigation, uneven crop protection trends and a disappointing drug pipeline. Looking ahead,

Bayer's late-stage medicine Asundexian is showing encouraging results, and we believe a potential U.S. Supreme Court review of a key glyphosate case could pave the way for resolving most outstanding lawsuits, easing financial pressure and removing a major overhang. We think Bayer is entering the early stages of a turnaround and as legal risks diminish and the pharma pipeline strengthens, the stock has meaningful upside.

We initiated a position in **Daifuku Co. Ltd.** which is a leader in logistics automation and cleanroom systems. Its end-to-end capabilities—from consulting and engineering through manufacturing and service—position it at the center of rising demand across automation, e-commerce and semiconductor production. Daifuku's core intralogistics and cleanroom businesses continue to see strong global growth, supported by capacity expansion and the company's solid competitive advantages. Steady margin improvement reflects both disciplined execution and Daifuku's leadership in technology-driven markets. Demand linked to AI, advanced manufacturing and supply chain modernization further strengthens the multi-year outlook. With a strong moat, robust pipeline and exposure to powerful secular trends, we think Daifuku represents an attractive long-term investment opportunity.

We added **ENGIE SA**, a globally integrated utility with operations spanning power generation, regulated networks and energy retail. The company's recent acquisition of UK Power Networks (UKPN) increases its weighting toward regulated electricity distribution and we believe this enhances the stability of its earnings profile. Meanwhile, we think the growth in UKPN's regulated asset base is not yet fully reflected in market expectations. ENGIE also maintains a strong position in battery energy storage which, in our view, offers an additional avenue for value creation. Over time, deleveraging is expected to provide greater financial flexibility to support expansion across regulated and storage businesses. In parallel, a firmer European energy backdrop and continued investment in renewables may provide incremental support.

We bought Greece-based financial services and asset management company, **Eurobank SA** because we believe it is poised to significantly benefit from Greece's economic recovery. Eurobank should have the opportunity to expand its loan book over the next 5-7 years supported by sustained credit growth and macroeconomic tailwinds. Its focus on wealth management and recent acquisitions in Cyprus and Bulgaria strengthen our conviction. Meanwhile, we expect the country's absorption of European funds and private credit penetration to present further upside for shares. From our perspective, the company's diversified approach, sturdy capital position and competitive return on equity underscores our confidence in its long-term value.



We also added diversified financial services company, **Fifth Third Bancorp (FITB)**, during the quarter because we believe the market is undervaluing the strategic and financial potential of its merger with Comerica. The combination creates a top-tier U.S. bank with a significantly expanded presence across many of the country's fastest-growing markets. We see substantial upside to management's cost-synergy expectations given Comerica's higher expense base, as well as earlier-than-expected revenue benefits as Fifth Third improves deposit productivity and leverages its broader footprint. Additionally, we think Fifth Third's retail and digital banking strengths, paired with Comerica's middle market franchise, creates two stable, high-return recurring revenue engines. We believe the new Fifth Third is entering a phase of growth and profitability not yet reflected in consensus expectations.

We initiated a position in **Hongfa Technology Co., Ltd.**, a global supplier of electrical components specializing in relays, following a recent share price pullback resulting from precious metal cost inflation concerns. With a leading market position, Hongfa has a strong track record of passing through input cost increases, its slower margin peers have limited ability to absorb rising costs. Beyond the short-term noise, we think Hongfa offers attractive long-term growth powered by its dominant relay business and rapidly expanding non relay product lines. The company is also a key beneficiary of the transition to 800V DC power infrastructure for AI data centers, where it holds roughly 50% global market share. Here, too, we believe the company is well-positioned for rising demand. Its modular solutions strategy is gaining traction with electric vehicle and industrial customers, supporting sustained revenue and earnings growth. Overall, we see the recent weakness as an attractive entry point into a high quality compounder.

We repurchased **Infineon Technologies**, a global leader in power semiconductors. The company has strong exposure to long-term growth themes such as automotive electrification, industrial automation and AI infrastructure. It is a key beneficiary of rising AI power demand. Infineon's long-standing presence in server and data center power creates high customer trust and switching costs, limiting competitive disruption. While the automotive market remains challenging, the weakness is priced in, with early signs of stabilization in Europe and seasonal improvement in China. With AI power demand underpinning earnings in the near-term and autos demand stabilized at a cyclical trough, we view this as an attractive re-entry point to own the shares.

We bought British multinational retailer, **Marks & Spencer Group plc** because we believe the market is overlooking the meaningful progress the company has made in reshaping its brand and strengthening its core businesses. Over the past several years, M&S has rebuilt momentum, improved operational discipline and restored balance sheet health, yet, in

our view, its valuation continues to reflect outdated perceptions of a challenged retailer. A recent cyberattack temporarily disrupted performance, but food remained resilient, and the fashion business is already recovering. As operations normalize, we are focused on the company's stronger fundamentals, upgraded credit profile and improving potential for capital returns. In our view, Marks & Spencer is entering the next phase of its turnaround.

We added **MediaTek Inc.**, a global semiconductor designer, to gain additional exposure to the fast-growing AI and high-performance connectivity markets. The company is showing strong momentum in custom AI chips, supported by an expanding Application Specific Integrated Circuit (ASIC) pipeline that serves the tailored needs of large cloud customers. MediaTek is strengthening its competitive position through advanced chip design, sophisticated packaging and high bandwidth memory, which are essential for next generation AI infrastructure. We think the launch of its Wi-Fi 8 platform further positions the company to benefit as networks and devices move to higher speed wireless standards. Importantly, MediaTek is emerging as Google's second AI ASIC design partner, providing meaningful exposure to the fastest growing segment of AI spending. While its smartphone business may face headwinds in the near-term, we believe investor focus will increasingly shift to AI, which could support earnings growth and valuation upside from 2027 onward.

Finally, we initiated a position in producer of a wide range of steel products and tubes, **Salzgitter AG** as we see compelling upside in a company highly leveraged to a recovery in both the German and broader European economies. Improving steel dynamics and seasonal strength in key businesses suggest a steady rebound in performance. At the same time, Salzgitter's ambitious cost cutting program provides a clearer path to margin expansion. Beyond operational improvements, Salzgitter holds a collection of valuable strategic assets—including its stake in Aurubis, significant carbon credit reserves and proprietary technologies—that we think are not fully reflected in the share price. Adjusting for these assets suggests the core steel operations remain meaningfully undervalued. Regulatory developments, including potential trade defense measures and rising incentives for low carbon steel, further enhance our outlook.

Alternatively, we exited the following names on valuation:

- Spain-based global commercial bank, **Banco Bilbao Vizcaya Argentaria SA (BBVA)**
- Global financial services company, **Capital One Financial Corporation (COF)**
- Israeli-based provider of products for information technology security, **Check Point Software Technologies Ltd.**



- Germany-based global leader in kidney dialysis services and products, **Fresenius Medical Care AG**
- Japan-based specialist in semiconductor and flat panel display production equipment, **Lasertec Corporation**
- Market leader for computer storage systems, **NetApp Inc.**
- **Webster Financial Corporation**

We also sold out of the following to pursue other opportunities:

- Operator of the blog media platform Ameba, **CyberAgent, Inc.**
- US-based health insurer focused on Medicare Advantage (MA), Medicaid, and specialty healthcare services, **Humana Inc.**
- Leading food retailer and wholesaler based in the United Kingdom (UK), **Tesco PLC**

Looking ahead to the remainder of 2026, the investment environment is likely to remain unsettled, with macroeconomic crosscurrents and geopolitical developments continuing to exert a strong influence on market behavior. Volatility may persist, but historically such periods have also created opportunities for investors willing to look beyond the noise to identify long-term value across a broader set of sectors and regions. In the near term, the path forward appears less certain. The risk of stagflation has increased, as the effects of the recent oil shock begin to feed into inflation at a time when growth expectations are being revised lower. This represents a meaningful shift from earlier assumptions of a more gradual, U.S. labor-driven inflation dynamic. At the same time, the evolving landscape is bringing new opportunities into focus, particularly outside the U.S., where valuations and earnings resilience appear more balanced. As market leadership continues to broaden, we think success will increasingly depend on remaining adaptive as the drivers of returns continue to shift.

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 Global Composite for the 1, 5, and 10-year periods were +12.28%, +8.35% and +8.47%, respectively. For the period ended 3/31/2026, the performance for the MSCI ACWI Index and the MSCI ACWI Value Index for the 1, 5, and 10-year periods were +20.01%, +9.49% and +11.34% and +17.79%, +9.20% and +9.12%, 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 Global Composite differs from its benchmark, the MSCI ACWI (All Country World 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, Intel Corporation constituted 3.7% of the Ariel Global Composite (representative portfolio); Orange SA 2.1%; FedEx Corporation 2.0%; First Solar, Inc. 3.1%; Syensqo SA 0.3%; Publicis Groupe SA 1.2%; Bayer AG 1.4%; Daifuku Co., Ltd. 2.5%; Engie SA 1.6%; Eurobank SA 1.6%; Fifth Third Bancorp 1.5%; Hongfa Technology Co., Ltd. 0.9%; Infineon Technologies AG 1.0%; Marks & Spencer Group plc 2.4%; MediaTek, Inc. 2.1%; Salzgitter AG 0.8%; Banco Bilbao Vizcaya Argentaria SA 0.0%; Capital One Financial Corporation 0.0%; Check Point Software Technologies Ltd. 0.0%; CyberAgent, Inc. 0.0%; Fresenius Medical Care AG 0.0%; Humana Inc. 0.0%; Lasertec Corporation 0.0%; NetApp Inc. 0.0%; Tesco PLC 0.0% and Webster Financial Corporation 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 Global Composite.

A glossary of financial terms provided herein may be found on our website at www.arielinvestments.com.

Indexes are unmanaged. An investor cannot invest directly in an index. 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. The MSCI ACWI Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries and 24 Emerging Markets (EM) countries. Its inception date is December 8, 1997. 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 company's 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.

