

*To Our Shareholders:*

Gabelli Asset Management Inc. reported record results for the second quarter and six months ended June 30, 2000. We are pleased to bring you the highlights.

**Financial Results**

Total revenues rose 34% to \$57.1 million for the three months ended June 30, 2000 versus \$42.6 million for the second quarter of 1999. Operating income for the quarter was \$24.9 million, 48% higher than the \$16.8 million recorded in the prior year. Net income climbed per share 23% to \$0.48 per share on 29.6 million shares outstanding versus \$0.39 per share on 29.9 million shares outstanding in the prior year.

For the first six months of 2000 total revenues climbed to \$114.9 million up nearly 40% over the \$82.3 million recorded in the first half of 1999. Operating income was \$50.3 million in the first half of 2000, an increase of 50% over the year earlier period. Net income rose 35% to \$28.3 million in 2000 as compared to \$20.9 million in the first half of 1999. On a per share basis we earned \$0.95 per share, a 36% increase over net income of \$0.70 per share in the first six months of 1999 (excluding a \$1.03 per share non-recurring charge from the first quarter of 1999). Including this non-recurring charge, the Company had a net loss per share of \$0.33 for the first six months of 1999.

Revenues and operating earnings growth are driven by the growth in assets under management. We completed the quarter with \$23.3 billion under management, 24% ahead of the \$18.8 billion in assets managed at June 30, 1999. Assets managed in our open-end equity mutual funds jumped more than 41% to \$9.5 billion at June 30, 2000 versus \$6.7 billion at June 30, 1999. Second quarter net cash flows of \$390 million included \$502 million of net cash flows into our higher margin equity products partially offset by a \$112 million decline in lower margin fixed income products. For the first half of 2000, \$1.2 billion in net cash flows were received, substantially all into our equity products including our highly regarded non-market-correlated arbitrage partnerships which more than doubled to \$344 million at June 30, 2000 from \$165 million in the second quarter of 1999.

**Selected Highlights**

Selected highlights in our second quarter include:

- We commenced operations in London, UK with the establishment of Gabelli Asset Management U.K. We expect to increase our presence in the UK and mainland Europe in an effort to attract and service European institutional and high net worth clients. Additionally, we have expanded our dedicated European research and portfolio management functions, and launched a new fund, Gabelli European Partners. The fund is a European equity long/short portfolio utilizing a “bottom-up” stock selection process to identify mispriced securities and the catalyst in place to realize returns. The fund focuses on all sectors in Western Europe, and its stock selection draws on the stock-picking experience of the managers in a wide range of industries.
- We completed the assimilation of the Comstock mutual funds into the Gabelli Mathers mutual fund product line which now offers two new choices for those investors seeking non-market-correlated open-end mutual fund investments. These funds added \$80 million in assets and 20,000 new investors to the Gabelli family of funds.
- Our open-end mutual funds benefited from \$363 million of cash flow in the second quarter.
- Our closed-end fund, Gabelli Global Multimedia, listed on the New York Stock Exchange, initiated a rights offering (our sixth for all our closed-end funds).
- Assets under management in our alternative investments exceeded the \$300 million mark. Our arbitrage partnership led the way, as it generated significant non-market correlated returns.
- GAMCO Investors, Inc., our institutional and separate accounts business, held its Fifteenth Annual Investment Symposium on May 16th. We reviewed the economic and investment dynamics that will influence our clients’ investments over the balance of 2000. A live webcast of the event was available through our website.
- Our website, [www.gabelli.com](http://www.gabelli.com), introduced two new features. Our Online Real Time Chat Support provides clients with access to a “live” client representative to

assist with investment or account questions, a feature unique to Gabelli.

Our “Meet the Managers” program provides a regular forum to chat with our portfolio managers on a wide variety of investment issues. We invite all our shareholders to visit us on the web.

**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. For the six months ended, June 30, 2000 we repurchased 110,000 additional shares at an average price of \$16.01 per share, bringing our total buyback to 410,900 shares since we initiated this program in the second quarter of 1999. The total number of shares outstanding at June 30, 2000 was 29,589,200 comprised of 5,589,200 of Class Ashares and 24 million of Class B shares.

**Financial Strengths**

Our assets included cash and investments at June 30, 2000 of \$227 million as compared to \$153 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 remain focused on building global brand awareness, developing a broader array of investment products, expanding channels of distribution and, most importantly, generating risk-adjusted performance and exceptional client service. These are the critical factors in growing the intrinsic value of our Company to which we are fully committed.

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

Mario J. Gabelli  
Chairman & Chief Executive Officer

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

	For the Three Months Ended June 30,		
	1999	2000	% Increase
Revenues	\$42,623	\$57,120	34.0%
Expenses	<u>25,801</u>	<u>32,195</u>	24.8
Operating income	16,822	24,925	48.2
Other income, net	<u>6,355</u>	<u>2,898</u>	
Income before management fee, income taxes and minority interest	23,177	27,823	20.0
Management fee	<u>2,318</u>	<u>2,783</u>	
Income before income taxes and minority interest	20,859	25,040	20.0
Income tax provision	8,260	9,916	
Minority interest	<u>944</u>	<u>870</u>	
Net income	<u>\$11,655</u>	<u>\$14,254</u>	22.3
Net income per share: Basic and diluted	<u>\$0.39</u>	<u>\$0.48</u>	23.1
Weighted average shares outstanding:			
Basic	29,949	29,589	
Diluted	<u>29,949</u>	<u>29,877</u>	

	For the Six Months Ended June 30,		
	Pro Forma 1999 (a)	2000	% Increase
Revenues	\$82,314	\$114,893	39.6%
Expenses	<u>48,738</u>	<u>64,586</u>	32.5
Operating income	33,576	50,307	49.8
Other income, net	<u>8,452</u>	<u>5,009</u>	
Income before management fee, income taxes and minority interest	42,028	55,316	31.6
Management fee	<u>4,203</u>	<u>5,532</u>	
Income before income taxes and minority interest	37,825	49,784	31.6
Income tax provision	15,233	19,715	
Minority interest	<u>1,658</u>	<u>1,819</u>	
Net income	<u>\$ 20,934(b)</u>	<u>\$ 28,250</u>	34.9
Net income per share: Basic and diluted	<u>\$ 0.70 (b)</u>	<u>\$ 0.95</u>	35.7
Weighted average shares outstanding:			
Basic	29,974	29,616	
Diluted	<u>29,974</u>	<u>29,780</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 reduction in management fee from 20% to 10% and the conversion from a Subchapter S Corporation to a "C" Corporation.

(b) Excludes a non-recurring charge of \$50 million related to the note payable (\$30.9 million, net of tax benefit, or \$1.03 per share) and charged in the first quarter of 1999. After giving effect to this charge the Company had a net loss of \$0.33 per share for the six months ended June 30, 1999.

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

						% Increase (decrease) from	
	6/99	9/99	12/99	3/00	6/00	3/00	6/99
Mutual Funds							
Open-end	\$ 6,735	\$ 6,700	\$ 8,509	\$ 9,282	\$ 9,517	2.5%	41.3%
Closed-end	1,809	1,731	1,950	1,955	1,863	(4.7)	3.0
Fixed income	<u>1,025</u>	<u>1,172</u>	<u>1,181</u>	<u>1,188</u>	<u>1,225</u>	3.1	19.5
Total Mutual Funds	<u>9,569</u>	<u>9,603</u>	<u>11,640</u>	<u>12,425</u>	<u>12,605</u>	1.4	31.7
Institutional & Separate Accounts							
Equities	\$ 8,475	\$ 8,148	\$ 9,370	\$ 9,479	\$ 9,630	1.6	13.6
Fixed income	<u>594</u>	<u>680</u>	<u>694</u>	<u>815</u>	<u>688</u>	(15.6)	15.8
Total Institutional & Separate Accounts	<u>9,069</u>	<u>8,828</u>	<u>10,064</u>	<u>10,294</u>	<u>10,318</u>	0.2	13.8
Partnerships	<u>165</u>	<u>198</u>	<u>230</u>	<u>278</u>	<u>344</u>	23.7	108.5
Total Assets Under Management	<u>\$18,803</u>	<u>\$18,629</u>	<u>\$21,934</u>	<u>\$22,997</u>	<u>\$23,267</u>	1.2	23.7

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

	December 31,		June 30,	
	1999	1999	1999	2000
<b>ASSETS</b>				
Cash and cash equivalents	\$103,032	\$96,886	\$105,964	
Investments	90,809	56,010	121,037	
Receivables	26,269	40,009	34,428	
Deferred income taxes, net	16,887	19,830	17,391	
Other assets	<u>6,065</u>	<u>9,953</u>	<u>6,266</u>	
Total assets	<u>\$243,062</u>	<u>\$222,688</u>	<u>\$285,086</u>	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Debt (a)	\$ 50,000	\$ 50,000	\$ 50,000	
Compensation payable	10,260	16,059	28,063	
Accrued expenses and other liabilities	<u>20,408</u>	<u>16,329</u>	<u>16,412</u>	
Total liabilities	80,668	82,388	94,475	
Minority interest	14,818	14,404	16,547	
Stockholders' equity	<u>147,576</u>	<u>125,896</u>	<u>174,064</u>	
Total liabilities and stockholders' equity	<u>\$243,062</u>	<u>\$222,688</u>	<u>\$285,086</u>	

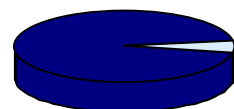
(a) This debt, arising from the Company's initial formation, is due January 2, 2002 and will result in a tax benefit of \$19,830 (included in deferred income taxes, net).

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

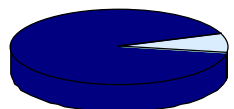
	1999					2000		
	1 <sup>st</sup> Quarter <sup>(a)</sup>	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	4 <sup>th</sup> Quarter	Total	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	Total
<b>Income Statement Data:</b>								
Revenues	\$ 39,691	\$ 42,623	\$ 44,091	\$ 49,857	\$176,262	\$ 57,773	\$ 57,120	\$114,893
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>	<u>32,195</u>	<u>64,586</u>
Operating income	16,754	16,822	19,468	22,464	75,508	25,382	24,925	50,307
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>	<u>2,898</u>	<u>5,009</u>
Income before management fee, income taxes and minority interest	18,851	23,177	20,404	28,147	90,579	27,493	27,823	55,316
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>	<u>2,783</u>	<u>5,532</u>
Income before income taxes and minority interest	16,966	20,859	18,364	25,333	81,522	24,744	25,040	49,784
Income taxes	6,973	8,260	7,297	10,028	32,558	9,799	9,916	19,715
Minority interest	<u>714</u>	<u>944</u>	<u>830</u>	<u>782</u>	<u>3,270</u>	<u>949</u>	<u>870</u>	<u>1,819</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>	<u>\$ 14,254</u>	<u>\$ 28,250</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>	<u>\$ 0.48</u>	<u>\$ 0.95</u>
Weighted average shares outstanding:								
Basic	<u>30,000</u>	<u>29,949</u>	<u>29,861</u>	<u>29,752</u>	<u>29,890</u>	<u>29,643</u>	<u>29,589</u>	<u>29,616</u>
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>	<u>29,877</u>	<u>29,780</u>

Asset Profile at 6/30/00

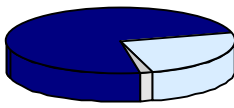
Geographic Mix



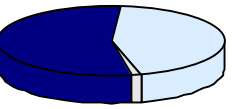
Asset Class



Equities by Style



Equities by Client Type



Forward-Looking Information

This Shareholders' Report contains forward-looking information, including without limitation, certain of our business strategies and growth objectives. 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.

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**GABELLI**  
 ASSET MANAGEMENT INC.

*Second Quarter Report*  
*June 30, 2000*