Ariel investments

Performance as of June 30, 2026 (%)	QTD	YTD	1-Year	3-Year (Annualized)	5-Year (Annualized)	10-Year (Annualized)	Since Inception (Annualized)
Ariel International (DM)							12/31/2011
Gross of Fees	**22.61**	**18.25**	**24.30**	**20.45**	**10.87**	**9.04**	**8.72**
Net of Fees	**22.38**	**17.82**	**23.38**	**19.65**	**10.14**	**8.41**	**8.07**
MSCI EAFE Net Index	10.82	9.44	20.23	16.44	9.05	9.66	8.51
Additional Indexes							
MSCI EAFE Value Net Index	7.49	9.63	26.95	21.50	13.15	10.45	8.48
Ariel International (DM/EM)							12/31/2011
Gross of Fees	**29.32**	**24.73**	**34.74**	**22.86**	**12.97**	**10.49**	**9.64**
Net of Fees	**29.17**	**24.44**	**34.08**	**22.23**	**12.36**	**9.86**	**8.94**
MSCI ACWI ex-US Net Index	14.49	13.68	27.66	18.81	8.79	9.93	8.15
Additional Indexes							
MSCI ACWI ex-US Value Net Index	12.15	14.49	33.21	22.42	12.42	10.47	7.97
Ariel Global							12/31/2011
Gross of Fees	**30.61**	**25.63**	**36.39**	**21.09**	**13.52**	**11.98**	**11.65**
Net of Fees	**30.46**	**25.32**	**35.70**	**20.47**	**12.95**	**11.42**	**11.02**
MSCI ACWI Net Index	14.93	11.25	23.67	19.69	10.98	12.79	11.57
Additional Indexes							
MSCI ACWI Value Net Index	10.57	11.86	23.05	17.46	10.37	10.09	9.32

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: Global equities recovered sharply in the second quarter of 2026, as investors moved past first quarter geopolitical stress and refocused on earnings resilience. U.S. technology remained central to market sentiment, but the dispersion underneath was more telling: the major hyperscalers saw investors scrutinize the size and cost of funding the buildout, while attention shifted toward the global suppliers providing the chips, memory, power and critical components needed for deployment. Regional performance clustered around the AI supply chain. South Korea and Taiwan led on semiconductor and hardware exposure. Lower oil prices eased pressure on Japan's import bill just as the global technology rally lifted its market. Although there were pockets of strength in AI and platform companies in China, broader sentiment remained constrained by macro weakness, property-sector pressure and policy uncertainty.

Against this backdrop, our International and Global portfolios meaningfully outperformed their benchmarks. More specifically, our portfolios were buoyed by our early conviction in AI "picks and shovels" as well as our disciplined navigation during heightened market volatility when war-driven energy spikes weighed on import-dependent markets. We continue to see opportunities in companies enabling AI deployment, while actively managing risk by taking profits, trimming positions and reducing relative exposure.

Building for the Long Haul: Localization is Here to Stay

Stepping back from the quarter, localization remains one of the more durable investment themes we see across global markets. Governments and companies are rebuilding domestic capacity, securing supply chains and investing in the infrastructure needed to support economic resilience. That shift is creating opportunities across energy, industrials, health care and technology.

Europe's offshore wind ambitions reflect the scale of this change. In January, nine European nations signed the Hamburg Declaration, targeting 300 gigawatts of offshore wind by 2050 through faster permitting and cross-border grid investment. Weeks later, a U.K. auction delivered 8.4 gigawatts of new capacity ahead of expectations. The economics are increasingly supportive: renewables are already Europe's cheapest source of new electricity, and costs are expected to further decline through 2040. This quarter, we added **Orsted AS**, the world's largest offshore wind developer in response to this trend—and precisely because we believe the market does not appreciate the scope and scale of the projects that the company currently has under construction.

China's biopharma sector tells a similar story. A fast-follower market has become an increasingly important innovation partner for global drug development. For the first time in 2024, registered clinical trials in China surpassed 5,000, reflecting research infrastructure built over many years.[1] Drug development timelines are now 50–70% faster than the global average and at a fraction of U.S. costs.[2] Chinese Contract Research Organizations (CROs) are gaining relevance in immunotherapy, oncology and autoimmune disease. China-based drug development and manufacturing partner to global pharma, **Pharmaron Beijing Co., Ltd.**, is a new holding that reflects this view, recently validated by its agreement with Eli Lilly for an oral GLP-1 therapy.

Watching the Signals, Trusting the Process

Across the portfolio, our AI exposure remains deliberately upstream. We are not trying to underwrite which model or application wins. We are focused on the infrastructure capacity required to support AI deployment, where demand is visible, supply is constrained and earnings revisions continue to improve. To this end, we own the companies enabling deployment—semiconductors, memory, data-center infrastructure and power. These issuers include: **Murata Manufacturing Company, Ltd.**, a Japanese electronic components leader; **MediaTek, Inc.**, a Taiwanese semiconductor designer; **Intel Corporation**, a U.S. semiconductor manufacturer; and **Infineon Technologies AG**, a German power semiconductor company. Accordingly, our portfolios benefitted meaningfully when Japan's technology market and the broader semiconductor complex rebounded.

We are continuing to seek opportunities where capital spending is accelerating and where bottlenecks persist. A number of leading indicators help us monitor whether the thesis is advancing. For example, we are tracking token consumption which is up roughly 8x year to date, while the physical limitations around new infrastructure suggest supply will continue chasing demand. [3]

Consistent with our approach, these positions came with controversy. While the market viewed Intel as a legacy chipmaker, we saw a strategic manufacturing asset with a credible foundry turnaround. We built our position in **SUMCO Corporation** when utilization and sentiment were depressed, but our research pointed to a turn in wafer demand that was not yet reflected in expectations. We held through the skepticism as the thesis

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[1]Barwick, Panle et. al (1 April 2026) "From free rider to innovator: How China became a global pharmaceutical powerhouse" *Centre for Economic Policy Research*, https://cepr.org/voxeu/columns/free-rider-innovator-how-china-became-global-pharmaceutical-powerhouse.
[2]Popli, Anirudh Roy et. al (January 2026) "Life Sciences Practice: The emerging epicenter: Asia's role in biopharma's future" *McKinsey & Company*, pp. 8.
[3]OpenRouter, "AI Model Rankings: Weekly usage of models across OpenRouter" accessed June 22, 2026. https://openrouter.ai.

progressed, then exited after the stock more than doubled and was fully priced. That repeatable discipline—not any single company or sector—defines how we invest: identify controversy, underwrite the inflection, monitor the evidence and redeploy capital when price catches up.

We see underappreciated secular transformation opportunities in areas the AI rally has left behind, including bioprocessing at **Merck KGaA** and telecommunications at **Orange SA**, where company-specific change is underway but not yet fully reflected in valuations.

Several holdings detracted during the quarter, including **Bandai Namco Holdings, Inc.**, a Japanese entertainment and gaming company; **China Mengniu Dairy Company, Ltd.**, a leading Chinese dairy producer; previously discussed Pharmaron Beijing; and **Algonquin Power & Utilities Corporation**, a North American utility and renewable power company. Meanwhile, we exited some positions, including **Microsoft Corporation**, a U.S. software and cloud computing leader, and **Melrose Industries PLC**, a U.K.-based aerospace components supplier, to pursue new ideas.

China Mengniu Dairy: No GPUs, Just Cows—Still a Supply-Chain Story

China Mengniu Dairy Company has been treated as a weak-consumption story, but we see more: a supply cycle beginning to turn. After years of herd expansion, excess milk and pressure on raw milk prices, the industry is starting to rebalance as herds shrink and imports fall. Many investors remain focused on the depth of China's consumer slowdown; our differentiated view is that supply discipline can drive recovery even if demand only improves modestly.

Dairy cycles move slowly. A cow takes roughly two years to raise before producing milk for five to seven years. This creates long supply lags in both directions. That lag helped create the glut Mengniu has been navigating, but it also means the reset can become durable once excess capacity leaves the system. We are monitoring raw milk prices, herd size, production volumes, import levels and channel demand to track whether the cycle is moving from oversupply toward balance.

We believe the catalyst is not a dramatic consumption rebound. Tighter supply is translating into pricing stabilization, margin recovery and cleaner earnings. The company is also driving margin improvement through its own initiatives, independent of the broader cycle—shifting its product mix toward higher-value categories like cheese, fresh milk and premium yogurt while demonstrating tighter cost discipline. That mix shift is already showing up in the numbers: Mengniu's full-year 2025 gross margin rose to 39.9%, even as revenue declined, with management crediting both lower raw milk procurement costs and a growing share of higher-margin products. In our view, gradual raw milk price recovery, steadier share and continued mix improvement could materially improve profitability. The market is still focused on how deep the trough became; we are focused on how much earnings can recover as the cycle turns.

Looking Forward

We expect the driver of market returns to continue broadening in the second half of 2026 and beyond. AI remains an important force, but the more encouraging signal is improving participation across sectors and geographies, supported by resilient earnings, clearer policy direction and improving corporate confidence. For active investors, that breadth matters. It creates a healthier backdrop than one dependent on a narrow group of technology leaders and more opportunities to find companies whose progress is not yet reflected in share prices.

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: (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, (ii) the Composite will invest in Canada, and (iii) the Composite will at times invest a portion of its assets in the U.S. and emerging markets. The Ariel International (DM/EM) Composite differs from its benchmark, the MSCI ACWI (All Country World Index) ex-U.S., 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. 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 expressed views will come to fruition or any investment will perform as described.

As of 6/30/2026, the Ariel International (DM) (representative portfolio) position size, if any, in the above holdings was Orsted AS 2.91%; Pharmaron Beijing Co., Ltd. 0.50%; Murata Manufacturing Company, Ltd. 3.13%; MediaTek, Inc. 1.90%; Intel Corporation 0.00%; Infineon Technologies AG 4.75%; SUMCO Corporation 0.00%; Merck KGaA 3.04%; Orange SA 2.60%; Bandai Namco Holdings, Inc. 2.62%; China Mengniu Dairy Company, Ltd. 1.59%; Algonquin Power & Utilities Corporation 1.91%; Microsoft Corporation 0.00% and Melrose Industries PLC 0.00%. As of 6/30/26, the Ariel International (DM/EM) (representative portfolio) position size, if any, in the above holdings was Orsted AS 2.22%; Pharmaron Beijing Co., Ltd. 1.49%; Murata Manufacturing Company, Ltd. 2.14%; MediaTek, Inc. 2.71%; Intel Corporation 0.00%; Infineon Technologies AG 2.65%; SUMCO Corporation 0.00%; Merck KGaA 2.53%; Orange SA 2.23%; Bandai Namco Holdings, Inc. 1.95%; China Mengniu Dairy Company, Ltd. 2.32%; Algonquin Power & Utilities Corporation 0.94%; Microsoft Corporation 0.00% and Melrose Industries PLC 0.00%. As of 6/30/2026, the Ariel Global (representative portfolio) position size, if any, in the above holdings was Orsted AS 1.88%; Pharmaron Beijing Co., Ltd. 0.99%; Murata Manufacturing Company, Ltd. 1.54%; MediaTek, Inc. 2.10%; Intel Corporation 3.35%; Infineon Technologies AG 2.49%; SUMCO Corporation 0.00%; Merck KGaA 2.21%; Orange SA 1.69%; Bandai Namco Holdings, Inc. 1.48%; China Mengniu Dairy Company, Ltd. 1.94%; Algonquin Power & Utilities Corporation 0.00%; Microsoft Corporation 0.00% and Melrose Industries PLC 0.00%.

Investors 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 U.S. and Canada. Its inception date is December 8, 1997. The MSCI ACWI (All Country World Index) ex-U.S. Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001. The MSCI ACWI ex-U.S. Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Its inception date is December 8, 1997.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The inception date is May 31, 1990. The MSCI ACWI Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. Its inception date is December 8, 1997. 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 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.