

Ariel Small Cap Value

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 Tax-Exempt Composite advanced +17.19% gross of fees (+17.04% net of fees) in the quarter, which was in-line with the Russell 2000 Value Index's +17.19% return but was trailing the +21.49% gain posted by the Russell 2000 Index.

Luxury adventure travel company **Lindblad Expeditions (LIND)** was the top contributor during the quarter following a strong earnings beat, driven by robust demand, record occupancy and sustained pricing strength. Revenue, EBITDA and earnings exceeded investor expectations and management reaffirmed its full-year outlook despite weather-related disruptions, geopolitical headwinds and elevated fuel prices. Booking trends remained encouraging, with solid visibility into future demand supported by momentum in both near- and longer-term travel. The Land Experiences segment continued to perform well, adding diversification and incremental growth. With a strengthened Disney/National Geographic partnership, expanding platform and increasing scale, we see a clear path to sustained growth and multiple expansion.

Leading provider of audio components and precision electronic devices, **Knowles Corporation (KN)** also advanced following a strong earnings report that exceeded revenue and profit expectations. Performance was propelled by solid execution across segments, with Precision Devices benefiting from robust demand across diverse applications and its positioning for accelerated growth. MedTech & Specialty Audio also delivered steady results with attractive margins, underscoring the resilience and quality of the business. Meanwhile, KN continued to return capital to shareholders through share repurchases. We believe the company remains

well positioned due to its focus on high-value, niche markets where it holds leading positions, supported by favorable end-market dynamics and improving operational execution that provide a compelling path for sustained growth.

Live entertainment, media, and technology company, **Sphere Entertainment Co. (SPHR)** traded higher on solid earnings and improving operating fundamentals. Strong demand for *The Wizard of Oz* is driving operating leverage as fixed costs are spread across higher attendance, supporting margin expansion. Momentum continues to build as the company expands concert residencies, broadens its immersive film offering and increases venue utilization. The success of the Las Vegas Sphere has continued to spark growing interest from partners seeking to develop additional locations in the U.S. and internationally, including a smaller-format Sphere planned for National Harbor and a larger venue under development in Abu Dhabi. We believe ongoing demand for the Las Vegas Sphere, combined with the opportunity to build a global network of Spheres, underpins an attractive long-term growth trajectory for the company.

Conversely, oil services company **Core Laboratories (CLB)** 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.

Logistics and cash management services provider, **Brink's Company (BCO)**, also 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.

Also during the quarter, we initiated a position in **Haemonetics Corporation (HAE)**, a developer and distributor of a broad portfolio of hematology products and solutions. The company operates across three primary segments: Plasma, Blood Center and Hospital. The Plasma segment provides automated plasma collection systems and donor management software, while the Blood Center segment offers apheresis-based technologies that enable the collection, filtration and separation of blood components, returning remaining elements safely to the donor. The Hospital segment encompasses interventional technologies such as vascular closure devices and sensor-guided systems alongside comprehensive blood management solutions. With management's continued emphasis on life-sustaining healthcare applications, we believe Haemonetics stands to benefit from favorable demographic trends, rising demand for plasma-based therapies and continued innovation in critical care technologies.

We added **Masco Corporation (MAS)**, the world's largest manufacturer of plumbing fixtures and a leading provider of paint in the United States. The company benefits from a portfolio of differentiated brands, including well-recognized leaders such as Behr paint, Delta faucets and Hansgrohe shower systems, alongside complementary offerings like AXOR premium faucets and KILZ primer. Following the divestiture of its more cyclical windows and cabinets businesses, Masco has sharpened its focus on higher-quality segments where it enjoys meaningful scale, strong brand equity and operational advantages. We expect these attributes combined with deep technical expertise and a well-established supply chain to support continued margin expansion in its core paint and plumbing businesses. In addition, Masco's longstanding relationship with Home Depot is likely to further strengthen its professional paint segment, while its broad distribution and channel penetration should drive sustained growth within plumbing.

By comparison, we exited specialty cutting tool insert maker, **Kennametal, Inc. (KMT)** on valuation. We successfully sold out of global leader in electrical protection and connection solutions, **nVent Electric plc (NVT)** as the name grew beyond the upper limit of Ariel Small Cap Value's capitalization range in the quarter. We also exited niche IT consulting firm **Hackett Group, Inc. (HCKT)** to pursue other opportunities.

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. 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 period ended 6/30/2026 the performance (net of fees) for the Ariel Small Cap Value Tax-Exempt Composite for the 1-, 5-, and 10-year periods was +37.08%, +7.00% and +11.64%, respectively. For the period ended 6/30/2026 the performance for the Russell 2000 Value Index and the Russell 2000 Index for the 1-, 5-, and 10-year periods was +43.01%, +8.24% and +10.89%, and +40.78%, +6.99% and +11.63%, 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 Small Cap Value Tax-Exempt Composite differs from its primary benchmark in that it has 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, Lindblad Expeditions Holdings, Inc. constituted 4.0% of the Ariel Small Cap Value Tax-Exempt Composite (representative portfolio); Knowles Corporation 2.9%; Sphere Entertainment Company 3.8%; Core Laboratories, Inc. 1.5%; Prestige Consumer Healthcare, Inc. 2.3%; Brink's Company 2.7%; Haemonetics Corporation 2.1%; Masco Corporation 1.4%; The Hackett Group, Inc. 0.0%; Kennametal, Inc. 0.0% and nVent Electric plc 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 Small Cap Value Tax-Exempt 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

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