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Gabelli Funds

Attractive Value Investing Opportunities in Global Banks

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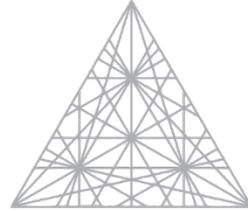
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**Global Banks:
*Attractive Value
Investing Opportunities***

Ian Lapey, Portfolio Manager

August 2021

Gabelli Background

GAMCO founded 1977, public 1999 (NYSE: GBL)

- \$33 billion AUM (March 2021)
- 6 US / 3 non-US research centers

Intense, research driven culture

- PMV with a Catalyst™ approach

Compounded accumulated knowledge

- While our firm is best known for its value style, we have developed a diversified product mix to serve the objectives of a broad spectrum of investors. Today, Gabelli Funds offers a full range of investment choices, from conservative fixed income funds to aggressive common stock funds.

Global Banks – Prepared for Covid

<u>Company name</u>	<u>2007</u>			<u>2019</u>		
		<u>Tier 1</u>	<u>Level 3</u>		<u>Tier 1</u>	<u>Level 3</u>
	<u>Assets to</u>	<u>Capital</u>	<u>Assets as a</u>	<u>Assets to</u>	<u>Capital</u>	<u>Assets as a</u>
	<u>TSE (1)</u>	<u>Ratio (2)</u>	<u>% of TSE</u>	<u>TSE (2)</u>	<u>Ratio (2)</u>	<u>% of TSE</u>
Bank of New York Mellon	26.2	9.3%	19%	16.8	13.7%	0%
Capital One Financial	12.0	10.1%	16%	10.2	13.7%	2%
Citigroup	42.7	7.1%	268%	12.7	13.3%	5%
Commerzbank AG	41.4	6.9%	NA	17.4	14.3%	22%
ING Group (3)	40.0	7.4%	13%	16.9	16.7%	9%
NatWest Group	43.1	7.3%	76%	22.3	19.3%	8%
Shinsei Bank	23.4	7.3%	NA	12.1	11.2%	NA
State Street	28.7	11.2%	146%	19.9	14.5%	22%
Webster Financial Group	17.0	8.8%	0	13.0	12.2%	0%

(1) Tangible Shareholder's Equity (excludes goodwill and other intangible assets).

(2) Equity capital divided by risk weighted assets.

(3) Level 3 assets accounted for 233% of TSE as of 12/31/2008.

Sources: Company reports, GAMCO Investors.

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Global Banks – Resilient Performance During Covid 19

Company	CET 1 ratio (1)		ACL (2) / Loans	
	12/31/19	3/31/21	12/31/19	3/31/21
Ally Financial	9.5%	11.1%	1.0%	2.8%
Barclays	13.8%	14.6%	1.8%	2.2%
Capital One Financial	12.2%	14.6%	2.7%	5.8%
Citigroup	11.8%	11.7%	1.8%	3.2%
Credit Agricole	12.1%	12.7%	2.3%	2.3%
ING Group	13.7%	15.5%	0.7%	0.8%
NatWest Group	16.2%	18.2%	1.1%	1.6%
Societe Generale	12.7%	13.5%	2.1%	2.3%
Standard Chartered	13.8%	14.0%	2.1%	2.1%

(1) Tier 1 Common Equity Ratio (common equity capital / risk weighted assets).

(2) Allowance for Credit Losses.

Sources: Company reports, GAMCO Investors.

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Global Banks – Resilient Performance During Covid 19

Capital One Financial Corp.

Monthly Charge-Off and Delinquency Metrics

	Credit Card		Auto		
	NCOs (1)	Delinq. (2)	NCOs (1)	Delinq. (2)	NPLs (3)
1/31/2020	4.31%	4.10%	1.89%	6.56%	0.71%
2/29/2020	4.68%	3.80%	1.25%	5.64%	0.64%
3/31/2020	5.06%	3.69%	1.38%	5.29%	0.62%
4/30/2020	4.93%	3.58%	1.74%	3.55%	0.51%
5/31/2020	4.49%	3.15%	1.17%	3.17%	0.47%
6/30/2020	4.15%	2.74%	0.58%	3.28%	0.41%
7/31/2020	3.82%	2.44%	0.33%	3.40%	0.35%
8/31/2020	3.74%	2.23%	0.21%	3.63%	0.33%
9/30/2020	3.35%	2.21%	0.15%	3.76%	0.36%
10/31/2020	3.11%	2.19%	0.22%	3.93%	0.35%
11/30/2020	2.57%	2.29%	0.49%	4.29%	0.40%
12/31/2020	2.41%	2.42%	0.69%	4.78%	0.45%
1/31/2021	2.54%	2.49%	0.74%	4.26%	0.41%
2/28/2021	2.66%	2.45%	0.71%	4.16%	0.43%
3/31/2021	2.41%	2.24%	-0.04%	3.12%	0.29%
4/30/2021	2.40%	1.92%	-0.37%	2.74%	0.25%
5/31/2021	2.33%	1.69%	-0.06%	3.14%	0.30%
6/30/2021	2.12%	1.68%	0.05%	3.26%	0.29%

(1) Net Charge-Offs

(2) 30+ Day Performing Delinquencies

(3) Nonperforming Loans

Source: Company reports.

Global Banks – Stress Tested

2021 Dodd Frank Act Stress Test (DFAST) results

	CET 1 Ratio (1)			Pre-tax Income / (Loss)	
	12/31/20	Ending	Minimum	\$, billions	% of Assets
<u>Severely Adverse Scenario (2)</u>					
The Bank of New York Mellon Corp.	13.4%	15.6%	12.4%	6.5	1.4%
Barclays US LLC	17.3%	18.4%	15.7%	1.9	1.2%
Capital One Financial Corp.	13.7%	12.0%	11.5%	(2.4)	-0.6%
Citigroup Inc.	12.1%	10.6%	9.4%	(9.6)	-0.4%
Credit Suisse Holdings (USA), Inc.	21.2%	19.5%	15.9%	(0.2)	-0.2%
State Street Corporation	12.3%	13.3%	11.4%	2.0	0.6%

(1) Common Equity Tier 1 Capital ratio.

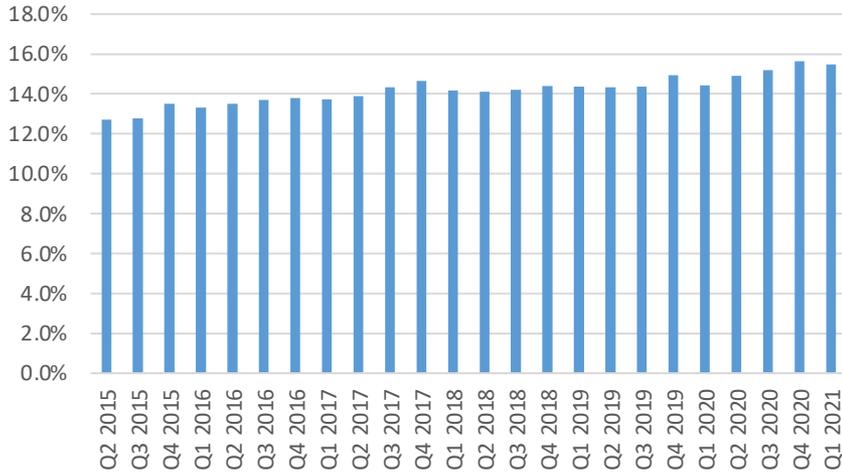
(2) 10.75% peak unemployment; 55% stock market decline; 4% real GDP decline; 24% home price decline; 40% commercial real estate price decline; default of largest trading counter-party.

Source: Board of Governors of the Federal Reserve

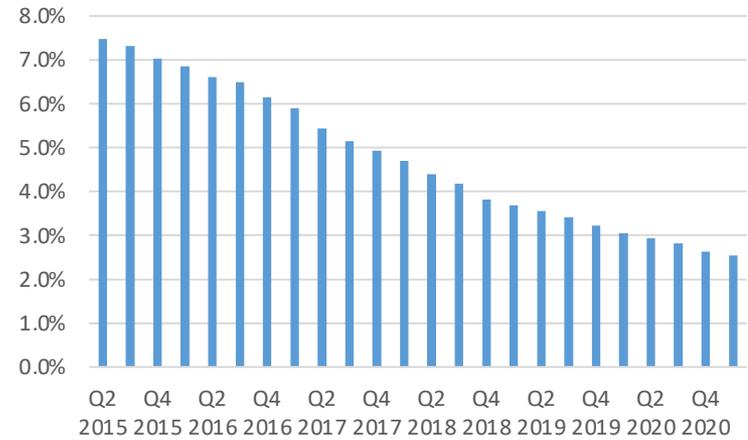
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Global Banks – Steady Progress in Europe

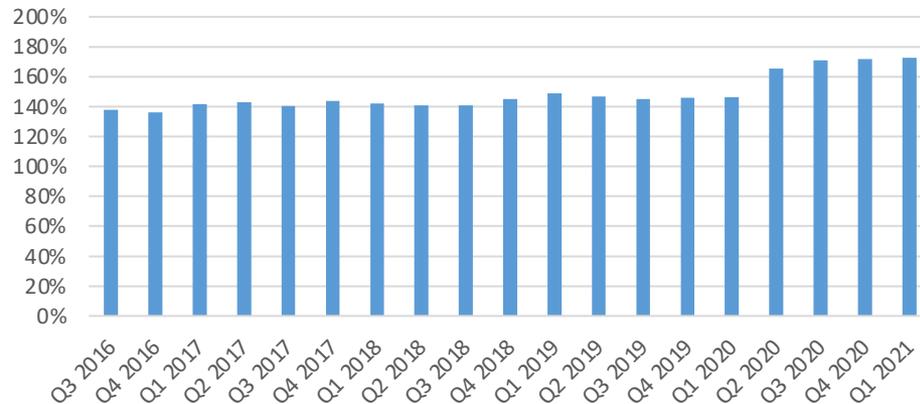
CET1 ratio



Non-performing loans ratio



Liquidity Coverage Ratio



Source: European Central Bank Banking Supervision

Global Banks – Attractive Valuations

US Banks, Trust Companies and Investment Banks

Company	Price to TBV (1)	2021 PE Ratio (2)	Dividend Yield
Jefferies Financial Group	107%	6.7	3.1%
CIT Group	92%	8.5	2.9%
Bank of New York Mellon	195%	12.2	2.7%
Citigroup Inc.	86%	6.8	3.1%
Ally Financial Inc.	127%	6.6	1.9%
State Street Corp.	208%	11.6	2.7%
Capital One Financial Corp.	165%	7.1	1.5%
Webster Financial Corp.	165%	10.8	3.3%

Valuation multiples based on 7/23/21 closing prices

(1) Tangible Book Value.

(2) Based on consensus estimated earnings

Sources: Company reports, Bloomberg (for 2021 consensus earnings estimates), GAMCO Investors.

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Global Banks – Attractive Valuations

European Banks and Investment Banks

Company	Country	Price to TBV (1)	2021 PE Ratio (2)	Excess Capital (3) / Market cap
Barclays PLC	United Kingdom	63%	7.3	38%
Credit Agricole SA	France	82%	8.4	50%
Standard Chartered	United Kingdom	47%	8.3	60%
Commerzbank	Germany	28%	32.0	99%
NatWest Group PLC	United Kingdom	76%	10.0	66%
Credit Suisse	Switzerland	56%	8.8	30%
Societe Generale	France	48%	9.4	71%
ING Group	Netherlands	77%	9.8	46%
BBVA	Spain	87%	11.2	32%

Valuation multiples based on 7/23/21 closing prices

(1) Tangible Book Value.

(2) Based on consensus estimated earnings.

(3) The difference between the CET1 ratio and the Maximum Distributable Amount (MDA) as of 3/31/21.

Sources: Company reports, Bloomberg (for 2021 consensus earnings estimates), GAMCO Investors.

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Global Banks – Attractive Valuations

Asian Banks and Investment Banks

Company	Country	Price to TBV (1)	2021 PE Ratio (2)	Dividend Yield
Dah Sing Financial	Hong Kong	29%	5.2	3.8%
Shinhan Financial Group	S. Korea	55%	5.0	4.8%
Daiwa Securities Group	Japan	72%	9.7	6.3%
Shinsei Bank	Japan	36%	7.3	0.8%
Japan Post Bank	Japan	31%	13.3	5.4%

Valuation multiples based on 7/23/21 closing prices

(1) Tangible Book Value.

(2) Based on consensus estimated earnings.

Sources: Company reports, Bloomberg (for 2021 consensus earnings estimates), GAMCO Investors.

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Global Banks– Catalysts - Consolidation

- ▶ First Citizens BancShares announced a takeover of CIT Group.
 - ▶ 30% accretive to tangible book value and 50% accretive to projected earnings.
 - ▶ CIT's common stock is up 141% since the transaction was announced.
- ▶ Credit Agricole SA purchased Credito Valtellinese (Creval), an Italian bank, at 47% of tangible book value.
- ▶ BBVA sold its US operations to PNC.
 - ▶ 1.3 times tangible book value and 19 times earnings.
 - ▶ BBVA trades at 0.9 times tangible book value and 11 times earnings and plans to utilize most of the proceeds to repurchase its own shares.
- ▶ Webster Financial entered in to an agreement to purchase Sterling Bancorp.
 - ▶ 20% accretive to Webster's projected earnings in 2022.

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Sources: Company reports, GAMCO Investors.

Global Banks – Catalysts - Restructuring

- ▶ Commerzbank is closing > 50% of its branches and reducing headcount by 10,000 to lower its annual operating expenses by EUR 1.4 billion (23%) by 2024.
- ▶ Webster Financial Corporation closed 17% of its branches and is undertaking other strategic initiatives to reduce its annual operating expenses by 8-10%.
- ▶ NatWest is withdrawing from the Republic of Ireland and reducing its NatWest Markets division by 47% (based on Risk Weighted Assets).
- ▶ Citigroup announced that it will pursue exits from its consumer banking businesses in 13 markets in its Asia and EMEA regions to focus on four markets: Singapore, Hong Kong, the UAE and London.
- ▶ Societe Generale is restructuring its equity and credit structured products businesses to decrease its sensitivity to market dislocations and is selling its asset management subsidiary.

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☞ Sources: Company reports, GAMCO Investors.

Global Banks – Catalysts - Share Repurchases

Company	Share count decline %		
	YTD (1)	3 yr.	6 yr.
Ally Financial Inc.	-3.2%	-15%	-25%
BNY Mellon	-2.7%	-14%	-22%
Capital One Financial	-2.8%	-7%	-18%
Citigroup	-2.7%	-19%	-33%
Daiwa Securities Group (2)	0.0%	-5%	-11%
Jefferies Financial Group (3)	-1.1%	-26%	-33%
Shinsei Bank (2)	-0.8%	-15%	-19%
State Street Corporation	-2.7%	-6%	-16%

(1) As of 6/30/21 unless otherwise noted.

(2) As of 3/31/21.

(3) As of 5/31/21.

Sources: Company reports, GAMCO Investors.

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Portfolio Overview

Gabelli Global Financial Services Fund

As of June 30, 2021

SECTOR WEIGHTS %

Banks	22.2
Diversified Banks	15.3
Investment Management	13.8
Institutional Brokerage	9.0
Life Insurance	8.2
Inst. Trust, Fiduciary and Custody	7.5
Consumer Finance	6.9
Automobiles	5.3
Homebuilders	4.8
Reinsurance	1.6

Country %

United States	48.8
Japan	8.2
Netherlands	7.8
United Kingdom	7.8
Germany	5.2
Channel Islands	4.4
Hong Kong	4.1
France	4.0
South Korea	3.0
Canada	2.0

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TOP 10 POSITIONS

	Ending Weight %	Market Cap (\$ Bil.)
Westwood Holdings Group	5.3	0.2
Jefferies Financial Group	4.9	8.4
Bank of New York Mellon	4.5	44.2
Janus Henderson Group	4.4	6.7
CIT Group	4.4	5.1
Franklin Resources	4.2	16.1
Citigroup	3.8	143.3
Ally Financial	3.8	18.1
NN Group	3.7	14.6
Capital One Financial	3.1	70.7
Top 10 Total / Median Market Cap	41.9	16.1

Valuation

Price to Earnings Ratio (2021E)	10
Price to Book Value	0.9
Price to Tangible Book Value	1.6

Performance (AAA shares)

4Q2018 (Oct 1, 2018 inception)	-13.7%
2019	18.0%
2020	-1.5%
2021 TYD (through 6/30/21)	21.0%
Annualized since inception	6.6%

Sources: Bloomberg, and GAMCO Investors. Data as of June 30, 2021.

Source (Performance): Morningstar. Data as of June 30, 2021

Returns represent past performance and do not guarantee future results. Due to market volatility, current performance may be lower or higher than the performance data quoted. Total return and average annual returns are historical and reflect changes in share price, reinvestment of dividends and capital gains and are net of expenses. Investment return and principal value will fluctuate so, upon redemption, shares may be worth more or less than their original cost. To obtain the most recent month end performance information and a prospectus, please call 800-GABELLI or visit www.gabelli.com

Risks

Foreign Securities Risk: Investments in foreign securities involve risks relating to political, social, and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. These risks include expropriation, differing accounting and disclosure standards, currency exchange risks, settlement difficulties, market illiquidity, difficulties enforcing legal rights, and greater transaction costs. These risks are more pronounced in the securities of companies located in emerging markets.

Concentration Risk: Funds concentrating in specific sectors may experience greater fluctuations in value than funds that are more diversified. Investing in foreign securities involves risks not ordinarily associated with investments in domestic issues including currency fluctuations, economic and political risks. Not FDIC Insured. Not Bank Guaranteed. May Lose Value. Not FDIC Insured. Not Bank Guaranteed. May Lose Value

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus, which contains more complete information about these and other matters, should be read carefully before investing. To obtain a prospectus, please call 800-GABELLI or visit

Q&A