GAMCO
ASSET MANAGEMENT

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Gabelli Value – July 2026 – Commentary

U.S. stocks were mostly lower in July, with the S&P 500 and Nasdaq each posting a second consecutive monthly decline as investors navigated mixed earnings results and continued uncertainty surrounding interest rates. While artificial intelligence (AI) remained a key market theme, investor focus shifted from the pace of AI adoption toward the potential returns from significant AI investments. Semiconductor and AI infrastructure stocks experienced periods of volatility but corporate results continued to highlight strong AI demand and expanding opportunities for monetization.

The Federal Reserve remained a key driver for markets as policymakers continued to balance interest rate policy with progress on inflation and labor market conditions. Recent economic data showing easing inflation and continued employment strength reinforced expectations that monetary policy will remain gradual and data dependent.

Investors continued to broaden their focus beyond the largest technology companies as strong earnings and resilient consumer demand supported a wider range of market sectors. Improved corporate fundamentals helped ease concerns around a potential economic slowdown, while companies demonstrating strong valuations, pricing power and earnings growth were increasingly rewarded.

Small- and mid-cap companies remain meaningfully discounted relative to their large-cap peers despite improving fundamentals and increased investor participation. This valuation gap remains wide by historical standards, with the Russell 2000 Value trading at ~13x forward earnings compared to ~21x for the S&P 500. A significant valuation discount, paired with broadening earnings growth, improving sentiment and accelerating M&A activity, creates a strong catalyst for smaller companies.

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July 2026 Performance

(July 31, 2026)	**Growth**	**Core**	**Value**
Russell 1000 (Large Cap)	-4.8%	-0.4%	3.8%
" 3000 (All Cap)	-4.8	-0.5	3.7
" 2000 (Small Cap)	-5.9	-3.0	0.0

We believe this environment favors our PMV with a Catalyst approach, which enables us to identify attractive opportunities across sectors where company-specific catalysts and discounts to intrinsic value can drive returns independent of broader market themes.

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Important Disclosures

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