

GAMCO INVESTORS, INC. ET AL
Form 10-K
March 08, 2013

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

FORM 10-K

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

For the fiscal year ended December 31, 2012

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 001-14761

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 10580-1422
(Address of principal
executive offices) (Zip Code)

Registrant's telephone number, including area code (914) 921-3700
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

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 o No x.

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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 .

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 No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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 <input type="radio"/>	Accelerated filer <input checked="" type="radio"/>
Non-accelerated filer <input type="radio"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>

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

The aggregate market value of the class A common stock held by non-affiliates of the registrant as of June 30, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was \$284,289,141.

As of March 1, 2013, 6,123,436 shares of class A common stock and 19,624,174 shares of class B common stock were outstanding. 19,003,741 shares of class B common stock were held by a subsidiary of GGCP, Inc.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of the registrant's definitive proxy statement relating to the 2013 Annual Meeting of Shareholders are incorporated by reference in Items 10, 11, 12, 13 and 14 of Part III of this report.

GAMCO Investors, Inc.

Annual Report on Form 10-K For the Fiscal Year Ended December 31, 2012

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Subsidiaries of GAMCO Investors, Inc.

Contents of Independent Registered Public Accounting Firm

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PART I

Forward-Looking Statements

Our disclosure and analysis in this report and in documents that are incorporated by reference contain some forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. 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. You should not place undue reliance on these statements. 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.,” the “Company,” “GBL,” “Gabelli,” “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), a company incorporated under the laws of New York, 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. We provide institutional research services to institutional clients and investment partnerships. We generally manage assets on a discretionary basis and invest in 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 to a lesser extent, incentive fees associated with our various investment products, as well as revenues from institutional services.

Since our inception in 1977, we have been identified by our research driven approach to equity investing. We enhanced the “value” style approach with our proprietary hallmark Private Market Value (PMV) with a Catalyst™ stock selection process. Our mission is to earn a superior return for our clients over the long-term by providing value added products using fundamental research. Over the last 35 years the firm has generated over \$17.5 billion in investment returns for our institutional and private wealth management clients. In addition to our value portfolios, GAMCO and

other brands offer a broad range of investment strategies that include global growth, international, gold, and convertible products. We also offer performance fee-based investment partnerships that provide long-short investment opportunities, sector specific portfolios, and non-market correlated investments in merger arbitrage, as well as a fixed income strategy.

As of December 31, 2012, we had \$36.4 billion of AUM. We conduct our investment advisory business principally through our subsidiaries: GAMCO Asset Management Inc. (Institutional and Private Wealth Management), Gabelli Funds, LLC (Mutual Funds) and Gabelli Securities, Inc. (Investment Partnerships). We also act as an underwriter and provide institutional research services through Gabelli & Company, Inc. ("Gabelli & Company" or "Institutional Broker-Dealer"). G.distributors, LLC ("G.distributors") acts as an underwriter and distributor of our open-end funds.

Our AUM are organized into four groups:

- **Investment Partnerships:** We provide advisory services to limited partnerships and offshore funds (“Investment Partnerships”). We managed a total of \$801 million in Investment Partnership assets on December 31, 2012.
- **Institutional and Private Wealth Management:** We provide advisory services to a broad range of investors, including private wealth management, corporate pension and profit-sharing plans, foundations, endowments, jointly-trusted plans and public funds, and also serve as sub-advisor to certain other third party investment funds including registered investment companies (“Institutional and Private Wealth Management”). Each Institutional and Private Wealth Management (“PWM”) portfolio is managed to meet the needs and objectives of the particular client by utilizing investment strategies and techniques within our areas of expertise. On December 31, 2012, we had \$15.0 billion of Institutional and Private Wealth Management AUM.
- **Open and Closed-End Funds:** We provide advisory services to twenty-one open-end funds and ten closed-end funds under Gabelli, GAMCO and Comstock brands (collectively, the “Funds”). The Funds had \$20.5 billion of AUM on December 31, 2012. Additionally, we provide administrative services to six open-end funds, with AUM of \$0.8 billion on December 31, 2012, under the TETON Westwood brand.
- **SICAV:** We provide advisory services to one fund under the GAMCO brand, the GAMCO International SICAV (the “SICAV”). The SICAV has two sub-fund strategies, the GAMCO Merger Arbitrage Fund and the GAMCO Strategic Value Fund. The SICAV had \$119 million of AUM, including \$104 million of seed capital provided by the Company, on December 31, 2012.

GBL is a holding company incorporated in April 1998 in connection with our initial public offering (“Offering”) in February 1999. GGCP Holdings, LLC, a subsidiary of GGCP, Inc. owns a majority of the outstanding shares of Class B Common Stock (“Class B Stock”) of GBL. Such ownership represented approximately 94% of the combined voting power of the outstanding common stock and approximately 74% of the equity interest on December 31, 2012. GGCP, Inc. is majority-owned by Mr. Mario J. Gabelli (“Mr. Gabelli”). Accordingly, Mr. Gabelli is deemed to control GBL.

Our principal executive offices are located at One Corporate Center, Rye, New York 10580. Our telephone number is (914) 921-3700. 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.

During 2012, we returned \$131.3 million to shareholders through dividends and our stock buyback program. We paid \$76.4 million, or \$2.88 per share, in cash dividends to our common shareholders and repurchased 1,138,313 shares at an average investment of \$48.25 per share or \$54.9 million.

Since the Offering, we have returned \$773.7 million in total to shareholders of which \$420.4 million was in the form of dividends and \$353.3 million was through stock buybacks.

As of December 31, 2012, ten open-end funds that we manage have a 4 or 5-star three year Morningstar Rating™ representing 87% of open-end fund equity AUM for funds with a Morningstar Rating™.

Our balance sheet provides access to financial markets and the flexibility to opportunistically add operating resources to our firm, repurchase our stock and consider strategic initiatives, including lift-outs, acquisitions and seeding new products. As a result of GBL's shelf registration in the second quarter of 2012, we have the ability 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 \$400 million. The shelf is available through May 30, 2015, at which time it may be renewed.

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 relationship professionals. In order to achieve performance and growth in AUM and profitability, we are pursuing a strategy which includes the following key elements:

- Gabelli “Private Market Value (PMV) with a Catalyst™” 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 and has evolved from the value investing principles articulated by Graham & Dodd in 1934, and has been further augmented by Mr. Gabelli, CFA, with his development of Private Market Value (PMV) with a Catalyst™ value investment methodology.

Private Market Value (PMV) with a Catalyst™ 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 reflected in the public market. We then calculate the stock's PMV, which is defined as the price an informed industrial buyer would be likely to pay to acquire the business.

Our value team generally looks for situations in which a catalyst(s) is (are) working to narrow the spread 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.

- Establishing Research Centers. To enhance our research in our core research competency, we have eight offices including New York, London, Chicago, Greenwich, Shanghai, Tokyo, Minneapolis and St. Louis. We will continue to evaluate adding additional research offices throughout the world. These centers along with Reno and Palm Beach serve also as relationship centers.

- Incentive Fees. Since a growing percentage of the firm's revenues may be directly linked to performance-based fees (largely recognized in the fourth quarter), this may increase the variability of our revenues and profits. As of December 31, 2012, approximately \$1.6 billion of Institutional and Private Wealth Management assets are managed on a performance fee basis along with \$729 million of preferred issues of closed-end funds, \$423 million in The GDL Fund and \$801 million of investment partnership assets, \$119 million of SICAV AUM for a total of \$3.7 billion. 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.

- 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 have increased 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 35-year history of serving this segment, long-term performance record, customized portfolios tax-sensitive 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 and Private Wealth Management. The Institutional and Private Wealth Management business was principally developed through direct marketing channels. Historically, pension and financial consultants have not been a major source of new institutional and private wealth management 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

through our traditional marketing channels.

- Attracting and Retaining Experienced Professionals. We offer significant variable compensation that provides opportunities to our staff. 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.

- Sponsorship of Industry Conferences. Gabelli & Company, our institutional research services business, sponsors industry conferences and management events throughout the year. At these conferences and events, senior management from leading companies share their thoughts on the industry, competition, regulation and the challenges and opportunities in their businesses with portfolio managers and securities analysts. These meetings are an important component of the research services provided to institutional clients. Specifically, in 2012, we hosted 5 such meetings: our 36th annual Automotive Aftermarket Symposium, 22nd annual Pump Valve & Motor Symposium, 18th annual Aircraft Supplier Conference, 5th annual Best Ideas Conference and our 4th annual Movie & Broadcasting Conference.
- 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. These symposiums have included:
 - 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 event-driven investment opportunities.

- Capitalizing on Acquisitions, Alliances and Lift-outs. We intend to selectively and opportunistically pursue acquisitions, alliances and lift-outs that will broaden our product offerings and add new sources of distribution. 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. In November 2002, we completed our alliance with Woodland Partners LLC, a Minneapolis-based investment advisor focused on investing in small capitalization companies. On March 11, 2008, Gabelli Funds, LLC (“Funds Advisor”) assumed the role of investment advisor to the AXA Enterprise Mergers and Acquisitions Fund, subsequently renamed Gabelli Enterprise Mergers and Acquisitions Fund, a fund that had been sub-advised by GAMCO since the fund’s inception on February 28, 2001. On August 1, 2010, the clients of Florida-based NMF Asset Management, headed by Nola Maddox Falcone, became part of the Institutional and Private Wealth Management operation of GAMCO Asset Management Inc. (“GAMCO Asset”).

We believe that we have the financial capacity to pursue acquisitions and lift-outs.

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 assets for institutional and private wealth management clients in 1977, world equity markets have grown at a 10.5% compounded annual growth rate through December 31, 2012 to approximately \$52

trillion(a). The U.S. equity market comprises about \$16.9 trillion(a) or roughly 32% of world 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 Institutional and Private Wealth Management 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 for institutional and private wealth management clients in 1977, our traditional value-oriented Institutional and Private Wealth Management composite has earned a compound annual return of 15.8% net of fees versus a compound annual return of 11.2% for the S&P 500 through December 31, 2012.

(a) Source: Birinyi Associates, LLC

- 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 history 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 and investment partnerships.

Business Description

GBL started operations in 1977 as an institutional services firm. We entered the Institutional and Private Wealth Management 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 35 year history, we have marketed most of our products under the “Gabelli” and “GAMCO” brand names. Specialty brands offered to investors have included Mathers, Comstock and Westwood.

Our AUM are clustered mostly in three groups: Institutional and Private Wealth Management, Mutual Funds and Investment Partnerships.

Institutional and Private Wealth Management: Since 1977, we have provided investment management services to a broad spectrum of institutional and private wealth investors. At December 31, 2012, we had \$15.0 billion of AUM in approximately 1,700 Institutional and Private Wealth Management accounts, representing approximately 41.2% of our total AUM. The majority of advisory services are provided to private wealth management clients – defined as individuals generally having minimum account balances of \$1 million. They comprised approximately 79% of the total number of Institutional and Private Wealth Management accounts and approximately \$3.7 billion, or 25%, of the PWM assets as of December 31, 2012. We believe that private wealth management clients are attracted to us by our returns and the tax efficient nature of the underlying investment process in these traditional products. As of December 31, 2012, Institutional client accounts, which include corporate pension and profit sharing plans, jointly-trusted plans and public funds, represented approximately \$6.6 billion, or 44%, of the PWM assets and 9% of the accounts.

Foundation and endowment fund assets represented 11% of the number of Institutional and Private Wealth Management accounts and approximately \$1.8 billion, or 12%, of the Institutional and Private Wealth Management AUM. The sub-advisory portion of the Institutional and Private Wealth Management (where we act as sub-advisor to certain other third party investment funds) held approximately \$2.9 billion, or 19%, of total Institutional and Private Wealth Management assets with less than 1% of total the number of accounts.

The ten largest Institutional and Private Wealth Management relationships comprised approximately 40% of Institutional and PWM AUM and approximately 17% of our total AUM and approximately 26% of Institutional and

PWM revenues and approximately 7% of our total revenues for the year ended December 31, 2012.

In general, our Institutional and Private Wealth Management AUM are managed to meet the specific needs and objectives of each client by utilizing investment strategies that are within our areas of expertise: “all cap value”, “large cap value”, “small cap value”, “large cap growth”, “international growth” and “convertible bond”. We distinguish between taxable and tax-free assets and manage client portfolios with tax sensitivity within given investment strategies.

Sales efforts are conducted on a regional and product specialist basis. Members of the sales and marketing staff for the Institutional and Private Wealth Management have an average of more than ten years of experience and focus on developing and maintaining direct, long-term relationships with their Institutional and Private Wealth Management clients. The firm will host its 28th Annual Client Conference in May 2013. This conference will be held at the Pierre Hotel in New York and will include presentations by our portfolio managers and analysts.

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

Investment advisory agreements for our Institutional and Private Wealth Management clients are typically subject to termination by the client without penalty on 30 days notice or less.

Open and Closed-End Funds: Funds Advisor provides advisory services to twenty-one open-end funds and ten closed-end funds. At December 31, 2012, we had \$20.5 billion of AUM in open-end and closed-end funds, representing approximately 56.2% of our total AUM. Our equity funds and closed-end funds were \$18.8 billion in AUM on December 31, 2012, 3.9% above the \$18.1 billion on December 31, 2011.

GAMCO 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 convertible securities, contrarian funds and covered call writing strategies.

The seven GAMCO branded open-end funds are:

GAMCO Growth

- “ International Growth
- “ Global Telecommunications
- “ Global Growth
- “ Global Opportunity
- “ Vertumnus Fund
- “ Mathers

The Gabelli brand represents our “Value” business, primarily representing our absolute return, research-driven Private Market Value (PMV) with a Catalyst™ funds. The GAMCO Global Telecommunications Fund and The GAMCO Vertumnus Fund are value portfolios but retain the GAMCO name. The Gabelli brand also includes The Gabelli Dividend Growth Fund and The Gabelli Focus Five Fund as well as seven of the closed-end funds.

Open-end Funds

On December 31, 2012, we had \$12.5 billion of AUM in twenty open-end equity funds and \$1.7 billion in our Gabelli U.S. Treasury Money Market Fund. At year-end, of the open-end funds AUM having an overall rating from Morningstar, Inc. (“Morningstar”), 96% were ranked “three stars” or better, with approximately 87% ranked “five stars” or “four stars” on an overall basis (i.e., derived from a weighted average of the performance figures associated with their 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 is indicative of future results.

We market our open-end funds through third party distribution programs, particularly no-transaction fee (“NTF”) programs, and have developed additional share classes for many of our funds for distribution through additional third party distribution channels. At December 31, 2012, third party distribution programs accounted for approximately 81% of all assets in open-end equity funds. At December 31, 2012, approximately 19% of our AUM in open-end, equity funds was sourced through direct sales relationships.

Closed-end Funds

We act as investment advisor to ten closed-end funds, all of which trade on the NYSE or its affiliated exchange: Gabelli Equity Trust (GAB), GDL Fund (GDL), Gabelli Multimedia Trust (GGT), Gabelli Healthcare & Wellness Rx Trust (GRX), Gabelli Convertible and Income Securities Fund (GCV), Gabelli Utility Trust (GUT), Gabelli Dividend & Income Trust (GDV), Gabelli Global Utility & Income Trust (GLU), GAMCO Global Gold, Natural Resources & Income Trust by Gabelli (GGN) and GAMCO Natural Resources, Gold & Income Trust by Gabelli (GNT). As of December 31, 2012, the ten closed-end funds had total assets of \$6.3 billion, representing 30.7% of the total assets in our Mutual Funds business.

The Gabelli Equity Trust (“GAB”), which raised \$400 million through its initial public offering in August 1986, finished its 26th year with net assets of \$1.4 billion. Since inception, the Gabelli Equity Trust has distributed \$2.7 billion in cash to common shareholders through its 10% distribution policy and spawned three other closed-end funds, the Gabelli Multimedia Trust, the Gabelli Utility Trust (“GUT”) and the Gabelli Healthcare & Wellness Rx Trust. During 2012, GAB raised \$70 million through a rights offering of preferred shares as well as \$102 million from a new preferred share issuance.

The Gabelli Dividend & Income Trust, launched in November 2003 had net assets of \$2.0 billion as of December 31, 2012.

The GAMCO Global Gold, Natural Resources & Income Trust by Gabelli (“GGN”) was launched in March 2005. During the years ended December 31, 2012 and 2011, GGN issued 24.3 million and 18.7 million common shares, respectively, through various “at the market offerings”. The net proceeds received from these offerings was approximately \$342.3 million and \$317.5 million, respectively. GGN filed a \$750 million shelf registration statement with the SEC that became effective on February 4, 2011, enabling GGN to offer additional common and preferred shares. As of December 31, 2012, after taking into account the issuance of the preferred and common shares, GGN had approximately \$93 million available for issuance under the shelf registration statement. GGN utilizes a covered call option writing program and had net assets of \$1.4 billion as of December 31, 2012.

In January 2007, we launched The GDL Fund, a closed-end fund which seeks 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. During 2009, The GDL Fund raised \$96 million through a rights offering of Series A preferred shares. During 2011, The GDL Fund redeemed the Series A preferred shares and also raised \$144 million through a rights offering of Series B preferred shares.

In January 2011, we established the GAMCO Natural Resources, Gold & Income Trust by Gabelli (“GNT”), a closed-end fund that seeks to achieve its investment objective by providing a high level of current income from interest, dividends and option premiums. This launch raised approximately \$370 million in AUM.

In April 2011, the Gabelli Healthcare & WellnessRx Trust (“GRX”), a closed-end fund that seeks long-term growth of capital within the healthcare and wellness industries, raised \$18 million through a rights offering of common shares.

In May 2011, the Gabelli Multimedia Trust (“GGT”), a closed-end fund that seeks long-term capital appreciation from equity investments in global telecommunications, media, publishing and entertainment industries, raised \$31 million through a rights offering of common shares.

In December 2012, the Gabelli Global Utility Trust (“GUT”), a closed-end fund that seeks high total return from investments primarily in securities of companies in gas, electricity and water industries, raised \$54.0 million through a rights offering of common shares.

Investment Partnerships: We manage Investment Partnerships through our 93% majority-owned subsidiary, Gabelli Securities, Inc. (“GSI”). The Investment Partnerships consist primarily of limited partnerships and offshore funds. As of December 31, 2012, we had \$801 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 \$680 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 \$55 million of assets focused on the U.S. and Japanese 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., Gabelli Green Long/Short Fund, L.P. and GAMCO Medical Opportunities, L.P. Venture capital activities are carried out through ALCE Partners, L.P. and Gabelli Multimedia Partners, L.P., both of which are

currently closed to new investors.

Assets Under Management

The following table sets forth total AUM by product type as of the dates shown:

Assets Under Management
By Product Type
(Dollars in millions)

	At December 31,					%
	2008	2009	2010	2011	2012	Change 2012/2011
Equity:						
Open-end Funds	\$ 6,139	\$ 8,476	\$ 11,252	\$ 12,273	\$ 12,502	1.9 %
Closed-end Funds	3,792	4,609	5,471	5,799	6,288	8.4
Institutional & Private Wealth						
Management						
Direct	6,861	9,312	11,005	10,853	12,030	10.8
Sub-advisory	1,585	1,897	2,637	2,600	2,924	12.5
Investment						
Partnerships	295	305	515	605	801	32.4
SICAV (a)	-	-	-	105	119	13.3
Total Equity	18,672	24,599	30,880	32,235	34,664	7.5
Fixed Income:						
Money Market						
Mutual Funds	1,507	1,721	1,616	1,824	1,681	(7.8)
Institutional & Private Wealth						
Management	22	26	26	26	60	130.8
Total Fixed Income	1,529	1,747	1,642	1,850	1,741	(5.9)
Total AUM	\$ 20,201	\$ 26,346	\$ 32,522	\$ 34,085	\$ 36,405	6.8
Breakdown of Total AUM:						
Funds	\$ 11,438	\$ 14,806	\$ 18,339	\$ 19,896	\$ 20,471	2.9
Institutional & Private Wealth						
Management						
Direct	6,883	9,338	11,031	10,879	12,090	11.1
Sub-advisory	1,585	1,897	2,637	2,600	2,924	12.5
Investment						
Partnerships	295	305	515	605	801	32.4
SICAV (a)	-	-	-	-	-	-