

To Our Shareholders:

Gabelli Asset Management Inc. (NYSE: "GBL") reported record results for the first quarter ended March 31, 2001. We are pleased to share with you the following highlights.

Financial Results

Total revenues rose to a record \$58.3 million for the three months ended March 31, 2001 versus \$57.8 million for the first quarter of 2000. Operating income increased 6% for the quarter to \$26.8 million from \$25.4 million in the first quarter of last year and net income increased 6.4% to \$14.9 million from \$14.0 million. Fully diluted earnings per share rose 6.4% to a record \$0.50 per share in 2001 versus \$0.47 per share in the first quarter of 2000.

Growth Drivers

Our revenue and earnings growth remain largely driven by the growth in average assets under management which were \$24.2 billion in the first quarter of 2001, 9% higher than average assets under management of \$22.2 billion for the same period of the prior year. Net fund flows exceeded \$1.5 billion during the the first three months of 2001, nearly 80% higher than in the first quarter of 2000. We finished the quarter with \$23.7 billion under management, as compared to \$23.6 billion on December 31, 2000 and \$23.0 billion in assets managed on March 31, 2000.

Operating margins improved to 46% in the first quarter versus 44% in the same quarter a year ago. The increase in operating margins resulted from company-wide efforts to reduce costs and thereby lower the overall operating cost structure of the firm.

The first quarter 2001 was marked by sharp declines and excessive volatility among virtually all equity sectors. Our ability to attract assets and deliver record revenues and earnings growth was due to our well balanced, actively managed and diversified equity product offerings which generated superior relative performance for mutual fund institutional and high net worth investors. Our growth in managed assets during this uncertain period is a reminder of the benefits of portfolios which are actively managed by investment advisors with proven long-term risk-adjusted performance in value, growth and global products.

Selected Highlights

- In the January 29th issue seven Gabelli funds were included on *Business Week's* "A" list for delivering the best risk-adjusted total returns over the last five years, a creditable accomplishment when one observes that an industry giant like Fidelity, with well over one hundred entrants, had eight funds listed.
- Six Gabelli funds, representing nearly 50% of our total rated fund assets, received Morningstar Inc.'s coveted "Five Star" rating. More than 97% of assets were either "Four" or "Five" star rated.
- The Gabelli Blue Chip Value Fund, managed by Barbara Marcin, CFA, was ranked the #1 fund in its category for the one-year period through March 15th by Lipper, Inc. Ms. Marcin was profiled in an interview in the April 23rd issue of Barron's titled "Blue Light Specialist."
- Net cash flows into our institutional and high net worth GAMCO (Gabelli Asset Management Company) accounts were a record \$862 million in the first quarter 2001. Assets managed by GAMCO were \$11.5 billion on March 31, 2001 versus \$10.3 billion at March 31, 2000, and \$11.0 billion at year-end 2000.
- Our Alternative Investment Team, led by Marc Gabelli, enjoyed an excellent quarter in terms of both performance and growing demand for partnership products from the firm's traditional high net worth individual client base as well as U.S. and international institutions.
- Our ranking within *Pension & Investment Age's* annual listing of leading money managers has increased over each of the past four years as follows:

December 31,	Assets*	GBLRank	Top 100*
2000	\$ 23.4	128	\$ 35.7
1999	21.7	139	35.4
1998	16.3	151	30.9
1997	13.7	156	29.4

* (\$ in billions)

- Three of our four closed-end funds trade on the New York Stock Exchange at premiums to their net asset values. This is a testament to our pro-active shareholder initiatives including a policy of regular distributions, rights offerings, preferred stock offerings, spin-offs and share repurchases.
- The Gabelli Equity Trust, a closed-end fund (NYSE: "GAB") with \$1.5 billion in total assets, raised \$126 million in a heavily over-subscribed rights offering which closed on February 23, 2001.

Share Repurchase Program

During the first quarter we purchased 30,000 shares at an average cost of \$28.46 per share. We have repurchased a total of 510,900 shares since the second quarter of 1999. In March 2001 the Board of Directors authorized the repurchase of up to an additional \$3.0 million of shares. On March 31, 2001, there were 29,489,300 shares outstanding, comprised of 5,489,300 Class A and 24,000,000 Class B shares.

Financial Strengths

Our assets included cash and investments of \$283 million on March 31, 2001 compared to \$223 million a year ago. Our outstanding debt of \$50 million, payable in January 2002, will be tax deductible when paid, reducing the overall cash outlay to \$30.9 million. Recently, GBL obtained an investment grade rating from Standard & Poor's, which will provide us with flexibility in pursuing business opportunities. Overall, we continue to maintain a strong and liquid balance sheet.

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

Mario J. Gabelli
Chairman & Chief Executive Officer

GABELLI ASSET MANAGEMENT INC.
ASSETS UNDER MANAGEMENT

(in millions)

	<u>3/00</u>	<u>6/00</u>	<u>9/00</u>	<u>12/00</u>	<u>3/01</u>	% Increase (decrease) from	
						<u>12/00</u>	<u>3/00</u>
Mutual Funds							
Open-end	\$ 9,282	\$ 9,517	\$ 9,685	\$ 8,971	\$ 8,321	(7.2)	(10.4)
Closed-end	1,955	1,863	1,860	1,709	1,746	2.2	(10.7)
Fixed income	<u>1,188</u>	<u>1,225</u>	<u>1,307</u>	<u>1,433</u>	<u>1,614</u>	12.6	35.9
Total Mutual Funds	<u>12,425</u>	<u>12,605</u>	<u>12,852</u>	<u>12,113</u>	<u>11,681</u>	(3.6)	(6.0)
Institutional & Separate Accounts							
Equities	9,479	9,630	9,788	10,142	10,651	5.0	12.4
Fixed income	<u>815</u>	<u>688</u>	<u>752</u>	<u>859</u>	<u>864</u>	0.6	6.0
Total Institutional & Separate Accounts	<u>10,294</u>	<u>10,318</u>	<u>10,540</u>	<u>11,001</u>	<u>11,515</u>	4.7	11.9
Partnerships	<u>278</u>	<u>344</u>	<u>416</u>	<u>437</u>	<u>473</u>	8.2	70.1
Total Assets Under Management	<u>\$22,997</u>	<u>\$23,267</u>	<u>\$23,808</u>	<u>\$23,551</u>	<u>\$23,669</u>	0.5	2.9

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

	<u>For the Three Months Ended March 31,</u>		
	<u>2000</u>	<u>2001</u>	<u>% Inc. (dec.)</u>
Revenues	\$ 57,773	\$ 58,344	1.0
Expenses	<u>32,391</u>	<u>31,550</u>	(2.6)
Operating income	25,382	26,794	5.6
Other income, net	<u>2,111</u>	<u>1,136</u>	(46.2)
Income before management fee, income taxes and minority interest	27,493	27,930	
Management fee	<u>2,749</u>	<u>2,793</u>	
Income before income taxes and minority interest	24,744	25,137	1.6
Income tax provision	9,799	9,703	
Minority interest	<u>949</u>	<u>538</u>	
Net income	<u>\$ 13,996</u>	<u>\$ 14,896</u>	6.4
Net income per share:			
Basic	<u>\$ 0.47</u>	<u>\$ 0.50</u>	
Diluted	<u>\$ 0.47</u>	<u>\$ 0.50</u>	6.4
Weighted average shares outstanding:			
Basic	<u>29,643</u>	<u>29,507</u>	
Diluted	<u>29,643</u>	<u>30,041</u>	

GABELLI ASSET MANAGEMENT INC.
CONDENSED CONSOLIDATED STATEMENTS
OF FINANCIAL CONDITION

(in thousands)

	December 31, 2000	March 31,	
		2000	2001
		<i>(unaudited)</i>	
ASSETS			
Cash and cash equivalents	\$146,475	\$121,095	\$105,698
Investments	113,159	101,635	177,739
Receivables	32,490	23,942	29,746
Deferred income taxes, net	19,382	16,887	19,658
Other assets	<u>6,298</u>	<u>6,032</u>	<u>6,127</u>
Total assets	<u>\$317,804</u>	<u>\$269,591</u>	<u>\$338,968</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Debt (a)	\$ 50,000	\$ 50,000	\$ 50,000
Compensation payable	25,670	19,516	26,173
Accrued expenses and other liabilities	<u>22,086</u>	<u>24,516</u>	<u>28,205</u>
Total liabilities	97,756	94,032	104,378
Minority interest	17,851	15,749	18,351
Stockholders' equity	<u>202,197</u>	<u>159,810</u>	<u>216,239</u>
Total liabilities and stockholders' equity	<u>\$317,804</u>	<u>\$269,591</u>	<u>\$338,968</u>

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

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 2001 (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.

First Quarter Report
March 31, 2001

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