Ariel Emerging Markets Value ex-China

Quarter Ended June 30, 2026

Global equity markets advanced sharply in the second quarter, driven by easing geopolitical tensions and resilient technology-sector fundamentals. Following an initially volatile period marked by escalating conflict in the Middle East, markets recovered as a ceasefire helped alleviate concerns surrounding energy supply shocks and their potential inflationary effects. Emerging markets extended their leadership over developed markets, with the MSCI Emerging Markets Index outperforming both the MSCI ACWI and S&P 500. Taiwan and South Korea were among the strongest contributors, benefiting from sustained demand for advanced semiconductors and high-bandwidth memory solutions supporting AI-related investment. By contrast, Brazil lagged as investor sentiment was dampened by fiscal policy concerns ahead of this fall's presidential election, softer commodity prices and expectations for interest rates to remain elevated for longer. Against this backdrop, the Ariel Emerging Markets Value ex-China Composite returned +39.70% gross of fees (+39.42% net of fees), meaningfully surpassing the MSCI Emerging Markets ex-China Index's +34.53% gain for the quarter.

Technology holdings led performance during the quarter, reflecting continued investor enthusiasm for companies positioned at the center of the rapidly expanding AI infrastructure buildout.

SK Hynix, Inc., the Korea-based leader in memory semiconductors, was the portfolio's top contributor as sustained AI investment drove another round of upward earnings revisions. Demand for the company's high-bandwidth memory (HBM) products remained exceptionally strong, while supply constraints in leading-edge memory supported favorable pricing dynamics. Investor sentiment was further bolstered by the company's planned U.S. ADR listing, which is expected to broaden its investor base and enhance shareholder value. We continue to view SK Hynix as uniquely positioned within the AI value chain, supported by its technological leadership, strategic relationships with key customers such as Nvidia and growing demand for advanced memory solutions required for increasingly complex AI workloads.

SK Square Co., Ltd., the South Korean investment holding company, also contributed meaningfully to performance. In addition to benefiting from the appreciation of its approximately 20% stake in SK Hynix, the shares advanced as the discount between its market value and the underlying value of its holdings narrowed. The re-rating reflected management's continued focus on shareholder returns through dividends and share repurchases, as well as growing recognition of the value embedded within its portfolio. Despite recent gains, we continue to believe SK Square offers attractive exposure to SK Hynix's AI-driven growth potential while retaining additional upside through further discount narrowing.

MediaTek, Inc., the Taiwan-based semiconductor designer, outperformed as investors grew increasingly optimistic about its emerging data center ASIC opportunity. Management raised expectations for both the size of the addressable market and the company's potential market share, reflecting deeper engagement with hyperscale customers and increasing confidence in future revenue growth. The improved outlook drove higher earnings expectations and reinforced MediaTek's ability to leverage its expertise in designing high-performance, power-efficient chips to capitalize on rising demand for custom silicon supporting AI applications. Stronger guidance further validated management's execution and contributed to a valuation re-rating during the period.

Together, these holdings illustrate a core theme within the portfolio: identifying high-quality businesses that combine attractive valuations with exposure to powerful secular growth drivers. As AI adoption continues to accelerate, we believe these companies remain well positioned to benefit from increasing demand across the semiconductor and digital infrastructure ecosystem.

Conversely, shares of **Banco BTG Pactual S.A.** underperformed during the period, amid broader weakness in Brazilian equities, driven by fiscal uncertainty, lower commodity prices and expectations for interest rates to remain elevated for longer. Additional pressure came from concerns around the proposed Digimais transaction and a large reported share sale. Despite these headwinds, BTG delivered record earnings, maintained strong profitability and continued gaining market share, particularly in its growing wealth and asset management businesses. We believe the stock's weakness reflects short-term investor sentiment rather than any change in the company's strong long-term growth prospects.

PT Indah Kiat Pulp & Paper Tbk, one of Indonesia's leading pulp and paper producers, declined during the quarter amid broader weakness in Indonesian equities. Investor sentiment was pressured by concerns surrounding a potentially wider fiscal deficit, proposed tax increases on resource-related industries and uncertainty stemming from MSCI Emerging Market Index exclusion due to concerns regarding free float disclosures and trading practices. In our view, many of these risks are beginning to moderate. Lower energy prices are easing pressure on government fuel subsidies, while recently announced fiscal measures should help keep the budget deficit within the government's 3% of GDP target. Importantly, the proposed tax increases are not expected to materially affect the company. In addition, the government has taken steps to address MSCI's market accessibility concerns. Indonesia's economic fundamentals remain sound, supported by steady growth, manageable government debt and a modest current account deficit. We believe the market is overlooking a key company-specific catalyst: Indah Kiat is in the early stages of ramping recently completed capacity expansions, which should support strong earnings growth over the coming quarters.

DB Insurance Co. Ltd., a provider of commercial, long-term casualty and auto insurance in South Korea, also traded lower during the quarter due to a combination of temporary earnings pressures and uncertainty surrounding its acquisition of Fortegra. We view the share price weakness as a reset in expectations rather than a deterioration in the company's long-term fundamentals. The Fortegra acquisition significantly expands DB Insurance's presence in the U.S. and international specialty insurance markets, providing additional avenues for growth and diversification. At the same time, management remains focused on enhancing shareholder returns, supported by Korea's evolving corporate governance reforms and new treasury-share cancellation framework, which should improve capital efficiency and shareholder value creation. In our view, the stock now trades at a depressed valuation which can drive meaningful upside.

Also during the quarter, we initiated a position in **Hoa Phat Group JSC (HPG)**, Vietnam's largest steel producer and a leading beneficiary of the country's industrialization and infrastructure development. The company is entering a new phase of growth as recently completed capacity expansions ramp toward full utilization, positioning it to capitalize on robust domestic steel demand. We remain constructive on Vietnam's economic outlook, supported by strong real GDP growth, rising manufacturing activity and significant investment in steel-intensive infrastructure projects. We also view the policy backdrop as increasingly favorable. With nearly 60% of its capacity focused on hot-rolled coil (HRC), Hoa Phat stands to benefit from higher import duties on Chinese HRC, which should improve industry pricing and support margin expansion. With new capacity and escalating demand, the company is well positioned to deliver attractive earnings growth, supported by both cyclical and structural tailwinds.

We also bought **KONČAR Elektroindustrija DD**, a leading beneficiary of Europe's electrification and grid modernization efforts. The company is capitalizing on sustained investment across transmission and distribution infrastructure, including transformers, substations and power networks, while its export-oriented business model provides diversified exposure to demand trends across Europe and beyond. Recent results have demonstrated strong operational execution, underpinned by a sizable and growing order backlog that provides enhanced revenue visibility. We also view the expansion of KONČAR's joint venture with Siemens Energy as strategically significant, increasing capacity at a time when transformer markets remain supply-constrained globally. Despite strong share-price appreciation, we continue to find the valuation attractive relative to the company's growth prospects, backlog quality, improving profitability and differentiated positioning within Europe's long-duration electrification cycle. As the continent continues to invest in energy security, grid resilience and renewable integration, we believe KONČAR is well positioned to deliver attractive long-term value.

By comparison we exited Peruvian banking franchise, **Credicorp, Ltd.**, property investment and development company in the MENA region, **Emaar Properties PJSC** and Peruvian bank specializing in retail loans, **Intercorp Financial Services Inc.** on valuation.

Looking ahead to the remainder of 2026, we expect the investment environment to remain influenced by a complex mix of macroeconomic and geopolitical forces. While periods of uncertainty can be uncomfortable, history has consistently shown market dislocations often create attractive opportunities for investors willing to look beyond narrow areas of market leadership and focus on underlying business value. We believe emerging markets are particularly well positioned in this regard, with both the MSCI Emerging Markets and MSCI Emerging Markets ex-China indices continuing to trade at meaningful discounts relative to developed markets. At the same time, earnings growth across many emerging economies is expected to outpace developed-market peers, supported by favorable demographics, rising productivity, growing consumer wealth and increasing technological sophistication.

Corporate fundamentals across emerging markets have also improved meaningfully. Management teams are demonstrating greater capital discipline through enhanced operational efficiency, stronger balance sheets, growing dividends and increased share repurchase activity. A weaker U.S. dollar could provide an additional tailwind, supporting capital flows and earnings translation across many emerging-market economies. Importantly, emerging markets remain central to several of the world's most important innovation cycles, particularly AI, where leading semiconductor and technology companies are shaping the next generation of computing infrastructure.

Against this backdrop, we remain confident that a disciplined, value-oriented investment approach—anchored in fundamental research, valuation rigor and a long-term perspective—can uncover compelling investments across a broad and often overlooked opportunity set. By combining selective exposure to secular growth themes with a focus on high-quality businesses trading at attractive valuations, investors can generate resilient, differentiated returns through wide ranging market environments.

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 6/30/2026, 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 +74.05% and +33.41%, respectively. For the period ended 6/30/2026, 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 +63.11% and +29.00%, 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.

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As of 6/30/2026, SK Hynix, Inc. constituted 12.8% of the Ariel Emerging Markets Value ex-China Composite (representative portfolio); SK Square Co., Ltd. 4.7%; MediaTek, Inc. 5.5%; Banco BTG Pactual SA 2.7%; Indah Kiat Pulp & Paper Tbk PT 0.9%; DB Insurance Company, Ltd. 1.5%; Hoa Phat Group JSC 1.2%; Koncar-Elektroindustrija d.d. 0.6%; Credicorp, Ltd. 0.0%; Emaar Properties PJSC 0.0% and Intercorp Financial Services 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 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.