GAMCO INVESTORS, INC. ET AL
Form 10-K
March 17, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number 1-14761

GAMCO Investors, Inc.

(Exact name of registrant as specified in its charter)

New York (State or other jurisdiction of incorporation or organization)	13-4007862 (I.R.S. Employer Identification No.)
One Corporate Center, Rye, NY (Address of principal executive offices)	10580-1422 (Zip Code)

Registrant's telephone number, including area code (914) 921-5100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
Yes ¨ No x.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ¨ No x.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes x No ¨.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ¨.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes ¨ No x.

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The aggregate market value of the class A common stock held by non-affiliates of the registrant as of June 30, 2007 (the last business day of the Registrant's most recently completed second fiscal quarter) was $417,224,766.

As of March 1, 2008, 7,998,920 shares of Class A common stock common stock and 20,626,644 shares of class B common stock were outstanding. 20,428,500 shares of class B common stock were held by GGCP, Inc.

DOCUMENTS INCORPORATED BY REFERENCE: The definitive proxy statement for the 2008 Annual Meeting of Shareholders.

GAMCO Investors, Inc.

Annual Report on Form 10-K For the Fiscal Year Ended December 31, 2007

PART I

Forward-Looking Information

Our disclosure and analysis in this report and in documents that are incorporated by reference 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 Item 1A below and in our other public filings or in documents incorporated by reference here or in prior filings or reports.

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.

ITEM 1: BUSINESS

Unless we have indicated otherwise, or the context otherwise requires, references in this report to “GAMCO Investors, Inc.,” “GBL,” “we,” “us” and “our” or similar terms are to GAMCO Investors, Inc., its predecessors and its subsidiaries.

Overview

GAMCO Investors, Inc. (New York Stock Exchange ("NYSE"): GBL), well known for its Private Market Value (PMV) with a CatalystTM investment approach, is a widely-recognized provider of investment advisory services to mutual funds, institutional and private wealth management investors, and investment partnerships, principally in the United States. Through Gabelli & Company, Inc. ("Gabelli & Company"), we provide institutional research services to institutional clients and investment partnerships. We generally manage assets on a discretionary basis and invest in a variety of U.S. and international securities through various investment styles. Our revenues are based primarily on the firm’s levels of assets under management ("AUM") and fees associated with our various investment products.

Since 1977, we have been identified with and enhanced the “value” style approach to investing. Over the 30 years since the inception of the firm, consistent with our fundamental objective of providing an absolute rate of return for our clients, GBL generated over $16 billion in investment returns for our institutional and private wealth management clients. The 30 year CARR (compounded annual rate of return) for the institutional clients (as measured by our composite return) approached 18.6% on a gross basis and 17.7% on a net basis, and in 2007 we produced $1.1 billion and 12.1% net return for our institutional clients. As stated in our mission statement, our investment objective is to earn a superior risk-adjusted return for our value clients over the long-term through our proprietary fundamental research. In addition to our value portfolios, we offer our clients a broad array of investment strategies that include global, growth, international and convertible products. We also offer a series of investment partnership (performance fee-based) vehicles that provide a series of long-short investment opportunities, both market and sector specific opportunities, including offerings of non-market correlated investments in merger arbitrage, as well as fixed income strategies.

As of December 31, 2007, we had $31.0 billion of AUM, 96% of which were in equity products. We conduct our investment advisory business principally through our subsidiaries: GAMCO Asset Management Inc. (Separate Accounts), Gabelli Funds, LLC (Mutual Funds) and Gabelli Securities, Inc. (Investment Partnerships). We also act as an underwriter, are a distributor of our open-end mutual funds and provide institutional research through Gabelli & Company, our broker-dealer subsidiary.

Our assets under management are organized into three groups:

- Investment Partnerships: we provide advisory services to limited partnerships, offshore funds and certain separate accounts, and also serve as a sub-advisor to certain third-party investment funds across merger arbitrage, regional long/short equity, and sector-focused strategies (“Investment Partnerships”). We managed a total of $460 million in Investment Partnership assets on December 31, 2007.

- Separate Accounts: we provide advisory services to a broad range of investors, including private wealth management, corporate pension and profit-sharing plans, foundations, endowments, jointly-trusteed plans and municipalities, and also serve as sub-advisor to certain other third-party investment funds including registered investment companies (“Separate Accounts”). Each Separate Account portfolio is managed to meet the specific needs and objectives of the particular client by utilizing investment strategies and techniques within our areas of expertise. On December 31, 2007, we had $13.3 billion of Separate Account assets under management.

- Open and Closed-End Funds: we provide advisory services to (i) twenty one open-end mutual funds and nine closed-end funds under Gabelli, GAMCO and Comstock brands; and (ii) six mutual funds within the Westwood family of funds (collectively, the “Mutual Funds”). The Mutual Funds had $17.2 billion of assets under management on December 31, 2007.

GAMCO Investors, Inc. ("GBL") is a holding company formed in connection with our initial public offering (“Offering”) in February 1999. GGCP, Inc. owns a majority of the outstanding shares of class B common stock of GBL, which ownership represented approximately 95% of the combined voting power of the outstanding common stock and approximately 71% of the equity interest on December 31, 2007. GGCP, Inc. is majority-owned by Mr. Mario J. Gabelli (“Mr. Gabelli”) with the balance owned by our professional staff and other individuals. Accordingly, Mr. Gabelli could be deemed to control GBL.

Our principal executive offices are located at One Corporate Center, Rye, New York 10580. Our telephone number is (914) 921-5100. We post or provide a link on our website, www.gabelli.com, to the following filings as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("Commission" or “SEC”): our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings on our website are available free of charge.

Performance Highlights

Separate Accounts

The institutional client composite of our separate account business has achieved a compound annual return of approximately 17.7% on a net basis for over 30 years since inception through December 31, 2007. In 2007, this composite had a net return of 12.1%. The accounts in this composite are managed in our absolute return, research-driven PMV with a CatalystTM style since inception.

The table below compares the long-term performance record for our separate account composite since 1977, using our traditional value-oriented product, the Gabelli PMV with a CatalystTM investment approach, versus various benchmarks.

GAMCO Value
1977 - 2007

	GAMCO (a)	S&P 500 (b)	Russell 2000 (b)	CPI+10 (b)
Number of Up Years	26	24	21	
Number of Down Years	3	5	7	
Years GAMCO Value Beat Index		21	20	19
Total Return (CAGR) (a)	18.6	12.9	12.8	14.1
Total Return (CAGR) net	17.7			
Beta	0.78			

The chart below illustrates how this methodology performed during recent market cycles to capture the upside in positive markets while limiting the downside in the most recent down markets.

Footnotes to Table and Chart

(a)

- The Gabelli Value composite represents fully discretionary, tax-exempt institutional accounts managed for at least one full quarter and meeting minimum account size requirements. The minimum size requirement for inclusion in 1985 was $500,000; $1 million in 1986; and $5 million in 1987 and thereafter. The performance calculations include accounts under management during the respective periods. As of 12/31/07, the GAMCO Value composite included 41 accounts with an aggregate market value of $4.1 billion. No two portfolios are identical. Accounts not within this size and type may have experienced different results. Not all accounts in the Gabelli Value Composite are included in the composite.

- Gabelli Value performance results are computed on a total-return basis, which includes all dividends, interest, and realized and unrealized gains and losses. The summary of past performance is not intended as a prediction of future results. Returns are presented in U.S. dollars. All returns are before taxes and custodial fees. The inception date of the Gabelli Value composite is 10/1/77.

- The compound annual growth rate from 1990 to present is net of actual fees and actual transaction costs. The compound annual growth rate before 1990 reflects the calculation of a model investment fee (1% compounded quarterly) and actual transaction costs.

  - Gabelli Value Total Return represents the total net return of the composite from 10/1/77 through 12/31/07.

    - Beta is the measure of the Gabelli Value composite's risk (volatility) in relation to the S&P 500 Index.

(b)

- The S&P 500 is an unmanaged index of 500 U.S. stocks and performance represents total return of the index including reinvestment of dividends. The Russell 2000 is an unmanaged index of 2,000 small capitalization stocks and performance represents total return of the index including reinvestment of dividends. The performance figures for the Russell 2000 are based on an inception date of 1/1/79. The S&P 500 and Russell 2000 do not necessarily reflect how a managed portfolio of equity securities would have performed. The CPI is a widely-used measure of inflation, and the CPI+10 measure is used to show the results that would have been achieved by obtaining a rate of return that exceeded the CPI by a constant 10% as a basis of comparison versus the results of the Gabelli Value composite.

- Up and down markets in the chart were determined by the performance of the S&P 500 Index during the respective periods.

- GAM GAMCO Equity Fund was awarded Standard & Poor's AAA Rating for the fourth consecutive year and was one of only four S&P AAA rated funds out of the 1,268 fund Mainstream Sector Group. GAM GAMCO Equity Fund has been sub-advised by GAMCO Asset Management Inc. ("GAMCO") for London UK based Global Asset Management (GAM), since the fund's launch in October 1987.

Open and Closed-End Funds

- The Gabelli Equity Income Fund and the Gabelli Small Cap Growth Fund both exceeded the $1.0 billion level in AUM at December 31, 2007. The GAMCO Gold Fund reached $500 million as of December 31, 2007.

- Our 100% US Treasury Money Market Fund[1], exceeded $1 billion as investors fled enhanced-money market funds in favor of funds that focus on the highest quality U.S. Treasury instruments and superior yield. The fund ranked third in total return for the 12 months ended December 31, 2007 among 83 US Treasury money market funds tracked by Lipper Inc.[2], For the 5 year and 10 year periods ended December 31, 2007, the fund ranked 2nd out of 66 funds and 3rd out of 49 funds, respectively, within that category.

- 70% of our rated Equity Assets had four or five-star ratings from Morningstar, compared to 53% within the asset management industry, according to Merrill Lynch’s December fund flows report.

(1) Past performance is no guarantee of future results. An investment in any money market fund is not insured or guaranteed by the US government, the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to maintain the value of an investment at $1.00 per share it is possible to lose money by investing in the Fund. Dividend yields and returns have been enhanced due to expense limitations initiated by the Adviser. Equity funds involve the risk that the underlying investments may lose value. Accordingly, it is possible to lose money by investing in these funds. Investing in gold stocks is considered speculative and is affected by a variety of worldwide economic, financial, and political risks. Small capitalization companies present greater risks than securities of larger more established companies. They trade less frequently and experience more abrupt price movements. Investors should consider the investment objectives, risks, sales charges and expense of the fund carefully before investing. The prospectus contains more complete information about this and other matters. The prospectus should be read carefully before investing. You can obtain a prospectus by calling Gabelli & Company, Inc. at 1-800-GABELLI (1-800-422-3554) or contacting your financial representative or by visiting http://www.gabelli.com.

(2) Lipper Inc. is a nationally-recognized independent provider of investment company data.

2007 Highlights

Since our initial public offering in February 1999, GBL has generated a 313% total return (including dividends) for its shareholders through December 31, 2007 versus a total return of 39% (including dividends) for the S&P 500 Index during the same period. Our class A common stock, which is traded on the New York Stock Exchange under the symbol “GBL”, ended the year at a closing market price of $69.20.

During 2007, we returned $40.2 million of our earnings to shareholders through dividends and our stock buyback program. We paid $31.5 million, or $1.12 per share, in dividends to our common shareholders and purchased 186,400 million shares at $8.7 million, for an investment of $46.45 per share.

In 2007, we reported earnings of $2.79 per fully diluted share vs. $2.49 per fully diluted share in 2006. Our net income for the full year ended December 31, 2007 was $79.6 million versus $71.9 million in the 2006 period, and revenues were $292.4 million in 2007 compared to $261.5 million in the prior year. Our 2006 earnings are after a charge of $0.34 per fully diluted share related to previously disclosed discussions with the SEC. See the "Regulatory Developments" section.

We ended 2007 with equity AUM of $29.9 billion versus $27.3 billion on December 31, 2006. Overall, AUM were $31.0 billion on December 31, 2007 versus $28.1 billion at the end of 2006. Our equity open-end mutual funds and closed-end funds reached AUM of $16.1 billion on December 31, 2007, an increase of approximately 13.5% from year-end 2006 of $14.2 billion, as our open-end equity mutual funds and closed-end funds had AUM of $9.8 billion and $6.3 billion, respectively.

Our liquid balance sheet, coupled with investment grade credit ratings from both Moody's and Standard & Poor's, provides access to financial markets and the flexibility to opportunistically add operating resources to our firm, repurchase our stock and consider strategic initiatives. As a result of GBL's shelf registration in the third quarter 2006, we have the right to issue any combination of senior and subordinate debt securities, convertible debt securities and equity securities (including common and preferred securities) up to a total amount of $520 million.

Our financial strength is underscored by having received an investment grade rating from two well-respected ratings agencies, Moody’s Investors Services and Standard and Poor’s Ratings Services. We believe that maintaining these investment grade ratings will provide greater access to the capital markets, enhance liquidity and lower overall borrowing costs. However, we will also consider the use of leverage as part of our corporate financial strategy even if it results in a lowering of our investment rating.

On June 30, 2006, we and Cascade Investment L.L.C. ("Cascade") agreed to amend the terms of the $50 million convertible note issued by us (the "Note") and maturing in August 2011, as follows: increase the coupon rate of interest to 6% from 5% and raise the conversion price to $53 per GBL share from $52 per share, both effective on September 15, 2006. In addition, we and Cascade agreed to extend the exercise date for Cascade's put option until May 15, 2007. The expiration date of the related letter of credit was extended to May 22, 2007 and a call option was included giving us the right to redeem the Note at 101% of its principal amount together with all accrued but unpaid interest thereon upon at least 30 days prior written notice, subject to certain provisions. On April 18, 2007, the Company and Cascade amended the terms of the Note maturing in August 2011, to extend the exercise date for Cascade’s put option from May 15, 2007 to December 17, 2007 and to extend the expiration date of the related letter of credit to December 24, 2007. The put option expired on December 17, 2007, the related letter of credit expired on December 24, 2007, and the collateral securing the letter of credit was released and became unrestricted Company assets as of that date. Subsequent to year end, GBL filed a Form S-3 to register the resale of shares of GBL by Cascade. On January 22, 2008, Cascade elected to convert $10 million of the Note into 188,697 GBL shares. Cascade requested that the remaining $40 million face value of notes be segregated into eight notes each with a face value of $5 million.

Our research and institutional sales team at Gabelli & Company hosted six industry institutional investor symposiums and conferences during 2007. These institutional investor symposiums and conferences provided an opportunity for the firm’s institutional clients to meet with the senior management teams of leading companies and gain insight on the dynamics within these industries. Our events in 2007 included our 31st annual Automotive Aftermarket Symposium, our 18th annual Pump Valve & Motor Symposium, our 13th annual Aircraft Supplier Conference, fifth annual Dental Conference, our third annual RFID (Radio Frequency Identification) Conference, and our second annual Water Infrastructure conference.

Business Strategy

Our business strategy targets global growth of the franchise through continued leveraging of our proven asset management strengths including our brand name, long-term performance record, diverse product offerings and experienced investment, research and client service professionals. In order to achieve growth in AUM and profitability, we are pursuing a strategy which includes the following key elements:

- Incentive Fees and Fulcrum Fees. Our investment strategy is focused on adding stock specific alpha through our proprietary Private Market Value (PMV) with a CatalystTM equity research efforts. We expect to receive an increasing portion of our revenues and earnings through various products with incentive and fulcrum fees. Since we envision that a growing percentage of the firm's revenues will be directly linked to performance-based fees, this will also increase the variability of our revenues and profits. As of December 31, 2007, over $1.6 billion of separate account assets are managed on a performance fee basis along with $1.1 billion of preferred issues of closed-end funds, the $400 million Gabelli Global Deal Fund and $460 million of investment partnership assets. Unlike most money management firms, we elected not to receive a management fee on a majority of the preferred offerings in our closed-end funds until the fund's overall performance exceeds each preferred's nominal cost of capital. In addition, the incubation of new product strategies using proprietary capital will compensate the investment team with a performance fee model to reinforce our pay-for-performance approach.

- Establishing Research and Relationship Centers. To extend our research into new areas and add to our core research competency, we opened two research offices in Shanghai and Singapore supplementing our existing offices in London, New York, Chicago, Greenwich CT, Reno, Palm Beach, and Minneapolis. We will continue to evaluate adding additional research offices throughout the world.

- Introducing New Products and Services. We believe we have the capacity for development of new products and services around the Gabelli and GAMCO brands to complement our existing product offerings. New products since our initial public offering include:

- Six closed-end funds: The Gabelli Dividend & Income Trust, Gabelli Global Deal Fund, The Gabelli Global Utility and Income Trust, The Gabelli Global Gold, Natural Resources & Income Trust, The Gabelli Utility Trust, and The Gabelli Healthcare and Wellness RX Trust.

- Four open-end mutual funds: Gabelli Blue Chip Value Fund (1999), Gabelli Utilities Fund (1999) Gabelli Woodland Small Cap Value Fund (2003), and the Gabelli SRI Fund (2007).

- Six offshore funds: Gabelli Global Partners, Ltd., Gabelli European Partners, Ltd., Gabelli Japanese Value Partners, Ltd., GAMCO Performance Partners, Ltd., Gabelli Capital Structure Arbitrage Fund Ltd., and GAMCO SRI Partners, Ltd.

- Eleven private limited partnerships: Gemini Global Partners, L.P., Gabelli Capital Structure Arbitrage Fund LP., Gabelli European Partners, L.P., Gabelli Intermediate Credit, L.P., Gabelli Japanese Value Partners, L.P., Gabelli Associates Fund II, L.P., GAMCO Performance Partners, L.P., GAMA Select Energy Plus, L.P., GAMCO Telecom Plus, L.P. GAMCO Medical Opportunities, L.P., and Gabelli Umbrella Fund, L.P.

- Promulgating the Gabelli "Private Market Value (PMV) with a CatalystTM" Investment Approach. While we have expanded our investment product offerings, our "value investing" approach remains the core of our business. This method is based on the value investing principles articulated by Graham & Dodd in 1934 and further augmented by Mario J. Gabelli, CFA with his development of Private Market Value (PMV) with a CatalystTM and his introduction of a catalyst into the value investment methodology. The development of PMV analysis combined with the concept of a catalyst has evolved into our value investing approach, commonly referred to as Private Market Value (PMV) with a CatalystTM investing.

Private Market Value (PMV) with a CatalystTM investing is a disciplined, research-driven approach based on intensive security analysis. In this process, we generally select stocks whose intrinsic value, based on our estimate of current asset value and future growth and earnings power, is significantly different from the value as reflected in the public market. We then calculate the firm's PMV, which is defined as the price an informed industrial buyer would be likely to pay to acquire the business.

To limit the time horizon in which the PMV is likely to be realized, we look for situations in which catalyst(s) is (are) are working to help eliminate the premium or realize the discount between the public market price and the estimated PMV. Catalysts which are company specific include: realization of hidden assets, recognition of underperforming subsidiaries, share buybacks, spin-offs, mergers and acquisitions, balance sheet changes, new products, accounting changes, new management and cross-shareholder unwinding. Other catalysts are related to industry dynamics or macroeconomics and include but are not limited to: industry consolidation, deregulation, accounting, tax, pension and political reforms, technological change and the macroeconomic backdrop. The time horizons for catalysts to trigger change can either be short-term, medium-term or long-term.

To further extend "value investing" and our fundamental research approach to stock selection:

- We established the Gabelli Graham & Dodd, Murray, Greenwald Prize for Value Investing in coordination with the Columbia University Graduate School of Business. The monetary prize is awarded each year at GAMCO's annual client meeting to the individual who best exemplifies the goals of refining, extending, and disseminating the practice of Value Investing.

- Expanding Mutual Fund Distribution. We continue to expand our distribution network primarily through national and regional brokerage firms and have developed additional classes of shares for most of our mutual funds for sale through these firms and other third-party distribution channels on a commission basis. We intend to increase our wholesaling efforts to market the multi-class shares, which have been designed to meet the needs of investors who seek advice through financial consultants.

- Increasing Presence in Private Wealth Management Market. Our private wealth management business focuses, in general, on serving clients who have established an account relationship of $1 million or more with us. According to industry estimates, the number of households with over $1 million in investable assets will continue to grow in the future, subject to ups and downs in the equity and fixed income markets. With our 31-year history of serving this segment, long-term performance record, customized portfolio approach, dominant, tax-sensitive, buy-hold investment strategy, brand name recognition and broad array of product offerings, we believe that we are well-positioned to capitalize on the growth opportunities in this market.

- Increasing Marketing for Institutional Separate Accounts. The institutional Separate Accounts business was principally developed through direct marketing channels. Historically, pension and financial consultants have not been a major source of new institutional Separate Accounts business for us. We plan to augment our institutional sales force through the addition of staff to market directly to the consultant community as well as our traditional marketing channels.

- Attracting and Retaining Experienced Professionals. We have increased the scope of our investment management capabilities by adding portfolio managers and other investment personnel in order to expand our broad array of products. The ability to attract and retain highly-experienced investment and other professionals with a long-term commitment to us and our clients has been, and will continue to be, a significant factor in our long-term growth. In December 2007, we issued 385,400 restricted stock awards to our professional staff recommended by and excluding Mr. Gabelli, which have three- and five-year vesting, and will reward long-term commitment to our goals.

- Sponsorship of Industry Conferences. Gabelli & Company, our institutional research boutique, sponsors industry conferences and management events throughout the year. At these conferences and events, senior management from leading industry companies share their thoughts on the industry, competition, regulatory issues and the challenges and opportunities in their businesses with portfolio managers and securities analysts.

- Hosting of Institutional Investor Symposiums. We have a tradition of sponsoring institutional investor symposiums that bring together prominent portfolio managers, members of academia and other leading business professionals to present, discuss and debate current issues and topics in the investment industry.

-1997	"Active vs. Passive Stock Selection"
-1998	"The Role of Hedge Funds as a Way of Generating Absolute Returns"
-2001	"Virtues of Value Investing"
-2003	"Dividends, Taxable versus Non-Taxable Issues"
-2006	"Closed-End Funds: Premiums vs. Discounts, Dividends and Distributions"

We also hold annual conferences for our investment partnership clients and prospects in New York and London at which our portfolio management team discusses the investment environment, our strategies and portfolios, and event-driven investment opportunities.

- Capitalizing on Acquisitions and Strategic Alliances. We intend to selectively and opportunistically pursue acquisitions and alliances that will broaden our product offerings and add new sources of distribution. In November 2002, we completed our alliance with Woodland Partners LLC, a Minneapolis based investment advisor of institutional, high net-worth and sub-advisory accounts. On October 1, 1999, we completed our alliance with Mathers and Company, Inc. and now act as investment advisor to the Mathers Fund (renamed GAMCO Mathers Fund), and in May 2000, we added Comstock Partners Funds, Inc., (renamed Comstock Funds, Inc.). The Mathers and Comstock funds are part of our Non-Market Correlated mutual fund product line.

We believe that we have the entrepreneurial flexibility and corporate resumé to pursue acquisitions and alliances.

We believe that our growth to date is traceable to the following factors:

- Strong Industry Fundamentals: According to data compiled by the U.S. Federal Reserve, the investment management industry has grown faster than more traditional segments of the financial services industry, including the banking and insurance industries. Since GBL began managing institutional separate accounts in 1977, world equity markets have grown at a 12.9% compounded annual growth rate through December 31, 2007 to nearly $61 trillion(a). The U.S. equity market comprises about $17.7 trillion(a) or roughly 29% of world equity markets. We believe that demographic trends and the growing role of money managers in the placement of capital compared to the traditional role played by banks and life insurance companies will result in continued growth of the investment management industry.

- Long-Term Performance: We have a superior long-term record of achieving relatively high returns for our Separate Account clients. We believe that our performance record represents a competitive advantage and a recognized component of our franchise.

- Stock Market Gains: Since we began managing institutional separate accounts in 1977, our traditional value-oriented separate account composite has earned a compound annual return of 17.7% net of fees versus a compound annual return of 12.8% for the S&P 500 through December 31, 2007. Since our initial public offering in February 1999 through December 2007, the compound annual return for our traditional value-oriented separate account composite was 10.5% versus the S&P 500's compound annual total return of 3.7%.

  - Widely-Recognized "Gabelli" and "GAMCO" Brand Names: For much of our history, our portfolio managers and investment products have been featured in a variety of financial print media, including both

U.S. and international publications such as The Wall Street Journal, Financial Times, Money Magazine, Barron's, Fortune, Business Week, Nikkei Financial News, Forbes Magazine, Consumer Reports and Investor's Business Daily. We also underwrite publications written by our investment professionals, including Deals…Deals…and More Deals which examines the practice of merger arbitrage and Global Convertible Investing: The Gabelli Way, a comprehensive guide to effective investing in convertible securities.

- Diversified Product Offerings: Since the inception of our investment management activities, we have sought to expand the breadth of our product offerings. We currently offer a wide spectrum of investment products and strategies, including product offerings in U.S. equities, U.S. fixed income, global and international equities, convertible securities, U.S. balanced and investment partnerships.

Our financial strength is underscored by having received an investment grade rating from two well-respected ratings agencies, Moody's Investors Services and Standard and Poor's Ratings Services. We believe that maintaining these investment grade ratings will provide greater access to the capital markets, enhance liquidity and lower overall borrowing costs. However, we will also consider the use of leverage as part of our corporate financial strategy even if it results in a lowering of our investment rating.

(a) Source: Birinyi Associates, LLC

Business Description

GBL was originally founded in 1976 as an institutional broker-dealer. We entered the separate accounts business in 1977, management of investment partnerships in 1985 and the mutual fund business in 1986. Our initial product offerings centered on our tax sensitive, buy-hold, value-oriented investment philosophy. Starting in the mid-1980s, we began building on our core value-oriented equity investment products by adding new investment strategies designed for a broad array of clients seeking to invest in growth-oriented equities, convertible securities and fixed income products. Since then, we have continued to build our franchise by expanding our investment management capabilities through the addition of industry specific, international, global, non-market correlated, venture capital, leveraged buy-out and merchant banking product offerings. Throughout our 30-year history, we have marketed most of our products under the "Gabelli" and "GAMCO" brand names. Other brands include Mathers, Comstock, Westwood and Woodland.

Our AUM are organized principally in three groups: Separate Accounts, Mutual Funds and Investment Partnerships.

Separate Accounts – Institutional and Private Wealth Management: Since 1977, we have provided investment management services through our subsidiary GAMCO to a broad spectrum of institutional and private wealth investors. At December 31, 2007, we had $13.3 billion of AUM in approximately 1,700 separate accounts, representing approximately 43% of our total AUM. We currently provide advisory services to a broad range of investors, the majority of which (in total number of accounts) are private wealth management client accounts – defined as individuals and their retirement assets generally having minimum account balances of $1 million. As of December 31, 2007, Institutional client accounts, which include corporate pension and profit sharing plans, jointly-trusteed plans and public funds, represented 41% of the Separate Accounts assets and 7% of the accounts. Private wealth management accounts comprised approximately 83% of the total number of Separate Accounts and approximately 29% of the assets as of December 31, 2007.

Private wealth management clients are attracted to us by our gross returns and the tax efficient nature of the underlying investment process in these traditional products. Foundation and endowment fund assets represented an additional 9% of the number of Separate Accounts and approximately 10% of the assets. The sub-advisory portion of the Separate Accounts (where we act as sub-advisor to certain other third-party investment funds) held approximately $2.6 billion or 19% of total Separate Account assets with less than 1% of the number of accounts.

The ten largest relationships comprised approximately 44% of our total Separate Account AUM and approximately 24% of our total Separate Account revenues as of and for the year ended December 31, 2007, respectively.

In general, our Separate Accounts are managed to meet the specific needs and objectives of each client by utilizing investment strategies – traditional “value”, “large cap value”, “large cap growth”, “global”, “international growth” and “conver bonds” – and techniques that are within our areas of expertise. We distinguish between taxable and tax-free assets and manage client portfolios with tax sensitivity within given investment strategies.

At December 31, 2007, over 85% of our assets in Separate Accounts (excluding sub-advisory assets) were obtained through direct sales relationships. Sales efforts are conducted on a regional and product specialist basis. Members of the sales and marketing staff for the Separate Accounts business have an average of more than ten years of experience with us and focus on developing and maintaining direct, long-term relationships with their Separate Account clients. The firm will host its 23rd Annual Client Conference in May 2008. This two-day event will kick off with a gathering at the American Museum of Natural History in New York followed by presentations by our portfolio managers and analysts the following day. Along with these client seminars, we continue to establish and staff relationship offices around the country.

We act as a sub-advisor on certain funds for several large and well-known fund managers. Similar to corporate clients, sub-advisory clients are also subject to business combinations which may result in the curtailment of product distribution or the termination of the relationship.

Investment advisory agreements for our Separate Accounts are typically subject to termination by the client without penalty on 30 days' notice or less.

Open and Closed-End Funds: We provide advisory services to (a) twenty-one open-end mutual funds and nine closed-end funds of which one open-end fund is managed by an unaffiliated advisor; and (b) the Westwood family of funds, consisting of six open-end mutual funds, three of which are managed on a day-to-day basis by Westwood Management Corporation, a wholly-owned subsidiary of Westwood Holdings Group (collectively, the "Mutual Funds"). At December 31, 2007, we had $17.2 billion of AUM in open-end mutual funds and closed-end funds, representing approximately 56% of our total AUM. Our equity mutual funds and closed-end funds were $16.1 billion in AUM on December 31, 2007, 13.5% ahead of the $14.2 billion on December 31, 2006.

During January 2006, eight open-end Mutual Funds changed their names to GAMCO from Gabelli. The GAMCO name more appropriately represents the various investment strategies offered to investors by Gabelli Funds, LLC ("Funds Advisor"), including growth, gold, convertible securities and contrarian. Funds continuing to use the Gabelli name primarily represent value portfolios managed in the absolute return, research-driven Private Market Value (PMV) with a CatalystTM style. This name change has no effect on the management, the investment objective, or the investment strategy of each fund.

The eight GAMCO branded open-end mutual funds are:

GAMCO	Growth
GAMCO	International Growth
GAMCO	Gold
GAMCO	Global Telecommunications
GAMCO	Global Growth
GAMCO	Global Opportunity
GAMCO	Global Convertible Securities
GAMCO	Mathers

The Gabelli brand continues to represent our “Value” business, primarily representing our absolute return, research-driven Private Market Value (PMV) with a CatalystTM funds including the GAMCO Westwood Mighty MitesSM micro-cap value fund, GAMCO Westwood SmallCap Equity Fund, GAMCO Westwood Income Fund and the Global Telecommunications Fund, which are value portfolio but retains the GAMCO Global series name. The Gabelli brand also includes The Gabelli Blue Chip Value Fund and The Gabelli Woodland Small Cap Growth Fund as well as all of the closed-end funds.

The GAMCO brand encompasses a panoply of portfolios. It is the brand for our “Growth” business, which is primarily represented by The GAMCO Growth Fund, The GAMCO Global Growth Fund, and The GAMCO International Growth Fund. GAMCO also includes other distinct investment strategies and styles including our gold, convertible securities and contrarian funds.

Open-end Funds

On December 31, 2007, we had $10.9 billion of AUM in twenty seven open-end mutual funds. At year-end, of the AUM in open-end mutual funds having an overall rating from Morningstar, Inc. ("Morningstar") 81% were ranked "three stars" or better, with approximately 70% ranked "five stars" or "four stars" on an overall basis (i.e., derived from a weighted average of the performance figures associated with its three-, five-, and ten-year Morningstar Rating metrics). There can be no assurance, however, that these funds will be able to maintain such ratings or that past performance will be indicative of future results.

At December 31, 2007, approximately 33% of our AUM in open-end, equity mutual funds had been obtained through direct sales relationships. We also sell our open-end mutual funds through Third-Party Distribution Programs, particularly No-Transaction Fee ("NTF") Programs, and have developed additional classes of shares for many of our mutual funds for sale through additional third-party distribution channels on a commission basis. At December 31, 2007, Third Party Distribution Programs accounted for approximately 67% of all assets in open-end funds.

In June 2007, The Gabelli SRI Fund was launched. This is an open-end fund that will invest according to the Fund's stated socially responsible guidelines.

Closed-end Funds

We act as investment advisor to nine closed-end funds, seven of which trade on the NYSE: Gabelli Equity Trust (GAB), Gabelli Global Deal Fund (GDL), Gabelli Global Multimedia Trust (GGT), The Gabelli Healthcare & Wellness Rx Trust (GRX), Gabelli Convertible and Income Securities Fund (GCV), Gabelli Utility Trust (GUT) and Gabelli Dividend & Income Trust (GDV) and two that trade on the American Stock Exchange ("AMEX"): Gabelli Global Utility & Income Trust (GLU) and Gabelli Global Gold, Natural Resources & Income Trust (GGN). As of December 31, 2007, the nine Gabelli closed-end funds had total assets of $6.3 billion, representing 36.8% of the total assets in our Mutual Funds business.

The Gabelli Equity Trust, which raised $400 million through its initial public offering in August 1986, finished its 21st year with net assets of $2.0 billion. In September 2005, the Equity Trust completed its first acquisition of the assets of another closed-end investment company, Sterling Capital Corporation, with total assets of $18.3 million. In October 2005, the Equity Trust completed a heavily over-subscribed rights offering, retaining gross proceeds of $143.7 million. Since inception, the Equity Trust has distributed $1.953 billion in cash to common shareholders through its 10% Distribution Policy and has spun off three other closed-end funds, the Gabelli Global Multimedia Trust, the Gabelli Utility Trust and the Gabelli Health Care and Wellness Rx Trust . In 2006, the Equity Trust also received net proceeds of $144.8 million of assets attributable to the 6.20% Series F Preferred Stock.

The Gabelli Dividend & Income Trust, launched in November 2003, raised $196.6 million in net proceeds through its placement of Series D and Series E Preferred Shares in November 2005. The Gabelli Dividend & Income Trust, which invests primarily in dividend-paying equity securities, had a total annualized return of 12.2% since inception and net assets of $2.5 billion as of December 31, 2007.

The Gabelli Global Gold, Natural Resources & Income Trust raised gross proceeds of $332 million through its initial public offering in March 2005 and $20 million through the exercise of the underwriters' overallotment option in May 2005. The Gabelli Global Gold, Natural Resources & Income Trust, which invests primarily in equity securities of gold and natural resources companies and utilizes a covered call option writing program to generate current income, had a total annualized return of 26.2% since inception and net assets of $634 million as of December 31, 2007.

In January 2007, we launched the Gabelli Global Deal Fund (NYSE: GDL), a closed-end fund which will seek to achieve its investment objective by investing primarily in announced merger and acquisition transactions and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs and liquidations. In May 2007, the shareholders of the Gabelli Equity Trust approved the spin-off of the Gabelli Healthcare & WellnessRx Trust (NYSE: GRX), our ninth closed-end fund.

A detailed description of our Mutual Funds is provided within this Item 1 beginning on page 18.

Investment Partnerships: We manage Investment Partnerships through our 92% majority-owned subsidiary, Gabelli Securities, Inc. ("GSI"). The Investment Partnerships consist primarily of limited partnerships, offshore funds, separate accounts and sub-advisory relationships within the following investment strategies: merger arbitrage, event-driven long/short equity funds, sector-focused funds and merchant banking. We had $460 million of Investment Partnership AUM.

We introduced our first investment partnership, a merger arbitrage partnership, in 1985. An offshore version of this strategy was added in 1989. Building on our strengths in global event-driven value investing, several new Investment Partnerships have been added to balance investors' geographic, strategy and sector needs. Today we offer a broad range of absolute return products. Within our merger arbitrage strategy, we manage approximately $362 million of assets for investors who seek positive returns not correlated to fluctuations of the general market. These funds seek to drive returns by investing in announced merger and acquisition transactions that are primarily dependent on deal closure and less on the overall market environment. In event-driven strategies, we manage $40 million of assets focused on the U.S., Japanese, and European markets. We also manage a series of sector-focused absolute return funds designed to offer investors a mechanism to diversify their portfolios by global economic sector rather than by geographic region. We currently offer four sector-focused portfolios: the Gabelli International Gold Fund Ltd., GAMA Select Energy Plus, L.P., GAMCO Telecom +, L.P., and GAMCO Medical Opportunities, L.P. Merchant banking activities are carried out through ALCE Partners, L.P. and Gabelli Multimedia Partners, L.P., both of which are closed to new investors. In 2006, in response to SEC registration proposals, GSI registered as an investment advisor for all of the investment partnerships.

Our Investment Partnerships have been marketed primarily by our direct sales force to private wealth clients and institutions. We intend to expand product offerings, both domestic and international, and the geographic composition of our customer base in Investment Partnerships. It is our expectation that the assets invested in these products will provide a growing source of revenues in the future.

Assets Under Management

The following table sets forth total AUM by product type as of the dates shown and their compound annual growth rates ("CAGR"):

Assets Under Management
By Product Type
(Dollars in millions)

	At December 31,					January 1, 2003 to December 31, 2007	% Change
	2003	2004	2005	2006	2007	CAGR(a)	2007 / 06
Equity:							
Mutual Funds	$ 11,618	$ 12,371	$ 12,963	$ 14,195	$ 16,115	14.8 %	13.5 %
Institutional & Private Wealth Management							
Direct	9,106	9,881	9,550	10,282	10,708	7.7	4.1
Sub-advisory	3,925	3,706	2,832	2,340	2,584	(0.2)	10.4
Total Equity	24,649	25,958	25,345	26,817	29,407	10.2	9.7
Fixed Income:							
Money Market Mutual Funds	1,703	1,488	724	734	1,112	(10.7)	50.8
Bond Mutual Funds	11	11	11	10	10	(4.7)	-
Institutional & Private Wealth Management	504	388	84	50	24	(47.7)	(52.0)
Total Fixed Income	2,218	1,887	819	794	1,146	(15.0)	44.3
Investment Partnerships:							
Investment Partnerships	692	814	634	491	460	(4.5)	(6.3)
Total Assets Under Management	$ 27,559	$ 28,659	$ 26,798	$ 28,102	$ 31,013	7.9	10.4
Breakdown of Total Assets Under Management:							
Mutual Funds	$ 13,332	$ 13,870	$ 13,698	$ 14,939	$ 17,237	11.4	15.4
Institutional & Private Wealth Management							

Direct	9,610	10,269	9,634	10,332	10,732	6.1	3.9
Sub-advisory	3,925	3,706	2,832	2,340	2,584	(0.2)	10.4
Investment Partnerships	692	814	634	491	460	(4.5)	(6.3)
Total Assets Under Management	$ 27,559	$ 28,659	$ 26,798	$ 28,102	$ 31,013	7.9	10.4

(a) Compound annual growth rate.

Summary of Investment Products

We manage assets in the following wide spectrum of investment products and strategies, many of which are focused on fast-growing areas:

U.S. Equities:	Global and International Equities:	Investment Partnerships:
All Cap Value	International Growth	Merger Arbitrage
Large Cap Value	Global Growth	U.S. Long/Short
Large Cap Growth	Global Value	Global Long/Short
Mid Cap Value	Global Telecommunications	European Arbitrage
Small Cap Value	Global Multimedia	Japanese Long/Short
Small Cap Growth	Gold	Sector-Focused
Micro Cap		- Energy
Natural Resources	U.S. Fixed Income:	- Global Telecom
Real Estate	Corporate	- Gold
Utilities	Government	- Medical Opportunities
Non-Market Correlated	Municipals	Merchant Banking
Options Income	Asset-backed	
	Intermediate	
Convertible Securities:	Short-term	U.S. Balanced:
U.S. Convertible Securities		Balanced Growth
Global Convertible Securities		Balanced Value

In 2007, we continued to develop the skills of our investment team by allocating firm capital to incubate investment strategies. This began with a capital structure arbitrage strategy (2004) and now includes a merger-arbitrage, a global trading strategy as well as investment accounts for a designated group of analysts.

Additional Information on Mutual Funds

The Mutual Funds include twenty-seven open-end mutual funds and nine closed-end funds which had total assets as of December 31, 2007 of $17.2 billion. The open-end Mutual Funds are available to individuals and institutions on both a no-load and commission basis, while the closed-end funds are listed and traded on either the NYSE or the AMEX. At December 31, 2007, the open-end funds had total net assets of $10.9 billion and the closed-end funds had total net assets of $6.3 billion. The assets managed in the closed-end funds represent approximately 37% of the assets in the Mutual Funds group and 20% of the total AUM at December 31, 2007. Our AUM consist of a broad range of U.S. and international stock, bond and money market mutual funds that meet the varied needs and objectives of our Mutual Fund shareholders. At December 31, 2007, approximately 33% of our AUM in open-end Mutual Funds had been obtained through direct sales relationships.

Through our affiliates, we act as advisor to all of the Mutual Funds, except with respect to the Gabelli Capital Asset Fund for which we act as a sub-advisor and Guardian Investment Services Corporation, an unaffiliated company, acts as manager. As sub-advisor, we make day-to-day investment decisions for the $229 million Gabelli Capital Asset Fund.

Funds Advisor, a wholly-owned subsidiary of GBL, acts as the investment advisor for all of the Mutual Funds other than the Westwood family of funds.

Teton Advisors, Inc. ("Teton", formerly Gabelli Advisers, Inc. until January 24, 2008), a subsidiary controlled by GBL, acts as investment advisor to the Westwood family of funds and has retained Westwood Management Corporation, a NYSE listed company (NYSE: WHG), to act as sub-advisor for three of the six portfolios. The GAMCO Westwood Mighty MitesSM Fund, launched in May 1998, along with the GAMCO Westwood Smallcap Equity Fund and GAMCO Westwood Income Fund, are advised solely by Teton, using a team investment approach. Westwood Management Corporation owns an approximately 19.0% equity interest in Teton.

The following table lists the Mutual Funds, together with the December 31, 2007 Morningstar overall rating, where rated (ratings are not available for the money-market mutual funds and other mutual funds, which collectively represent 27.4% of the AUM in the Mutual Funds), provides a description of the primary investment objective, fund characteristics, fees, the date that the mutual fund was initially offered to investors and the AUM in the mutual funds as of December 31, 2007.

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2007 (all classes) ($ in millions)
OPEN-END FUNDS:						
EQUITY INCOME:						
The Gabelli Equity Income Fund «««««	High level of total return with an emphasis on income-producing equities with yields greater than the S&P 500 average.	Class AAA: No-load, Open-end, Diversified Multi-class Shares (2)	1.00	.25	01/02/92	$1,263
GAMCO Westwood Balanced Fund ««««	Both capital appreciation and current income using portfolios containing stocks, bonds, and cash as appropriate in light of current economic and business conditions.	Class AAA: No-load, Open-end, Diversified Multi-class shares (2)	.75	.25	10/01/91	$157
GAMCO Westwood Income Fund ««««	High level of current income as well as long-term capital appreciation by investing primarily in income producing equity and fixed income securities.	Class AAA: No-load, Open-end, Diversified Multi-class shares (2)	1.00 (9)	.25	09/30/97	$12
VALUE:						
GAMCO Westwood Equity Fund	Capital appreciation through a diversified portfolio of equity	Class AAA: No-load,	1.00	.25	01/02/87	$194

«««««	securities using bottom-up	Open-end,					
	fundamental research with a	Diversified					
	focus on identifying	Multi-class shares (2)					
	well-seasoned companies.						
The Gabelli Asset	Growth of capital as a primary	Class AAA:	1.00	.25	03/03/86	$2,973	
Fund	investment objective, with	No-load,					
««««	current income as a secondary	Open-end,					
	investment objective. Invests in	Diversified					
	equity securities of companies	Multi-class shares (2)					
	selling at a significant discount						
	to their private market value.						
The Gabelli Blue Chip	Capital appreciation through	Class AAA:	1.00	.25	08/26/99		$32
Value Fund	investments in equity securities	No-load,					
««««	of established companies, which	Open-end,					
	are temporarily out of favor and	Diversified					
	which have market capitalizations	Multi-class shares (2)					
	in excess of $5 billion.						
SMALL CAP VALUE:							
The Gabelli Small Cap	High level of capital appreciation	Class AAA:	1.00	.25	10/22/91		$1,048
Growth Fund	from equity securities of smaller	No-load,					
««««	companies with market	Open-end,					
	capitalization of $2 billion or less	Diversified					
	at the time of purchase.	Multi-class Shares (2)					

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2007 (all classes) ($ in millions)
The Gabelli Woodland Small Cap Value Fund ««	Long Term capital appreciation investing at least 80% of its in equity securities of companies with market capitalizations less than the greater of $3.0 billion or the largest company in the Russell 2000 Index.	Class AAA: No-load, Open-end, Non-diversified Multi-class shares (2)	1.00 (9)	.25	12/31/02	$9
GAMCO Westwood SmallCap Equity Fund ««	Long-term capital appreciation, investing at least 80% of its assets in equity securities of companies with market capitalizations of $2.5 billion or less at the time of purchase.	Class AAA: No-load, Open-end, Diversified Multi-class shares (2)	1.00 (9)	.25	04/15/97	$10
FOCUSED VALUE:						
The Gabelli Value Fund ««	High level of capital appreciation from undervalued equity securities that are held in a concentrated portfolio.	Class A: Front end-load, Open-end Non-diversified Multi-class shares (2)	1.00	.25	09/29/89	$827
GROWTH:						
The GAMCO Growth Fund ««««	Capital appreciation from companies that have favorable, yet undervalued, prospects for earnings growth. Invests in equity	Class AAA: No-load, Open-end, Diversified	1.00	.25	04/10/87	$949

		Multi-class Shares (2)				
	securities of companies					
	that have above-average					
	or expanding market					
	shares and profit margins.					
GAMCO International	Capital appreciation	Class AAA:	1.00	.25	06/30/95	$58
Growth Fund	by investing primarily	No-load,				
««	in equity securities of	Open-end,				
	foreign companies with	Diversified				
	rapid growth in revenues	Multi-class shares (2)				
	and earnings.					
AGGRESSIVE GROWTH:						
The GAMCO Global	High level of capital	Class AAA:	1.00	.25	02/07/94	$107
Growth Fund	appreciation through	No load,				
«««	investment in a	Open-end,				
	portfolio of equity	Non-diversified				
	securities focused on	Multi-class shares (2)				
	companies involved					
	in the global marketplace.					
MICRO-CAP:						
GAMCO Westwood	Long-term capital appreciation	Class AAA:	1.00	.25	05/11/98	$57
Mighty MitesSM Fund	by investing primarily	No load,				
««««	In equity securities with	Open-end,				
	Market capitalization	Diversified				
	of $300 million or less	Multi-class shares (2)				
	at the time of purchase.					

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Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2007 (all classes) ($ in millions)
SPECIALTY EQUITY:						
The GAMCO Global Opportunity Fund «««	High level of capital appreciation through worldwide investments in equity securities.	Class AAA: No-load, Open-end, Non-diversified Multi-class shares (2)	1.00 (9)	.25	05/11/98	$23
The GAMCO Global Convertible Securities Fund «««	High level of total return through a combination of current income and capital Appreciation through investment in convertible securities of U.S. and non-U.S. issuers.	Class AAA: No-load, Open-end, Non-diversified Multi-class shares (2)	1.00 (9)	.25	02/03/94	$10
The Gabelli Capital Asset Fund (not rated) (8)	Capital appreciation from equity securities of companies selling at a significant discount to their private market value.	No-load, Open-end, Diversified, Variable Annuity	.75	n/a	05/01/95	$229
The Gabelli SRI Fund (not rated) (8)	Capital appreciation from equity securities of companies the fund deems to be socially responsible.	Class A No-load, Open-end, Diversified, Multi-class shares (2)	1.00 (9)	.25	6/1/07	$2
SECTOR:						
GAMCO Gold Fund «««	Seeks capital appreciation and employs a value	Class AAA: No-load, Open-end,	1.00	.25	07/11/94	$510

	approach to investing	Diversified				
	primarily in equity	Multi-class shares (2)				
	securities of gold-					
	related companies					
	worldwide.					
The GAMCO Global	High level of capital	Class AAA:	1.00	.25	11/01/93	$313
Telecommunications	appreciation through	No-load,				
Fund	worldwide investments	Open-end,				
«««	in equity securities,	Non-diversified				
	including the U.S.,	Multi-class shares (2)				
	primarily in the					
	telecommunications					
	industry.					
The Gabelli Utilities	High level of total return through	Class AAA:	1.00	.25	08/31/99	$739
Fund	a combination of capital	No-load,				
«	appreciation and current income	Open-end,				
	from investments in utility	Diversified				
	companies.	Multi-class shares (2)				
ABSOLUTE RETURN:						
The Gabelli ABC Fund	Total returns that are	No-load,	.50 (7)	n/a (7)	5/14/93	$183
	attractive to investors	Open-end,				
««	in various market conditions	Non-diversified				
	without excessive risk of					
	capital loss, utilizing certain					
	arbitrage strategies and					
	investing in value orientated					
	common stocks at a significant					
	discount to their PMV.					

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2007 (all classes) ($ in millions)
CONTRARIAN:						
Comstock Capital Value Fund (not rated) (8)	Capital appreciation and current income through investment in a highly diversified portfolio of securities.	Class A Load, Open-end, Diversified Multi-class shares (2)	1.00	.25	10/10/85	$38
Comstock Strategy Fund (not rated) (8)	Capital appreciation and current income through investment in a portfolio of debt securities.	Class A Load, Open-end, Non-Diversified Multi-class shares (2)	.85	.25	05/26/88	$5
GAMCO Mathers Fund «	Long-term capital appreciation in various market conditions without excess risk of capital loss.	Class AAA: No-load, Open-end, Diversified	1.00	.25	8/19/65	$26
FIXED INCOME:						
GAMCO Westwood Intermediate Bond Fund ««	Total return and current income, while limiting risk to principal. Pursues higher yields than shorter maturity funds and has	Class AAA: No-load, Open-end, Diversified Multi-class shares (2)	.60 (9)	.25	10/01/91	$10

	more price stability than generally higher yielding long-term funds.					
CASH MANAGEMENT-MONEY MARKET:						
The Gabelli U.S. Treasury Money Market Fund (11)	High current income with preservation of principal and liquidity, while striving to keep expenses among the lowest of all U.S. Treasury money market funds.	Money Market, Open-end, Diversified	.30 (9)	n/a	10/01/92	$1,111

Fund (Morningstar Overall Rating) (1)	Primary Investment Objective	Fund Characteristics	Advisory Fees (%)	12b-1 Fees (%)	Initial Offer Date	Net Assets as of December 31, 2007 (all classes) ($ in millions)
CLOSED-END FUNDS:						
The Gabelli Equity Trust Inc. (not rated) (8)	Long-term growth of capital by investing in equity securities.	Closed-end, Non-diversified NYSE Symbol: GAB	1.00 (10)	n/a	08/14/86	$1,990
The Gabelli Convertible and Income Securities Fund Inc. (4) «««	High total return from investing primarily in convertible instruments.	Closed-end, diversified NYSE Symbol: GCV	1.00 (10)	n/a	07/03/89	$149
The Gabelli Global Multimedia Trust Inc. (3) (not rated) (8)	Long-term capital appreciation from equity investments in global telecommunications, media, publishing and entertainment holdings.	Closed-end, Non-diversified NYSE Symbol: GGT	1.00 (10)	n/a	11/15/94	$251
The Gabelli Utility Trust (5) «««	High total return from investments primarily in securities of companies involved in gas, electricity and water industries.	Closed-end, Non-diversified NYSE Symbol: GUT	1.00 (10)	n/a	07/09/99	$300
The Gabelli Dividend & Income Trust «««	Qualified dividend income and capital appreciation potential.	Closed-end, Non-diversified NYSE Symbol: GDV	1.00 (10)	n/a	11/24/03	$2,476
The Gabelli Global Utility & Income	A consistent level of after-tax total return with an emphasis	Closed-end, Non-diversified	1.00	n/a	5/28/04	$78

Trust	on tax-advantaged dividend	AMEX Symbol: GLU				
«««	income.					
The Gabelli	High level of current income	Closed-end,	1.00	n/a	3/29/05	$634
Global Gold, Natural	through an option writing strategy	Non-diversified				
Resources & Income Trust	on equity securities owned in the	AMEX Symbol: GGN				
(not rated) (8)	gold and natural resources					
	industries.					
The Gabelli Global Deal Fund	Achieve absolute return through	Closed-end,	0.50	n/a	1/26/07	$394
	in various market conditions	Non-diversified				
	without excessive risk of	NYSE Symbol: GDL				
	capital.					
The Gabelli Healthcare	Seeks long-term growth of	Closed-end,	1.00	n/a	6/28/07	$68
and Wellness Rx Fund (6)	capital within the health and	Non-diversified				
	wellness industries.	NYSE Symbol: GRX				

(1) Morningstar RatingTM as of December 31, 2007. For each fund with at least a three-year history, Morningstar calculates a Morningstar RatingTM based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. The top 10% of the funds in an investment category receive five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars and the bottom 10% receive one star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three, five, and ten-year (if applicable) Morningstar Rating metrics. Morningstar Ratings are shown for the respective class shown; other classes may have different performance characteristics. There were 378 Conservative Allocation funds rated for three years, 232 funds for five years and 110 funds for ten years (GAMCO Mathers Fund). There were 413 Mid-Cap Blend funds rated for three years, 329 funds for five years and 140 funds for ten years (The Gabelli Asset Fund, The Gabelli ABC Fund, The Gabelli Value Fund). There were 1,132 Large Value funds rated for three years, 902 funds for five years and 413 funds for ten years (The Gabelli Blue Chip Value Fund, GAMCO GAMCO Westwood Equity Fund, The Gabelli Equity Income Fund). There were 69 Convertibles funds rated for three years, 60 funds for five years and 47 funds for ten years (The GAMCO Global Convertible Securities Fund). There were 432 World Stock funds rated for three years, 380 funds for five years and 184 funds for ten years (The GAMCO Global Growth Fund, The GAMCO Global Opportunity Fund). There were 42 Specialty-Communications funds rated for three years, 40 funds for five years and 12 funds for ten years (The GAMCO Global Telecommunications Fund). There were 59 Specialty-Precious Metals funds rated for three years, 53 funds for five years and 28 funds for ten years (GAMCO Gold Fund).

There were 1,420 Large Growth funds rated for three years, 1,196 funds for five years and 552 funds for ten years (The GAMCO Growth Fund). There were 169 Foreign Large Growth funds rated for three years, 153 funds for five years and 67 funds for ten years (GAMCO International Growth Fund). There were 332 Small Value funds rated for three years, 254 funds for five years and 91 funds for ten years (The Gabelli Small Cap Growth Fund, GAMCO Westwood Mighty MitesSM Fund, Gabelli Woodland Small Cap Value Fund). There were 93 Specialty-Utilities funds rated for three years, 77 funds rated for five years and 54 funds for ten years (The Gabelli Utilities Fund). There were 871 Moderate Allocation funds rated for three years, 685 funds for five years and 393 funds for ten years (GAMCO Westwood Balanced Fund). There were 953 Intermediate-Term Bond funds rated for three years, 812 funds for five years and 408 funds for ten years (GAMCO Westwood Intermediate Bond Fund). There were 262 Specialty-Real Estate funds rated for three years and 187 funds for five years and 78 funds for ten years (GAMCO Westwood Income Fund). There were 502 Small Blend funds rated for three years and 395 funds for five years and 160 funds for ten years (GAMCO Westwood SmallCap Equity Fund, The Gabelli Woodland Small Cap Value Fund). (a) 2007 Morningstar, Inc. All Rights reserved. This information is (1) proprietary to Morningstar and/or its content providers (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

(2) These funds have multi-classes of shares available. Multi-class shares include Class A shares which have a front-end sales charge, Class B shares which are subject to a back-end contingent deferred sales charge for up to 6 years and Class C which shares are subject to a 1% back-end contingent deferred sales charge for up to two years. However, Class B shares are no longer offered for new purchases as of July 2004. Comstock Strategy Fund Class R shares, which are no-load, are available only for retirement and certain institutional accounts. Comstock Strategy Fund class O shares are no longer offered to the public. Class I shares are available to institutional accounts. Net assets include all share classes.

(3) The Gabelli Global Multimedia Trust Inc. was formed in 1994 through a spin-off of assets from The Gabelli Equity Trust.

(4) The Gabelli Convertible and Income Securities Fund Inc. was originally formed in 1989 as an open-end investment company and was converted to a closed-end investment company in March 1995.

(5) The Gabelli Utility Trust was formed in 1999 through a spin-off of assets from The Gabelli Equity Trust.

(6) The Gabelli Healthcare and WellnessRX Trust was formed in 2007 through a spin-off of assets from The Gabelli Equity Trust.

(7) Funds Advisor has reduced the Advisory fee from 1.00% to 0.50% since April 1, 2002. Gabelli & Company waived receipt of the 12b-1 Plan distribution fees as of January 1, 2003, and on February 25, 2004, the Fund's Board of Directors agreed with the Funds Advisor's request to terminate the 12b-1 Plan. The advisory fee was contractually set at 0.50% as of May 1, 2007.

(8) Certain funds are not rated because they do not have a three-year history, or there are not enough similar funds in the category determined by Morningstar.

(9) Funds Advisor has an agreement in place to waive its advisory fee or reimburse expenses of the Fund to maintain fund expenses at a specified level for Class AAA shares; multi-class shares have separate limits as described in the Fund's prospectus. (The Gabelli Woodland Small Cap Value Fund – 2.00%; GAMCO Westwood Income Fund – 1.50%; The GAMCO Global Opportunity Fund – 2.00%; The GAMCO Global Convertible Securities Fund – 2.00%; The Gabelli SRI Fund - 2.00%; GAMCO Westwood SmallCap Equity Fund – 1.50%; GAMCO Westwood Intermediate Bond Fund – 1.00%; The Gabelli U.S. Treasury Money Market Fund –0.08% through September 30, 2007. Such agreements are renewable annually).

(10) Funds Advisor has agreed to reduce its advisory fee on the liquidation value of preferred stock outstanding if certain performance levels are not met.

(11) The Gabelli U.S. Treasury Money Market Fund ranked in the top tier in total return for the 12 months ended December 31, 2007 among 83 US Treasury money market funds tracked by Lipper Inc. For the 5 year and 10 year periods ended December 31, 2007, the fund ranked 2nd out of 66 funds and 3rd out of 49 funds, respectively, within that category. Investment returns and yield will fluctuate. An investment in a money market fund is not guaranteed by the United States government nor insured by the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to preserve the value of an investment at $1.00 per share, it is possible to lose money by investing on the Fund.

Shareholders of the open-end Funds are allowed to exchange shares among the same class of shares of the other open-end funds as economic and market conditions and investor needs change at no additional cost. However, as noted below, certain Mutual Funds impose a 2% redemption fee on shares redeemed in seven days or less after a purchase. We periodically introduce new mutual funds designed to complement and expand our investment product offerings, respond to competitive developments in the financial marketplace and meet the changing needs of investors.

On December 30, 2004, the shareholders of The Gabelli ABC Fund voted to approve a charter amendment that would require investment accounts held at the fund's transfer agent, State Street Bank & Trust Company, be directly registered to the beneficial owners of the fund. The action, which was recommended by Funds Advisor and approved by the fund’s Board of Directors, permits the redemption of shares held through certain brokers and financial consultants in omnibus and individual accounts where the beneficial owner is not disclosed.

Our marketing efforts for the Mutual Funds are currently focused on increasing the distribution and sales of our existing funds as well as creating new products for sale through our distribution channels. We believe that our marketing efforts for the Mutual Funds will continue to generate additional revenues from investment advisory fees. We have traditionally distributed most of our open-end Mutual Funds by using a variety of direct response marketing techniques, including telemarketing and advertising, and as a result we maintain direct relationships with many of our no-load open-end Mutual Fund customers. Beginning in late 1995, we expanded our product distribution by offering several of our open-end Mutual Funds through Third-Party Distribution Programs, including NTF Programs. In 1998 and 1999, we further expanded these efforts to include substantially all of our open-end Mutual Funds in Third-Party Distribution Programs. More than 33% of the AUM in the open-end Mutual Funds are still attributable to our direct response marketing efforts. Third-Party Distribution Programs have become an increasingly important source of asset growth for us. Of the $9.8 billion of AUM in the open-end equity Mutual Funds as of December 31, 2007, approximately 67% were generated through Third-Party Distribution Programs. We are responsible for paying the service and distribution fees charged by many of the Third-Party Distribution Programs, although a portion of such service fees under certain circumstances are payable by the funds. Several bills have been introduced in Congress that would amend the Investment Company Act. These proposals, which include but are not limited to the elimination or restriction of Rule 12b-1 distribution fees, if enacted or adopted, could have a substantial impact on the regulation and operation of our registered funds. In light of such legislation and efforts by some of the program sponsors to increase fees beyond what we deem to be acceptable, several of our Mutual Funds may be withdrawn from such programs. During 2000, we completed development of additional classes of shares for many of our mutual funds for sale through national brokerage and investment firms and other third-party distribution channels on a commission basis. The multi-class shares are available in all of the Gabelli mutual funds, except for the Gabelli Capital Asset Fund and the GAMCO Mathers Fund. The use of multi-class share products will expand the distribution of Gabelli Fund products into the advised sector of the mutual fund investment community. During 2003, we introduced Class I shares, which are no load shares with higher minimum initial investment and without distribution fees available to Institutional and Retirement Plan Accounts held directly through Gabelli & Company. The no-load shares are designated as Class AAA shares and are available for new and current investors. Effective February 15, 2007, Class AAA shares of the GAMCO Growth Fund, GAMCO International Growth Fund, and GAMCO Global Growth Fund are only available to existing Gabelli Fund Shareholders who established accounts prior to February 15, 2007. In general, distribution through Third-Party Distribution Programs has greater variable cost components and lower fixed cost components than distribution through our traditional direct sales methods.

We provide investment advisory and management services pursuant to an investment management agreement with each Mutual Fund. The investment management agreements with the Mutual Funds generally provide that we are responsible for the overall investment and administrative services, subject to the oversight of each Mutual Fund's Board of Directors or Trustees and in accordance with each Mutual Fund's fundamental investment objectives and policies. The investment management agreements permit us to enter into separate agreements for administrative and accounting services on behalf of the respective Mutual Funds.

We provide the Mutual Funds with administrative services pursuant to the management contracts. Such services include, without limitation, supervision of the calculation of net asset value, preparation of financial reports for shareholders of the Mutual Funds, internal accounting, tax accounting and reporting, regulatory filings and other services. Most of these administrative services are provided through sub-contracts with unaffiliated third parties. Transfer agency and custodial services are provided directly to the Mutual Funds by unaffiliated third parties.

Our Mutual Fund investment management agreements may continue in effect from year to year only if specifically approved at least annually by (i) the Mutual Fund's Board of Directors or Trustees or (ii) the Mutual Fund's shareholders and, in either case, the vote of a majority of the Mutual Fund's directors or trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act of 1940 as amended (the “Investment Company Act”). Each Mutual Fund may terminate its investment management agreement at any time upon 60 days' written notice by (i) a vote of the majority of the Board of Directors or Trustees cast in person at a meeting called for the purpose of voting on such termination or (ii) a vote at a meeting of shareholders of the lesser of either 67% of the voting shares represented in person or by proxy or 50% of the outstanding voting shares of such Mutual Fund. Each investment management agreement automatically terminates in the event of its assignment, as defined in the Investment Company Act. We may terminate an investment management agreement without penalty on 60 days' written notice.

Mutual Fund Distribution, Institutional Research, Brokerage and Underwriting

Gabelli & Company, the wholly-owned subsidiary of our 92% majority-owned subsidiary GSI, is a broker-dealer registered under the Securities Exchange Act of 1934 and is regulated by the Financial Industry Regulatory Authority (“FINRA”). Gabelli & Company's revenues are derived primarily from the distribution of our Mutual Funds, brokerage commissions, underwriting fees and selling concessions.

Mutual Fund Distribution

Gabelli & Company distributes our open-end Mutual Funds pursuant to distribution agreements with each Mutual Fund. Under each distribution agreement with an open-end Mutual Fund, Gabelli & Company offers and sells such open-end Mutual Fund's shares on a continuous basis and pays all of the costs of marketing and selling the shares, including printing and mailing prospectuses and sales literature, advertising and maintaining sales and customer service personnel and sales and services fulfillment systems, and payments to the sponsors of Third-Party Distribution Programs, financial intermediaries and Gabelli & Company sales personnel. Gabelli & Company receives fees for such services pursuant to distribution plans adopted under provisions of Rule 12b-1 (“12b-1”) of the Investment Company Act. Distribution fees from the open-end mutual funds are computed daily based on average net assets and are accrued monthly. Distribution fees from the open-end Mutual Funds amounted to $19.4 million, $20.6 million and $25.0 million for the years ended December 31, 2005, 2006 and 2007, respectively. Gabelli & Company is the principal underwriter for funds distributed in multiple classes of shares which carry either a front-end or back-end sales charge. Underwriting fees and sales charges retained amounted to $646,000, $859,000 and $938,000 for the years ended December 31, 2005, 2006 and 2007, respectively.

Under the distribution plans, the open-end Class AAA shares of the Mutual Funds (except The Gabelli US Treasury Money Market Fund, Gabelli Capital Asset Fund and The Gabelli ABC Fund) and the Class A shares of various funds pay Gabelli & Company a distribution or service fee of .25% per year (except the Class A shares of the GAMCO Westwood Funds which pay .50% per year and GAMCO Westwood Intermediate Bond Fund which pay 0.35% per year) on the average daily net assets of the fund. Class B and Class C shares have a 12b-1 distribution plan with a service and distribution fee totaling 1%. Gabelli & Company’s distribution agreements with the Mutual Funds may continue in effect from year to year only if specifically approved at least annually by (i) the Mutual Fund's Board of Directors or Trustees or (ii) the Mutual Fund's shareholders and, in either case, the vote of a majority of the Mutual Fund's directors or trustees who are not parties to the agreement or "interested persons" of any such party, within the meaning of the Investment Company Act. Each Mutual Fund may terminate its distribution agreement, or any agreement thereunder, at any time upon 60 days' written notice by (i) a vote of the majority of its directors or trustees cast in person at a meeting called for the purpose of voting on such termination or (ii) a vote at a meeting of shareholders of the lesser of either 67% of the voting shares represented in person or by proxy or 50% of the outstanding voting shares of such Mutual Fund. Each distribution agreement automatically terminates in the event of its assignment, as defined in the Investment Company Act. Gabelli & Company may terminate a distribution agreement without penalty upon 60 days' written notice.

Gabelli & Company also offers our open-end mutual fund products through our website, www.gabelli.com, where directly registered mutual fund investors can access their personal account information and buy, sell and exchange Fund shares. Fund prospectuses, quarterly reports, fund applications, daily net asset values and performance charts are all available online. As part of our efforts to educate investors, we introduced Gabelli University with our initial publications Deals, Deals… and More Deals and Global Convertible Investing: The Gabelli Way. Our website is an active, informative and valuable resource which we believe has become an increasingly important feature of our client service efforts.

Institutional Research

Gabelli & Company provides institutional investors with investment ideas on numerous industries and special situations, with a particular focus on small-cap and mid-cap companies. Our team of sell-side analysts follow economic sectors on a global basis. Our research focuses on company fundamentals, cash flow statistics, and catalysts that will help realize returns.

Brokerage Commissions and Trading

Gabelli & Company generates brokerage commission revenues from securities transactions executed on an agency basis on behalf of institutional and private wealth management clients as well as from retail customers and mutual funds. Commission revenues totaled $12.2 million, $12.6 million, and $15.7 million for the years ended December 31, 2005, 2006 and 2007, respectively. Gabelli & Company has considered and continues to explore expansion of its proprietary trading activities.

Underwriting

Gabelli & Company is involved in external syndicated underwriting activities. In 2005, 2006 and 2007, Gabelli & Company participated syndicated underwritings of public equity and debt offerings managed by major investment banks. In 2005, Gabelli & Company participated in 4 of these underwritings with commitments of $21.4 million, of which 2 included a commitment of $5.9 million for participation in offerings of Gabelli closed-end funds shares. In 2006, Gabelli & Company participated in 4 of these underwritings with commitments of $15.5 million, of which 1 included a commitment of $14.0 million for participation in offerings of Gabelli closed-end funds shares. In 2007, Gabelli & Company participated in 5 of these underwritings with commitments of $7.0 million, of which 2 included a commitment of $42.5 million for participation in offerings of Gabelli closed-end funds shares.

Competition

We compete with other investment management firms and mutual fund companies, insurance companies, banks, brokerage firms and other financial institutions that offer products that have similar features and investment objectives to those offered by us. Many of the investment management firms with which we compete are subsidiaries of large diversified financial companies and many others are much larger in terms of AUM and revenues and, accordingly, have much larger sales organizations and marketing budgets. Historically, we have competed primarily on the basis of the long-term investment performance of many of our investment products. However, we have taken steps to increase our distribution channels, brand name awareness and marketing efforts.

The market for providing investment management services to institutional and private wealth management separate accounts is also highly competitive. Approximately 35% of our investment advisory fee revenue for the year ended December 31, 2007 was derived from our Separate Accounts. Selection of investment advisors by U.S. institutional investors is often subject to a screening process and to favorable recommendations by investment industry consultants. Many of these investors require their investment advisors to have a successful and sustained performance record, often five years or longer, and also focus on one-year and three-year performance records. We have significantly increased our AUM on behalf of U.S. institutional investors since our entry into the institutional asset management business in 1977. At the current time, we believe that our investment performance record would be attractive to potential new institutional and private wealth management clients. However, no assurance can be given that our efforts to obtain new business will be successful.

Intellectual Property

Service marks and brand name recognition are important to our business. We have rights to the service marks under which our products are offered. We have registered certain service marks in the United States and will continue to do so as new trademarks and service marks are developed or acquired. We have rights to use the “Gabelli” name, the “GAMCO” name, and other names. Pursuant to an assignment agreement, Mr. Gabelli has assigned to us all of his rights, title and interests in and to the “Gabelli” name for use in connection with investment management services, mutual funds and securities brokerage services. However, under the agreement, Mr. Gabelli will retain any and all rights, title and interests he has or may have in the “Gabelli” name for use in connection with (i) charitable foundations controlled by Mr. Gabelli or members of his family or (ii) entities engaged in private investment activities for Mr. Gabelli or members of his family. In addition, the funds managed by Mr. Gabelli outside GBL have entered into a license agreement with us permitting them to continue limited use of the “Gabelli” name under specified circumstances. We have taken, and will continue to take, action to protect our interests in these service marks.

Regulation

Virtually all aspects of our businesses are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of registered investment companies. Under such laws and regulations, agencies that regulate investment advisors and broker-dealers such as us have broad administrative powers, including the power to limit, restrict or prohibit such an advisor or broker-dealer from carrying on its business in the event that it fails to comply with such laws and regulations. In such event, the possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment advisor and other registrations, censures, and fines. We believe that we are in substantial compliance with all material laws and regulations.

Our business is subject to regulation at both the federal and state level by the SEC and other regulatory bodies. Certain of our subsidiaries are registered with the Commission under the Investment Advisers Act, and the Mutual Funds are registered with the Commission under the Investment Company Act. We also have a subsidiary that is registered as a broker-dealer with the Commission and is subject to regulation by the Financial Industry Regulatory Authority ("FINRA") and various states.

The subsidiaries of GBL that are registered with the Commission under the Investment Advisers Act (Funds Advisor, Teton, Gabelli Fixed Income LLC, GAMCO and GSI) are regulated by and subject to examination by the Commission. The Investment Advisers Act imposes numerous obligations on registered investment advisors including fiduciary duties, record keeping requirements, operational requirements, marketing requirements and disclosure obligations. The Commission is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act, ranging from censure to termination of an investment advisor's registration. The failure of a subsidiary to comply with the requirements of the Commission could have a material adverse effect on us. We believe that we are in substantial compliance with the requirements of the regulations under the Investment Advisers Act.

We derive a substantial majority of our revenues from investment advisory services through our investment management agreements. Under the Investment Advisers Act, our investment management agreements terminate automatically if assigned without the client's consent. Under the Investment Company Act, advisory agreements with registered investment companies such as the Mutual Funds terminate automatically upon assignment. The term "assignment" is broadly defined and includes direct assignments as well as assignments that may be deemed to occur, under certain circumstances, upon the transfer, directly or indirectly, of a controlling interest in GBL.

In its capacity as a broker-dealer, Gabelli & Company is required to maintain certain minimum net capital and cash reserves for the benefit of our customers. Gabelli & Company’s net capital, as defined, has consistently met or exceeded all minimum requirements. Gabelli & Company is also subject to periodic examination by FINRA.

Subsidiaries of GBL are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to regulations promulgated there under, insofar as they are "fiduciaries" under ERISA with respect to certain of their clients. ERISA and applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), impose certain duties on persons who are fiduciaries under ERISA and prohibit certain transactions involving ERISA plan clients. Our failure to comply with these requirements could have a material adverse effect on us.

Investments by GBL on behalf of our clients often represent a significant equity ownership position in an issuer's class of stock. As of December 31, 2007, we had five percent or more beneficial ownership with respect to approximately 100 equity securities. This activity raises frequent regulatory and legal issues regarding our aggregate beneficial ownership level with respect to portfolio securities, including issues relating to issuers' shareholder rights plans or "poison pills," state gaming laws and regulations, federal communications laws and regulations, public utility holding company laws and regulations, federal proxy rules governing shareholder communications and federal laws and regulations regarding the reporting of beneficial ownership positions. Our failure to comply with these requirements could have a material adverse effect on us.

The USA Patriot Act of 2001, enacted in response to the terrorist attacks on September 11, 2001, contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers, mutual funds and other financial services companies, including standards for verifying client identification at account opening, and obligations to monitor client transactions and report suspicious activities. Anti-money laundering laws outside of the U.S. contain some similar provisions. Our failure to comply with these requirements could have a material adverse effect on us.

We and certain of our affiliates are subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. In particular, we are subject to requirements in numerous jurisdictions regarding reporting of beneficial ownership positions in securities issued by companies whose securities are publicly-traded in those countries. In addition, GAMCO is registered as an international advisor, investment counsel and portfolio manager with the Ontario Securities Commission in Canada in order to market our services to prospective clients who reside in Ontario. Several of our Investment Partnerships are organized under the laws of foreign jurisdictions. In connection with our opening of an office in London and our plans to market certain products in Europe, we are required to comply with the laws of the United Kingdom and other European countries regarding these activities. Our subsidiary, GAMCO Asset Management (UK) Limited, is regulated by the Financial Services Authority. In connection with our registration in the United Kingdom, we have minimum capital requirements that have been consistently met or exceeded. In 2007, we opened research offices in Shanghai and Singapore and therefore are subject to national and local laws in those jurisdictions.

Regulatory matters

On September 3, 2003, the New York Attorney General's office ("NYAG") announced that it had found evidence of widespread improper trading involving mutual fund shares. These transactions included the "late trading" of mutual fund shares after the 4:00 p.m. pricing cutoff and "time zone arbitrage" of mutual fund shares designed to exploit pricing inefficiencies. Since the NYAG's announcement, FINRA, the SEC, the NYAG and officials of other states have been conducting inquiries into and bringing enforcement actions related to trading abuses in mutual fund shares. We received information requests and subpoenas from the SEC and the NYAG in connection with their inquiries and have complied with these requests for documents and testimony. We implemented additional compliance policies and procedures in response to recent industry initiatives and an internal review of our mutual fund practices and procedures in a variety of areas. A special committee of all of our independent directors was also formed to review various issues involving mutual fund share transactions and was assisted by independent counsel.

As part of our review, hundreds of documents were examined and approximately fifteen individuals were interviewed. The Company has found no evidence that any employee participated in or facilitated any "late trading". The Company also has found no evidence of any improper trading in our mutual funds by our investment professionals or senior executives. As the Company previously reported, we did find that in August of 2002, we banned an account, which had been engaging in frequent trading in our Global Growth Fund (the prospectus of which did not impose limits on frequent trading) and which had made a small investment in one of our hedge funds, from further transactions with our firm. Certain other investors had been banned prior to that. The Company also found that certain discussions took place in 2002 and 2003 between GBL's staff and personnel of an investment advisor regarding possible frequent trading in certain Gabelli domestic equity funds. In June 2006, we began discussions with the SEC staff for a potential resolution of their inquiry. As a result of these discussions the Company increased its reserve ("SEC reserve") from an initial $1 million in 2003 to $16 million in 2006. In February 2007, the Company made an offer of settlement to the SEC staff for communication to the Commission for its consideration to resolve this matter. This offer of settlement is subject to final agreement regarding the specific language of the SEC's administrative order and other settlement documents. Should an offer of settlement with the SEC be agreed upon, it is contemplated that management will engage a consultant to determine an appropriate distribution of disgorgement proceeds to affected mutual fund shareholders. Since these discussions are ongoing, the Company cannot determine at this time whether they will ultimately result in a settlement of this matter, whether our reserves will be sufficient to cover any payments by the Company related to such a settlement, or whether and to what extent insurance may cover such payments.

In September 2005, we were informed by the staff of the SEC that they may recommend to the Commission that one of our advisory subsidiaries be held accountable for the actions of two of the seven closed-end funds then managed by the subsidiary relating to Section 19(a) and Rule 19a-1 of the Investment Company Act of 1940. These provisions require registered investment companies to provide written statements to shareholders when a dividend is made from a source other than net investment income. While the funds sent annual statements containing the required information and Form 1099-Div statements as required by the IRS, the funds did not send written statements to shareholders with each distribution in 2002 and 2003. The staff indicated that they may recommend to the Commission that administrative remedies be sought, including a monetary penalty. The closed-end funds changed their notification procedures, and we believe that all of the funds have been in compliance since 2004.

In response to industry-wide inquiries and enforcement actions, a number of regulatory and legislative initiatives were introduced. The SEC has proposed and adopted a number of rules under the Investment Company Act and the Investment Advisers Act and is currently studying potential major revisions of other rules. The SEC adopted rules requiring written compliance programs for registered investment advisers and registered investment companies and additional disclosures regarding portfolio management and advisory contract renewals. In addition, several bills were introduced in a prior Congress that, if adopted, would have amended the Investment Company Act. These proposals, if reintroduced and enacted, or if adopted by the SEC, could have a substantial impact on the regulation and operation of our registered and unregistered funds. For example, certain of these proposals would, among other things, limit or eliminate Rule 12b-1 distribution fees, limit or prohibit third party soft dollar arrangements and restrict the management of hedge funds and mutual funds by the same portfolio manager.

The investment management industry is likely to continue facing a high level of regulatory scrutiny and become subject to additional rules designed to increase disclosure, tighten controls and reduce potential conflicts of interest. In addition, the SEC has substantially increased its use of focused inquiries in which it requests information from a number of fund complexes regarding particular practices or provisions of the securities laws. We participate in some of these inquiries in the normal course of our business. The SEC periodically proposes and adopts how rules or rule changes under the Investment Company Act and the Investment Advisers Act and is currently studying potential major revisions of various rules including those govering the financing of mutual fund distribution activities. Changes in laws, regulations and administrative practices by regulatory authorities, and the associated compliance costs, have increased our cost structure and could in the future have a material impact.

Personnel

On February 28, 2008, we had a full-time staff of 214 individuals, of whom 67 served in the portfolio management, research and trading areas (including 24 portfolio managers for the Mutual Funds, Separate Accounts and Investment Partnerships), 71 served in the marketing and shareholder servicing areas and 76 served in the administrative area.

ITEM 1A: RISK FACTORS

Business Risks

We caution the reader that the following business risks and those risks described elsewhere in this report and in our other SEC filings could cause our actual results to differ materially from expectations stated in our forward-looking statements.

Risks Related to Our Industry

Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

Our business is subject to extensive regulation in the United States, primarily at the federal level, including regulation by the SEC under the Investment Company Act and the Investment Advisers Act, by the Department of Labor under ERISA, as well as regulation by FINRA and state regulators. The mutual funds managed by Fund Advisor and Teton are registered with the SEC as investment companies under the Investment Company Act. The Investment Advisers Act imposes numerous obligations on investment advisors, including record-keeping, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations, as well as additional detailed operational requirements, on registered investment companies and investment advisors. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions, including revocation of our registration as an investment advisor or broker-dealer. Industry regulations are designed to protect our clients and investors in our funds and other third parties who deal with us and to ensure the integrity of the financial markets. They are not designed to protect our stockholders. Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

To the extent we are forced to compete on the basis of price, we may not be able to maintain our current fee structure.

The investment management business is highly competitive and has relatively low barriers to entry. To the extent we are forced to compete on the basis of price, we may not be able to maintain our current fee structure. Although our investment management fees vary from product to product, historically we have competed primarily on the performance of our products and not on the level of our investment management fees relative to those of our competitors. In recent years, however, there has been a trend toward lower fees in the investment management industry. In order to maintain our fee structure in a competitive environment, we must be able to continue to provide clients with investment returns and service that make investors willing to pay our fees. In addition, the board of directors of each mutual fund managed by Funds Advisor and Teton must make certain findings as to the reasonableness of its fees. We cannot be assured that we will succeed in providing investment returns and service that will allow us to maintain our current fee structure. Fee reductions on existing or future new business could have an adverse effect on our profit margins and results of operations.

We derive a substantial portion of our revenues from contracts that may be terminated on short notice.

A substantial majority of all of our revenues are derived from investment management agreements and distribution arrangements. Investment management agreements and distribution arrangements with the Mutual Funds are terminable without penalty on 60 days' notice (subject to certain additional procedural requirements in the case of termination by a Mutual Fund) and must be specifically approved at least annually, as required by law. Such annual renewal requires, among other things, approval by the disinterested members of each Mutual Fund's board of directors or trustees. Investment advisory agreements with the Separate Accounts are typically terminable by the client without penalty on 30 days' notice or less. Any failure to renew or termination of a significant number of these agreements or arrangements would have a material adverse effect on us.

Investors in the open-end funds can redeem their investments in these funds at any time without prior notice, which could adversely affect our earnings.

Open-end fund investors may redeem their investments in those funds at any time without prior notice. Investors may reduce the aggregate amount of AUM for any number of reasons, including investment performance, changes in prevailing interest rates and financial market performance. In a declining stock market, the pace of mutual fund redemptions could accelerate. Poor performance relative to other asset management firms tends to result in decreased purchases of mutual fund shares and increased redemptions of mutual fund shares. The redemption of investments in mutual funds managed by Funds Advisor or Teton would adversely affect our revenues, which are substantially dependent upon the AUM in our funds. If redemptions of investments in mutual funds caused our revenues to decline, it could have a material adverse effect on our earnings.

Certain changes in control of our company would automatically terminate our investment management agreements with our clients, unless our separate account clients consent and, in the case of fund clients, the funds' boards of directors and shareholders vote to continue the agreements, and could prevent us for a two-year period from increasing the investment advisory fees we are able to charge our mutual fund clients.

Under the Investment Company Act, an investment management agreement with a fund must provide for its automatic termination in the event of its assignment. The fund's board and shareholders must vote to continue the agreement following its assignment, the cost of which ordinarily would be borne by us.

Under the Investment Advisers Act, a client's investment management agreement may not be "assigned" by the investment advisor without the client's consent. An investment management agreement is considered under both acts to be assigned to another party when a controlling block of the advisor's securities is transferred. In our case, an assignment of our investment management agreements may occur if, among other things, we sell or issue a certain number of additional common shares in the future. We cannot be certain that our clients will consent to assignments of our investment management agreements or approve new agreements with us if an assignment occurs. Under the Investment Company Act, if a fund's investment advisor engages in a transaction that results in the assignment of its investment management agreement with the fund, the advisor may not impose an "unfair burden" on that fund as a result of the transaction for a two-year period after the transaction is completed. The term "unfair burden" has been interpreted to include certain increases in investment advisory fees. This restriction may discourage potential purchasers from acquiring a controlling interest in our company.

Regulatory developments designed to increase oversight of hedge funds may adversely affect our business.

The SEC has proposed a rule that would limit the eligibility of individuals to invest in hedge funds by requiring that such individuals own not less than $2.5 million in investments at the time of their hedge fund investment. The SEC may also propose or enact other rules designed to increase oversight of hedge funds by the SEC. Any regulations applicable to hedge funds that may be adopted could have an impact on our operations and may adversely affect our hedge fund business and decrease our future income.

A decline in the prices of securities would lead to a decline in our assets under management, revenues and earnings.

Substantially all of our revenues are determined by the amount of our AUM. Under our investment advisory contracts with our clients, the investment advisory fees we receive are typically based on the market value of AUM. In addition, we receive asset-based distribution and/or service fees with respect to the open-end funds managed by Funds Advisor or Teton over time pursuant to distribution plans adopted under provisions of Rule 12b-1 under the Investment Company Act. Rule 12b-1 fees typically are based on the market value of AUM and represented approximately 8.6% of our revenues for the year ended December 31, 2007 and 7.7% and 7.9% of our revenues for the years ended December 31, 2005 and 2006, respectively. Accordingly, a decline in the prices of securities generally may cause our revenues and net income to decline by either causing the value of our AUM to decrease, which would result in lower investment advisory and Rule 12b-1 fees, or causing our clients to withdraw funds in favor of investments they perceive to offer greater opportunity or lower risk, which would also result in lower fees. The securities markets are highly volatile, and securities prices may increase or decrease for many reasons, including economic and political events and acts of terrorism beyond our control. If a decline in securities prices caused our revenues to decline, it could have a material adverse effect on our earnings.

Catastrophic and unpredictable events could have a material adverse effect on our business.

A terrorist attack, war, power failure, cyber-attack, natural disaster or other catastrophic or unpredictable event could adversely affect our future revenues, expenses and earnings by: interrupting our normal business operations; sustaining employee casualties, including loss of our key executives; requiring substantial expenditures and expenses to repair, replace and restore normal business operations; and reducing investor confidence.

We have a disaster recovery plan to address certain contingencies, but we cannot be assured that this plan will be sufficient in responding or ameliorating the effects of all disaster scenarios. If our employees or vendors we rely upon for support in a catastrophic event are unable to respond adequately or in a timely manner, we may lose clients resulting in a decrease in AUM which may have a material adverse effect on revenues and net income.

Risks Related to Our Business

Control by Mr. Gabelli of a majority of the combined voting power of our common stock may give rise to conflicts of interests.

Since our initial public offering in 1999, Mr. Gabelli, through his majority ownership of GGCP, has beneficially owned a majority of our outstanding class B common stock. As of December 31, 2007, GGCP's holdings of our class B common stock represent approximately 95% of the combined voting power of all classes of our voting stock. As long as Mr. Gabelli indirectly beneficially owns a majority of the combined voting power of our common stock, he will have the ability to elect all of the members of our Board of Directors and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of common stock or other securities, and the declaration and payment of dividends on the common stock. In addition, Mr. Gabelli will be able to determine the outcome of matters submitted to a vote of our shareholders for approval and will be able to cause or prevent a change in control of our company. As a result of Mr. Gabelli's control, none of our agreements with Mr. Gabelli and other companies controlled by him can be assumed to have been arrived at through "arm's-length" negotiations, although we believe that the parties endeavor to implement market-based terms. There can be no assurance that we would not have received more favorable terms from an unaffiliated party.

In order to minimize conflicts and potential competition with our investment management business, in 1999 and as part of our initial public offering, Mr. Gabelli entered into a written agreement to limits his activities outside of GBL. On February 6, 2008, Mr. Gabelli entered into an amended and restated employment agreement which was approved by the GBL shareholders on November 30, 2007 and which limits his activities outside of GBL. The amended agreement ("Amended Agreement") amended Mr. Gabelli's Employment Agreement primarily by (i) eliminating outdated provisions, clarifying certain language and reflecting our name change, (ii) revising the term of the Employment Agreement from an indefinite term to automatically renewed one-year periods in perpetuity following the initial three-year term unless either party gives 90 days written notice prior to the expiration of the annual term following the initial three-year term, (iii) allowing for services to be performed for former subsidiaries that are spun off to shareholders or otherwise cease to be subsidiaries in similar transactions, (iv) allowing new investors in the permitted outside accounts if all of the performance fees, less expenses, generated by assets attributable to such investors are paid to us, (v) allowing for the management fee to be paid directly to Mr. Gabelli or to an entity designated by him, and (vi) adding certain language to ensure that the Amended Agreement is construed to avoid the imposition of any tax pursuant to Section 409A of the Code.

Prior to our initial public offering in February 1999, GAMCO entered into an Employment Agreement with Mr. Gabelli. Under the Amended Agreement, the manner of computing Mr. Gabelli's remuneration from GAMCO is unchanged.

Mr. Gabelli (or his designee under the Amended Agreement) will continue receiving an incentive-based management fee in the amount of 10% of our aggregate pre-tax profits, if any, as computed for financial reporting purposes in accordance with U.S. generally accepted accounting principles (before consideration of this fee) so long as he is an executive of GAMCO and devotes the substantial majority of his working time to our business. This incentive-based management fee is subject to the Compensation Committee’s review at least annually for compliance with its terms.

Consistent with the firm’s practice since its inception in 1977, Mr. Gabelli will also continue receiving a percentage of revenues or net operating contribution, which are substantially derived from AUM, as compensation relating to or generated by the following activities: (i) managing or overseeing the management of various investment companies and partnerships, (ii) attracting mutual fund shareholders, (iii) attracting and managing separate accounts, and (iv) otherwise generating revenues for the company. Such payments are made in a manner and at rates as agreed to from time to time by GAMCO, which rates have been and generally will be the same as those received by other professionals at GAMCO performing similar services. With respect to our institutional and high net worth asset management and mutual fund advisory business, we pay out up to 40% of the revenues or net operating contribution to the portfolio managers and marketing staff who introduce, service or generate such business, with payments involving the separate accounts being typically based on revenues and payments involving the mutual funds being typically based on net operating contribution.

Mr. Gabelli has agreed that while he is employed by us he will not provide investment management services outside of GAMCO, except for certain permitted accounts. These accounts held assets at December 31, 2006 and 2007 of approximately $97.3 million and $91.4 million, respectively. The Amended Agreement may not be amended without the approval of the Compensation Committee.

We depend on Mario J. Gabelli and other key personnel.

We are dependent on the efforts of Mr. Gabelli, our Chairman of the Board, Chief Executive Officer and the primary portfolio manager for a significant majority of our AUM. The loss of Mr. Gabelli's services would have a material adverse effect on us.

In addition to Mr. Gabelli, our future success depends to a substantial degree on our ability to retain and attract other qualified personnel to conduct our investment management business. The market for qualified portfolio managers is extremely competitive and has grown more so in recent periods as the investment management industry has experienced growth. We anticipate that it will be necessary for us to add portfolio managers and investment analysts as we further diversify our investment products and strategies. There can be no assurance, however, that we will be successful in our efforts to recruit and retain the required personnel. In addition, our investment professionals and senior marketing personnel have direct contact with our Separate Account clients, which can lead to strong client relationships. The loss of these personnel could jeopardize our relationships with certain Separate Account clients, and result in the loss of such accounts. The loss of key management professionals or the inability to recruit and retain sufficient portfolio managers and marketing personnel could have a material adverse effect on our business.

Potential adverse effects on our performance prospects from a decline in the performance of the securities markets.

Our results of operations are affected by many economic factors, including the performance of the securities markets. During the 1990s, unusually favorable and sustained performance of the U.S. securities markets, and the U.S. equity market, in particular, attracted substantial inflows of new investments in these markets and has contributed to significant market appreciation which has, in turn, led to an increase in our AUM and revenues. At December 31, 2007, approximately 96% of our AUM were invested in portfolios consisting primarily of equity securities. More recently, the securities markets in general have experienced significant volatility. Any decline in the securities markets, in general, and the equity markets, in particular, could reduce our AUM and consequently reduce our revenues. In addition, any such decline in the equity markets, failure of these markets to sustain their prior levels of growth, or continued short-term volatility in these markets could result in investors withdrawing from the equity markets or decreasing their rate of investment, either of which would be likely to adversely affect us. From time to time, a relatively high proportion of the assets we manage may be concentrated in particular industry sectors. A general decline in the performance of securities in those industry sectors could have an adverse effect on our AUM and revenues.

Possibility of losses associated with proprietary investment activities.

We may from time to time make or maintain large proprietary investment positions in securities. Market fluctuations and other factors may result in substantial losses in our proprietary accounts, which could have an adverse effect on our balance sheet, reduce our ability or willingness to make new investments or impair our credit ratings.

Future investment performance could reduce revenues and other income.

Success in the investment management and mutual fund businesses is dependent on investment performance as well as distribution and client servicing. Good performance generally stimulates sales of our investment products and tends to keep withdrawals and redemptions low, which generates higher management fees (which are based on the amount of AUM). Conversely, relatively poor performance tends to result in decreased sales, increased withdrawals and redemptions in the case of the open-end Mutual Funds, and in the loss of Separate Accounts, with corresponding decreases in revenues to us. Many analysts of the mutual fund industry believe that investment performance is the most important factor for the growth of open and closed-end funds, such as those we offer. Failure of our investment products to perform well could, therefore, have a material adverse effect on us.

Loss of significant Separate Accounts could affect our revenues.

We had approximately 1,700 Separate Accounts as of December 31, 2007, of which the ten largest accounts generated approximately 7.4% of our total revenues during the year ended December 31, 2007. Loss of these accounts for any reason would have an adverse effect on our revenues. Notwithstanding performance, we have from time to time lost large Separate Accounts as a result of corporate mergers and restructurings, and we could continue to lose accounts under these or other circumstances.

During 2007, as in prior years, we experienced client “turnover”. In the Separate Accounts, over one half of the decrease in assets were subadvisory assets where the advisor underwent a corporate change in control, specifically, the sale of the advisor to a third party.

A decline in the market for closed-end funds could reduce our ability to raise future assets to manage.

Market conditions may preclude us from increasing the assets we manage in closed-end funds. A significant portion of our recent growth in the assets we manage has resulted from public offerings of the common and preferred shares of closed-end funds. We have raised $1.6 billion in gross assets through closed-end fund offerings since January 2004. The market conditions for these offerings may not be as favorable in the future, which could adversely impact our ability to grow the assets we manage and our revenue.

We rely on third-party distribution programs.

We have since 1996 experienced significant growth in sales of our open-end Mutual Funds through Third-Party Distribution Programs, which are programs sponsored by third-party intermediaries that offer their mutual fund customers a variety of competing products and administrative services. Most of the sales growth from our Third-Party Distribution Programs is from programs with no transaction fees payable by the customer, which we refer to as NTF Programs. Approximately $3.4 billion of our AUM in the open-end Mutual Funds as of December 31, 2007 were obtained through NTF Programs. The cost of participating in Third-Party Distribution Programs is higher than our direct distribution costs, and it is anticipated that the cost of Third-Party Distribution Programs will increase in the future. Any increase would be likely to have an adverse effect on our profit margins and results of operations. In addition, there can be no assurance that the Third-Party Distribution Programs will continue to distribute the Mutual Funds. At December 31, 2007, approximately 89.3% of the NTF Program net assets in the Gabelli/GAMCO and Westwood families of funds are attributable to two NTF Programs. The decision by these Third-Party Distribution Programs to discontinue distribution of the Mutual Funds, or a decision by us to withdraw one or more of the Mutual Funds from the programs, could have an adverse effect on our growth of AUM.

Possibility of losses associated with underwriting, trading and market-making activities.

Our underwriting and trading activities are primarily conducted through our subsidiary, Gabelli & Company, primarily as agent. Such activities subject our capital to significant risks of loss. The risks of loss include those resulting from ownership of securities, extension of credit, leverage, liquidity, counterparty failure to meet commitments, client fraud, employee errors, misconduct and fraud (including unauthorized transactions by traders), failures in connection with the processing of securities transactions and litigation. We have procedures and internal controls to address such risks, but there can be no assurance that these procedures and controls will prevent losses from occurring.

We may have liability as a general partner or otherwise with respect to our alternative investment products.

Certain of our subsidiaries act as general partner for investment partnerships, including arbitrage, event-driven long/short, sector focused and merchant banking limited partnerships. As a general partner of these partnerships, we may be held liable for the partnerships' liabilities in excess of their ability to pay such liabilities. In addition, in certain circumstances, we may be liable as a control person for the acts of our investment partnerships. As of December 31, 2007, our AUM included approximately $460 million in investment partnerships. A substantial adverse judgment or other liability with respect to our investment partnerships could have a material adverse effect on us.

Operational risks may disrupt our businesses, result in regulatory action against us or limit our growth.

We face operational risk arising from errors made in the execution, confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted for. Our business is highly dependent on our ability to process, on a daily basis, transactions across markets in an efficient and accurate manner. Consequently, we rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

Dependence on information systems.

We operate in an industry that is highly dependent on its information systems and technology. We outsource a significant portion of our information systems operations to third parties who are responsible for providing the management, maintenance and updating of such systems. There can be no assurance, however, that our information systems and technology will continue to be able to accommodate our growth or that the cost of maintaining such outsourcing arrangements will not increase from its current level. Such a failure to accommodate growth, or an increase in costs related to these information systems, could have a material adverse effect on us.

We may not be able to refinance or have the funds necessary to repurchase our existing indebtedness.

On August 10, 2001, we and certain of our affiliates entered into a note purchase agreement with Cascade Investment, L.L.C., pursuant to which Cascade purchased $100 million in principal amount of a convertible promissory note. Pursuant to the terms of the Note, Cascade may require us, or upon a change in control or Mr. Gabelli ceasing to provide our predominant executive leadership, to repurchase the Note (i.e., put option) at par plus accrued and unpaid interest on the Note. In March 2005, we amended the terms of the Note. The new terms extended the exercise date of Cascade's put option to September 15, 2006, reduced the principal of the Note to $50 million, effective April 1, 2005, and removed limitations on the issuance of additional debt. In June 2006, GBL and Cascade agreed to amend the terms of the Note. Effective September 15, 2006, the rate on the Note increased from 5% to 6% while the conversion price was raised to $53 per share from $52 per share. In addition, the exercise date of Cascade’s put option was extended to May 15, 2007, the expiration date of the related letter of credit was extended to May 22, 2007 and a call option was included giving GBL the right to redeem the Note at 101% of its principal amount together with all accrued but unpaid interest thereon upon at least 30 days prior written notice, subject to certain provisions. On April 18, 2007, the Company and Cascade amended the terms of the Note maturing in August 2011, to extend the exercise date for Cascade’s put option from May 15, 2007 to December 17, 2007 and to extend the expiration date of the related letter of credit to December 24, 2007. The put option expired on December 17, 2007, the related letter of credit expired on December 24, 2007, and the collateral securing the letter of credit was released and became unrestricted company assets as of that date. Subsequent to year end, GBL filed a Form S-3 to register the resale of shares of GBL by Cascade. On January 22, 2008, Cascade elected to convert $10 million of the Note into 188,679 GBL shares. Cascade requested that the remaining $40 million face value of notes be segregated into eight notes each with a face value of $5 million.

Our credit ratings affect our borrowing costs.

Our borrowing costs and our access to the debt capital markets depend significantly on our credit ratings. A reduction in our credit ratings could increase our borrowing costs and limit our access to the capital markets.

We face exposure to litigation within our business.

The volume of litigation against financial services firms and the amount of damages claimed has increased over the past several years. The types of claims that we may face are varied. For example, we may face claims against us for purchasing securities that are inconsistent with a client’s investment objectives or guidelines, in connection with the operation of the Mutual Funds or arising from an employment dispute. The risk of litigation is difficult to assess or quantify, and may occur years after the activities or events at issue. Even if we prevail in a legal action brought against us, the costs alone of defending against the action could have a material adverse effect on us.

Compliance failures and changes in regulation could adversely affect us.

Our investment management activities are subject to client guidelines, and our Mutual Fund business involves compliance with numerous investment, asset valuation, distribution and tax requirements. A failure to adhere to these guidelines or satisfy these requirements could result in losses which could be recovered by the client from us in certain circumstances. Although we have installed procedures and utilize the services of experienced administrators, accountants and lawyers to assist us in adhering to these guidelines and satisfying these requirements, and maintain insurance to protect ourselves in the case of client losses, there can be no assurance that such precautions or insurance will protect us from potential liabilities.

Our businesses are subject to extensive regulation in the United States, including by the SEC and FINRA. We are also subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. Our failure to comply with applicable laws or regulations could result in fines, suspensions of personnel or other sanctions, including revocation of our subsidiaries' registrations as an investment advisor or broker-dealer. Changes in laws or regulations or in governmental policies could have a material adverse effect on us. The regulatory matters described in the "Regulatory Matters" section above or other regulatory or compliance matters could also have a material adverse effect on us.

Our reputation is critical to our success.

Our reputation is critical to maintaining and developing relationships with our clients, Mutual Fund shareholders and third-party intermediaries. In recent years, there have been a number of well-publicized cases involving fraud, conflicts of interest or other misconduct by individuals in the financial services industry. Misconduct by our staff, or even unsubstantiated allegations, could result not only in direct financial harm but also harm to our reputation, causing injury to the value of our brands and our ability to retain or attract AUM. In addition, in certain circumstances, misconduct on the part of our clients or other parties could damage our reputation. Harm to our reputation could have a material adverse effect on us.

We face strong competition from numerous and sometimes larger companies.

We compete with numerous investment management companies, stock brokerage and investment banking firms, insurance companies, banks, savings and loan associations and other financial institutions. Continuing consolidation in the financial services industry has created stronger competitors with greater financial resources and broader distribution channels than our own. Additionally, competing securities dealers whom we rely upon to distribute our mutual funds also sell their own proprietary funds and investment products, which could limit the distribution of our investment products. To the extent that existing or potential customers, including securities dealers, decide to invest in or distribute the products of our competitors, the sales of our products as well as our market share, revenues and net income could decline.

Fee pressures could reduce our profit margins.

There has been a trend toward lower fees in some segments of the investment management industry. In order for us to maintain our fee structure in a competitive environment, we must be able to provide clients with investment returns and service that will encourage them to be willing to pay such fees. Accordingly, there can be no assurance that we will be able to maintain our current fee structure. Fee reductions on existing or future new business could have an adverse impact on our profit margins and results of operations.

Risks Related to the Company

The disparity in the voting rights among the classes of shares may have a potential adverse effect on the price of our class A common stock.

The holders of class A common stock and class B common stock have identical rights except that (i) holders of class A common stock are entitled to one vote per share, while holders of class B common stock are entitled to ten votes per share on all matters to be voted on by shareholders in general, and (ii) holders of class A common stock are not eligible to vote on matters relating exclusively to class B common stock and vice versa. The differential in voting rights and the ability of our company to issue additional class B common stock could adversely affect the value of the class A common stock to the extent the investors, or any potential future purchaser of our company, view the superior voting rights of the class B common stock to have value. On November 30, 2007, class A common stock shareholders approved that the Board of Directors should consider the conversion and reclassification of our shares of class B common stock into class A common stock at a ratio of 1.15 shares of class A common stock for each share of class B common stock.

Future sales of our class A common stock in the public market or sales or distributions of our class B common stock could lower our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute our stockholders' ownership in us.

We may sell additional shares of class A common stock in subsequent public offerings. We also may issue additional shares of class A common stock or convertible debt securities. As of December 31, 2007, we had 7,819,741 outstanding shares of class A common stock. On September 1, 2006, a shelf registration statement on Form S-3 was declared effective by the SEC for the re-sale of up to 2,486,763 class A shares. Subsequent to December 31, 2007, on January 18, 2008, a registration statement on Form S-3 was declared effective by the SEC for the registration for resale by Cascade of an aggregate of 943,396 shares of class A common stock issuable upon conversion of the Note. The Note matures on August 14, 2011. On January 22, 2008, Cascade elected to convert $10 million of the Note into 188,697 GBL shares. Cascade requested that the remaining $40 million face value of notes be segregated into eight notes each with a face value of $5 million.
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No prediction can be made as to the effect, if any, that future sales or distributions of class B common stock owned by GGCP will have on the market price of the class A common stock prevailing from time to time. Sales or distributions of substantial amounts of class A or class B common stock, or the perception that such sales or distributions could occur, could adversely affect the prevailing market price for the class A common stock.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

At December 31, 2007, we leased our principal offices which consisted of a single 60,000 square foot building located at 401 Theodore Fremd Avenue, Rye, New York which expires on April 30, 2013. This building was leased in December 1997 (prior to our 1999 IPO) from an entity controlled by members of Mr. Gabelli's immediate family. For 2007, 2006 and 2005 we paid approximately $856,000, $834,000 and $802,000, respectively under this lease. Approximately 6,000 square feet was subleased to another tenant up until July 31, 2007. Another 3,000 square feet was subleased to an affiliate. We receive rental payments under the sublease agreements, which totaled approximately $259,000 in 2007 and were used to offset operating expenses incurred for the property. The lease provides that in addition to the lease payments, all operating expenses related to the property, which are estimated at $820,000 annually, are to be paid by us.

We have also entered into leases for office space in both the U.S. and overseas principally for portfolio management, research, sales and marketing personnel. These offices are generally less than 4,000 square feet and leased for periods of five years or less.

ITEM 3: LEGAL PROCEEDINGS

From time to time, we are a defendant in various lawsuits incidental to our business. We do not believe that the outcome of any current litigation will have a material effect on our financial condition.

On September 3, 2003, the NYAG announced that it had found evidence of widespread improper trading involving mutual fund shares. These transactions included the “late trading” of mutual fund shares after the 4:00 p.m. pricing cutoff and “time zone arbitrage” of mutual fund shares designed to exploit pricing inefficiencies. Since the NYAG’s announcement, FINRA, the SEC, the NYAG and officials of other states have been conducting inquiries into and bringing enforcement actions related to trading abuses in mutual fund shares. We received information requests and subpoenas from the SEC and the NYAG in connection with their inquiries and have complied with these requests for documents and testimony. We implemented additional compliance policies and procedures in response to recent industry initiatives and an internal review of our mutual fund practices and procedures in a variety of areas. A special committee of all of our independent directors was also formed to review various issues involving mutual fund share transactions and was assisted by independent counsel.

As part of our review, hundreds of documents were examined and approximately fifteen individuals were interviewed. The Company has found no evidence that any employee participated in or facilitated any “late trading”. The Company also has found no evidence of any improper trading in our mutual funds by our investment professionals or senior executives. As the Company previously reported, we did find that in August of 2002, we banned an account, which had been engaging in frequent trading in our Global Growth Fund (the prospectus of which did not impose limits on frequent trading) and which had made a small investment in one of our hedge funds, from further transactions with our firm. Certain other investors had been banned prior to that. The Company also found that certain discussions took place in 2002 and 2003 between GBL’s staff and personnel of an investment advisor regarding possible frequent trading in certain Gabelli domestic equity funds. In June 2006, we began discussions with the SEC staff for a potential resolution of their inquiry. As a result of these discussions the Company increased its SEC reserve from an initial $1 million in 2003 to $16 million in 2006. In February 2007, the Company made an offer of settlement to the SEC staff for communication to the Commission for its consideration to resolve this matter. This offer of settlement is subject to final agreement regarding the specific language of the SEC's administrative order and other settlement documents. Should an offer of settlement with the SEC be agreed upon, it is contemplated that management will engage a consultant to determine an appropriate distribution of disgorgement proceeds to affected mutual fund shareholders. Since these discussions are ongoing, the Company cannot determine at this time whether they will ultimately result in a settlement of this matter, whether our reserves will be sufficient to cover any payments by the Company related to such a settlement, or whether and to what extent insurance may cover such payments.

In September 2005, we were informed by the staff of the SEC that they may recommend to the Commission that one of our advisory subsidiaries be held accountable for the actions of two of the seven closed-end funds then managed by the subsidiary relating to Section 19(a) and Rule 19a-1 of the Investment Company Act of 1940. These provisions require registered investment companies to provide written statements to shareholders when a dividend is made from a source other than net investment income. While the funds sent annual statements containing the required information and Form 1099-Div statements as required by the IRS, the funds did not send written statements to shareholders with each distribution in 2002 and 2003. The staff indicated that they may recommend to the Commission that administrative remedies be sought, including a monetary penalty. The closed-end funds changed their notification procedures, and we believe that all of the funds have been in compliance since 2004.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 30, 2007, our shareholders considered and acted on the following proposals at a special meeting:

Approve, subject to final action by our Board of Directors, the distribution to our shareholders of the shares of common stock of Teton that we own.

	Votes	% Votes Cast*
FOR	209,109,746	99.4 %
AGAINST	1,257,269	0.6
ABSTAIN	4,590	

Vote by our holders of class A common stock on whether our Board of Directors should consider the conversion and reclassification of our shares of class B common stock into class A common stock at a ratio of 1.15 shares of class A common stock for each share of class B common stock.

	Votes	% Votes Cast*
FOR	5,072,397	97.7 %
AGAINST	119,347	2.3
ABSTAIN	828,771	

Approve the amended and restated Employment Agreement with Mr. Gabelli, our Chairman and Chief Executive Officer.

	Votes	% Votes Cast*
FOR	210,128,528	99.9 %
AGAINST	240,559	0.1
ABSTAIN	2,518	

* Excludes abstentions

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PART II

ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our shares of class A common stock have been traded on the NYSE under the symbol GBL since our initial public offering on February 11, 1999. Prior to that, there was no public market for our common stock.

As of March 1, 2008, there were 250 class A common stockholders of record and 13 class B common stockholders of record. These figures do not include stockholders with shares held under beneficial ownership in nominee name, which are estimated to be approximately 2,000.

The following table sets forth the high and low prices of our class A common stock for each quarter of 2007 and 2006 as reported by the NYSE.

Quarter Ended	High	Low
March 31, 2007	$ 43.85	$ 37.51
June 30, 2007	$ 58.63	$ 42.67
September 30, 2007	$ 62.43	$ 41.90
December 31, 2007	$ 70.15	$ 52.02
March 31, 2006	$ 49.05	$ 38.80
June 30, 2006	$ 42.50	$ 32.82
September 30, 2006	$ 39.94	$ 33.62
December 31, 2006	$ 40.50	$ 36.49

We paid our first dividend, a $.02 per share dividend, on December 15, 2003 to our class A shareholders of record December 1, 2003. Our class B shareholders elected to waive receipt of this dividend.

In 2004, we paid $1.16 per share in dividends to our common shareholders. This included three quarterly dividends of $0.02 per share on June 30, 2004, September 30, 2004 and December 28, 2004 to all shareholders of record on June 15, 2004, September 15, 2004 and December 14, 2004, respectively. We also paid two special dividends, a $0.10 per share dividend on June 30, 2004 to all shareholders of record on June 15, 2004 and a $1.00 per share dividend on November 30, 2004 to class A shareholders of record on November 15, 2004 and on December 23, 2004 to our class B shareholders of record on that date.

In 2005, we paid $0.69 per share in dividends to our common shareholders. This included three quarterly dividends of $0.02 per share on March 28, 2005, June 28, 2005, September 28, 2005 to all shareholders of record on March 14, 2005, June 15, 2005 and September 15, 2005, respectively and a quarterly dividend of $0.03 per share on December 28, 2005 to all shareholders of record on December 15, 2005. We also paid a special dividend of $0.60 per share on January 18, 2005 to all shareholders of record on January 3, 2005.

In 2006, we paid $0.12 per share in dividends to our common shareholders. This included four quarterly dividends of $0.03 per share on March 28, 2006, June 28, 2006, September 28, 2006, and December 26, 2006, respectively, to all shareholders of record on February 7, 2006, May 9, 2006, August 8, 2006, and November 13, 2006, respectively.

In June 2006, the holders of 2,347,473 Class B shares exchanged their B shares for an equal number of Class A shares. Subsequently, the holders of 154,383 Class B shares have exchanged their B shares for an equal number of Class A shares.

In 2007, we paid $1.12 per share in dividends to our common shareholders. This included four quarterly dividends of $0.03 per share on March 28, 2007, June 28, 2007, September 28, 2007, and December 28, 2007, respectively, to all shareholders of record on March 15, 2007, June 15, 2007, September 14, 2007, and December 14, 2007, respectively. We also paid a special dividend of $1.00 per share to all of our shareholders, payable on July 30, 2007 to shareholders of record on July 23, 2007.

The following table provides information with respect to the shares of our class A common stock we repurchased during the three months ended December 31, 2007:

Period	(a) Total Number of Shares Repurchased	(b) Average Price Paid Per Share, net of Commissions	(c) Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Plans or Programs
10/01/07 – 10/31/07	-	-	-	881,561
11/01/07 – 11/30/07	13,100	$ 54.61	13,100	868,461
12/01/07 – 12/31/07	7,100	$ 53.03	7,100	861,361
Totals	20,200		20,200	

In November 2006, we announced an increase in the number of shares of GBL to be repurchased of 400,000 shares. Our stock repurchase program is not subject to an expiration date.

We are required by the SEC to provide you with a comparison of the cumulative total return on our class A common stock as of December 31, 2007 with that of a broad equity market index and either a published industry index or a peer group index selected by us. The following chart compares the return on the class A common stock with the return on the S&P 500 Index and an index comprised of public companies with the Standard Industrial Classification (SIC) Code 6282, Investment Advice. The comparison assumes that $100 was invested in the class A common stock and in each of the named indices, including the reinvestment of dividends, on December 31, 2002. This chart is not intended to forecast future performance of our common stock.

	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2007
GAMCO Investors, Inc.	100.00	132.56	167.69	150.74	133.59	245.18
SIC Code Index	100.00	131.83	169.54	211.64	275.95	319.25
S&P 500 Index	100.00	128.68	142.69	149.70	173.34	182.87

The following table shows information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2007.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights
Equity compensation plans approved by security holders:		
Stock options	173,925	$ 31.65
Restricted stock awards	382,400	n/a
Equity compensation plans not approved by security holders	-0-	-0-
Total	556,325	

The number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column above) are 875,375. The allocation of the grants was recommended by the Company's Chairman who did not receive an RSA award.

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ITEM 6: SELECTED FINANCIAL DATA

General

The selected historical financial data presented below has been derived in part from, and should be read in conjunction with Management's Discussion and Analysis included in Item 7 and the audited Consolidated Financial Statements of GAMCO Investors, Inc. and subsidiaries and related notes included in Item 8 of this report.

	2003	2004	2005	2006	2007
Income Statement Data					
Revenues:					
Investment advisory and incentive fees	$ 175,195	$ 220,561	$ 220,464	$ 227,005	$ 250,410
Commission revenue	12,863	15,573	12,195	12,619	15,729
Distribution fees and other income	17,631	19,651	20,673	21,839	26,230
Total revenues	205,689	255,785	253,332	261,463	292,369
Expenses:					
Compensation costs	86,998	103,837	106,146	101,995	119,571
Management fee	8,961	11,023	11,462	13,236	14,463
Distribution costs	16,510	20,347	21,512	25,782	28,965
Other operating expenses	18,872	21,455	26,665	44,103	26,203
Total expenses	131,341	156,662	165,785	185,116	189,202
Operating income	74,348	99,123	87,547	76,347	103,167
Other income (expense), net:					
Net gain from investments	15,610	5,627	10,912	41,737	6,147
Interest and dividend income	5,530	10,481	18,483	29,382	32,497
Interest expense					