

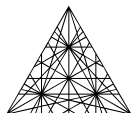
Commentary:

U.S. stocks were lower in February, primarily driven by underperformance in the Nasdaq and Russell 2000. The month was characterized by a shift from growth to value, as rising concerns over the sustainability of the AI secular growth narrative nudged several of the “Magnificent 7” stocks into correction territory.

Political dynamics remained a dominant theme as President Trump, now a full month into his second term, continued to push his deregulation and pro-growth policies. Yet, market sentiment was tempered by persistent concerns over the impact of his tariff policies on both domestic and international companies. The month began with President Trump announcing 25% tariffs on Canada & Mexico and 10% on China. While those tariffs were ultimately delayed as negotiations were ongoing, the uncertainty of trade war developments has set the stage for potential volatility ahead.

Economists worry that expectations of higher growth under President Trump’s administration could keep inflation elevated for longer, potentially complicating the Federal Reserve’s policy path. In Fed Chair Powell’s semiannual monetary policy report to Congress, he noted that recent indicators suggest economic activity has continued to expand at a solid pace, with GDP rising 2.5% in 2024. He added that as the economy evolves, the Fed will adjust its policy stance to best promote maximum employment and stable prices. The next FOMC meeting is set for March 18-19.

Small-cap value stocks underperformed their large-cap value counterparts during the month, as concerns over “higher for longer” interest rates have continued to be a near-term headwind. However, as rates trend lower, we believe small- and mid-sized companies are well-positioned to benefit through 2025/2026 from stronger domestic growth and pro-business policies.



The valuation of the Russell 2000 Value remains compelling, currently trading at ~13x estimated earnings for the next twelve months versus ~22x for the S&P 500. This attractive valuation differential underscores the importance of valuations as a strong determinant of long-term performance.

February 2025 Performance

| <i>(February 28, 2025)</i> | <u>Growth</u> | <u>Core</u> | <u>Value</u> |
|----------------------------|----------------------|--------------------|---------------------|
| Russell 1000 (Large Cap) | -3.6% | -1.8% | 0.4% |
| " 3000 (All Cap) | -3.7 | -1.9 | 0.2 |
| " 2000 (Small Cap) | -6.8 | -5.4 | -3.8 |

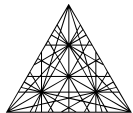
As value-oriented stock pickers, we find the current market conditions exceptionally favorable for our methodology. Our focus remains steadfast on identifying exceptional businesses trading at a discount to Private Market Value, with catalysts to surface value. We will continue to use the volatility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

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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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