

# Ariel International Developed Markets

## 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 International (DM) Composite declined -3.56% gross of fees (-3.72% net of fees) in the quarter, falling short of both the MSCI EAFE and MSCI EAFE Value indices, which returned -1.24% and +2.00%, respectively.

Ariel's non-consensus approach seeks to identify undervalued, out-of-favor, franchises that are misunderstood and mispriced. The Ariel International (DM) bottom-up strategy is overweight Communication Services, Information Technology, Consumer Discretionary and Utilities. The portfolio is meaningfully underweight Industrials, Health Care, Financials, Consumer Staples and Materials. It also lacks exposure to Energy and Real Estate. At the sector level, positive stock selection within Consumer Discretionary and Information Technology were the greatest contributors to returns. By comparison, our Materials and Financials holdings were the biggest detractors during the quarter.

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.

**SUMCO Corporation** benefitted from growing investor confidence in the company's medium-term earnings recovery and long-term positioning in AI driven semiconductors during the quarter. Following the completion of major capital investments, attention shifted beyond the current industry downturn toward strengthening free cash flow and easing depreciation. Management expects operating profit to improve as these tailwinds materialize. As a global leader in advanced silicon wafers for high performance Central Processing Units (CPUs), Graphics Processing Units (GPUs) and AI applications, we believe SUMCO is well-positioned to benefit from rising memory demand. Growth in high bandwidth memory (HBM) and NAND is driving higher wafer usage, as AI models require greater stacking and increased storage to process and retain information. With limited supply of advanced wafers and strong free cash flow potential, we believe SUMCO remains undervalued and well-positioned as fundamentals improve.

German-based specialty chemical company **Wacker Chemie AG** also advanced during the quarter, as early signs of improvement begin to emerge. We believe the market continues to underappreciate the company's earnings potential. In our view, the company's polysilicon profitability could be boosted by U.S. trade action that may restrict Chinese imports, in addition to China's own efforts to rationalize excess capacity and stabilize pricing. Recent force majeure declarations across Chinese chemical capacity have



further supported pricing and volumes. In polymers, a gradual recovery in European residential construction and prospective infrastructure spending are supporting demand. Lower European energy prices should provide an additional margin tailwind, while cost reductions further reinforce our conviction in Wacker's improving earnings trajectory.

Conversely, **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 believe Syensqo can outperform peers and benefit from valuation upside.

**Publicis Groupe SA** also declined 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 think 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.

Finally, **Informa Plc** fell during the quarter despite solid earnings, strong free cash flow and increased stock buybacks. The pullback was driven largely by concerns over tensions in the Middle East. The region represents a meaningful portion of Live B2B Events revenues. Although shares were impacted by the war, management has reported limited disruption so far. Importantly, any affected events have been rescheduled rather than cancelled, with no discounting or material customer withdrawals. Management continues to target double-digit underlying growth in the Middle East and reaffirmed its outlook. Looking ahead, we believe Informa is well positioned to deliver improving earnings momentum, supported by accelerating organic growth, margin expansion, deleveraging and disciplined capital allocation. With strong cash generation

and a compelling valuation, we view the recent price weakness as an opportunity.

Also during the quarter, we initiated eight new positions.

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 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 also initiated a position in 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 bought **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 added 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.

By comparison, we exited the following names on valuation:

- Leading Taiwan-based manufacturer of pneumatic equipment, **AirTAC International Group**
- Spain-based global commercial bank, **Banco Bilbao Vizcaya Argentaria SA (BBVA)**
- Israeli-based provider of products for information technology security, **Check Point Software Technologies Ltd.**
- Italian bank, **Intesa Sanpaolo SpA**
- Japan-based specialist in semiconductor and flat panel display production equipment, **Lasertec Corporation**
- Leading German multinational technology conglomerate, **Siemens AG**

We also sold the following to pursue other opportunities:

- Blog media platform Ameba, **CyberAgent, Inc.**
- Germany-based global leader in kidney dialysis services and products, **Fresenius Medical Care AG**

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) for the Ariel International (DM) Composite for the 1, 5, and 10- year periods were +13.84%, +6.87% and +6.05%, respectively. For the period ended 3/31/2026 the performance for the MSCI EAFE Index and the MSCI EAFE Value Index for the 1, 5, and 10-year periods were +21.27%, +7.91% and +8.38% and +30.05%, +12.19% and +9.35%, 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 International (DM) Composite differs from its benchmark, the MSCI EAFE Index, because: (i) the Composite has fewer holdings than the benchmark and (ii) the Composite will at

times invest a portion of its assets in the U.S. and emerging markets.

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, Orange SA constituted 3.5% of the Ariel International (DM) Composite (representative portfolio); SUMCO Corporation 3.7%; Wacker Chemie AG 2.6%; Syensqo SA 1.3%; Publicis Groupe SA 2.5%; Informa plc 3.4%; Bayer AG 1.9%; Daifuku Co., Ltd. 3.3%; Engie SA 2.6%; Eurobank SA 1.0%; Infineon Technologies AG 1.8%; Marks & Spencer Group plc 3.0%; MediaTek, Inc. 1.1%; Salzgitter AG 1.3%; AirTAC International Group 0.0%; Banco Bilbao Vizcaya Argentaria SA 0.0%; Check Point Software Technologies Ltd. 0.0%; CyberAgent, Inc. 0.0%; Fresenius Medical Care AG 0.0%; Intesa Sanpaolo SpA 0.0%; Lasertec Corporation 0.0% and Siemens AG 0.0%. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings of the Ariel International (DM) Composite.

A glossary of financial terms provided herein may be found on our website at [www.arielinvestments.com](http://www.arielinvestments.com).

Indexes are unmanaged. An investor cannot invest directly in an index. The MSCI EAFE® Index is an equity index of large and mid-cap representation across 21 Developed Markets (DM) countries around the world, excluding the U.S. and Canada. Its inception date is May 31, 1986. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. 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.

