Ariel investments

Performance as of June 30, 2026 (%)				Annualized			
	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel Emerging Markets Value							04/30/2023
Gross of Fees	**25.24**	**27.43**	**51.53**	**26.12**	-	-	**26.26**
Net of Fees	**24.98**	**26.98**	**50.54**	**25.04**	-	-	**25.18**
MSCI EM Net Index	24.05	23.85	43.51	23.02	-	-	22.47
Additional Indexes							
MSCI EM Value Net Index	21.67	23.01	42.27	22.30	-	-	21.81
Ariel Emerging Markets Value ex-China							05/31/2023
Gross of Fees	**39.70**	**48.49**	**75.56**	**33.22**	-	-	**34.74**
Net of Fees	**39.42**	**47.87**	**74.05**	**31.88**	-	-	**33.41**
MSCI EM ex-China Net Index	34.53	38.78	63.11	28.33	-	-	29.00

Past performance is not indicative of future results. An investment's return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance data as of the most recent month-end may be obtained by visiting our website, arielinvestments.com.

Dear Clients and Friends: For the quarter ended June 30, 2026, the Ariel Emerging Markets Value Composite gained +25.24% gross of fees (+24.98% net of fees), while the Ariel Emerging Markets Value ex-China Composite earned +39.70% gross of fees (+39.42% net of fees). Our returns outpaced the MSCI EM Index which gained +24.05% during the quarter, as well as the MSCI EM ex-China Index which jumped +34.53%.

Global equities rebounded sharply in the second quarter, supported by easing geopolitical tensions and continued strength in technology earnings. After a volatile start driven by escalating conflict in the Middle East, markets recovered as a ceasefire reduced concerns over energy disruptions and renewed inflation.

Emerging markets held their leadership, with the MSCI EM Index outperforming both the MSCI ACWI and the S&P 500. Technology-heavy markets such as Taiwan and South Korea led returns, supported by robust demand for advanced semiconductor manufacturing, high-bandwidth memory and the infrastructure behind artificial intelligence (AI) deployment. China lagged, however, as weak consumption, subdued domestic investment and persistent property sector pressure continued to weigh on sentiment.

There Is No AI Without EM—But There Is EM Beyond AI

Over the past 18 months, emerging markets have reinforced their significance. The AI buildout may be led by global hyperscalers, but much of the critical infrastructure is built, manufactured or supplied by emerging markets companies—from advanced graphics processing units (GPUs) and high-bandwidth memory semiconductors to power management systems for data centers. As we have said before, there is no AI without EM.

Not surprisingly, EM has delivered strong absolute and relative performance versus U.S. and global markets, led by these technology champions. But performance has not been universal. While tech-heavy markets such as South Korea and Taiwan have delivered exceptional returns, other parts of EM have been overlooked despite solid company fundamentals, healthy balance sheets and attractive growth prospects.

We continue to see compelling opportunities in AI-driven companies, particularly where supply bottlenecks remain acute, such as memory, and where the buildout is creating new constraints, such as power. At the same time, we are looking beyond AI to find equally compelling opportunities that have fallen off the radar of global investors. This bifurcation has created a rare chance to buy durable businesses at valuations that reflect a harsher outlook on the ground than the facts suggest.

This dislocation is most visible in the ASEAN countries. Global investors have largely overlooked the region because it lacks leading AI companies, relies on energy imports and periodically faces political uncertainty. Some even believe the region is at risk of being left behind by AI. We have a contrarian outlook. We see some of the fastest-growing economies, supportive demographics and strong companies with expanding earnings.

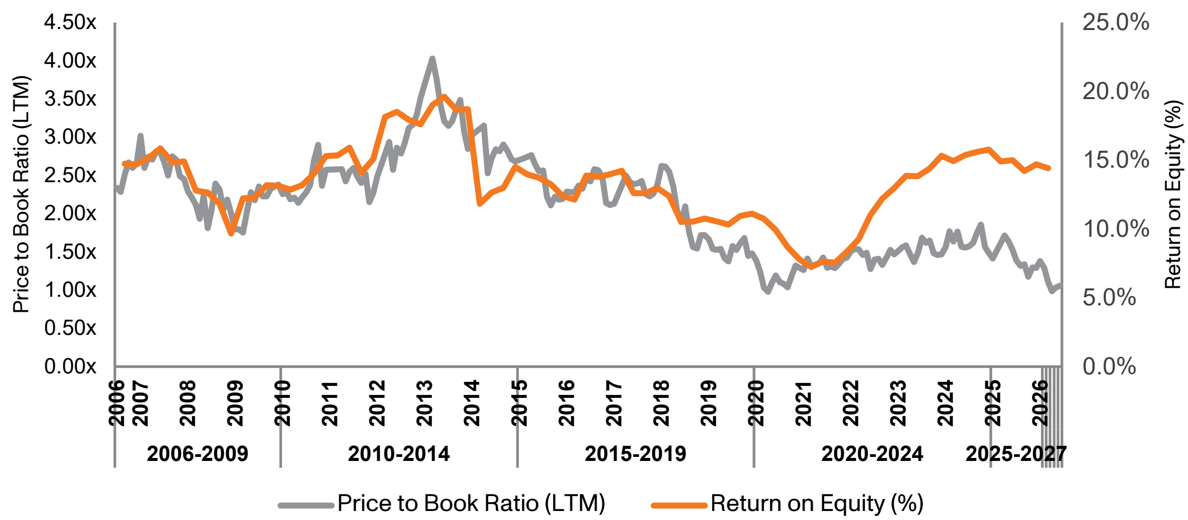
As a result, our ASEAN exposure is concentrated in the Philippines and Indonesia, with additional holdings in Vietnam and Thailand. The Philippines is a useful case study. The market trades at under 10x forward earnings, below levels reached during the Global Financial Crisis (GFC) and COVID. It trades at this low multiple despite an International Monetary Fund (IMF) outlook for 6% annual real economic growth over the next five years and a two-year consensus earnings growth outlook of 10% per year. Concerns center on AI disruption to the country’s business process outsourcing (BPO) industry, which accounts for nearly 8% of its economic activity. We believe today’s valuations already discount a severe disruption, while evidence suggests the impact is far from certain. BPO employment grew 4% in 2025 with similar expansion expected in 2026 as the country’s young, skilled and cost-competitive workforce is increasingly using AI tools to improve productivity. Our conversations with real estate brokers and property owners also corroborate demand for additional BPO office space from both new and existing clients.

Source: IT & Business Process Association (IBPAP)

One recent example is a Filipino BPO company expanding beyond its traditional English-speaking customer base. AI-enabled simultaneous translation allows the business to apply its customer-service expertise across multilingual markets, turning a perceived AI threat into a growth opportunity. New growth industries are also emerging. The recently announced U.S.–Philippines PAX Silica initiative is intended to support a secure manufacturing zone for electronic components supplied to Western companies, partly relying on critical metals from the Philippines. It’s also important to note that the resource-rich country recently changed its mining laws to accelerate investment and production.

Within the portfolio, we own a cross-section of Filipino companies including banks, real estate operators and a packaged foods producer. **Bank of the Philippine Islands (BPI)**, one of its largest banks, trades near COVID-era levels at roughly 1.1x book value, despite double-digit loan growth and a 14% return on equity, which are well above the COVID years. With still-low credit penetration, a rapidly growing economy and one of the strongest digital banking platforms, we think BPI is well positioned to exceed earnings expectations.

BPI PM Equity - Return on Equity vs. Price to Book Ratio (LTM)



Source: Bloomberg

We also own **Ayala Land, Inc.**, a leading real estate company trading at roughly 7x next year's earnings—a multi-decade low—and below both COVID and GFC levels. The company's attractive long-term prospects are fueled by the country's growing urbanization, rising middle class, extensive land bank and premier properties in sought-after locations. In the near term, we believe the company is poised to benefit from cyclical upside as the property business continues its post-COVID recovery and homebuilding stabilizes after years of curtailed supply. In addition, the management is increasingly focused on free cash flow generation over earnings growth and capital returns to shareholders.

Indonesia has also fallen out of favor. Recent weakness reflects concerns about the fiscal deficit, policy inconsistency and potential exclusion from the MSCI Emerging Markets Index due to free-float disclosure and trading-rule issues. We believe several of these issues are beginning to abate. Lower energy prices reduce the fuel subsidy burden, announced spending cuts should keep the deficit below the constitutionally mandated 3% of GDP ceiling, and the government is addressing MSCI's concerns. While policymaking has been uneven, it has trended toward pragmatism. The macro foundation also remains intact. Real GDP growth is stable at 5%, government debt is manageable, and the current account deficit remains modest at about 1%. Yet our Indonesian holdings trade at steep discounts despite improving corporate fundamentals.

Semen Indonesia Persero Tbk PT, the country's largest cement producer, trades at approximately 10 to 20 cents on the dollar of replacement value, according to our estimates. After years of price and share wars, the industry has consolidated, with the top two producers now accounting for nearly 75% of production. Volumes are recovering as one-time infrastructure budget cuts fade, and new management is emphasizing pricing over volume, which should support better margins.

We also own **Indah Kiat Pulp & Paper Tbk PT**, which trades at roughly 3x next year's earnings. We believe the ramp-up of its recently completed production facility can provide a meaningful earnings boost for a company that remains underfollowed by global investors.

In our view, ASEAN offers one of the richest sets of mispriced companies in EM today. These businesses are positioned to re-rate from distressed levels as fundamentals improve and investors look to diversify their returns. Beyond ASEAN, we feel attractive opportunities in Korea, China, Eastern Europe and Brazil offer compelling, underappreciated fundamentals.

Looking Ahead

AI has reinforced EM's critical role in the global technology supply chain, but it is only one part of a larger structural transformation underway across the asset class. From electrification to localization and rising domestic consumption, many EM companies are benefiting from durable growth drivers and improving fundamentals. In our view, stronger balance sheets, more pragmatic policy frameworks and attractive valuations provide a solid foundation for sustained expansion.

There is no AI without EM. But the next chapter for emerging markets may be written by the companies AI has left behind.

Sincerely,

Henry Mallari-D'Auria, CFA®
Chief Investment Officer
Global and Emerging Markets Equities

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, exchange-traded funds (ETFs), and other hedges 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 in which the portfolios invest may never be recognized by the broader market. The portfolios are often concentrated in fewer sectors than their benchmarks, and their performance may suffer if these sectors underperform the overall stock market. Investing in equity stocks is risky and subject to the volatility of the markets.

Past performance does not guarantee future results. Performance results are net of transaction costs and reflect the reinvestment of dividends and other earnings. 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 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 expressed views will come to fruition or any investment will perform as described.

As of 6/30/2026, the Ariel Emerging Markets Value (representative portfolio) held the following positions referenced: Bank of the Philippine Islands 0.74%; Ayala Land, Inc. 0.63%; Semen Indonesia Persero Tbk PT 0.43% and Indah Kiat Pulp & Paper TBK PT 0.81%. As of 6/30/2026, the Ariel Emerging Markets Value ex-China (representative portfolio) held the following positions referenced: Bank of the Philippine Islands 0.67%; Ayala Land, Inc. 0.58%; Semen Indonesia Persero Tbk PT 0.39% and Indah Kiat Pulp & Paper TBK PT 0.88%.

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 Composites. Portfolio holdings mentioned do not represent all holdings purchased or sold for the Composites.

Investors cannot invest directly in an index. The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,377 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Inception of this benchmark was January 1, 2001.

The MSCI Ariel Emerging Markets Value Index captures large and mid cap securities exhibiting overall value style characteristics across 24 Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. Inception of this benchmark was December 8, 1997. 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.

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. 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.