

# Ariel Investments

| Performance as of September 30, 2026 (%)     |       |       |        | Annualized |        |         |                   |
|----------------------------------------------|-------|-------|--------|------------|--------|---------|-------------------|
|                                              | QTD   | YTD   | 1-Year | 3-Year     | 5-Year | 10-Year | Since Inception   |
| <b>Ariel Emerging Markets Value</b>          |       |       |        |            |        |         | <b>04/30/2023</b> |
| Gross of Fees                                | -0.52 | 26.77 | 37.29  | 25.49      | -      | -       | 23.92             |
| Net of Fees                                  | -0.70 | 26.09 | 36.35  | 24.44      | -      | -       | 22.88             |
| MSCI EM Net Index                            | -0.37 | 23.38 | 29.22  | 24.09      | -      | -       | 20.52             |
| <b>Additional Indexes</b>                    |       |       |        |            |        |         |                   |
| MSCI EM Value Net Index                      | 3.07  | 26.78 | 34.86  | 23.86      | -      | -       | 21.12             |
| <b>Ariel Emerging Markets Value ex-China</b> |       |       |        |            |        |         | <b>05/31/2023</b> |
| Gross of Fees                                | -2.41 | 44.90 | 65.20  | 31.69      | -      | -       | 30.78             |
| Net of Fees                                  | -2.61 | 44.01 | 63.81  | 30.41      | -      | -       | 29.51             |
| MSCI EM ex-China Net Index                   | -1.32 | 36.95 | 50.94  | 29.22      | -      | -       | 26.04             |

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](http://arielinvestments.com).

**Dear Clients and Friends:** For the quarter ended September 30, 2026, the Ariel Emerging Markets Value Composite returned -0.52% gross of fees (-0.70% net of fees), while the Ariel Emerging Markets Value ex-China Composite returned -2.41% gross of fees (-2.61% net of fees). Both composites trailed their respective benchmarks: the MSCI EM Index which declined -0.37%, and the MSCI EM ex-China Index which fell -1.32%.

The modest index declines masked a sharp rotation in market leadership. Technology stocks traded down on the heels of exceptional second-quarter gains. During the third quarter, investors reassessed the durability of artificial intelligence (AI) capital spending against a higher cost of capital. Much of that weakness was offset by a strong rally in financials, which benefited as global interest rates moved higher.

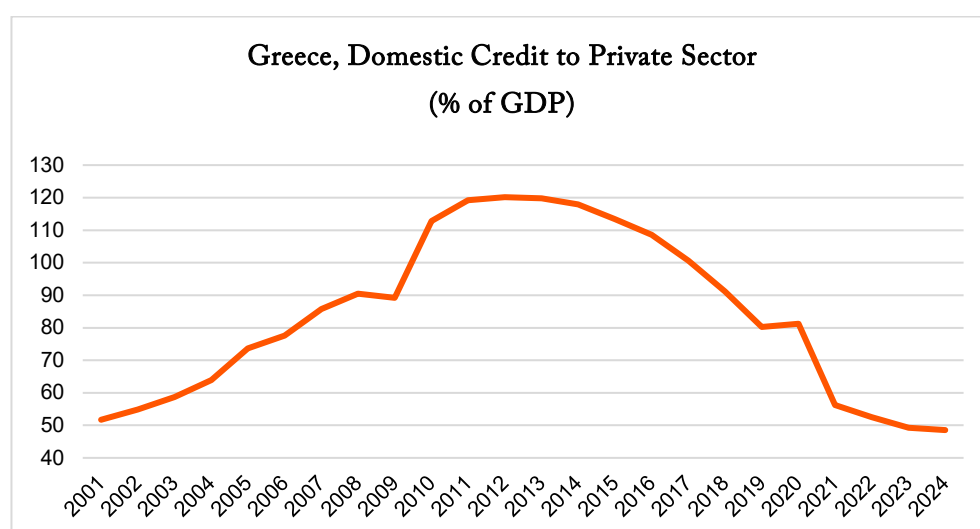
## Emerging Markets Banks: Priced Through the Rearview Mirror

Emerging market financials are often priced through a single risk lens: past crises, local geopolitics or perceived customer risk. That framing can obscure the factors that we believe ultimately drive returns: stronger balance sheets, better capital allocation, rising credit penetration and disciplined risk management rooted in local knowledge. We see buying opportunities emerge when these franchises evolve faster than investor perceptions, creating a gap between improving business fundamentals and valuations still anchored to the past.

Greek banks are still judged by the sovereign crisis they survived: **Lion Finance Group plc** by Georgian and Armenian geopolitical and currency risks; **Shriram Finance, Ltd.** by the perceived fragility of its small Indian transport operator customers; and **Kaspi.kz JSC** by the assumed limits of Kazakhstan's relatively small home market. We think these are established franchises, not undiscovered businesses. The opportunity is not

discovery but recognition: current valuations remain anchored to past risks, with little recognition given to these businesses today. The following examples examine where there is still investor doubt and those catalysts that could close the gap between valuation and sentiment.

In our view, **Eurobank SA** and **National Bank of Greece SA** are still viewed through the lens of the 2009 sovereign crisis, even though their businesses have moved well beyond repair. After more than a decade of deleveraging, both institutions are now once again extending credit, collecting fees and returning excess capital to shareholders. Private-sector borrowing remains low relative to the economy, leaving room for loan growth to outpace GDP for years. Asset quality has normalized, capital is ample and results increasingly depend on lending volumes, fee income and distributions rather than reserve releases. Although the crisis has passed, investors seem to be less convinced that attractive returns can persist and growth can materialize. By our estimates, our Greek banks trade at roughly 9–10x fiscal 2027 earnings, despite expected returns on tangible equity near 17%. We forecast annual earnings-per-share (EPS) growth to be 20% over the next two years, with around 40% upside to our valuation estimates. Our catalyst is not another dramatic restructuring; it is mounting evidence of loan growth, fees and capital returns.



Source: World Bank Group (7 October 2026) “Domestic credit to private sector (% of GDP)”  
*The World Bank Group*, DataBank, World Development Indicators,  
<https://databank.worldbank.org/source/world-development-indicators>

For Lion Finance Group plc, a leading Georgia-based banking group, geography dominates the valuation debate. Georgia and Armenia are small, less familiar markets for global investors, with geopolitical, currency and external-funding risks that warrant a higher return hurdle. The central question is not whether a discount is justified, but whether it is too wide relative to the quality of the franchise. We believe Lion’s acquisition of Armenia’s Ameriabank CJSC illustrates the opportunity. Rather than chase weaker-quality lending in a maturing Georgian market, management acquired a leading Armenian institution below book value, gaining an established deposit base, distribution network and customer franchise. Lion can now apply the digital tools, product expertise and operating discipline honed in Georgia to deepen Ameriabank’s relationships and improve efficiency. Our thesis does not assume country risk disappears. It rests on Lion’s ability to allocate capital across underpenetrated markets without weakening credit standards. Evidence should emerge through continued credit performance, stronger customer engagement and operating improvement at Ameriabank. Success in Armenia could eventually create a path into other markets such as Uzbekistan, offering further upside to our investment thesis. Lion trades at approximately 0.7x fiscal 2027 earnings, against our forecasted 28% return on equity and around 20% annual EPS growth over the next two years. Our valuation implies almost 35% upside. Current pricing, in our view, places too much weight on the risks attached to Georgia and Armenia and too little on management’s ability to compound capital across markets.

At Shriram Finance Limited, one of India's largest non-bank lenders, we think the perceived risk sits with the customer. The company finances used commercial vehicles for small transport operators, including borrowers with limited credit histories. With uneven cash flows that can be tied to the freight cycle, Shriram's dependence on external funding adds another layer of concern. Yet, the market's focus on the borrower can obscure the discipline of the lender. Shriram has built a local, asset-backed system designed to understand both. Customers typically contribute 30–40% of the vehicle's value, giving them meaningful equity from the start.<sup>1</sup> Field officers inspect the collateral, assess repayment capacity and remain involved through collections. Distribution stays in-house and incentivizes reward pricing and asset quality rather than origination alone. This model creates an information advantage that a centralized credit score is unlikely to replicate. The 20% equity investment by Japan-based MUFG Bank strengthens the balance sheet and should broaden funding access, lower borrowing costs and reduce refinancing risk.<sup>2</sup> The path to value recognition is measurable: sustained asset quality, more efficient funding and evidence that Shriram can scale without weakening underwriting. In our view, the market still sees a risky borrower base more clearly than the specialized lending franchise built to effectively serve them.

Kaspi.kz JSC, Kazakhstan's leading digital payments, commerce and banking platform, is often valued as a mature payments business constrained by a relatively small home market. We see a broader franchise with room to deepen its economics. Payments bring customers into the ecosystem; each transaction generates data that supports commerce, deposits and credit. As payment penetration matures, marketplace adoption and additional merchant services can increase the value of each customer relationship without relying solely on user growth. We believe Turkey is the next test of whether that model can travel. Through Hepsiburada's marketplace, Hepsipay's payments business and Hepsi Bank, Kaspi already owns the building blocks of a similar network in a much larger market. Our catalyst is integration: connecting the three businesses so payments drive commerce, commerce generates better data and that information supports additional financial services. Replication will require investment and disciplined execution, but success could materially extend the company's earnings runway. We think agentic commerce offers further upside. Kaspi's shopping assistant, Kasper, is an early effort to combine customer data, shopping and payments in a single experience. We view this as potential upside, not a core assumption in our thesis, because the earnings contribution has yet to be demonstrated. We are tracking payment activity, marketplace adoption, merchant engagement and progress integrating the Turkish businesses. In our view, the market is still pricing Kaspi on the limits of its home market rather than the broader platform it is building. Our current valuation implies more than 40% upside.

## Looking Forward

Across these holdings, the advantage comes from putting local knowledge to work at scale—through capital, data, distribution and years of underwriting experience. As more households and businesses enter formal financial channels, these institutions can deepen customer relationships, operate more efficiently and expand across additional products and markets.

The risks remain real, and our thesis does not depend on their disappearance. It rests on the ability of these franchises to navigate them and generate attractive returns for longer than current valuations imply. Investors are beginning to look beyond the crisis, the geography and the borrower profile. As execution and earnings make the strength of these businesses harder to ignore, we expect the gap between perception and reality to narrow. The rearview mirror still shapes the price, but the road ahead is increasingly visible in the results.

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<sup>1</sup>Shriram Finance (24 April 2026) "Investor Presentation – Q4 & FY26" *Shriram Finance*, pp. 10, [https://cdn.shriramfinance.in/sfl-kalam/files/2026-05/SFL\\_Corporate-Presentation-March-2026.pdf](https://cdn.shriramfinance.in/sfl-kalam/files/2026-05/SFL_Corporate-Presentation-March-2026.pdf)

<sup>2</sup>The Economic Times (8 April 2026) "Japan's MUFG Bank acquires 20 pc stake for Rs 39,618 cr in Shriram Finance" *The Economic Times*, <https://economictimes.indiatimes.com/industry/banking/finance/japans-mufg-bank-acquires-20-pc-stake-for-rs-39618-cr-in-shriram-finance/articleshow/130110993.cms>

Sincerely,



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

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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 9/30/2026, the Ariel Emerging Markets Value (representative portfolio) held the following positions referenced: Lion Finance Group plc 1.98%; Shriram Finance, Ltd. 0.97%; Kaspi.kz JSC ADR 1.05%; Eurobank SA 2.47% and National Bank of Greece SA 1.69%. As of 9/30/2026, the Ariel Emerging Markets Value ex-China (representative portfolio) held the following positions referenced: Lion Finance Group plc 1.17%; Shriram Finance, Ltd. 1.35%; Kaspi.kz JSC ADR 0.97%; Eurobank SA 2.33% and National Bank of Greece SA 1.93%.

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.

