



To Our Shareholders:

Gabelli Asset Management Inc. (NYSE: "GBL") reported record earnings for the second quarter ended June 30, 2001. We are pleased to share with you the highlights.

Financial Results

Total revenues were \$57.0 million for the three months ended June 30, 2001 matching the record revenues reported in the second quarter of 2000. Net income rose 11.1% to \$15.8 million in the second quarter of 2001 as compared to \$14.3 million in the prior year quarter. Diluted earnings per share rose 10.4% to a record \$0.53 per share in the 2001 quarter versus \$0.48 per share in the second quarter of 2000.

For the first six months of 2001 total revenues were \$115.4 million versus \$114.9 million in the first half of 2000. Net income rose 9% to \$30.7 million in 2001 as compared to \$28.3 million in the first half of 2000. On a diluted per share basis we earned \$1.03 per share in 2001, an 8% increase from \$0.95 per share in the first six months of 2000.

Growth Drivers

Our revenue and earnings growth remains largely driven by the growth in average assets under management. Average assets under management were \$24.6 billion in the second quarter 2001, 9% higher than average assets under management of \$22.6 billion in the same period of the prior year. Net fund flows were \$667 million during the 2001 quarter, a 71% increase from net fund flows of \$390 million in the prior year quarter. We completed the quarter with \$25.6 billion under management as compared to \$23.6 billion at December 31, 2000 and \$23.3 billion in assets managed at June 30, 2000.

Revenues in the second quarter and first six months of 2001 were virtually the same as those in the comparable prior year periods as increased revenues from our institutional and high-net-worth separate accounts offset lower mutual fund revenues and incentive fees earned on our alternative investment products. Despite positive net fund flows and strong relative performance, mutual fund revenues were affected by a shift in mix from open-end equity products to short-term fixed income products.

Operating margins improved to 43.7% in the current quarter versus 43.6% in the prior year quarter and were 44.8% for the first six months of 2001 as compared to 43.8% in the same period a year earlier. The Company continues its efforts to lower the overall operating cost structure of the firm.





Selected Highlights

- Eight of our open end equity funds received the top Morningstar overall rating of “Five Stars” and fifteen funds were rated “Four Stars” or better. The following Funds received the coveted “Five Star” rating in the second quarter:

Gabelli Global Opportunity Fund - searches the world for growth and value opportunities in its stock selection process. The fund is team managed and began operations on May 11, 1998.

Gabelli Westwood Mighty MitesSM Fund - invests in domestic micro-cap companies that have a market capitalization of \$300 million or less. The fund is team managed and was started on May 11, 1998.

Gabelli Equity Income Fund - seeks a high level of total return through investment in a portfolio of dividend paying equity securities. This fund was launched on January 2, 1992.

- Gabelli Asset Management sponsored the Value Investing Symposium in April at New York’s Museum of Television and Radio. This event served as a backdrop for the introduction of Columbia University Graduate School of Business Professor Bruce Greenwald’s book titled *Value Investing*. Leading value investing luminaries joined Mario J. Gabelli and Bruce Greenwald to address a packed auditorium of institutional investors, consultants and members of the press.
- GAMCO hosted its Sixteenth Annual Meeting in May. Nearly 700 clients attended a dinner at the Waldorf Astoria where three new inductees to the GAMCO Management Hall of Fame - Sal H. Alfiero, Mark IV Industries; James Carroll, Wynn’s International; and Edgar M. Cullman, Sr., General Cigar - were honored. Portfolio managers and Analysts shared their investment insights with clients.
- Our Gabelli Equity Trust preferred stock offering, rated “Aaa” by Moody’s, was heavily oversubscribed, raising \$165 million for this closed-end fund through an underwriting led by Salomon Smith Barney, Merrill Lynch, and Gabelli & Company, Inc.

Share Repurchase Program

During the first quarter the Company purchased 30,000 shares, bringing the total repurchased under the program to 510,900 shares, substantially completing the program.





In March 2001 the Board of Directors authorized the additional repurchase of up to \$3.0 million of shares.

In May 2001, the Board of Directors approved an exchange offer in which four shares of the GBL's Class A common stock would be exchanged for each share of Gabelli Securities, Inc. ("GSI") Common Stock it did not already own. Shareholders of GSI have until August 31, 2001 to exchange their shares. At June 30, 2001, 115,248 shares of Gabelli Asset Management Inc. have been issued under the terms of the offer. There were 29,604,548 shares outstanding at June 30, 2001, comprised of 5,604,548 Class A and 24,000,000 Class B shares.

Financial Strengths

On June 30, 2001 our assets included cash and investments of \$299 million compared to \$227 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. Overall we continue to maintain a strong and liquid balance sheet.

Subsequent to June 30, we announced the private placement of a \$100 million convertible note with Cascade Investment LLC. The note, which is convertible into 1.9 million shares of GBL Class A common stock at \$53, provides additional flexibility and liquidity for the company as it examines its global strategic growth initiatives with a particular focus on the alternative investments business.

Our performance and growth during recent periods of stock market volatility underscore the strength of our diversified investment products as well as the balance of our extensive client base which includes high-net-worth, institutional, mutual fund and alternative investment accounts. We believe our commitment to providing investors with superior long-term, risk-adjusted performance will continue to benefit us through periods of increased volatility and will provide solid long-term performance for our shareholders.

We thank our clients and our staff for their continued support, confidence and encouragement as we build on our commitment to deliver growth and 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)

	<u>For the Three Months Ended June 30.</u>		
	<u>2000</u>	<u>2001</u>	<u>% Inc. (dec.)</u>
Revenues	\$ 57,120	\$ 57,017	
Expenses	<u>32,195</u>	<u>32,102</u>	
Operating income	24,925	24,915	
Other income, net	<u>2,898</u>	<u>4,692</u>	
Income before management fee, income taxes and minority interest	27,823	29,607	
Management fee	<u>2,783</u>	<u>2,961</u>	
Income before income taxes and minority interest	25,040	26,646	6.4
Income tax provision	9,916	10,285	
Minority interest	<u>870</u>	<u>520</u>	
Net income	<u>\$ 14,254</u>	<u>\$ 15,841</u>	11.1
Net income per share:			
Basic	<u>\$ 0.48</u>	<u>\$ 0.54</u>	
Diluted	<u>\$ 0.48</u>	<u>\$ 0.53</u>	10.4
Weighted average shares outstanding:			
Basic	<u>29,589</u>	<u>29,527</u>	
Diluted	<u>29,877</u>	<u>29,932</u>	

	<u>For the Six Months Ended June 30.</u>		
	<u>2000</u>	<u>2001</u>	<u>% Inc. (dec.)</u>
Revenues	\$114,893	\$115,361	
Expenses	<u>64,586</u>	<u>63,652</u>	
Operating income	50,307	51,709	2.8
Other income, net	<u>5,009</u>	<u>5,828</u>	16.4
Income before management fee, income taxes and minority interest	55,316	57,537	
Management fee	<u>5,532</u>	<u>5,754</u>	
Income before income taxes and minority interest	49,784	51,783	4.0
Income tax provision	19,715	19,988	
Minority interest	<u>1,819</u>	<u>1,058</u>	
Net income	<u>\$ 28,250</u>	<u>\$ 30,737</u>	8.8
Net income per share:			
Basic	<u>\$ 0.95</u>	<u>\$ 1.04</u>	
Diluted	<u>\$ 0.95</u>	<u>\$ 1.03</u>	8.4
Weighted average shares outstanding:			
Basic	<u>29,616</u>	<u>29,517</u>	
Diluted	<u>29,780</u>	<u>29,887</u>	




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

	<u>6/00</u>	<u>9/00</u>	<u>12/00</u>	<u>3/01</u>	<u>6/01</u>	% Increase (decrease) from	
						<u>3/01</u>	<u>6/00</u>
Mutual Funds							
Open-end	\$ 9,517	\$ 9,685	\$ 8,971	\$ 8,321	\$ 8,963	7.7	(5.8)
Closed-end	1,863	1,860	1,709	1,746	1,971	12.9	5.8
Fixed income	<u>1,225</u>	<u>1,307</u>	<u>1,433</u>	<u>1,614</u>	<u>1,541</u>	(4.5)	25.8
Total Mutual Funds	<u>12,605</u>	<u>12,852</u>	<u>12,113</u>	<u>11,681</u>	<u>12,475</u>	6.8	(1.0)
Institutional & Separate Accounts							
Equities	9,630	9,788	10,142	10,651	11,860	11.4	23.2
Fixed income	<u>688</u>	<u>752</u>	<u>859</u>	<u>864</u>	<u>737</u>	(14.7)	7.1
Total Institutional & Separate Accounts	<u>10,318</u>	<u>10,540</u>	<u>11,001</u>	<u>11,515</u>	<u>12,597</u>	9.4	22.1
Partnerships	<u>344</u>	<u>416</u>	<u>437</u>	<u>473</u>	<u>558</u>	18.0	62.2
Total Assets Under Management	<u>\$23,267</u>	<u>\$23,808</u>	<u>\$23,551</u>	<u>\$23,669</u>	<u>\$25,630</u>	8.3	10.2

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

	December 31, <u>2000</u>	<u>June 30,</u>	
		2000	2001
		<i>(unaudited)</i>	
ASSETS			
Cash and cash equivalents	\$146,475	\$105,964	\$126,348
Investments	113,159	121,037	172,899
Receivables	32,490	34,428	27,310
Deferred income taxes, net	19,382	17,391	19,580
Other assets	<u>6,298</u>	<u>6,266</u>	<u>6,054</u>
Total assets	<u>\$317,804</u>	<u>\$285,086</u>	<u>\$352,191</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Debt (a)	\$ 50,000	\$ 50,000	\$ 50,000
Compensation payable	25,670	28,063	31,448
Accrued expenses and other liabilities	<u>22,086</u>	<u>16,412</u>	<u>19,858</u>
Total liabilities	97,756	94,475	101,306
Minority interest	17,851	16,547	15,435
Stockholders' equity	<u>202,197</u>	<u>174,064</u>	<u>235,450</u>
Total liabilities and stockholders' equity	<u>\$317,804</u>	<u>\$285,086</u>	<u>\$352,191</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).

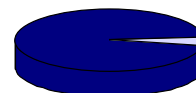


GABELLI ASSET MANAGEMENT INC.
 UNAUDITED QUARTERLY CONSOLIDATED CONDENSED
 STATEMENTS OF INCOME
(in thousands, except per share data)

Asset Profile at 6/30/01

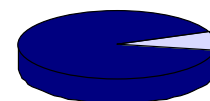
	2000					2001		
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total	1st Quarter	2nd Quarter	Total
Income Statement Data:								
Revenues	\$ 57,773	\$ 57,120	\$ 59,164	\$ 59,861	\$233,918	\$ 58,344	\$ 57,017	\$115,361
Expenses	32,391	32,195	34,709	34,413	133,708	31,550	32,102	63,652
Operating income	25,382	24,925	24,455	25,448	100,210	26,794	24,915	51,709
Other income, net	2,111	2,898	3,987	3,751	12,747	1,136	4,692	5,828
Income before management fee, income taxes and minority interest	27,493	27,823	28,442	29,199	112,957	27,930	29,607	57,537
Management fee	2,749	2,783	2,844	2,920	11,296	2,793	2,961	5,754
Income before income taxes and minority interest	24,744	25,040	25,598	26,279	101,661	25,137	26,646	51,783
Income taxes	9,799	9,916	10,137	10,405	40,257	9,703	10,285	19,988
Minority interest	949	870	971	619	3,409	538	520	1,058
Net Income	<u>\$ 13,996</u>	<u>\$ 14,254</u>	<u>\$ 14,490</u>	<u>\$ 15,255</u>	<u>\$ 57,995</u>	<u>\$ 14,896</u>	<u>\$ 15,841</u>	<u>\$ 30,737</u>
Net income pershare:								
Basic	<u>\$ 0.47</u>	<u>\$ 0.48</u>	<u>\$ 0.49</u>	<u>\$ 0.52</u>	<u>\$ 1.96</u>	<u>\$ 0.50</u>	<u>\$ 0.54</u>	<u>\$ 1.04</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.48</u>	<u>\$ 0.48</u>	<u>\$ 0.51</u>	<u>\$ 1.94</u>	<u>\$ 0.50</u>	<u>\$ 0.53</u>	<u>\$ 1.03</u>
Weighted average shares outstanding:								
Basic	<u>29,643</u>	<u>29,589</u>	<u>29,547</u>	<u>29,522</u>	<u>29,575</u>	<u>29,507</u>	<u>29,527</u>	<u>29,517</u>
Diluted	<u>29,643</u>	<u>29,877</u>	<u>29,969</u>	<u>30,043</u>	<u>29,914</u>	<u>29,839</u>	<u>29,932</u>	<u>29,887</u>

Geographic Mix



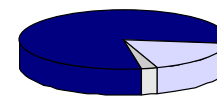
■ United States ■ International

Asset Class



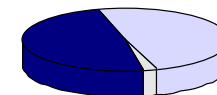
■ Equities ■ Fixed Income

Equities by Style



■ Value ■ Growth
 ■ Alternatives Investments

Equities by Client Type



■ Mutual Funds ■ Separate Accounts
 ■ Alternatives Investments



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.

Second Quarter Report
June 30, 2001





Gabelli Asset Management Inc.

*One Corporate Center, Rye, New York 10580
914-921-5146 • Fax: 914-921-5392*

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

