Ariel investments

Performance (%) as of March 31, 2025			Annualized			
	QTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Ariel International (DM)						12/31/2011
Gross of Fees	**11.85**	**14.43**	**6.66**	**9.63**	**5.27**	**6.80**
Net of Fees	**11.67**	**13.73**	**5.99**	**8.94**	**4.69**	**6.17**
MSCI EAFE Net Index	6.86	4.88	6.05	11.77	5.39	6.93
Additional Indexes						
MSCI EAFE Value Net Index	11.56	12.85	9.69	14.77	5.06	6.59
Ariel International (DM/EM)						12/31/2011
Gross of Fees	**10.41**	**11.22**	**6.24**	**10.16**	**5.65**	**7.12**
Net of Fees	**10.27**	**10.64**	**5.65**	**9.54**	**5.03**	**6.43**
MSCI ACWI ex-US Net Index	5.23	6.09	4.48	10.92	4.98	6.05
Additional Indexes						
MSCI ACWI ex-US Value Net Index	8.58	11.35	7.23	13.63	4.71	5.63
Ariel Global						12/31/2011
Gross of Fees	**6.27**	**7.29**	**7.40**	**12.20**	**7.83**	**9.55**
Net of Fees	**6.13**	**6.72**	**6.84**	**11.63**	**7.30**	**8.94**
MSCI ACWI Net Index	-1.32	7.15	6.91	15.18	8.84	10.02
Additional Indexes						
MSCI ACWI Value Net Index	4.77	8.60	6.59	14.42	6.72	8.06

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 global stock market's reliance on "American exceptionalism" started to fray in the first quarter of 2025. Fears of a U.S. economic slowdown put pressure on lofty valuations—especially the mega-cap technology stocks. Meanwhile, stocks outside the U.S. began to attract more attention. Europe led the charge with banks and defense stocks posting standout gains, amid growing national security budgets and strong corporate earnings. Capital inflows to Europe hit decade-high levels as investors sought relative value and earnings resilience. China's market also emerged as a bright spot. Still, U.S. equities continue to trade at a steep premium to global peers. Although non-U.S. equities had been trading at more attractive valuations for some time, the first three months of the year set the stage for broader gains, supported by improving economic and earnings momentum and a lift from strengthening foreign currencies relative to the U.S. dollar.

Excluding the "Magnificent 7[1]," global markets were largely flat in the first quarter. Against this backdrop, our international and global strategies significantly outperformed their respective benchmarks. Notably, only a small percentage of the excess return was derived from "what we didn't own," rather it was robust stock selection that drove the majority of the outperformance.

The Ariel International (DM) Composite advanced +11.85% gross of fees (+11.67% net of fees), significantly outperforming the MSCI EAFE Index's +6.86% gain. The Ariel International (DM/EM) Composite increased +10.41% gross of fees (+10.27% net of fees), also outpacing the MSCI ACWI-ex U.S. Index's +5.23% return. The Ariel Global Composite recovered this quarter trading +6.27% higher gross of fees (+6.13% net of fees), significantly outperforming the MSCI ACWI Index's –1.32% return.

Rebalancing of Global Markets Has Just Begun

A global trade war is no longer a threat—it's a trigger. The current U.S. administration appears to be embarking on a structural realignment of global trade and geopolitical alliances, seemingly focused on boosting industrial activity at home and real household income. Asia and Europe are scrambling to diversify their trade dependencies. Even if U.S. policymakers were to reverse course immediately, the perception of the U.S. as a less reliable partner is likely to persist.

Seemingly overnight, the world is recalibrating. Efforts to re-route supply chains away from China have now expanded into a broader imperative to unwind entrenched supply chain ties to the U.S. The narrative has flipped—and with it, Europe, China and other emerging markets are likely to respond with more locally targeted stimulus efforts.

In our view, we are headed toward a global economic slowdown. That said, Europe and China are expected to benefit from fiscal tailwinds. We believe there will be price dislocations and new winners from this rebalancing of global markets.

As such, we remain long-term, bottom-up investors *and* we acknowledge things have changed. Notably, stock market volatility has increased from historic low levels and is likely to remain elevated. Our global and international portfolios naturally tilt toward stocks that can outperform in market drawdowns—whether due to earnings resiliency or more attractive relative valuation. We remain focused on generating more consistent alpha generation, resulting from a broader range of stocks with idiosyncratic company-specific risks.

Today, with more policy uncertainty in the U.S., we believe investors will seek to rotate into non-U.S. assets. These markets are also more inefficiently priced. Many of our best ideas are listed outside of the U.S. and we are well positioned for the expected shift of capital inflows. As significant market inefficiencies remain, we believe our strong performance during the first quarter is repeatable. Of the 45 names added to our international and global strategies since September 2023, over 60% have outperformed the MSCI ACWI benchmark.

This quarter, our global portfolios saw recovery in two names where we maintained a position based on our revised outlook despite a pull back in 2024. Both **Intel Corporation (INTC)** and **CVS Health Corporation (CVS)** had a strong start to the year.

Intel's shares were boosted by confidence in the new CEO as well as product innovation—specifically, the 18A process node technology is progressing as scheduled. This advancement supports Intel's strategic focus on foundry services to offer advanced manufacturing capabilities to external clients, enhancing its competitiveness in the semiconductor chip making business.

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[1] The "Magnificent Seven" are the largest stocks in the S&P 500 Index driving market performance: Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Alphabet Inc. (GOOGL), Meta Platforms Inc. (META), Microsoft Corp. (MSFT), NVIDIA Corp. (NVDA) and Tesla, Inc. (TSLA).

CVS reported strong fourth quarter earnings, as a result of better-than-expected 2025 Medicare Advantage (MA) membership attrition with a favorable preliminary 2026 MA rate notice. Momentum is expected to continue with the final rate coming in approximately 200bps above consensus, utilization trends stabilizing and management reaffirming confidence to meet or exceed 2025 targets.

We remain as disciplined in selling as we are in buying. The pullback in stock prices has been sharpest across mega cap tech—where IT spending is expected to tighten during economic slowdown. However, the long-term demand for compute power and innovations remains strong. In our portfolios, **NetApp, Inc. (NTAP)** and **Taiwan Semiconductor Manufacturing Company, Ltd. (TSMC)** were hurt by market sentiment, but our convictions remain strong. We sold our position in **Teradata Corporation (TDC)** based on lower confidence in the company's ability to meet cloud-based sales targets.

Relocating supply chains is a slow, capital-intensive process requiring years of investment and coordination across suppliers. The U.S. also faces a constrained talent pool after years of offshoring, and a stark wage differential with lower-cost regions like Southeast Asia remains a key hurdle. Given the uncertainty and fluid dynamics, we are closely monitoring supply chain vulnerability across existing holdings and prospective investments—with particular emphasis on the auto and truck industries.

We expect capital outflows from the U.S. to continue. We believe investors will seek to rotate into non-U.S. markets, especially in Europe and Emerging Markets, as currency tailwinds and valuation gaps grow. In our view, the window to broaden global exposure hasn't closed—it's just opening.

The Sleeping Giant of Spanish Utilities Awakens

Electricity consumption is surging. In 2024, global energy jumped to nearly twice the average annual growth seen over the past decade. The momentum is set to continue, with International Energy Agency (IEA) projecting a 4% increase by 2027, buoyed by industrial demands, cooling needs and digital infrastructure. While there are many uncertainties and narratives about energy, one thing is clear: demand is growing.

Across Europe, as grid loads rise and the need for energy autonomy intensifies, the transition to renewables is accelerating. While much of the attention has been on the rapid rise in U.S. load growth, Spain remains an often-overlooked contender in the data center landscape, supported by low energy costs and a stronger reliance on renewable energy sources.

Combined with a favorable market for long-term power purchase agreements (PPAs), strong fiber connectivity, abundant land and solid tech talent pool, Spain offers a strong foundation for long-term development. With more focus on infrastructure investments (i.e., expanding the electrity grid) and supportive policies, Spain can position itself as the "Virginia of Europe"—mirroring Northern Virginia's status as the world's largest data center cluster.

In our view, Spain's energy framework presents a bullish outlook for the nation's economic and environmental future. The country is targeting 81% renewable electricity by 2030, supported by substantial investment and sweeping regulatory reforms. Against the backdrop of these ambitious goals, we believe Spain will have to accelerate investments in electric transmission, which moves power from generation sites—like power plants, wind farms and solar fields—to distribution networks that serve homes, businesses and industry.

Redeia Corporación SA holds a unique position in Spain as the sole transmission system operator (TSO) with exclusive responsibility for the transmission and operation of the high-voltage electricity network across the country. Redeia owns and manages over 45,000 kilometers of high-voltage lines and over 600 substations, ensuring the continuity and security of the electricity supply nationwide.

Over the last 10 years, Redeia has experienced virtually no earnings and dividend growth, which has led to lackluster share performance. That said, 2025 marks a key inflection point for the company, as it is poised to benefit from legislative and regulatory shifts in Spain.

One key move is bringing back the Comisión Nacional de Energia (CNE), an independent energy regulator, signaling stronger oversight and governance. It is a notable change from past policies, which were often swayed by local politics and public opinion.

Given the government's ambitious renewable goals and the needed transmission build-out, we believe the cap that previously limited utility investments to 0.13% of GDP will be lifted. The change should open the opportunity for Redeia to accelerate capital expenditures (CapEx) from €1.4bn/annum to ~€1.7-1.8bn/annum by our estimates, resulting in Regulatory Asset Base (RAB) growth of 9–10% from 2025 – 2030.

Regulated rates of return, set by national authorities, are expected to rise from 5.58% to 7%, while incentives for outperformance will also be amended. These improved pre-tax rates are designed to spur grid investment tied to the energy transition. We believe a shift toward yields more in line with other European utilities would strengthen Redeia's internal forecasts and support a more favorable risk-reward outlook.

Amid upcoming regulatory changes, Redeia stands out among European regulated utilities for its strong balance sheet. The financial strength, supported by minimal debt and disciplined spending, creates a unique situation where the company is generating free cash flow.

In January 2025, the company agreed to sell its 90% stake in satellite operator, Hispasat, to Indra Group for €725 million. The deal is set to close by year-end. Since the regulated utility business will now represent a higher proportion of current earnings and future growth, credit rating agencies will likely take a more lenient view on the company's credit downgrade threshold—supporting Redeia's ability to grow profits. Accepting a minor credit downgrade to BBB+ and selling down international and hybrid instruments offers additional pathways to accretive growth without tapping into equity capital markets.

Regulatory improvements are expected to encourage Redeia to invest further in its regulated asset base and expand its portfolio of return generating assets—key steps in supporting Spain's decarbonization goals. Redeia's profitability is central to modernizing the grid and enabling greater renewable integration amid rising global demand. From our vantage point, with solid financials and long-term growth opportunities, the company is well positioned to deliver consistent returns to shareholders.

Looking Ahead

"In the midst of chaos, there is also opportunity."

Wall Street remains on edge that teetering trade dynamics could induce a self-inflicted recession. There is a sharp shift in global investor sentiment underway. For patient investors, the turbulence brings opportunity.

The U.S. now faces headwinds: fiscal tightening, waning consumer confidence and reduced capital spending amid tariff uncertainty. Meanwhile, global capital is actively rotating elsewhere. Europe is ramping up investment to support self-reliance. Meanwhile, China is focusing inward, with U.S. exports accounting for just ~3% of GDP. In our view, recent events are not a hiccup—they mark the start of structural global rebalancing, with capital actively moving beyond the U.S. borders.

Sincerely,

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

As part of our long-term succession plan, in late February we offered colleagues who are 55 years or older and have more than 10 years of service the opportunity to take an early retirement package that would allow

participating team members to work with Ariel on a scheduled transition plan. Eight colleagues informed us by the April deadline that they intended to accept the early retirement offer, with exit dates spanning through calendar year 2026. Of these, 3 of our 23 Senior Vice Presidents are participating: John Miller (Co-Portfolio Manager of Ariel's Small/Mid Cap Value portfolios and Portfolio Manager of Ariel Fund) will officially depart on May 1st; Cheryl Cargie (Head Domestic Trader) will leave us in the third quarter of 2025; and Wendy Fox (Chief Compliance Officer and Head Regulatory Counsel) will retire in 2026.

With 35 years at the firm, John Miller is our longest tenured teammate after our founder, John Rogers. Miller—as we call him—is a passionate value investor with an insatiable appetite for information. Working alongside co-portfolio managers on his strategy, Miller's departure will be seamless as John Rogers and Ken Kuhrt continue their efforts managing Ariel Fund. Moving forward, John Rogers and Ken Kuhrt will be co-portfolio managers on all Ariel Small/Mid Cap Value strategies. Cheryl has been a skilled and calm presence for 30 years at Ariel. For 15 of those years, she has worked alongside Jill Gracia who is deeply steeped in the very best trading practices. Jill will work with our three-member Global trading team under the ongoing direction of Nichole Graveen, our Head of Operations. Against the backdrop of 20 years of tremendous service, Wendy's longer transition period allows us to thoughtfully and methodically recruit her successor.

These developments are normal in the maturation of any firm, and we have worked to ensure orderly transitions. Like the senior leaders who retired in the past, we do not anticipate any business disruptions. The other five individuals leaving Ariel are no less important, but are not as senior. From the mailroom to portfolio management, our gratitude runs deep.

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. 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. Advisory fees are described in Part 2 of Ariel's Form ADV. 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 3/31/25, the Ariel International (DM) (representative portfolio) position size, if any, in the above holdings was Intel Corporation 0.00%; CVS Health Corporation 0.00%; NetApp, Inc. 0.00%; Taiwan Semiconductor Manufacturing Company, Ltd. 1.29%; Teradata Corporation 0.00% and Redeia Corp SA 4.21%. As of 3/31/25, the Ariel International (DM/EM) (representative portfolio) position size, if any, in the above holdings was Intel Corporation 0.00%; CVS Health Corporation 0.00%; NetApp, Inc. 0.00%; Taiwan Semiconductor Manufacturing Company, Ltd. 3.39%; Teradata Corporation 0.00% and Redeia Corp SA 3.67%. As of 3/31/25, the Ariel Global (representative portfolio) position size, if any, in the above holdings Intel Corporation 1.40%; CVS Health Corporation 4.09%; NetApp, Inc. 1.50%; Taiwan Semiconductor Manufacturing Company, Ltd. 2.59%; Teradata Corporation 0.00% and Redeia Corp SA 2.57%.

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.