

GABELLI
ASSET MANAGEMENT INC.

First Quarter Report
March 31, 2005

To Our Shareholders:

Gabelli Asset Management Inc. (NYSE: GBL) reported revenues of \$61.5 million for the first quarter ended March 31, 2005, down 3.2% from the first quarter record \$63.5 million generated in the year ago quarter. Operating income declined \$5.1 million to \$20.2 million down 20.3% from the \$25.3 million reported in last year's first quarter. Net income for the quarter was \$12.7 million or \$0.42 per fully diluted share versus \$16.1 million or \$0.52 per fully diluted share in the prior year's quarter. Assets Under Management (AUM) were \$28.0 billion as of March 31, 2005, down 2.1% from record year-end 2004 assets of \$28.7 billion, and just below the \$28.2 billion in AUM on March 31, 2004.

Financial Highlights

Our equity open-end mutual funds and closed-end funds had a record \$12.41 billion in AUM at quarter end, slightly ahead of the \$12.37 billion on December 31, 2004 and 4.8% ahead of the \$11.8 billion on March 31, 2004. Assets at the end of the quarter included \$316 million in net proceeds from the initial public offering in March 2005 of our new closed-end fund, The Gabelli Global Gold, Natural Resources & Income Trust (AMEX: GGN). In the institutional and high net worth segment of our business, GAMCO had AUM of \$13.4 billion in separately managed equity accounts on March 31, 2005, down 1.6% from the \$13.6 billion on December 31, 2004 and virtually unchanged from AUM on March 31, 2004. Fixed income assets, primarily money market mutual funds, totaled \$1.4 billion on March 31, 2005, down 24.7% from year-end 2004 assets of \$1.9 billion and 31.9% lower than assets of \$2.1 billion on March 31, 2004. Assets in our investment partnerships were \$854 million, up 4.9% from year-end 2004 assets of \$814 million but 5.2% below the \$901 million on March 31, 2004.

Investment advisory fees totaled \$53.9 million during the first quarter 2005, unchanged from the first quarter of 2004. The higher revenues from our closed-end funds and investment partnerships were offset by lower revenues from our open-end mutual funds and separate accounts. For the first quarter 2005, our revenues of \$20.1 million from open-end mutual funds were 5.4% lower than the \$21.2 million recorded in the 2004 quarter. Closed-end fund revenues increased 7.6% to \$8.4 million in the first quarter 2005 up from \$7.8 million in the prior year's quarter.

Revenues from our institutional and high net worth separate accounts business declined by approximately 1% to \$22.1 million in the first quarter 2005, down from \$22.4 million in 2004. Advisory fees from investment partnerships increased 30.5% in the first quarter 2005 versus the prior year's quarter due principally to an increase in performance fees.

Lower trading volume contributed to a 42.5% decline in commission revenues from our institutional research affiliate, Gabelli & Company, Inc., where revenues were \$2.5 million versus \$4.3 million in the prior year's quarter. Mutual fund distribution fees of \$5.1 million in the first quarter of 2005 were slightly lower than the \$5.3 million recorded in the 2004 quarter.

Variable compensation costs were 31.0% of revenues for the first quarter 2005 compared to 29.9% in 2004. This increase is primarily due to higher compensation costs in our separate accounts business and investment partnerships. Higher performance fees drove the increase in compensation costs for our investment partnerships in the 2005 quarter as compared to the prior year's period.

Expenses not directly tied to revenues increased to \$13.5 million in the first quarter 2005, up 37.5% from \$9.8 million in the prior year's quarter. This increase included a one-time charge of \$1.1 million recorded for the impairment of goodwill related to our fixed income business, higher compensation costs and stock option expense in addition to an increase in costs to comply with Sarbanes-Oxley as well as other regulatory and corporate governance initiatives. In addition, this increase included one-time launch costs of \$1.45 million for our new closed-end fund, The Gabelli Global Gold, Natural Resources & Income Trust. We note that in the second quarter of 2005, our results will benefit from the absence of costs related to the launch of our new closed-end fund and the impairment of goodwill.

The effective tax rate for the first quarter 2005 was adjusted to 37.5% versus 36.4% in the comparable 2004 period to reflect our estimate of the current year-end tax liability.

For the first quarter 2005, we recorded a net gain of \$0.1 million from our investments and net interest expense nearly equal to the net gain of \$0.2 million in the 2004 quarter. The 2005 quarter included a \$3.2 million loss recorded for the write down to fair value of certain securities held as available for sale offset by a \$2.3 million unrealized gain from an investment within our proprietary portfolio which completed an initial public offering during the quarter.

Interest expense fell 2.9% during the 2005 quarter to \$3.9 million compared to \$4.0 million in the prior year's quarter. In future quarters, interest expense will be further reduced by the April 1, 2005 repurchase of \$50 million of the \$100 million 5% convertible note. Management fee expense was \$2.3 million for the quarter of 2005 versus \$2.8 million for the comparable 2004 period.

Investment and Business Highlights

Shareholders, as part of an initiative to re-focus the Gabelli brand, will vote on a change in our name to GAMCO Investors, Inc. at our annual meeting of shareholders on May 10th. GAMCO has been the name of our asset management business since 1977 and is a more encompassing parent company name that more appropriately represents the various investment strategies and asset management brands contributing to the solid growth of our company. The Gabelli brand will continue to represent the value portfolios managed in the company's absolute return, research-driven Private Market Value (PMV) with a Catalyst™ style. The company's common stock will continue to trade on the New York Stock Exchange under the GBL ticker symbol.

The Gabelli Global Gold, Natural Resources & Income Trust (AMEX: GGN), our new closed-end fund investing primarily in equity securities of gold and natural resources companies, completed its initial public offering in March issuing 16.6 million shares at an initial price of \$20 per share, generating net proceeds of \$316 million, net of sales load and offering expenses (exclusive of the underwriters' over allotment). The Fund's shares commenced trading on the American Stock Exchange on March 29th.

In February, we issued 1,517,483 shares of class A common stock and received proceeds of \$70,567,500 in settlement of the purchase contracts issued pursuant to our mandatory convertible securities. These mandatory convertible securities consisting of purchase contracts and senior notes were originally issued in February 2002. The senior notes due February 17, 2007 were

remarketed in November 2004 and the interest rate was reset from 6% to 5.22% at that time.

In March, we announced an agreement with Cascade Investment, L.L.C. to amend the terms of the \$100 million convertible note issued by Gabelli. The new terms extend the exercise date of Cascade's put option to September 15, 2006, reduce the principal of the convertible note to \$50 million, effective April 1, 2005, and remove limitations on the issuance of additional debt. Cascade would own approximately 12% of Gabelli Asset Management's class A common stock if the note were converted.

Financial Strength and Flexibility

We ended the quarter with roughly \$720.6 million in cash, marketable securities and investments. This includes approximately \$78.5 million, at market value, of investments in The Gabelli Dividend & Income Trust, The Gabelli Global Utility & Income Trust, Gabelli open-end mutual funds and other investments classified as available for sale securities. Our debt of \$282.3 million consists of a \$100 million 5% convertible note, \$100 million of 5.5% senior notes, and \$82.3 million of 5.22% senior notes issued in connection with our mandatory convertible securities. The amounts expressed above are prior to the reduction of \$50 million principal on our 5% convertible note that occurred on April 1, 2005. Adjusted for this reduction of principal, we had cash, marketable securities and investments of \$670.6 million and debt of \$232.3 million.

Stockholders' equity, on a GAAP basis, was \$417.4 million or \$13.77 per share on March 31, 2005 compared with \$393.6 million or \$13.09 per share on March 31, 2004 and \$334.9 million or \$11.61 per share on December 31, 2004.

We paid a special dividend of \$0.60 per share on January 18, 2005 to all shareholders of record on January 3, 2005. This special dividend, authorized by our Board of Directors in November 2004, follows the \$1.00 per share special dividend paid in the fourth quarter 2004 and a \$0.10 per share special dividend paid in the second quarter 2004. The Board also declared a quarterly dividend of \$0.02 per share that was paid on March 28, 2005 to shareholders of record on March 14, 2005.

Shares outstanding on March 31, 2005 were 30,321,492, approximately 5% higher than year-end outstanding shares of 28,837,034 and approximately 1% above our shares outstanding of 30,060,053 on March 31, 2004 reflecting the issuance of 1,517,483 shares of class A common stock in settlement of the purchase contracts issued pursuant to our mandatory convertible securities on February 17, 2005.

In Summary

We believe we can continue to create significant shareholder value by intensely focusing on our PMV with a Catalyst investment research and stock selection process, leveraging our brand name and proven performance record, and by creating new products and entering new markets. We are adding to our investment and research teams in order to uncover more values in the global marketplace, and are expanding our marketing and client servicing capabilities to enhance our already strong position in many of the markets we serve. We look forward to the challenge of creating wealth for our clients and shareholders in today's complex financial markets.

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

	For the Three Months Ended March 31		
	2004	2005	% Inc. (dec.)
Revenues	\$ 63,539	\$ 61,531	(3.2%)
Expenses	<u>35,426</u>	<u>39,122</u>	10.4
Operating income before management fee	28,113	22,409	(20.3)
Investment income	4,290	4,067	(5.2)
Interest expense	<u>(4,046)</u>	<u>(3,929)</u>	(2.9)
Other income (expense), net	244	138	(43.4)
Income before management fee, income taxes and minority interest	28,357	22,547	(20.5)
Management fee	<u>2,836</u>	<u>2,255</u>	
Income before income taxes and minority interest	25,521	20,292	
Income taxes	9,296	7,609	
Minority interest	154	1	
Net income	<u>\$ 16,071</u>	<u>\$ 12,682</u>	(21.1)
Net income per share:			
Basic	\$ 0.53	\$ 0.43	(18.9)
Diluted	<u>\$ 0.52</u>	<u>\$ 0.42</u>	(19.2)
Weighted average shares outstanding:			
Basic	30,064	29,560	(1.7)
Diluted	<u>32,202</u>	<u>31,684</u>	(1.6)
Reconciliation of Non-GAAP Financial Measures to GAAP:			
Operating income before management fee	\$28,113	\$22,409	(20.3)
Deduct: management fee	<u>2,836</u>	<u>2,255</u>	
Operating income	<u>\$25,277</u>	<u>\$20,154</u>	(20.3)
Operating margin before management fee	<u>44.2%</u>	<u>36.4%</u>	
Operating margin after management fee	<u>39.8%</u>	<u>32.8%</u>	

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

	% Inc./ (Dec.)						
	3/04	6/04	9/04	12/04	3/05	12/04	3/04
Mutual Funds							
Open-end	\$ 8,106	\$ 7,852	\$ 7,534	\$ 8,029	\$ 7,808	(2.8%)	(3.7%)
Closed-end	3,739	3,764	3,727	4,342	4,602	6.0	23.1
Fixed income	<u>1,717</u>	<u>1,563</u>	<u>1,524</u>	<u>1,499</u>	<u>1,154</u>	(23.0)	(32.8)
Total Mutual Funds	<u>13,562</u>	<u>13,179</u>	<u>12,785</u>	<u>13,870</u>	<u>13,564</u>	(2.2)	0.0
Institutional & Separate Accounts							
Equities	13,383	13,628	13,185	13,587	13,364	(1.6)	(0.1)
Fixed Income	<u>369</u>	<u>354</u>	<u>344</u>	<u>388</u>	<u>266</u>	(31.4)	(27.9)
Total Institutional & Separate Accounts	<u>13,752</u>	<u>13,982</u>	<u>13,529</u>	<u>13,975</u>	<u>13,630</u>	(2.5)	(0.9)
Alternative Investments	<u>901</u>	<u>1,061</u>	<u>934</u>	<u>814</u>	<u>854</u>	4.9	(5.2)
Total Assets Under Management	<u>\$ 28,215</u>	<u>\$ 28,222</u>	<u>\$ 27,248</u>	<u>\$ 28,659</u>	<u>\$ 28,048</u>	(2.1)	(0.6)

GABELLI ASSET MANAGEMENT INC.
CONSOLIDATED CONDENSED STATEMENT
OF FINANCIAL CONDITION
(in thousands)

NOTES ON NON-GAAP FINANCIAL MEASURES

A. Cash and investments as adjusted have been computed as follows: (in millions)

	12/31/04	3/31/04	3/31/05
Cash and cash equivalents	\$257.1	\$371.4	\$328.4
Investments (marketable securities)	<u>305.9</u>	<u>260.7</u>	<u>290.1</u>
Total cash and investments (marketable securities)	563.0	632.1	618.5
Net amounts receivable/(payable) to brokers	<u>5.2</u>	<u>9.3</u>	<u>23.6</u>
Adjusted cash and investments (marketable securities)	568.2	641.4	642.1
Investments (available for sale)	<u>75.8</u>	<u>67.3</u>	<u>78.5</u>
Total adjusted cash and investments	<u>\$644.0</u>	<u>\$708.7</u>	<u>\$720.6</u>

We believe adjusted cash and investments is a more useful measure of the company's liquidity for analytical purposes.

Net amounts receivable/(payable) from/to brokers reflects cash and cash equivalents held with brokers and cash payable for securities purchased and recorded on a trade date basis for which settlement occurs subsequent to period end.

B. Operating income before management fee expense is used by management for purposes of evaluating its business operations. We believe this measure is useful in illustrating the operating results of the Company as management fee expense is based on pre-tax income and includes non-operating items including investment gains and losses from the company's proprietary investment portfolio and interest expense. The reconciliation of operating income before management fee to operating income is provided in Table IV.

	December 31, 2004	March 31, 2004 2005 <i>(unaudited)</i>	
ASSETS			
Cash and cash equivalents	\$257,096	\$371,355	\$328,428
Investments	381,689	328,063	368,548
Receivables	46,571	46,370	60,527
Other assets	<u>13,616</u>	<u>16,022</u>	<u>13,494</u>
Total assets	<u>\$698,972</u>	<u>\$761,810</u>	<u>\$770,997</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Compensation payable	\$ 27,645	\$ 26,964	\$ 33,813
Dividends payable	17,302	-	-
Income tax payable	8,526	15,688	8,062
Accrued expenses and other liabilities	<u>22,142</u>	<u>35,903</u>	<u>23,198</u>
Total liabilities	75,615	78,555	65,073
5.5% Senior notes (due May 15, 2013)	100,000	100,000	100,000
5% Convertible note (conversion price, \$52 per share; note due August 14, 2011)	100,000	100,000	100,000
5.22% Senior notes (due February 17, 2007)	-	-	82,308
Mandatory convertible securities (purchase contract settlement date, 2/17/05; notes due 2/17/07)	<u>82,308</u>	<u>83,825</u>	<u>-</u>
Total liabilities	357,923	362,380	347,381
Minority interest	6,171	5,831	6,171
Stockholders' equity	<u>334,878</u>	<u>393,599</u>	<u>417,445</u>
Total liabilities and stockholders' equity	<u>\$698,972</u>	<u>\$761,810</u>	<u>\$770,997</u>

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

Asset Profile at 3/31/05

	2004					2005	
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter	Total
Income Statement Data:							
Revenues	\$63,539	\$60,204	\$57,237	\$74,183	\$255,163	\$61,531	\$61,531
Expenses	35,426	33,332	33,002	43,318	145,078	39,122	39,122
Operating income before management fee	28,113	26,872	24,235	30,865	110,085	22,409	22,409
Investment income	4,290	1,549	2,620	7,649	16,108	4,067	4,067
Interest expense	(4,046)	(4,035)	(4,014)	(3,932)	(16,027)	(3,929)	(3,929)
Other income (expense), net	244	(2,486)	(1,394)	3,717	81	138	138
Income before management fee, income taxes and minority interest	28,357	24,386	22,841	34,582	110,166	22,547	22,547
Management fee	2,836	2,438	2,284	3,459	11,017	2,255	2,255
Income before income taxes and minority interest	25,521	21,948	20,557	31,123	99,149	20,292	20,292
Income taxes	9,296	7,989	7,483	11,329	36,097	7,609	7,609
Minority interest	154	41	43	255	493	1	1
Net Income	<u>\$16,071</u>	<u>\$13,918</u>	<u>\$13,031</u>	<u>\$19,539</u>	<u>\$62,559</u>	<u>\$12,682</u>	<u>\$12,682</u>
Net income per share:							
Basic	\$ 0.53	\$ 0.47	\$ 0.44	\$ 0.67	\$ 2.11	\$ 0.43	\$ 0.43
Diluted	\$ 0.52	\$ 0.46	\$ 0.43	\$ 0.65	\$ 2.06	\$ 0.42	\$ 0.42
Weighted average shares outstanding:							
Basic	30,064	29,890	29,707	29,037	29,673	29,560	29,560
Diluted	32,202	32,010	31,820	31,179	31,804	31,684	31,684
Reconciliation of Non-GAAP Financial Measures to GAAP:							
Operating income before management fee	\$ 28,113	\$ 26,872	\$ 24,235	\$ 30,865	\$ 110,085	\$ 22,409	\$ 22,409
Deduct: management fee	2,836	2,438	2,284	3,459	11,017	2,255	2,255
Operating income	\$ 25,277	\$ 24,434	\$ 21,951	\$ 27,406	\$ 99,068	\$ 20,154	\$ 20,154
Operating margin before management fee	44.2%	44.6%	42.3%	41.6%	43.1%	36.4%	36.4%
Operating margin after management fee	39.8%	40.6%	38.4%	36.9%	38.8%	32.8%	32.8%

Geographic Mix



■ United States □ International

Asset Class



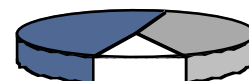
■ Equities ■ Fixed Income

Equities by Style



■ Value ■ Growth
 ■ Alternative Investments

Equities by Client Type



■ Retail □ Institutional
 ■ High Net Worth

Special Note Regarding Forward-Looking Information

Our disclosure and analysis in this press release contain some forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements because they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning. They also appear in any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance of our products, expenses, the outcome of any legal proceedings, and financial results. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ from our expectations or beliefs include, without limitation: the adverse effect from a decline in the securities markets; a decline in the performance of our products; a general downturn in the economy; changes in government policy or regulation; changes in our ability to attract or retain key employees; and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations. We also direct your attention to any more specific discussions of risk contained in our Form 10-K and other public filings. We are providing these statements as permitted by the Private Litigation Reform Act of 1995. We do not undertake to update publicly any forward-looking statements if we subsequently learn that we are unlikely to achieve our expectations or if we receive any additional information relating to the subject matters of our forward-looking statements.

Gabelli Asset Management Inc.
One Corporate Center, Rye, New York 10580
914-921-5147 • Fax: 914-921-5392

*For additional information throughout the year,
visit our website at www.gabelli.com*