GAMCO
ASSET MANAGEMENT

191 Mason Street
Greenwich, CT 06830

GAMCO All Cap Value (ACV) – March 2024 - Commentary

	GAMCO ACV	R3000	R3000V
March 2024	3.9%	3.2%	5.0%

Commentary:

U.S. stocks were higher in March, with the S&P 500 recording its fifth consecutive monthly gain. Demonstrating remarkable resilience, the S&P 500 surged by 10.6% in the first quarter, marking its best performance at the start of a year since 2019. Notably, despite double-digit declines from two of the largest constituents, Apple (AAPL) and Tesla (TSLA), the index persevered.

Amidst these fluctuations, the 'Magnificent Seven' cohort remained stalwarts of the market landscape. Companies such as Nvidia (NVDA), Meta Platforms (META), Microsoft (MSFT), and Amazon (AMZN) showcased exceptional strength, propelling the market forward and significantly contributing to the S&P 500's overall performance. These four companies alone accounted for an impressive 46% of the S&P 500's gains, underscoring their influence and dominance within the index.

On March 21, the Federal Reserve maintained interest rates at their current levels and reiterated its forecast for three interest rate cuts this year. The market continues to price a first rate cut to occur in June. Federal Reserve Chair Jerome Powell noted they will continue to seek confirmation that inflation is moving closer to the central bank’s 2% target, even after a recent spate of hotter inflation readings.

In March, the Russell 2000 Value outperformed the S&P 500, yet it still lags in year-to-date performance. We anticipate a favorable environment for smaller companies in 2024 as post-peak rates and necessary consolidation in certain industries like media, energy and banking should lead to a more robust year. M&A activity began the year strong, setting the stage for catalysts to emerge within our portfolio of companies.

191 Mason Street
Greenwich, CT 06830

We remain optimistic in our outlook for small to mid-cap stocks, as valuations have proven to be a good indicator of the potential for long-term outperformance. The valuation of the Russell 2000 Value remains compelling, which currently trades at ~13x estimated earnings for the next twelve months versus ~22x for the S&P 500.

March 2024 Performance

(March 28, 2024)	**Growth**	**Core**	**Value**
Russell 1000 (Large Cap)	1.8%	3.2%	5.0%
" 3000 (All Cap)	1.8	3.2	5.0
" 2000 (Small Cap)	2.8	3.6	4.4

As value oriented stock pickers, we continue to seek franchise businesses with barriers to entry, pricing power, recurring revenue and large free cash flow generation that can successfully navigate any macro environment. Many of our holdings trade at significant discounts to Private Market Value, and could be attractive to financial or strategic buyers. We seek to use the volatility provided by Mr. Market to increase our stakes in great companies at attractive prices.

Portfolio Observations – March:

NextEra Energy Inc. (+15.8%), Crane Company (+11.2%), and Alphabet Inc. (+8.9%) were the three primary contributors to performance. Shares of NextEra Energy Inc. (NEE) were higher as sentiment improved as the market began to recognize a potential acceleration of US electric demand from data centers, AI data centers, and economic reshoring. We consider NEE to be one of the stronger electric utilities in the nation and the premier renewable player. The company will be a leading beneficiary of tighter power markets, renewable portfolio standards and growing demand specifically for clean power. Shares of Crane Company (CR) were higher as the company continues to demonstrate exceptional execution and has achieved accelerated results from its strategic growth initiatives. Under the guidance of its strong management team, the Company has

191 Mason Street
Greenwich, CT 06830

notably enhanced adjusted segment operating margins within Process Flow Technologies, achieved a record backlog in Aerospace & Electronics, and experienced robust core sales growth. Moreover, Crane boasts a robust balance sheet poised to significantly bolster an active and actionable M&A pipeline. Though off lows driven by concerns around AI and the impact on Search, Alphabet Inc. (GOOG) shares showed gains following press reports indicating GOOG and AAPL are in talks to incorporate the company's Gemini engine into the iPhone, in addition to more encouraging comments made during the company's public appearances as investor conferences earlier in the month. While longer-term debates related to generative AI persist (and are unlikely to be resolved in the near-term), we believe the setup has become more attractive in recent weeks with a reversal in investor sentiment emerging. The business continues to benefit from its scale in digital advertising, and is driving further growth in mobile search, YouTube, and other ad-related areas. On the cost reduction side, Alphabet also continues to make progress, which should help improve margins moving forward.

Entain plc (-11.8%), Mondelez International Inc. (-3.6%), and Vivendi SE (-2.4%) were the three primary detractors from performance. Entain Plc (ENT-LN) reported 2H 2023 results that were in-line with expectations but shares sold off from guidance that new online betting limits in the UK and Netherlands could reduce FY24 EBITDA by £40m. Entain will continue to streamline its portfolio, exiting smaller markets such as Chile, Peru, Zambia and Kenya and will refocus itself on the UK (Entain's largest market) and Brazil (its fastest growing), while continuing to support BetMGM in the US. With 2023 a challenging year marked by regulatory headwinds, the £585m settlement of an HMRC investigation and organic growth falling below expectations, we see positive catalysts ahead for Entain in the execution of its strategic reset and change in management. Shares of Mondelez International Inc. (MDLZ) were lower last month due to the recent softening of US retail sales, ongoing pricing negotiations in Europe, and concerns over the sudden and sharp rise in cocoa prices, which increased by over 100% year-to-date. While management acknowledged that it is well covered across its key inputs for this year, if the current cocoa price holds it may necessitate further price increases and/or pressure on profit margins in 2025. Despite macro concerns, MDLZ has demonstrated its ability to successfully manage higher costs as

GAMCO
ASSET MANAGEMENT

191 Mason Street
Greenwich, CT 06830

evidenced by its performance during the high inflationary period over the past 2-3 years. Its portfolio is geographically diverse with global scale in attractive snacking categories, including biscuits, crackers, and chocolate. The company is committed to industry-leading revenue and earnings growth, along with balanced capital allocation as it pursues complementary acquisitions while also returning capital to shareholders through share repurchases and dividends. Vivendi SE (VIV-FR) reported solid FY23 results led by strong results from Havas and lower losses in new ventures (Vivendi Village). In addition, management highlighted that they continue to evaluate the plan to split the group into four entities including the potential tax consequences for both Vivendi and individual investors. Shares of Vivendi remain attractive due to robust business momentum, balance sheet flexibility and near-term catalysts such as split-up and/or a tender by Bollore.

Kevin V. Dreyer　　　　Christopher J. Marangi