



GABELLI

FIRST QUARTER 2026

Four Reasons to Own Dividend-Paying Small and Mid-Cap Value Stocks Right Now

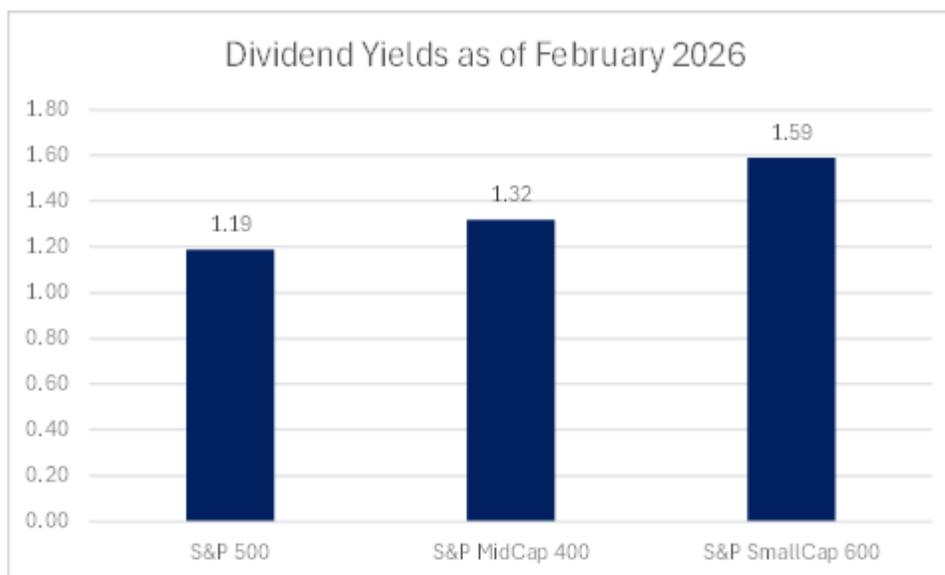


Four Reasons to Own Dividend-Paying Small and Mid-Cap Value Stocks Right Now

This year may be shaping up as the year the "boring" dividend compounders, particularly those with smaller market capitalization, may finally steal the spotlight from growth names. Through the early part of the year, we have seen signs of broadening leadership beyond mega-cap tech. Coming into the year, corporate balance sheets were healthy and cash flows were strong. A general trend toward lighter regulation and the resulting increase in merger and acquisition activity also made us optimistic. Furthermore, the greater domestic focus of smaller companies may insulate them a little more from disruption caused by the war in the Middle East and the recent spike in energy prices as the United States appears better positioned to weather these impacts. Finally, last year's drop in interest rates ease borrowing costs for smaller companies and reduce the drag on earnings that higher rates previously imposed. This combination of factors, coupled with attractive relative valuations, creates the perfect setup for dividend-paying small and mid-cap value stocks to shine. Patient investors could be rewarded by this powerful combination of dividend income and meaningful capital appreciation.

Here are four reasons why investors should consider small and mid-cap value dividend payers right now.

1. SMALL AND MID-CAP VALUE STOCKS YIELD MORE THAN LARGE CAPS



At the end of February, small-cap stocks (S&P SmallCap 600) offered higher dividend yields than large-cap stocks (S&P 500), with mid-cap stocks (S&P MidCap 400) falling in between.

Remember, these are broad index-level averages. Selectivity and a bias toward value can unearth many individual small and mid-cap value names with strong free cash flow, low payout ratios, and attractive valuations that deliver even higher yields.

2. ADDING SMALL AND MID-CAP STOCKS EXPANDS THE UNIVERSE

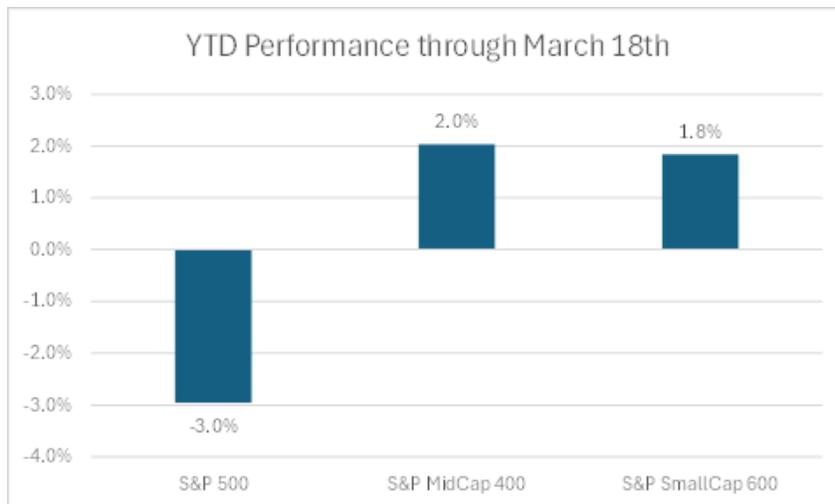
While larger companies have a higher propensity to pay dividends, the sheer number of small and mid-cap stocks means that there are far more dividend payers further down the market cap spectrum. Broadening the dividend universe beyond large caps increases the potential opportunity set by eight times!

	# of Companies	# of Dividend Payers	%
Russell Top 200	197	160	81%
Russell Midcap	811	531	65%
Russell 2000	1951	799	41%



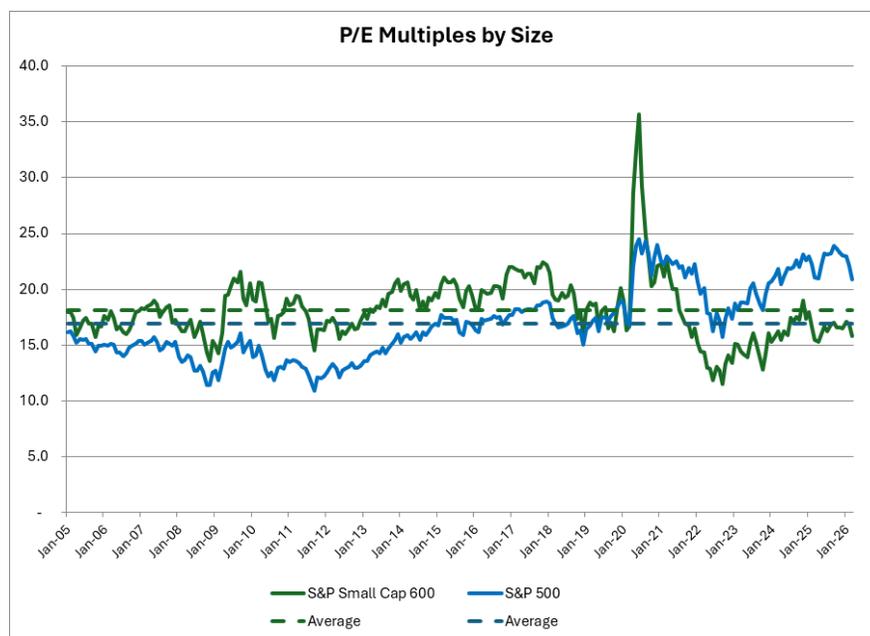
3. SMALL AND MID-CAP VALUE IS ALREADY OUTPERFORMING THE MARKET IN 2026

A Year-to-date performance (as of March 18th, 2026):



Small- and mid-cap stocks have outperformed large caps this year, with the S&P SmallCap 600 up 1.8%, the S&P MidCap 400 up 2.0%, and the S&P 500 down 3.0%. Even with this outperformance, the valuation spread between smaller company stocks and large caps remains wide.

4. VALUATIONS ARE COMPELLING FOR SMALL AND MID-CAPS



We see 2026 as the year for dividend stocks, especially value-oriented small and mid-caps, to break out. As the graph above shows, large cap stocks, especially the mega-caps that dominate the S&P 500 trade well above their historical averages. Small caps, on the other hand, trade below their 20-year averages creating a discount most investors haven't seen in years and an attractive entry point.

Bottom line: It may be time to rotate into dividend-paying small and mid-cap value stocks. The yields are higher, the valuations are cheaper, and the opportunities are more plentiful



PORTFOLIO MANAGERS

Brian P. Leonard, CFA



Mr. Leonard joined Gabelli in May 2025 following the acquisition of former affiliate Keeley Teton by Gabelli. Prior to that, he served as a Portfolio Manager for Keeley Teton Advisors and its predecessor, Keeley Asset Management Corp. ("KAMCO"). He has managed the Small Cap Dividend Value and Mid-Cap Dividend Value strategies since their inception in 2009 and 2010, respectively, and the Small-Mid Cap Value strategy since 2020. From 2004 to 2009, he served as a Research Analyst and Client Service Associate. Before joining KAMCO, Mr. Leonard was an Associate with CRA RogersCasey and its predecessor firm, Capital Resource Advisors, from 1998 to 2004. Mr. Leonard earned his M.S. in Finance from St. Xavier University's Graham School of Management and his B.S. from DePaul University. He also holds the Chartered Financial Analyst designation from the CFA Institute.

Thomas E. Browne, Jr., CFA



Mr. Browne joined Gabelli in May 2025 upon the acquisition of former affiliate Keeley Teton by Gabelli. Prior to that date, Mr. Browne served as a Portfolio Manager for Keeley Teton Advisors and its predecessor Keeley Asset Management Corp. ("KAMCO"). He has been a manager of the Small Cap Dividend Value and Mid-Cap Dividend Value strategies since their inception in 2009 and 2010, respectively, and the Small-Mid Cap Value strategy since 2020.

Before joining KAMCO, he was a Portfolio Manager in charge of Oppenheimer Capital's small-cap core and small-cap value strategies. Prior to that, Mr. Browne managed a mid-cap portfolio for SEB Asset Management and was an analyst at small-cap investment firm Palisade Capital Management. Earlier in his career, Mr. Browne was a sell-side technology services analyst for Prudential Securities and was twice recognized in the Wall Street Journal's Best on the Street survey. Mr. Browne earned his M.B.A. from New York University Stern School of Business and his B.B.A. from the University of Notre Dame. In addition, Mr. Browne holds the Chartered Financial Analyst designation from the CFA Institute.

191 MASON STREET GREENWICH, CT 06830

Gabelli Funds

TEL (914) 921-5100

This whitepaper was prepared by Brian P. Leonard, CFA and Thomas E. Browne, Jr., CFA. The examples cited herein are based on public information and we make no representations regarding their accuracy or usefulness as precedent. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this report represents the opinions of the individual Portfolio Managers as of the date hereof and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. The views expressed may differ from other Portfolio Managers, Research Analysts, or the Firm as a whole.

This whitepaper is not an offer to sell any security nor is it a solicitation of an offer to buy any security.

Investors should consider the investment objectives, risks, sales charges and expense of the fund carefully before investing.

For more information, visit our website at: www.gabelli.com or call: 800-GABELLI

800-422-3554 14-921-5000 • Fax 914-921-5098 • info@gabelli.com