

Ariel Investments

Performance as of September 30, 2026 (%)

Annualized

	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel International (DM)							12/31/2011
Gross of Fees	-1.84	16.08	19.01	21.41	11.37	8.22	8.43
Net of Fees	-2.01	15.45	18.14	20.59	10.64	7.59	7.78
MSCI EAFE Net Index	0.81	10.33	15.69	18.40	9.32	9.07	8.41
Additional Indexes							
MSCI EAFE Value Net Index	4.27	14.32	23.26	22.97	14.32	10.06	8.64
Ariel International (DM/EM)							12/31/2011
Gross of Fees	-1.01	23.47	28.96	23.95	13.79	9.72	9.39
Net of Fees	-1.13	23.03	28.34	23.32	13.19	9.10	8.70
MSCI ACWI ex-US Net Index	0.48	14.22	20.00	20.54	9.55	9.25	8.04
Additional Indexes							
MSCI ACWI ex-US Value Net Index	3.50	18.50	27.51	23.86	13.73	10.02	8.08
Ariel Global							12/31/2011
Gross of Fees	-1.69	23.51	27.63	21.75	13.91	11.24	11.31
Net of Fees	-1.81	23.06	27.00	21.13	13.33	10.70	10.69
MSCI ACWI Net Index	1.60	13.03	16.75	21.73	11.57	12.38	11.48
Additional Indexes							
MSCI ACWI Value Net Index	3.75	16.05	20.30	19.62	11.49	9.92	9.42

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.

Dear Clients and Friends: The third quarter brought the first quarter's fault lines back into view. Oil prices and interest rates reclaimed the spotlight, lifting energy shares and pressuring long-duration assets. Beneath the surface, artificial intelligence (AI) infrastructure fundamentals remained strong, but returns diverged sharply: U.S. mega-cap technology advanced as Asian semiconductor suppliers surrendered part of their second-quarter gains amid renewed debate over cycle durability and capital costs. These crosscurrents played out differently across regions, with Japan absorbing higher energy import costs and shifting rate expectations, Europe facing stubborn inflation and a softer consumer and China's recovery remaining uneven as investors focused more closely on the returns from AI spending.

Against this backdrop, our portfolios trailed their respective benchmarks during the quarter. Information technology detracted most across all portfolios, as memory-related holdings gave back part of their exceptional second-quarter performance. The absence of energy producers, alongside our overweight to oil-importing Asia in our Global portfolio, added to the shortfall. We view these pressures as short-term macro volatility and

remain confident in our positioning. Our response follows the process rather than the tape: we re-underwrote the affected positions, continue to monitor the leading indicators tied to each thesis and use the volatility to resize holdings and redeploy capital where we see share-price moves have outpaced changes in business prospects.

A Market Made for the Curious Investor

We believe AI is likely to produce both extraordinary businesses and expensive mistakes. Monitoring excess is essential, but that debate speaks to the immediate market setup. The longer-term story is more consequential. Over time, we think AI will change corporate economics far beyond the current group of perceived winners—altering investment needs, operating models, pricing power and competitive moats. The road will be uneven, and in our view, the final destination is unlikely to mirror today’s consensus.

That uncertainty is not a reason to step back, but is a reason to zero in. Rather than anchor to a single forecast, we track consumer spending to understand strengthening economics as well as instances where we believe expectations have outrun the evidence. We divide the AI economy into four categories—upstream suppliers, infrastructure hosts, model providers and end users—and assess each on the merits of its own economics, capital requirements, risks and leading indicators. In so doing, we can distinguish enthusiasm from evidence and identify where value is accruing as this once-in-a-generation transformation unfolds.

So far, the money trail points to suppliers. Semiconductor, memory, electronic component, power-equipment and chip-manufacturing-tool companies are meeting exceptional demand without bearing the full cost of the buildout. Infrastructure hosts, by contrast, have committed an estimated \$1+ trillion of capital, with returns still taking shape.¹ Model providers generate more than \$100 billion in annualized revenue, though pricing power remains untested.²

Our positioning reflects that uneven scorecard. We favor suppliers and remain measured where capital spending is running ahead of returns. Among model providers, we see promise without assuming today’s leaders will prevail. We also continue to look for proof that end users can convert adoption into lasting profits.

AI may be digital, but we think its economics are shaped by physical scarcity. While compute defined the first phase, the next will be increasingly defined by power, memory, fabrication facilities and data-center capacity, in our view. Revenue expectations for key suppliers have risen materially. Graphics Processing Unit (GPU) rental prices are up roughly 32% year to date.³ In addition, token consumption has expanded about 27x year-over-year.⁴ Together, these readings suggest usage is still absorbing available infrastructure. They also provide an early warning system if the cycle begins to turn.

Pruning the Obvious, Planting the Overlooked

In our view, the third-quarter pullback repriced parts of the AI value chain at more attractive prices, even as our research continued to uncover company-specific inflections beyond AI. We made additions following active profit-taking in the second quarter, when supplier shares began to reflect the demand recovery, capacity constraints and earnings inflections we had underwritten. We trimmed or exited several positions while redeploying capital toward ideas with more compelling return potential.

¹Goldman Sachs (7 August 2026) “Global AI Investment is Forecast to Exceed \$1 Trillion in 2026” *Goldman Sachs*, <https://www.goldmansachs.com/insights/articles/global-investment-is-forecast-to-exceed-1-trillion-in-2026>

²Hirsch, Lauren et al. (21 September 2026) “Anthropic Moves Ahead With I.P.O. Plans Amid A.I. Safety Debate” *The New York Times Company*, <https://www.nytimes.com/2026/09/18/technology/anthropic-ipo-ai-safety.html>

³Bloomberg L.P. *Silicon Data B200 Rental Price Index*. Data covering 1/1/2026 to 9/25/2026.

⁴OpenRouter. *Weekly OpenRouter usage by lab*. Data covering the week starting 9/15/2025 to 9/21/2026.

The next chapter of AI deployment is moving closer to the device. That led us to initiate a position in **Qualcomm, Inc.** in our Global portfolio during the third quarter, a U.S. wireless semiconductor and connectivity company positioned to benefit as more processing takes place directly on smartphones and other connected devices. In our view, Qualcomm shares provide exposure to this shift without the heightened expectations already embedded in the most prominent AI names. That same lens led us to new positions with distinct company-level catalysts. We anticipate stronger demand as rising cloud complexity makes observability more essential at **Dynatrace, Inc.**, a U.S. application-performance and cloud-monitoring software provider. Meanwhile, **Sunny Optical Technology (Group) Co., Ltd.** is a Chinese precision-optics and camera-module manufacturer that provides exposure to a camera-upgrade cycle, supported by higher-value lenses and potential market-share gains. Beyond technology, **Komatsu Ltd.**, a Japanese construction and mining equipment manufacturer, combines growing mining-equipment demand with a steady stream of parts and service revenue that we believe remains underappreciated.⁵

Our performance was pressured by several of our technology stocks that pulled back during the quarter. Despite strong underlying fundamentals, suppliers enabling AI deployment traded down with broader infrastructure names. In our view, **Xiamen Faratronic Co., Ltd.**, a Chinese film-capacitor manufacturer, and **Infineon Technologies AG**, a German power-semiconductor company, remain positioned to benefit from the shift toward the 800-volt data-center power systems that increase demand for film capacitors and power semiconductors. Rising chip complexity also supports two of our Japanese holdings: **Daifuku Co Ltd.**, a material-handling and cleanroom-automation company, and **Horiba Ltd.**, a precision-measurement and analysis equipment maker. Daifuku supplies the systems that move wafers through advanced fabrication plants, while Horiba's instruments become increasingly critical as semiconductor manufacturing requires tighter process control.

Strong stock selection in other sectors helped offset our losses. Several detractors from recent periods rebounded on strong fundamentals. **Bandai Namco Holdings Inc.**, a Japanese entertainment and gaming company; **China Mengniu Dairy Company Limited**, a leading dairy producer; and **Pharmaron Beijing Co., Ltd.**, a Chinese drug-research and manufacturing services provider, recovered as results showed operational progress.

Komatsu: Paid by the Ton, Not the Truck

Komatsu Ltd. sells machines that remain in service for years, generating ongoing demand for replacement parts, maintenance and automation upgrades. Investors often treat Komatsu as a classic cyclical: buy when equipment orders pick up and sell before they peak. In our view, that framing overlooks how much of the earnings base now comes from supporting equipment already at work. Aftermarket parts and service accounted for about 50% of company-wide revenue in the first quarter of fiscal 2026⁶ and we estimate the aftermarket business contributes an even greater share of profit.

At a mine, downtime is measured in lost tons. Sites are remote, machines are specialized and reliable access to parts and service is critical. Komatsu's dealer network helps keep fleets running, turning each equipment sale into a long-term customer relationship. Automation strengthens that connection. Its FrontRunner autonomous haulage system has operated commercially since 2008, and in April, Komatsu commissioned its 1,000th ultra-

⁵We added Dynatrace, Inc. in our Global portfolio during the quarter ended 6/30/2026. We added Sunny Optical Technology (Group) Co., Ltd. in our International and Global portfolios during the quarter ended 6/30/2026. We added Komatsu Ltd. in our International and Global portfolios during the quarter ended 9/30/2026.

⁶Hosotani, Hiroshi and Kiyoshi Hishinuma (29 July 2026) "Business Results for the Three Months Ended June 30, 2026" *Komatsu Ltd.*, pp. 30, https://www.komatsu.jp/en/-/media/home/ir/library/results/2025/en_fy261qpresentation.pdf?rev=178c4e4419eb4fcb0ad8e646d0938a2&hash=4267A80FA03FB90ADAFEFF14F53FFAD1

class autonomous haul truck, the first manufacturer to reach that milestone.⁷ These fleets operate longer hours, increasing the need for maintenance, replacement parts and technology upgrades. Each machine sold can therefore generate years of follow-on revenue.

The service business helps cushion downturns, and early demand signals suggest the equipment cycle may now be turning in Komatsu's favor. Because Komatsu provides less order detail than some competitors, we look to Sandvik and Epiroc—suppliers to many of the same global miners—as an early read on customer spending.⁸ In the second quarter of 2026, Sandvik reported 11% organic order intake growth in its mining business, reaching a record SEK 20.1 billion, with total orders up 17% year-over-year.⁹ Meanwhile, Epiroc's orders grew 13% organically during the same period.¹⁰ Komatsu's own results provide further support: June-quarter sales rose nearly 15%, parts sales increased 18% and management raised its full-year sales and profit forecasts.¹¹ Yet the company still expects industry demand to decline for the year. That gap between cautious guidance and strengthening orders is the inflection we are monitoring. We are tracking peer order intake, Komatsu's equipment and parts sales, the share of sales from service and miners' capital budgets—leading indicators of demand strength and the durability of the recovery. At today's valuation, we believe the market still prices Komatsu primarily as a cyclical equipment maker, giving limited credit to the repeat revenue generated over each machine's working life. Continued order strength and clearer service growth could narrow that gap. The machines are already in the pit—Komatsu gets paid as long as the ore keeps moving.

Looking Forward

As 2026 draws to a close, we expect the next phase of the AI cycle to reward companies that convert investment into lasting returns—not simply those spending at scale. Higher capital costs and uneven monetization should widen the gap between suppliers with visible demand and scarce capacity and businesses still trading largely on expectations. The quarter also pointed to a broader earnings cycle, with improving conditions extending beyond AI across a wider range of industries and regions.

We will continue to follow the evidence, take profits when market recognition catches up and redeploy capital toward company-specific inflections not yet reflected in share prices.

Sincerely,



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

⁷Corporate Communications Department, Sustainability Promotion Division, Komatsu Ltd. (22 April 2026) “FrontRunner Autonomous Haulage System continues to create value for customer operations, delivering scalable productivity and safety improvements - Komatsu becomes first OEM to commission 1,000 ultra-class autonomous haul trucks” *Komatsu Ltd.*, <https://www.komatsu.jp/en/newsroom/2026/20260422>

⁸Sandvik and Epiroc are not current holdings.

⁹Sandvik AB (17 July 2026) “Interim report second quarter 2026” *Sandvik AB*, pp. 1 and 6, <https://www.home.sandvik/siteassets/investors/reports--presentations/interim-reports/2026/interim-report-second-quarter-2026.pdf>

¹⁰Epiroc (17 July 2026) “Interim report Q2 2026” *Epiroc*, pp. 4, <https://www.epirocgroup.com/content/dam/epiroc/corporate/documents/quarterly-results-presentations-/2026-q2/Epiroc%20Interim%20Report%20Q2%202026.pdf>

¹¹Hosotani, Hiroshi and Kiyoshi Hishinuma (29 July 2026) “Business Results for the Three Months Ended June 30, 2026” *Komatsu Ltd.*, pp. 1, 14 and 30, https://www.komatsu.jp/en/-/media/home/ir/library/results/2025/en_fy261qpresentation.pdf?rev=178c4e4419eb4fbc0ad8e646d0938a2&hash=4267A80FA03FB90ADAFEEF14F53FFAD1

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: (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 International (DM) Composite differs from its benchmark, the MSCI EAFE Index, because: (i) the Composite has fewer holdings than the benchmark, (ii) the Composite will invest in Canada, and (iii) the Composite will at times invest a portion of its assets in the U.S. and emerging markets. The Ariel International (DM/EM) Composite differs from its benchmark, the MSCI ACWI (All Country World Index) ex-U.S., because: (i) the Composite has fewer holdings than the benchmark and (ii) the Composite will at times invest a portion of its assets in the U.S. The Ariel Global Composite differs from its benchmark, the MSCI ACWI (All Country World 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 expressed views will come to fruition or any investment will perform as described.

As of 9/30/2026, the Ariel International (DM) (representative portfolio) position size, if any, in the above holdings was Qualcomm Incorporated 0.00%; Dynatrace, Inc. 0.00%; Sunny Optical Technology (Group) Company, Ltd. 2.29%; Komatsu, Ltd. 4.59%; Xiamen Faratronic Co., Ltd. 0.00%; Infineon Technologies AG 3.48%; Daifuku Co., Ltd. 3.82%; Horiba, Ltd. 3.97%; Bandai Namco Holdings, Inc. 4.15%; China Mengniu Dairy Company, Ltd. 1.78% and Pharmaron Beijing Co., Ltd. 0.88%. As of 9/30/26, the Ariel International (DM/EM) (representative portfolio) position size, if any, in the above holdings was Qualcomm Incorporated 0.00%; Dynatrace, Inc. 0.00%; Sunny Optical Technology (Group) Company, Ltd. 3.25%; Komatsu, Ltd. 4.11%; Xiamen Faratronic Co., Ltd. 1.92%; Infineon Technologies AG 2.35%; Daifuku Co., Ltd. 3.71%; Horiba, Ltd. 3.51%; Bandai Namco Holdings, Inc. 3.09%; China Mengniu Dairy Company, Ltd. 3.02% and Pharmaron Beijing Co., Ltd. 2.62%. As of 9/30/2026, the Ariel Global (representative portfolio) position size, if any, in the above holdings was Qualcomm, Inc. 3.84%; Dynatrace, Inc. 4.48%; Sunny Optical Technology (Group) Company, Ltd. 2.56%; Komatsu, Ltd. 3.24%; Xiamen Faratronic Co., Ltd. 1.50%; Infineon Technologies AG 1.83%; Daifuku Co., Ltd. 2.66%; Horiba, Ltd. 2.49%; Bandai Namco Holdings, Inc. 2.35%; China Mengniu Dairy Company, Ltd. 2.33% and Pharmaron Beijing Co., Ltd. 1.75%.

Investors cannot invest directly in an index. The MSCI EAFE Index is an equity index of large and mid-cap representation across 21 Developed Markets (DM) countries around the world, excluding the U.S. and Canada. Its inception date is May 31, 1986. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding

the U.S. and Canada. Its inception date is December 8, 1997. The MSCI ACWI (All Country World Index) ex-U.S. Index is an index of large and mid-cap representation across 22 Developed Markets (DM) and 24 Emerging Markets (EM) countries. Its inception date is January 1, 2001. The MSCI ACWI ex-U.S. Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 24 Emerging Markets countries. Its inception date is December 8, 1997.

The MSCI ACWI captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. The inception date is May 31, 1990. The MSCI ACWI Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 23 Developed Markets (DM) countries and 25 Emerging Markets (EM) countries. Its inception date is December 8, 1997. The MSCI ACWI Value Index captures large and mid cap securities exhibiting overall value style characteristics across 23 Developed Markets countries and 24 Emerging Markets (EM) countries. Its inception date is December 8, 1997. 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.

