

Ariel Focus Fund

Quarter Ended September 30, 2026

Performance data quoted represents past performance. Past performance does not guarantee future results. All performance assumes the reinvestment of dividends and capital gains, and represents returns of the Investor Class shares. The investment return and principal value of an investment 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 current to the most recent month end for Ariel Focus Fund may be obtained by visiting our website, arielinvestments.com. For the period ended September 30, 2026, the average annual returns of Ariel Focus Fund (Investor Class) for the 1, 5, and 10 year periods were +7.68%, +8.65% and +9.68%, respectively.

U.S. equities advanced in the third quarter, with the S&P 500 gaining +2.3% and the Nasdaq up +2.6%, but the headline gains masked a more bifurcated market beneath the surface. Strong earnings and enduring enthusiasm for artificial intelligence (AI) propelled a small group of technology giants higher, while rising interest rates, energy prices and geopolitical uncertainty weighed on the rest of the market. The Federal Reserve's September rate increase, against a backdrop of persistent inflation and resilient economic growth pushed treasury yields sharply higher and added to the pressure on small- and mid-cap companies.

As capital crowds into the market's most popular names, good businesses can fall from view—companies with sustainable competitive advantages, sound balance sheets and compelling long-term economics. When market euphoria becomes disconnected from the durability of company fundamentals, opportunities abound. Against this backdrop, Ariel Focus Fund declined -1.26% during the quarter, underperforming both the Russell 1000 Value and S&P 500 indices, which returned +2.61% and +2.30%, respectively.

Oil and gas producer **APA Corporation (APA)** advanced on higher oil prices, enhanced free cash flow and capital return potential. Second-quarter production beat guidance and U.S. oil volumes outperformed plan, prompting management to raise its U.S. oil outlook without increasing capital spending. Shares were further supported by an expanded cost-savings target, continued debt reduction and an expected step-up in share repurchases. Investors are also placing greater value on APA's growth portfolio, including Suriname, Alaska and a new exploration partnership with Eni S.p.A in Uruguay. We believe the stock's strength reflects growing recognition of APA's free cash flow generation, capital discipline, improving balance sheet and exploration upside.

Chevron Corporation (CVX) also jumped during the quarter as higher oil prices and stronger refining margins drove better-than-expected earnings and cash generation. Operational momentum remained robust, with record U.S. production fueled by contributions from Hess, the Permian Basin and the

Gulf of America. The Hess integration has delivered stronger than expected synergies within a year of closing. The transaction has enhanced profitability and free cash flow beyond simply adding scale. Ongoing debt reduction, substantial dividends and share repurchases along with growing opportunities in exploration and natural gas power generation for data centers further bolstered investor confidence. We believe favorable commodity pricing, rising production, operational efficiencies and disciplined capital allocation highlight Chevron's earnings power and long-term value creation potential.

Leading provider of information and analytics to the global financial services industry, **FactSet Research Systems (FDS)**, rose following an earnings beat resulting from continued strength in annual subscriptions. Strong client retention, improving commercial execution and increased adoption of AI-enabled solutions boosted confidence in the company's outlook. While margins remained below historical levels, management indicated profitability has likely bottomed and should rise in the coming year. Successful commercialization of AI capabilities, coupled with disciplined cost management should attract investor interest. Looking ahead, we believe FactSet's recurring revenue model, deeply embedded client relationships and expanding AI offerings position the company for durable long-term growth.

By comparison, **PHINIA Inc. (PHIN)** declined during the quarter following mixed results, as solid revenue and cash flow were offset by weaker margins. Earnings benefited from tariff-related gains, but higher compensation and an unfavorable product mix weighed on profits. Shares fell further when management pulled back profitability guidance and indicated a portion of the quarter's EBITDA benefit was non-recurring. Investors also weighed the execution and capital allocation risks associated with the pending Stoba Group acquisition. Despite the near-term disappointment, we like PHINIA's diversified end markets, strong cash generation, disciplined capital allocation and opportunities in alternative fuels, aerospace and defense, and the aftermarket.



Differentiated casino and entertainment operator **Boyd Gaming Corporation (BYD)** underperformed as weakness in Las Vegas tourism weighed on results. Lower hotel occupancy and room rates as well as construction-related disruption at Suncoast Hotel and Casino pressured near-term performance. These headwinds overshadowed solid execution elsewhere in the portfolio, including strength in the Midwest and South, continued growth in online operations and steady contributions from managed properties. We believe investor concerns over muted Las Vegas trends outweighed Boyd's strong operating discipline, industry-leading margins and shareholder-friendly capital allocation. In our view, the underlying business remains healthy, with steady core gaming demand proving resilient despite softer destination trends.

Finally, leading global dental manufacturing company, **Dentsply Sirona (XRAY)**, traded lower on waning demand for implants, orthodontics and dental equipment. Investors also focused on cautious near-term guidance and the underlying earnings benefit from tariff refunds. Nonetheless, management maintained its full-year outlook and continues to expect the turnaround to gain traction later in the year. Meanwhile XRAY is expanding distribution partnerships, broadening its digital reach and continuing share repurchases. Despite near-term headwinds, we believe the company's strategic reset and focus on operational execution position XRAY to improve profitability and create long-term shareholder value.

Also during the quarter, we acquired **ADI Global Distribution, Inc. (ADIG)** following its spin-off from our existing holding, **Resideo Technologies, Inc. (REZI)**. As the market share leader in security, residential audio-visual and fire/life-safety distribution, we believe ADI benefits from significant scale within a highly fragmented industry. Following the spin-off, the share price was muted following soft near-term challenges associated with the recently acquired Snap One smart-home business. We view this weakness as an attractive entry point to owning a durable company with consistent growth, margin expansion potential and strong cash generation, supported by increasing demand for connected technologies and smart-home solutions.

We did not exit any positions during the period.

The U.S. economy remains remarkably resilient, supported by healthy corporate earnings, a strong labor market and sustained investment in AI. At the same time, lingering inflation, higher interest rates and elevated valuations leave less room for error.

This tension between economic strength and a more restrictive cost of capital is likely to shape the period ahead. While market leadership may remain concentrated, it has also created a bevy of opportunities beyond the handful of companies commanding investors' attention. As returns become increasingly driven by earnings rather than multiple

expansion, we expect greater differentiation between businesses with durable growth, strong balance sheets and consistent cash generation and those that rely on optimistic assumptions.

We expect continued market volatility given the ongoing uncertainty looming around inflation, monetary policy and economic growth. We view volatility as our friend, since it enables actively patient investors to "buy low" which is the best way to make money. Looking ahead, we believe the environment should increasingly reward a disciplined, fundamental approach focused on businesses whose intrinsic value and long-term earnings power are not fully reflected in current share prices.

Investing in equity stocks is risky and subject to the volatility of the markets. Investing in small and mid cap companies is riskier and more volatile than investing in large cap companies. The intrinsic value of the stocks in which the Fund invests may never be recognized by the broader market. Ariel Focus Fund is a non-diversified fund and therefore may be subject to greater volatility than a more diversified investment. The Fund is often concentrated in fewer sectors than its benchmarks, and its performance may suffer if these sectors underperform the overall stock market.

As of February 1, 2026, Ariel Focus Fund Investor Class had an annual net expense ratio of 1.00% and an annual gross expense ratio of 1.19%. Currently, an expense ratio cap of 1.00% is in place for the Investor Class to waive fees and reimburse certain expenses that exceed this cap. Ariel Investments LLC (the Advisor) is contractually obligated to maintain this expense ratio cap through 1/31/27. The net expense ratio for the Investor Class does not correlate to the Expense Cap due to the inclusion of acquired fund fees and certain other expenses which are excluded from the Expense Cap.

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, APA Corporation constituted 5.2% of Ariel Focus Fund; Chevron Corporation 4.6%; FactSet Research Systems, Inc. 4.2%; PHINIA, Inc. 4.4%; Boyd Gaming Corporation 3.0%; Dentsply Sirona, Inc. 3.4%; ADI Global Distribution, Inc. 0.8% and Resideo Technologies, Inc. 3.8%. Portfolio holdings are subject to change. The performance of any single portfolio holding is no indication of the performance of other portfolio holdings of Ariel Focus Fund.



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 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios, lower forecasted growth values and lower sales per share historical growth. Its inception date is January 1, 1987. 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. The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. Its inception date is February 5, 1971.

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