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Keeping It All in the Gabelli Family

by Carole Gould

MARIO GABELLI, the famed investor and the chief executive of Gabelli Funds, has garnered much attention as he prepares his money management complex for a public offering.

But if the firm's latest fund is any indication, there is little doubt that the mutual fund fief will remain very much a family affair: Mr. Gabelli's son, Marc, 30, is co-manager of the new **Gabelli Global Opportunity** fund, which started on May 11.

The new fund is a non-diversified fund to be run by the younger Mr. Gabelli, who has been lead manager for the last two and a half years at the **Gabelli Global Interactive Couch Potato® Fund**, a specialized offering that invests in entertainment and media stocks. The other co-manager of the new fund is Caesar M. P. Bryan, who also manages **Gabelli International Growth** and **Gabelli Gold**. Both Mr. Gabelli and Mr. Bryan will still run their other funds.

The new fund, Mr. Gabelli said, will offer the same bottom-up investing approach that the firm has long used in managing its portfolios. "We've taken our core competency and used it on a sector basis, and on an international basis" in the past, he said. "Now we're taking a global approach across all sectors."

Mr. Gabelli began working at the firm when his father started it in 1976. "When I was a kid, I did everything from stuffing envelopes to reading S&P sheets," he said. One high point: "I remember when the CD came out, and its impact on music libraries. I was only 12 years old and the analyst on the job, taking notes at a Sony meeting." He suggested buying the stock of Warner Communications, which was later acquired by Time Inc.

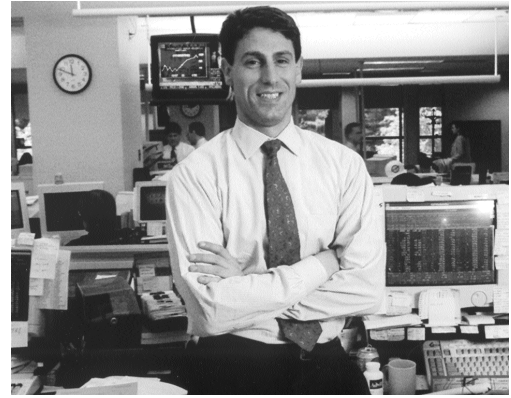
Now Mr. Gabelli sees another sea change in the industry. "The next wave is Internet distribution of music, which is why people are going after companies like Polygram," he said. "So I feel like I've been around for several cycles now."

Mr. Gabelli's recent performance on the Couch Potato® fund has been dazzling. For the 12 months ended May 15, it has returned 54.1 percent. Longer term, results have been less dazzling, but still impressive: it returned 26.6 percent annually over three years.

So where does he see value today? "We definitely have the view that the global markets are getting ahead of themselves, so the way to go is through restructuring plays," he said. He cited **Compagnie Générale des Eaux**, the French utility and communications conglomerate, which was renamed **Vivendi** last week. "The company is asset rich, has new management at the helm and is shedding noncore real estate and other assets," Mr. Gabelli said.

Another favorite is **Christian Dior**, which holds a controlling interest in **LVMH Moët Hennessy Louis Vuitton** (though the two trade separately). Christian Dior has great global brands but the stock is cheap, Mr. Gabelli said.

Running a global, diverse portfolio of stocks will not be an entirely new experience for Mr. Gabelli. He has managed private money in diversified accounts and has long kept his eye on foreign companies in a variety of industries. He figures that he travels six months of every year.



Marc Gabelli, 30 who began at his father's firm, Gabelli Funds, in 1976, is co-manager of Gabelli Global Opportunity, which opened this month. He was recently in the trading room in Rye, N.Y., with Bonnie M. Cohen, a trader.

Mr. Gabelli is particularly bullish on Europe. "The common market and the euro are going to drive an increasing number of deals and more privatization, which increases efficiency and makes valuations more comparable to the U.S.-Anglo model," he said. "In a nutshell, capitalism is winning."

Not surprisingly, the new fund will continue to look for media stocks, which have long been a favorite of the Gabelli's, as well as financial and health care stocks.

What is it like to work for his father, now 55, who has gained a reputation as a perfectionist? "I think my bosses at Lehman Brothers were more demanding," he said, referring to his stint as a telecommunications analyst in Lehman's London office from 1991 to 1992. "My father's a great teacher," he added. "It's nice to be around gray hair."

His brother Matthew works at the firm, but Mr. Gabelli is the only child who manages a fund. Asked if that put him in line to eventually succeed Dad, Mr. Gabelli said, "There's only one Mario." ■

47.8%, 27.6% and 21.4% were the Gabelli Global Interactive Couch Potato® Fund's average annual returns for the one and three year periods and the period since inception on 2/7/94 through 6/30/98. **Past performance is no guarantee of future results.** The returns shown above are historical and reflect changes in share price, reinvested dividends and capital gains and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. The securities discussed above are not representative of the entire portfolio of any of the Funds mentioned. The views expressed in the above article reflect those of Marc J. Gabelli, Portfolio Manager, only through 5/20/98. The Portfolio Manager's views are subject to change at anytime based on market and other conditions. The Funds above invest in foreign securities which involve risks not ordinarily associated with investments in domestic issues, including currency fluctuation economic and political risks. Distributed by Gabelli & Company, One Corporate Center, Rye, NY 10580.

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