

# Ariel Emerging Markets Value

Quarter Ended September 30, 2026

Global equity markets advanced in the third quarter, although renewed geopolitical tensions in the Middle East and higher-for-longer interest rate environment tempered gains. Rising inflation expectations and elevated yields weighed on sentiment as markets reassessed the outlook for monetary policy. Emerging markets lagged developed markets, with the MSCI Emerging Markets Index declining -0.37%, as weakness in Information Technology stocks, particularly amid growing questions around the sustainability of memory price increases weighed on performance. At a country level, South Korea was among the largest detractors, reflecting its exposure to memory related weakness, while Taiwan was the strongest contributor, supported by greater resilience across its broader IT sector. Brazil also contributed positively, benefiting from higher energy prices. Against this backdrop, the Ariel Emerging Markets Value Composite returned -0.52% gross of fees (-0.70% net of fees), underperforming the MSCI Emerging Markets Index's -0.37% return and the MSCI Emerging Markets Value Index's +3.07% gain.

**Pharmaron Beijing Co., Ltd.** was our top contributor during the quarter as improving demand for pharmaceutical outsourcing services, strong new business wins and expanding profitability reinforced confidence in the company's long-term growth trajectory. Continued momentum in its contract development manufacturing organization (CDMO) business and deepening partnerships with global pharmaceutical companies further underscored the strength of the franchise and its competitive positioning. Better-than-expected results, an increase in outlook and a commercial manufacturing agreement tied to Eli Lilly's oral GLP-1 therapy provided additional evidence of accelerating business momentum. These developments strengthened confidence in Pharmaron's earnings power and drove a meaningful re-rating of the shares during the period.

**DB Insurance Co., Ltd.** rose during the period as the company's strong earnings power, disciplined capital management and growing commitment to shareholder returns were increasingly recognized by investors. Their growing confidence was strengthened by a strong quarterly earnings report that demonstrated better-than-expected profitability and improving fundamentals. Management further reinforced its long-term outlook by unveiling a new "Corporate Value-up Plan," including a commitment to annual dividend growth of at least 10%. As earnings momentum accelerated and the path for returning excess capital to shareholders became clearer, the valuation gap narrowed.

**Hana Financial Group Inc.** also advanced during the quarter. Improving profitability and a more shareholder-friendly capital allocation framework were viewed positively by investors. Management's Value-up 2.0 plan increased its medium-term return on equity target to 12%; committed to a total shareholder return ratio above 50%; and accelerated share repurchases. Together with stronger net interest margins as well as a stronger Korean won, earnings growth and capital generation helped lift the shares during the period.

Conversely, **SK Hynix, Inc.**, the Korea-based leader in memory semiconductors, detracted during the quarter amid concerns investment across the technology stack could outpace near-term demand. Shares were further pressured following the company's U.S. ADR offering on quarterly results that, while strong, fell short of elevated expectations due to softer dynamic random-access memory (DRAM) pricing trends. Despite the near-term weakness, demand from hyperscale data center customers remained robust, supporting a strong outlook for high-bandwidth memory and advanced DRAM products. We believe SK Hynix's leadership in AI memory and the underlying demand are not fully reflected in the current valuation.

**SK Square Co., Ltd.**, the South Korean investment holding company, also declined during the quarter, largely reflecting softness in its approximately 20% ownership stake in SK Hynix. Performance was further pressured as the discount between SK Square's share price and the underlying value of its portfolio holdings widened, leaving what we believe is a significant gap between the company's intrinsic value and its market valuation.

Shares of Brazilian apparel retailer, **Lojas Renner S.A.**, underperformed following an earnings miss as well as a reduction to its full-year outlook as higher interest rates weighed on household spending. The company also faced more competition from cross-border e-commerce platforms, which benefited from lower import taxes implemented earlier in the year. Despite these near-term challenges, we like Lojas Renner's longer-term prospects given the company's continued progress in inventory management, operational efficiency as well as the strength of its market-leading brand.

Also during the quarter, we initiated a position in **Hyundai Marine & Fire Insurance Co., Ltd.** because we believed the market was treating a temporary dividend restriction as a permanent limitation on shareholder returns. Meanwhile, improving business fundamentals resulted from stronger long-



term insurance earnings, a return to profitability in auto insurance and a sharp reduction in the company's distributable earnings deficit. These developments helped create a path to dividend restoration, which we think can be achieved through earnings growth alone, with any future regulatory changes providing even more upside. Despite this progress, the shares continued to trade at a deep discount relative to the company's mid-teens return on equity, creating a compelling opportunity for long-term investors.

We added Philippines-based quick-service restaurant operator, **Jollibee Foods Corporation**, which remains one of the country's strongest consumer franchises, supported by steady growth in its core domestic business and an expanding global footprint. We believe the company is well positioned to scale its portfolio of brands and markets. In the near term, pricing actions implemented to offset higher input costs will help profitability. Meanwhile, a greater mix of franchised restaurants, which require less capital and typically generate higher return, should help expand longer-term margins. Combined with continued international growth, these initiatives support our positive outlook for earnings and cash flow growth over time.

We purchased China's leading integrated platform for housing transactions and services, **KE Holdings Inc.** during the quarter. We believe the company can propel earnings through continued gains in agent productivity and ongoing market share consolidation within China's residential real estate brokerage industry. In addition, KE's strong net cash position provides flexibility for increased capital returns to shareholders. We also see potential upside from a gradual recovery in existing home sales, particularly in China's Tier 1 and Tier 2 cities, where recent policy reforms have helped improve market conditions. Taken together, we believe the company's leading market position, strong balance sheet and multiple avenues for growth are not fully reflected in its current stock price.

We bought **Kalbe Farma Tbk PT**, Indonesia's leading pharmaceutical company, because we think it stands to benefit from powerful long-term healthcare trends. Rising incomes, an aging population and increasing awareness of chronic and lifestyle-related diseases continue to create more demand for pharmaceutical products from a relatively low base. We believe Kalbe's extensive distribution network, trusted brands and ongoing investment in research and development provide meaningful competitive advantages that should allow it to capitalize on this opportunity. In recent years, the company has also become a preferred partner for global pharmaceutical companies seeking access to Indonesia which is helping to grow its licensed-drugs business. Despite these attractive fundamentals, we believe the low P/E multiple does not fully reflect the company's durable growth prospects and strong market position.

We also added **Mobile World Investment Corporation**, Vietnam's leading electronics retailer and one of the country's largest modern grocery operators. Ongoing industry consolidation in electronics continues to boost market share. Meanwhile, the company's supermarket business is benefiting from the gradual shift in consumer spending from traditional channels to modern retail formats. As the business scales, increasing purchasing power and stronger supplier relationships should support further margin expansion. In our view, Mobile World's market leadership, attractive growth opportunities and improving profitability are not fully reflected in the current valuation.

Lastly, we initiated a position in **Sunny Optical Technology Group**, a leading manufacturer of optical components, as the market appeared overly focused on slowing smartphone unit growth and disappointment surrounding the company's early efforts in optical networking products. Historically known for its smartphone business, Sunny continues to benefit from market share gains and strong customer relationships, supporting a stable outlook for its core franchise. More importantly, the company is increasing its exposure to faster-growing and higher-margin end markets, including automotive, robotics and wearable devices. Additional catalysts include the planned spinoff of its automotive business and the commercialization of data center-related optical products, both of which could help unlock shareholder value and drive renewed investor interest over time.

By comparison, we exited global copper company, **First Quantum Minerals, Ltd. (FM)** on valuation, as well as Brazilian food retailer, **Grupo Mateus SA** and Chinese insurance and banking franchise, **Ping An Insurance Group Co. of China Ltd.** to pursue other opportunities.

Looking ahead, uncertainty surrounding geopolitics, monetary policy and the global economy will likely continue to drive periods of market volatility. Rather than a risk, we view this backdrop as a source of opportunity. Emerging markets remain attractively valued relative to developed markets, despite stronger long-term earnings growth prospects and increasingly shareholder-focused corporate behavior.

Importantly, many of the businesses we own are benefiting from powerful secular trends, including rising consumer wealth, digitalization and the buildout of AI infrastructure, while trading at valuations that do not fully reflect their long-term potential.

As always, we remain focused on identifying high-quality businesses, partnering with capable management teams and investing with a long-term perspective. We believe this disciplined approach positions us well to capitalize on market inefficiencies and create value for our shareholders over time.



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 9/30/2026, the performance (net of fees) of the Ariel Emerging Markets Value Composite for the 1-year and since inception on 4/30/2023 was +36.35% and +22.88%, respectively. For the period ended 9/30/2026, the performance for the MSCI EM Net Index and the MSCI EM Value Net Index over the 1-year and since inception of the Ariel Emerging Markets Value Composite on 4/30/2023 was +29.22% and +20.52%, and +34.86% and +21.12%, 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 Composite differs from its benchmark, the MSCI EM Net 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 of the views expressed will come to fruition or any investment will perform as described.

As of 9/30/2026, Pharmaron Beijing Co., Ltd. constituted 3.9% of the Ariel Emerging Markets Value Composite (representative portfolio); DB Insurance Co., Ltd. 1.8%; Hana Financial Group, Inc. 2.3%; SK Hynix, Inc. 7.7%; SK Square Co., Ltd. 3.3%; Lojas Renner S.A. 1.3%; Hyundai Marine &

Fire Insurance Company, Ltd. 1.5%; Jollibee Foods Corporation 0.9%; KE Holdings, Inc. 1.0%; Kalbe Farma Tbk PT 0.9%; Mobile World Investment Corporation 1.1%; Sunny Optical Technology Group Co., Ltd. 1.8%; First Quantum Minerals, Ltd. 0.0%; Grupo Mateus SA 0.0% and Ping An Insurance Group Co. of China, Ltd. 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 Composite.

A glossary of financial terms provided herein may be found on our website at [www.arielinvestments.com](http://www.arielinvestments.com).

Indexes are unmanaged. 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 December 29, 2001. The MSCI 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 January 08, 1997. 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.

