

Ariel Small Cap Value Concentrated

Quarter Ended June 30, 2026

U.S. equities rebounded sharply in the second quarter, delivering their strongest quarterly gains since 2020. Easing geopolitical tensions, lower oil prices and resilient corporate earnings supported the advance, while leadership returned to growth-oriented sectors, particularly technology, semiconductors and AI-related businesses. Although macro uncertainty around inflation, interest rates and Fed policy persisted, improving earnings expectations helped sustain investor confidence. Periods of volatility often create opportunities as market sentiment moves more quickly than underlying fundamentals. Through it all, we remain focused on the long term as we seek to own high-quality businesses at attractive valuations. Despite the strong market recovery, performance dispersion remained significant, reinforcing the importance of fundamental research, valuation discipline, and a clear-eyed view of long-term business quality. Against this backdrop, the Ariel Small Cap Value Concentrated Composite increased +12.94% gross of fees (+12.78% net of fees) in the quarter, lagging the Russell 2000 Value Index's +17.19% return and the Russell 2000 Index's +21.49% gain.

Leading global manufacturer of power generation equipment, **Generac Holdings (GNRC)** was the top contributor during the quarter following a margin-driven earnings beat and subsequent raise in its full-year commercial revenue and margin guidance. Performance was fueled by strong demand in the Commercial & Industrial (C&I) segment, particularly from data centers and a growing backlog with visibility through 2027. Profitability benefited from pricing, a firmer residential backdrop and operating leverage as the commercial business scales. The announcement of a global supply agreement with a leading hyperscaler further reinforced the company's expanding role in critical power infrastructure. We believe investors are increasingly recognizing Generac's evolution from a residential generator provider into a diversified, mission-critical power solutions platform. Additionally, expanding exposure to data center infrastructure, combined with a stable residential base, should yield a more resilient revenue mix, higher margins and stronger cash flow generation over time.

Shares of **Madison Square Garden Entertainment (MSGE)** advanced following better-than-expected results, fueled by continued strength in concerts and solid growth in sponsorship and advertising. Earnings exceeded expectations, underscoring resilient demand for live entertainment. Sentiment was further supported by news that Amtrak selected a master developer for the Penn Station redevelopment project, which includes

taking over MSGE's Infosys Theater. Our thesis remains centered on MSGE's ownership of iconic, irreplaceable venues with strong pricing power and high barriers to entry. A robust event pipeline, including marquee residencies and flagship productions like *The Christmas Spectacular*, supports sustained growth and cash flow visibility. Combined with a strong balance sheet and disciplined capital allocation, we view MSGE as a distinctive, asset-backed investment with durable demand tailwinds.

Global leader in electrical protection and connection solutions, **nVent Electric plc (NVT)** also traded higher following an earnings beat and subsequent raise in full-year guidance. Performance was driven by broad-based growth, supported by strong order activity, an expanding backlog and continued momentum in data center and power utility end markets. Additionally, the company is benefitting from accelerating adoption of its liquid cooling solution, alongside ongoing investments to expand capacity and position for future demand. Ultimately, we successfully sold out of the company in the quarter, as the name grew beyond the upper limit of Ariel Small Cap Value Concentrated's capitalization range.

By comparison, logistics and cash management services provider, **Brink's Company (BCO)**, underperformed, despite posting an earnings beat and reaffirming its full-year outlook. Cost pressures were largely contained, while underlying performance remained solid—with growth across key businesses and continued momentum in ATM Managed Services and Digital Retail Solutions. Still, the market reacted negatively to the announced acquisition of NCR Atleos because of the financial leverage and potential integration risk. In our view, BCO's long-term story remains compelling. The pending NCR Atleos acquisition is expected to expand scale and strengthen the company's position in outsourced cash and payment infrastructure. Supported by resilient operations and a consistent execution track record, we believe the market is underappreciating the company's long-term earnings power.

Oil services company **Core Laboratories (CLB)** also declined over the quarter as geopolitical tensions, weather disruptions and softer U.S. land drilling activity impacted performance. These factors weighed on revenue and margins, particularly as Middle East disruptions affected operations. While the company had previously flagged these challenges and delivered results in line with updated expectations, shares moved lower as investors focused on near-term earnings pressure. Despite this backdrop, management continued to



return capital through dividends and share repurchases. In our view, CLB's global footprint and specialized services offer an attractive way to participate in future energy development cycles.

Shares of **Prestige Consumer Healthcare (PBH)** moved lower following disappointing earnings, driven primarily by ongoing supply constraints in its eye care segment and extended lead times in the Middle East. These issues weighed on revenue, EBITDA and earnings, while temporary disruptions tied to upgrades at the Pillar5 manufacturing facility further pressured performance. Despite these near-term headwinds, management continues to prioritize product quality, debt paydown and pursue strategic acquisitions, including Breathe Right and LaCorium Health, to expand into adjacent consumer health categories. Looking ahead, we believe Prestige is well positioned to navigate near-term challenges and drive long-term growth through portfolio strength, disciplined execution and targeted expansion.

Also during the quarter, we initiated a position in **Zebra Technologies (ZBRA)**, a leader in barcode and enterprise asset intelligence solutions. We believe the company is well positioned to capture market share, maintain industry-leading profitability and expand into adjacent markets given its strong brand, extensive distribution network and commitment to innovation. Recent share price weakness has been driven by investor concerns that sharply higher memory-chip costs could pressure margins and temper earnings growth. However, we believe these concerns are overstated. Management has responded effectively through a combination of pricing actions, supply-chain optimization and product redesign initiatives, helping to mitigate the impact of elevated component costs while preserving customer demand. In our view, the market's focus on this near-term headwind has created an attractive entry point into a high-quality, wide-moat technology leader well aligned with enduring secular trends, particularly the increasing emphasis on operational efficiency and supply chain optimization.

Conversely, as noted above, we successfully sold out of global leader in electrical protection and connection solutions, **nVent Electric plc (NVT)** in the quarter.

We enter the second half of the year with a measured outlook. Globally, growth remains modest and uneven, while ongoing geopolitical tensions have the potential to create periods of economic and market volatility. At the same time, market leadership is still concentrated in a narrow group of large-cap technology companies, increasing valuation sensitivity and the potential for shifts in sentiment. The U.S. consumer continues to be an important source of support, though higher borrowing costs and persistent inflationary pressures are likely to weigh on certain segments of the economy.

Still, we remain focused on long-term value creation rather than short-term macroeconomic forecasts. Our investment

approach is grounded in rigorous bottom-up research and emphasizes durable business models, strong balance sheets, capable management teams and sustainable competitive advantages. Armed with this time-tested framework, we seek to navigate near-term uncertainty while capitalizing on opportunities as market leadership broadens and company-specific fundamentals become increasingly important drivers of returns.

Investing in small-cap companies is more risky and volatile than investing in large cap companies. A concentrated portfolio may be subject to greater volatility than a more diversified portfolio. The intrinsic value of the stocks in which the portfolio invests may never be recognized by the broader market. The portfolio is often concentrated in fewer sectors than its benchmarks, and its 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. For the 1- and 5-year period ended 6/30/2026 and since inception on April 30, 2020, the performance (net of fees) for the Ariel Small Cap Value Concentrated Composite was +29.24%, +5.18% and +14.71%, respectively. For the 1- and 5-year period ended 6/30/2026 and since inception on April 30, 2020 of the Ariel Small Cap Value Concentrated Composite, the performance for the Russell 2000 Value Index was +43.01%, +8.24% and +17.65%, respectively. And over the same periods the Russell 2000 Index delivered +40.78%, +6.99% and +16.05%, 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 Small Cap Value Concentrated Composite differs from its primary benchmark in that it has dramatically fewer holdings and more concentration in fewer sectors.

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 6/30/2026, Generac Holdings Inc. constituted 6.7% of the Ariel Small Cap Value Concentrated Composite (representative portfolio); Madison Square Garden Entertainment Corporation 7.1%; nVent Electric plc 0.0%; Brink's Company 6.1%; Core Laboratories, Inc. 2.4%; Prestige Consumer Healthcare, Inc. 3.2% and Zebra Technologies Corporation 3.4%. 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 Small Cap Value Concentrated Composite.

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

Index returns reflect the reinvestment of income and other earnings. Indexes are unmanaged, and investors cannot invest directly in an index. The Russell 2000® Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios, lower forecast growth and lower sales per share historical growth. Its inception date is June 1, 1993. The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Its inception date is January 1, 1984. Russell® is a trademark of London Stock Exchange Group, which is the source and owner of the Russell Indexes' trademarks, service marks and copyrights. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes or underlying data and no party may rely on any Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication. 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.

