

GABELLI
ASSET MANAGEMENT INC.

First Quarter Report
March 31, 1999

GABELL ASSET MANAGEMENT INC.
One Corporate Center
Rye, New York 10580-1435

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To Our Shareholders:

We are pleased to bring you, our shareholders, this our first Quarterly Report since our Initial Public Offering on February 11, 1999.

Financial Results -- 1st Quarter 1999 vs. 1st Quarter 1998

Our total revenues rose 24% to \$39.7 million in the first quarter of 1999 as compared to \$31.9 million in the initial quarter of 1998. Operating income also increased 24% to \$16.8 million in the first quarter of 1999 from \$13.5 million in the same period a year earlier. Net income rose 27%, a slightly higher rate due to improved investment performance in 1999. Finally, on a pro forma basis, net income per share increased 29% to \$0.31 per share compared to \$0.24 per share in the first quarter of 1998. Reflecting a one time charge, net of tax benefit, of \$30.9 million or \$1.03 per share, overall results for the 1999 quarter showed a loss of \$0.72 per share.

Underlying the growth in revenues and earnings is the increase in assets under management. Paced by a 30% rise in our open-end mutual funds, to \$5.7 billion from \$4.4 billion, total assets under management were \$17 billion at March 31, 1999 compared to \$16.3 billion at December 31, 1998 and \$15.4 billion at March 31, 1998.

Growth Initiatives

To meet our growth objective, we will leverage our competitive strengths and pursue a business strategy which will include attracting experienced professionals to help our clients earn their target rate of return, expand our product offerings, increase distribution and marketing and to seek out strategic alliances and acquisitions.

In recent months we have initiated actions in each of these business strategies:

- Ms. Barbara Marcin and Mr. Timothy O'Brien have joined our investment team.

Barbara Marcin, CFA comes to us as the former head of value investments at Citibank Global Asset Management. Ms. Marcin, a regular guest on CNBC and PBS's "Wall Street Week with Louis Rukeyser," will manage a new fund, the Gabelli Blue Chip Value Fund.

Timothy O'Brien, CFA former portfolio manager of the Eaton Vance Utilities Fund, is a highly ranked analyst and past "winner" of Institutional Investor's "Best of the Buy Side" award. Mr. O'Brien will manage a new open-end fund to concentrate on investing in telecoms, utilities and related businesses.

- Our second relationship center outside the New York area was opened in June 1999 to service our institutional and high net worth clients in the southeastern United States. Gerry Mathison looks forward to sharing his insights into our various managed products from our office at 249 Royal Palm Way, Palm Beach, Florida.
- Filings were approved to allow the Gabelli Family of Mutual Funds to add a multi-class structure to our current no load products. While the funds will retain a no load format, we will be in a better and more flexible position to access the large mutual fund shareholder base which utilizes a financial advisor or consultant for investment decisions. This distribution channel was not as readily available to us.

Stock Repurchase Program

On March 8, 1999, the Board of Directors of the Company authorized the repurchase of up to \$3 million of Class A Common Stock in the open market. No shares were purchased in the first quarter, but we purchased 55,600 shares in May.

Gabelli Asset Management started trading on the New York Stock Exchange on February 11, with the sale of six million shares of its Class A Common Stock in its Initial Public Offering at \$17.50. The Offering was led by Merrill Lynch, Salomon Smith Barney and Gabelli & Company.

We want to thank our clients, our staff, and our professional staff for their support, confidence and encouragement in this milestone in our firm's history. Along with first quarter financial statements, we include quarterly data for 1998 on an adjusted historical basis as well as on a "pro forma" basis.

Mario J. Gabelli
Chairman & Chief Executive Officer

GABELLI ASSET MANAGEMENT INC.
ASSETS UNDER MANAGEMENT
(in millions)

	3/98	6/98	9/98	12/98	3/99	% Increase (decrease) from	
						3/98	12/98
Institutional & Separate Accounts							
Equities	\$ 7,128	\$ 7,260	\$ 6,187	\$ 7,133	\$ 7,573	6.2	6.2
Fixed income	644	577	533	824	618	(4.0)	(25.0)
Total Institutional & Separate Accounts	<u>7,772</u>	<u>7,837</u>	<u>6,720</u>	<u>7,957</u>	<u>8,191</u>	5.4	2.9
Mutual Funds							
Open end	4,999	5,320	4,577	5,533	5,903	18.1	6.7
Closed end	1,603	1,710	1,471	1,626	1,676	4.6	3.1
Fixed income	875	765	986	1,038	1,061	21.3	2.2
Total Mutual Funds	<u>7,477</u>	<u>7,795</u>	<u>7,034</u>	<u>8,197</u>	<u>8,640</u>	15.6	5.4
Partnerships	139	143	147	146	151	8.6	3.4
Total Assets							
Under Management	<u>\$15,388</u>	<u>\$15,775</u>	<u>\$13,901</u>	<u>\$16,300</u>	<u>\$16,982</u>	10.4	4.2

GABELLI ASSET MANAGEMENT INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	For the Three Months Ended March 31,			Pro forma % Increase (Decrease)
	Adjusted Historical 1998 (a)	Pro forma 1998	Pro forma 1999	
Revenues	\$31,928	\$31,928	\$39,691	24.3
Expenses	<u>18,430</u>	<u>18,430</u>	<u>22,937</u>	24.5
Operating income	13,498	13,498	16,754	24.1
Other income, net	<u>1,475</u>	<u>725</u>	<u>2,097</u>	
Income before management fee, income taxes and minority interest	14,973	14,223	18,851	32.5
Management fee	<u>2,995</u>	<u>1,422</u>	<u>1,885</u>	
Income before income taxes and minority interest	11,978	12,801	16,966	32.5
Income taxes	4,753	5,075	6,973	
Minority interest	<u>392</u>	<u>392</u>	<u>714</u>	
Income before extraordinary item	6,833	7,334	9,279	26.5
Extraordinary item, net (b)	—	—	<u>(30,895)</u>	
Net income (loss) after extraordinary item	<u>\$ 6,833</u>	<u>\$ 7,334</u>	<u>(\$21,616)</u>	
Net income (loss) per share: basic and diluted				
Before extraordinary item	\$ 0.28	\$ 0.24	\$ 0.31	29.2
Extraordinary item	—	—	<u>(1.03)</u>	
After extraordinary item	<u>\$ 0.28</u>	<u>\$ 0.24</u>	<u>(\$ 0.72)</u>	
Weighted average shares outstanding:				
Basic and diluted	<u>24,000</u>	<u>30,000</u>	<u>30,000</u>	

(a) Adjusted historical financial information reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and was treated as a "C" Corporation for Federal and state income tax purposes and as if the exchange of shares had taken place.

(b) Reflects non-recurring charge of \$50 million (\$30.9 million after-tax) charged to the first quarter of 1999.

GABELLI ASSET MANAGEMENT INC.
UNAUDITED CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL CONDITION

March 31, 1999

(in thousands)

Assets

Cash and cash equivalents	\$113,205
Investments.	62,368
Receivables	13,976
Deferred tax asset	19,830
Other assets.	<u>8,772</u>
Total assets.	<u>\$218,151</u>

LIABILITIES AND STOCKHOLDERS'EQUITY

Securities sold, but not yet purchased.	\$ 483
Debt.	50,000
Accrued expenses and other liabilities	<u>37,144</u>
Total liabilities.	87,627
Minority interest.	13,474
Stockholders'equity	<u>117,050</u>
Total liabilities and stockholders'equity	<u>\$218,151</u>

Forward Looking Information

This Shareholders' Report contains certain forward looking information, including without limitation, business strategies and growth objectives, intrinsic value and the overall outlook for 1999 (including without limitation certain contemplated transactions). It should be recognized that such information are estimates or forecasts based upon various assumptions including those set forth herein as well as meeting the Company's internal operating performance assumptions, competitive conditions, and the expected performance of the economy and financial markets as they impact the Company's business. There may be other unknown risks, uncertainties or factors that may result in actual results, performance or achievements being materially different. There is no assurance that the forward-looking matters can be accomplished on terms acceptable to the Company or what the terms thereof may be. As a result of the foregoing and other factors, no assurance can be given as to future results and neither the Company nor any other person assumes responsibility for the accuracy or completeness of such information.

GABELLI ASSET MANAGEMENT INC.
 ADJUSTED HISTORICAL QUARTERLY
 CONSOLIDATED STATEMENTS OF INCOME

	<u>1998 Adjusted Historical Results (a)</u>				
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>	<u>Quarter</u>
<i>Income Statement Data: (in thousands, except per share data)</i>					
Revenues	\$31,928	\$36,031	\$34,350	\$35,878	\$138,187
Expenses	<u>18,430</u>	<u>20,477</u>	<u>19,823</u>	<u>20,242</u>	<u>78,972</u>
Operating income	13,498	15,554	14,527	15,636	59,215
Other income (expense),net	<u>1,475</u>	<u>(1,429)</u>	<u>786</u>	<u>2,928</u>	<u>3,760</u>
Income before management fee, income taxes and minority interest	14,973	14,125	15,313	18,564	62,975
Management fee	<u>2,995</u>	<u>2,824</u>	<u>3,062</u>	<u>3,713</u>	<u>12,594</u>
Income before income taxes and minority interest	11,978	11,301	12,251	14,851	50,381
Income taxes	4,753	4,479	4,859	5,885	19,976
Minority interest	<u>392</u>	<u>247</u>	<u>404</u>	<u>667</u>	<u>1,710</u>
Net Income	<u>\$ 6,833</u>	<u>\$ 6,575</u>	<u>\$ 6,988</u>	<u>\$ 8,299</u>	<u>\$ 28,695</u>
Net income per share:					
Basic and diluted	<u>\$ 0.28</u>	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.35</u>	<u>\$ 1.20</u>
Weighted average shares outstanding:					
Basic and diluted	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>

(a) Adjusted historical financial information reflects the historical results of operations acquired as part of the Formation Transactions as if GAMI had existed as a separate enterprise during such periods and was treated as a "C" Corporation for Federal and state income tax purposes and as if the exchange of shares had taken place.