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191 Mason Street
Greenwich, CT 06830

September Commentary:

U.S. stocks continued to move higher in September, with the S&P 500 securing its fifth consecutive monthly gain. The month began with the biggest weekly pullback of the year as payroll data showed the slowest growth since 2021, fueling concerns over the labor market. However, sentiment shifted after the Federal Reserve delivered a more aggressive interest cut at the September FOMC meeting. Despite potential volatility from present geopolitical risks and the upcoming U.S. presidential election, the Fed remains cautiously optimistic about achieving a soft economic landing.

On September 18, the Fed lowered interest rates by 50 basis points – marking its first rate cut since the onset of the COVID-19 pandemic. The move aligns with the Fed's dual mandate of supporting economic growth and stabilizing a weakening labor market. Fed Chair Jerome Powell noted that inflation is approaching the 2% target, with encouraging August data showing that inflation was now at 2.5%. If the economy continues to perform as anticipated, Powell indicated that the Fed may implement two additional rate cuts this year, potentially lowering rates by another 50 basis points. The next FOMC meeting is scheduled for November 6-7.

With the November 5 U.S. Election Day fast approaching, the race between former President Donald Trump and Vice President Kamala Harris remains highly competitive. While national polls give Harris a slight edge, Trump appears to have a narrow advantage in several key battleground states. Regardless of the outcome, we are confident that our investment portfolio is well-positioned to benefit under either administration.

As interest rates continue to decline, we believe small to mid-sized companies are well-positioned to benefit from this trend throughout 2024 and into 2025. Lower interest rates generally act as a positive catalyst for equities by reducing borrowing costs, fostering robust M&A, increasing consumer spending, renewing investor risk appetite and leading to higher valuation multiples.

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The valuation of the Russell 2000 Value remains compelling, which currently trades at ~14x estimated earnings for the next twelve months versus ~24x for the S&P 500. This attractive valuation differential underscores the importance of valuations as a strong determinant of long-term performance.

September 2024 Performance

(September 30, 2024)	**Growth**	**Core**	**Value**
Russell 1000 (Large Cap)	2.8%	2.1%	1.4%
" 3000 (All Cap)	2.8	2.1	1.3
" 2000 (Small Cap)	1.3	0.7	0.1

As value oriented stock pickers, we find the current market conditions exceptionally favorable for our methodology. Our focus remains steadfast on identifying exceptional businesses trading at a discount to Private Market Value, with catalysts to surface value. We will continue to use the volatility provided by Mr. Market to increase our stakes in great companies at attractive prices.

Kevin V. Dreyer Christopher J. Marangi

Important Disclosures

This letter was prepared by Kevin V. Dreyer and Christopher J. Marangi. The examples cited herein are based on public information and we make no representations regarding their accuracy or usefulness as precedent. The views are subject to change at any time based on market and

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