

### To Our Shareholders:

Gabelli Asset Management Inc. reported record revenues and earnings for the first quarter ended March 31, 2000. We are pleased to bring you the highlights.

### Financial Results

Total revenues surged 46% to \$57.8 million for the three months ended March 31, 2000 versus \$39.7 million for the first quarter of 1999. Operating income for the quarter was \$25.4 million, 52% higher than the \$16.8 million reported in the first quarter of 1999. Net income climbed 52% to \$0.47 per share on 29.6 million shares outstanding versus \$0.31 per share on 30 million pro forma shares outstanding in the prior year. Our first quarter results included \$0.03 per share from investment banking fees.

Earnings growth is driven by the growth in assets under management. We completed the quarter with \$23 billion under management, 35% ahead of the \$17 billion in assets managed at March 31, 1999, and more than \$1 billion ahead of the \$21.9 billion in assets under management at December 31, 1999. The strong overall performance of our mutual funds, led by our three "Five Star" Morningstar rated funds, resulted in over \$500 million in net cash flows during the quarter. Assets in our highly regarded non-market correlated arbitrage partnerships nearly doubled to \$278 million at March 31, 2000 from \$151 million in the first quarter of 1999. Overall, net cash flows were \$849 million during the first three months of 2000.

Operating margins improved to 43.9% in 2000 from 42.2% in the same period a year earlier as we continue to benefit from leveraging our operating costs over a larger revenue base.

### Other Highlights

As we begin our second year, we continue to focus on building brand awareness, developing a broader array of

investment products, expanding channels of distribution and, of course, generating risk adjusted performance and exceptional client service. These will all be critical factors in growing the intrinsic value of our company.

We continue to receive excellent coverage in both print and broadcast media through our portfolio managers and analysts appearances on such media programs as CNN, Wall Street Week With Louis Rukeyser, CNBC and in such business publications as Barron's, Business Week and Money Magazine. Our website [www.gabelli.com](http://www.gabelli.com) provides information on our mutual funds, access to separate accounts and alternative investment products and allows viewing or processing personal account information. As part of our efforts to educate investors we introduced Gabelli University (available on our website), with its initial publication, *Deals, Deals...and More Deals*. Altogether, these efforts serve to further build brand awareness.

### Recent announcements have included:

- the addition of Comstock Partners Funds, Inc. to the Gabelli Mathers mutual fund product line. Comstock has two funds positioned to achieve positive returns in a sustained stock market decline. The addition of these funds will add 20,000 new investors to the Gabelli Family of Funds. Joining from Comstock Partners Funds, Inc. as portfolio managers are Charlie Minter and Martin Weiner, CFA.

- the introduction of Gabelli European Partners, which commenced January 1st of this year to invest in a long and short European equity strategy. Similar to the other Gabelli portfolios, Gabelli European Partners utilizes an event-driven value approach to generate risk-adjusted returns. The principal partners are Emanuele Antonaci, formerly of Fidelity Investments, London; Giovanni Govi, formerly of Goldman Sachs, London; and Marc Gabelli, manager of Gabelli Global Partners.

- the introduction of multi class shares for our Gabelli Westwood and Gabelli Global series of funds. These

multi-class shares provide us entry into the lead distribution channel which currently stands in excess of \$1.7 trillion in domestic assets.

- plans to bolster marketing and sales staffs to balance our growing product lines.

### Share Repurchase Program

During 1999 the Board of Directors authorized the repurchase of up to \$6 million of our Class A Common Stock. This program was initiated because our stock was trading well below intrinsic value. We completed this phase of the stock buyback during the first quarter of 2000 and the Board authorized the repurchase of an additional \$3 million of common stock. During the first quarter, we repurchased 110,000 shares at an average price of \$16.01 per share. The total number of shares outstanding at March 31, 2000 was 29,589,200 comprised of 5,589,200 of Class A shares and 24 million of Class B shares.

### Financial Strengths

Our assets include cash and investments at March 31, 2000 of \$222.7 million versus \$175.6 million a year ago. Our outstanding debt of \$50 million will be tax deductible when paid, reducing the net cost to \$30.9 million. Overall we continue to maintain a strong and liquid balance sheet to capitalize on opportunities.

We again thank our clients and our professional staff for their support, confidence and encouragement as we build on our foundation to deliver on our growth objectives and enhance shareholder value.

*Mario J. Gabelli*

Mario J. Gabelli  
Chairman & Chief Executive Officer

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

	3/99	6/99	9/99	12/99	3/00	% Increase (decrease) from 12/99	3/99
Mutual Funds							
Open end	\$ 5,903	\$6,735	\$6,700	\$8,509	\$9,282	9.1	57.2
Closed end	1,676	1,809	1,731	1,950	1,955	0.3	16.6
Fixed income	<u>1,061</u>	<u>1,025</u>	<u>1,172</u>	<u>1,181</u>	<u>1,188</u>	0.6	12.0
Total Mutual Funds	<u>8,640</u>	<u>9,569</u>	<u>9,603</u>	<u>11,640</u>	<u>12,425</u>	6.7	43.8
Institutional & Separate Accounts							
Equities	\$ 7,573	\$ 8,475	\$ 8,148	\$ 9,3705	9,479	1.2	25.2
Fixed income	<u>618</u>	<u>594</u>	<u>680</u>	<u>694</u>	<u>815</u>	17.4	31.9
Total Institutional & Separate Accounts	<u>8,191</u>	<u>9,069</u>	<u>8,828</u>	<u>10,064</u>	<u>10,294</u>	2.3	25.7
Partnerships	<u>151</u>	<u>165</u>	<u>198</u>	<u>230</u>	<u>278</u>	20.9	84.1
Total Assets Under Management	<u>\$16,982</u>	<u>\$18,803</u>	<u>\$18,629</u>	<u>\$21,934</u>	<u>\$22,997</u>	4.8	35.4

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

	For the Three Months Ended March 31,		
	Pro forma 1999 (a)	2000	% Increase
Revenues	\$ 39,691	\$ 57,773	45.6
Expenses	<u>22,937</u>	<u>32,391</u>	41.2
Operating income	16,754	25,382	51.5
Other income, net	<u>2,097</u>	<u>2,111</u>	
Income before management fee, income taxes and minority interest	18,851	27,493	45.8
Management fee	<u>1,885</u>	<u>2,749</u>	
Income before income taxes and minority interest	16,966	24,744	45.8
Income tax provision	6,973	9,799	
Minority interest	<u>714</u>	<u>949</u>	
Net income	<u>9,279</u>	<u>13,996</u>	50.8
Net income per share:			
Basic and diluted	<u>\$ 0.31</u>	<u>\$ 0.47</u>	51.6
Weighted average shares outstanding:			
Basic and diluted	<u>30,000</u>	<u>29,643</u>	

(a) Pro forma financial information reflects the results of operations as if all of the following were in effect at January 1, 1999: the Formation Transactions; the \$50 million note payable; the reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation. Pro forma financial information excludes a non-recurring charge of \$50 million (\$30.9 million net of tax benefit or \$1.03 per share) recorded in the first quarter of 1999. Including this charge the net loss and net loss per share were \$(21.6) million and \$(0.72), respectively.

### GABELLI ASSET MANAGEMENT INC. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (in thousands)

	December 31,		March 31,
	1999	1999	2000
<b>ASSETS</b>			
Cash and cash equivalents	\$103,032	\$113,205	\$121,095
Investments	90,809	62,368	101,635
Receivables	26,269	13,976	23,942
Deferred income taxes, net	16,887	19,830	16,887
Other assets	<u>6,065</u>	<u>8,772</u>	<u>6,032</u>
Total assets	<u>\$243,062</u>	<u>\$218,151</u>	<u>\$269,591</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

Debt (a)	\$ 50,000	\$ 50,000	\$ 50,000
Compensation payable	10,260	8,724	19,516
Accrued expenses and other liabilities	<u>20,408</u>	<u>28,903</u>	<u>24,516</u>
Total liabilities	80,668	87,627	94,032
Minority interest	14,818	13,474	15,749
Stockholders' equity	<u>147,576</u>	<u>117,050</u>	<u>159,810</u>
Total liabilities and stockholders' equity	<u>\$243,062</u>	<u>\$218,151</u>	<u>\$269,591</u>

(a) This debt, arising from the Company's initial formation, is due January 2, 2002 and will result in a tax benefit of \$19,830 (included in deferred income taxes, net).

GABELLI ASSET MANAGEMENT INC.  
 QUARTERLY CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
 (unaudited; in thousands, except per share data)

	1999					2000
	1st Quarter (a)	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter
<b>Income Statement Data:</b>						
Revenues	\$ 39,691	\$ 42,623	\$ 44,091	\$ 49,857	\$ 176,262	\$ 57,773
Expenses	<u>22,937</u>	<u>25,801</u>	<u>24,623</u>	<u>27,393</u>	<u>100,754</u>	<u>32,391</u>
Operating income	16,754	16,822	19,468	22,464	75,508	25,382
Other income, net	<u>2,097</u>	<u>6,355</u>	<u>936</u>	<u>5,683</u>	<u>15,071</u>	<u>2,111</u>
Income before management fee, income taxes and minority interest	18,851	23,177	20,404	28,147	90,579	27,493
Management fee	<u>1,885</u>	<u>2,318</u>	<u>2,040</u>	<u>2,814</u>	<u>9,057</u>	<u>2,749</u>
Income before income taxes and minority interest	16,966	20,859	18,364	25,333	81,522	24,744
Income taxes	6,973	8,260	7,297	10,028	32,558	9,799
Minority interest	<u>714</u>	<u>944</u>	<u>830</u>	<u>782</u>	<u>3,270</u>	<u>949</u>
Net Income	<u>\$ 9,279</u>	<u>\$ 11,655</u>	<u>\$ 10,237</u>	<u>\$ 14,523</u>	<u>\$ 45,694</u>	<u>\$ 13,996</u>
Net income per share:						
Basic and diluted	<u>\$ 0.31</u>	<u>\$ 0.39</u>	<u>\$ 0.34</u>	<u>\$ 0.49</u>	<u>\$ 1.53</u>	<u>\$ 0.47</u>
Weighted average shares outstanding:						
Basic and diluted	<u>30,000</u>	<u>29,949</u>	<u>29,861</u>	<u>29,752</u>	<u>29,890</u>	<u>29,643</u>

(a) Pro forma financial information reflects the results of operations as if all of the following were in effect at January 1, 1999: the Formation Transactions; the \$50 million note payable; the reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation. Pro forma results exclude a non-recurring charge related to the note payable (\$30.9 million, net of tax benefit or \$1.03 per share). After giving effect to this charge the Company had a net loss of \$0.72 per share in the first quarter of 1999.

**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 2000 (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**  
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*First Quarter Report*  
*March 31, 2000*