GAMCO INVESTORS, INC. ET AL
Form 10-K
March 11, 2019
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, 2018
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)

Delaware	13-4007862
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

140 Greenwich Ave., Greenwich, CT	06830
One Corporate Center, Rye, NY	10580-1422
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code (203) 629-2726

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 No .

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 every Interactive Data File required to be submitted 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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer	
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the class A common stock held by non-affiliates of the registrant as of June 30, 2018 (the last business day of the registrant’s most recently completed second fiscal quarter) was $161,467,218.

As of March 1, 2019, 9,886,444 shares of class A common stock and 19,024,117 shares of class B common stock were outstanding. 18,313,741 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 2019 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, 2018

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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, the economy, the effects of the Tax Cuts and Jobs Act, and other conditions, 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; the ongoing impacts of the Tax Cuts and Jobs Act with respect to tax rates and the non-deductibility of certain portions of NEO compensation; 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 predecesso its subsidiaries.

Overview

GAMCO Investors, Inc. (New York Stock Exchange (“NYSE”): GBL), a company incorporated under the laws of Delaware, is a widely-recognized provider of investment advisory services to open-end funds, closed-end funds, Exchange Traded Managed Funds (“ETMFs”), and institutional and private wealth management investors principally in the United States. We generally manage assets on a fully discretionary basis and invest in a variety of U.S. and international securities through various investment styles including value, growth, non-market correlated, and convertible securities. Our revenues are based primarily on the Company’s levels of assets under management (“AUM”) and fees associated with our various investment products.

Since our inception in 1977, we are identified with our research driven approach to equity investing and our proprietary Private Market Value (PMV) with a Catalyst™ investment approach.

As of December 31, 2018, we had $34.4 billion of AUM, of which 94% is invested in equities, principally through our two registered investment advisers: Gabelli Funds, LLC (“Funds Advisor”) and GAMCO Asset Management Inc.

(“Institutional and Private Wealth Management”). G.distributors, LLC (“G.distributors”), our limited purpose broker-dealer subsidiary, acts as an underwriter and distributor of our open-end funds and ETMFs.

Our AUM are organized into three groups:

- Open and Closed-End Funds: We provide advisory services to twenty-two open-end funds, sixteen closed-end funds and four exchange traded managed funds under the Gabelli, GAMCO and Comstock brands (collectively, the “Funds”). The Funds had $19.7 billion of AUM on December 31, 2018. Additionally, we provide administrative services to eleven open-end funds, with AUM of $2.0 billion on December 31, 2018, under the TETON Westwood and Keeley brands.

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- Institutional and Private Wealth Management: We provide advisory services to a broad range of investors, including corporate retirement plans, foundations, endowments, jointly-trusteed plans and public funds, private wealth clients and also serve as sub-advisor to third party investment funds including registered investment companies ("Institutional and Private Wealth Management"). On December 31, 2018, we had $14.1 billion of Institutional and Private Wealth Management AUM. Over the last 40 years, the firm has generated over $25.6 billion in investment returns for our institutional and private wealth management clients.

- 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 All Cap Value Fund. The GAMCO Merger Arbitrage strategy is sub-advised by Associated Capital Group, Inc. ("AC") and had $477 million of AUM at December 31, 2018. The GAMCO All Cap Value strategy had $30 million of AUM on December 31, 2018.

GBL is a holding company incorporated in April 1998 in advance of our initial public offering ("Offering") in February 1999. GGCP Holdings, LLC, a subsidiary of GGCP, Inc. ("GGCP"), which is majority-owned by Mr. Mario J. Gabelli ("Mr. Gabelli"), owns a majority of the outstanding shares of Class B Common Stock ("Class B Stock") of GBL. Such ownership represented approximately 91% of the combined voting power of the outstanding common stock and approximately 63% of the equity interest on December 31, 2018. On December 31, 2018, AC and its subsidiaries, own 3,016,501 shares of Class A Common Stock ("Class A Stock") representing approximately 10% of the equity interest and approximately 2% of the combined voting power. AC is majority-owned by GGCP Holdings, LLC. Accordingly, Mr. Gabelli is deemed to control GBL.

Our executive offices are located at 140 Greenwich Ave., Greenwich, CT, 06830 and One Corporate Center, Rye, New York 10580. Our telephone number is (203) 629-2726. 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.

On March 20, 2009, we distributed our ownership in Teton Advisors, Inc. ("Teton"), the advisor to the TETON Westwood funds, to our shareholders. At the time of the distribution the stock price of Teton was $2.75 per share. At December 31, 2018 the stock price of Teton was $51.65 per share.

On November 30, 2015 (the "Spin-Off Date"), we distributed our ownership in AC along with certain cash and other assets to our shareholders (the "Spin-off"). AC owns and operates, directly or indirectly, the alternatives and the institutional research businesses previously owned and operated by GBL. Subsequent to the Spin-off, GAMCO no longer consolidates the financial results of AC for the purposes of its own financial reporting and the historical financial results of AC have been reflected in the Company's consolidated financial statements as discontinued operations for 2015 within this report. Historical AUM have similarly been adjusted to remove AUM managed by AC. At the time of the distribution, the stock price of AC was $29.50 per share. At December 31, 2018, the stock price of AC was $35.23 per share.

During 2018, we returned $12.9 million to shareholders through dividends and our stock buyback program. We paid $2.3 million, or $0.08 per share, in cash dividends to our common shareholders and repurchased 419,995 shares at an average investment of $25.25 per share or $10.6 million.

Since the Offering in February 1999, when GBL shares were sold at $17.50 per share and total shares outstanding were 30 million for a market capitalization of $525 million, we have returned to shareholders $2.0 billion in total, of which $1.0 billion was in the form of spin-offs of AC and Teton, $493.3 million was from dividends and $463.7

million was through stock buybacks.

Environmental, Social & Governance (ESG)

As part of GAMCO's stewardship of investments on behalf of clients, we have historically viewed Governance, active ownership, proxy voting and engagement as important ways to protect shareholder value. To that end, the firm has been a leading voice on certain governance matters since May 1988 when it initiated its Magna Carta of Shareholder Rights. We actively vote our own proxies and regularly file shareholder proposals on issues that we believe increase shareholder value. Such activity is part of our incorporation of Environmental, Social & Governance (ESG) considerations as long term investors.

Since its formation in April 1989, the Proxy Voting Committee of the Company has formulated guidelines and reviewed proxy statements for the purpose of determining how to vote proxies related to portfolio securities held by our clients. The main driver of these guidelines is to vote in the best economic interest of our clients. As we state in our Magna Carta of Shareholder Rights, we are neither for or against management. We are for shareholders. We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

Giving Back

Our firm has long held the belief that generating returns for our stakeholders, while important, is not the only factor in measuring our corporate success. To underscore our principle, we have been involved in the field of responsible investing since 1987.

One of the ways in which we, as a Firm, give back is through our Shareholder Designated Charitable Contribution Program that we established in 2013. In our program of corporate giving, GAMCO shareholders select which organizations will be recipients of charitable grants. In May 2018, the Board approved a $0.20 per share designation for shareholders of record on June 30th. For this distribution a majority of our shareholders registered their shares and we were able to distribute $4.9 million to numerous 501(c)(3) organizations designated by our shareholders. In November 2018, the Board approved an additional $0.20 per share designation for shareholders of record as of December 31, 2018. Based on the number of shareholders who qualified for this designation, we expect that we will distribute an additional $4.8 million. Since the inception of this program our shareholders have designated approximately $27 million to over 150 charities across the United States, which brings the total charitable contributions since our IPO to $52 million.

Business Strategy

Our business strategy targets global growth of the franchise through continued leveraging of our proven asset management strengths including our brands, 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 enhanced by Roger Murray and Bruce Greenwald, and has been further augmented by Mr. Gabelli, CFA, with his development in 1979 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 likely pay to acquire the business.

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”, “ESG”, “small cap value”, “large cap growth”, “international growth” and “convertible”.

· Establishing Relationship Offices. We have eight offices including New York, Chicago, Greenwich, London, Morristown, Palm Beach, Reno, and Tokyo. We will continue to evaluate adding additional offices throughout the

world.

- Incentive Fees. As of December 31, 2018, approximately $1.8 billion of our AUM are managed on a performance fee basis including $661 million of preferred issues of closed-end funds, $507 million of SICAV assets, $315 million in The GDL Fund, $192 million of Institutional and Private Wealth Management assets, and $100 million in the Gabelli Merger Plus+ Trust Plc.

- 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. 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. We launched our first actively managed exchange traded managed fund in 2016 (The Gabelli Media Mogul NextShares™), our second in 2017 (The Gabelli Food of All Nations NextShares™) and two additional funds in 2018 (The Gabelli RBI NextShares™ and The Gabelli Pet Parents™ NextShares™).

- 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 $2.5 million or more with us. According to industry estimates, the number of households with over $2.5 million in investable assets will continue to grow, subject to ups and downs in the equity and fixed income markets. With our 41-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. 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. 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.

- 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:

-2017 "Digital Evolution in Financial Services"
-2015 "Capital Allocation – The Tug of War"
-2013 "Value Investing 20 Years Later: A Celebration of the Roger Murray Lecture Series"
-2006 "Closed-End Funds: Premiums vs. Discounts, Dividends and Distributions"
-2003 "Dividends, Taxable versus Non-Taxable Issues"
-2001 "Virtues of Value Investing"
-1998 "The Role of Hedge Funds as a Way of Generating Absolute Returns"
-1997 "Active vs. Passive Stock Selection"

- 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. In May 2000, we added Comstock Partners Funds, Inc., (renamed Comstock Funds, Inc.). The 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, 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 became part of the Institutional and Private Wealth Management operation of GAMCO Asset Management Inc. ("GAMCO Asset"). On November 2, 2015, the investment team of Dinsmore Capital, a specialist in convertible bond investing and formerly the manager of The Bancroft Fund and the Ellsworth Growth & Income Fund joined Funds Advisor. During 2018, the clients of Trevor, Stewart, Burton & Jacobsen and Loeb Partners Corporation joined GAMCO Asset.

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 9.6% compound annual growth rate through December 31, 2018 to approximately $69.6 trillion[a]. The U.S. equity market comprises about $26.9 trillion[a] or roughly 39% 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 Institutional and Private Wealth Management clients. We believe that our performance record represents a competitive advantage and a recognized component of our franchise.

(a) Source: Birinyi Associates, LLC

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 15.4% gross and 14.6% net of fees versus a compound annual return of 11.3% for the S&P 500 through December 31, 2018. For 2018, the GAMCO composite declined 12.2% gross and 12.6% net of fees versus a loss of 4.4% for the S&P 500.

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 and current practice of merger arbitrage and is published in English, Japanese, Chinese and Italian, and Global Convertible Investing: The Gabelli Way, a comprehensive guide to effective investing in convertible securities.

AC most recently published Merger Masters the follow up book to Deals…Deals…and More Deals: tales of how the best arbitrageurs of our time earn a non-market correlated return by investing in announced takeovers.

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, and convertible securities.

Business Description

Our AUM's are clustered in two groups: Funds and Institutional & Private Wealth Management.

Funds: We provide advisory services to twenty-two open-end funds, sixteen closed-end funds and four actively managed exchange traded managed funds. At December 31, 2018, we had $19.7 billion of AUM in Fund AUM, representing 57.3% of our total AUM. Our equity funds and closed-end funds were $17.5 billion in AUM on December 31, 2018, 19.7% below the $21.8 billion on December 31, 2017. We also are the advisor to a SICAV with AUM of $507 million at December 31, 2018, compared to the $510 million in AUM at December 31, 2017.

Open-end Funds

On December 31, 2018, we had $10.6 billion of AUM in twenty-one open-end equity funds and $2.2 billion in our Gabelli U.S. Treasury Money Market Fund. We market our open-end funds primarily through third party distribution programs, including 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, 2018, third party distribution programs accounted for approximately 76% of all assets in open-end equity funds, and, approximately 24% of our AUM in open-end equity funds were sourced through direct sales relationships.

Closed-end Funds

We act as investment advisor to sixteen closed-end funds, fourteen 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 (GGN), GAMCO Natural Resources, Gold & Income Trust (GNT), The Gabelli Global Small and Mid Cap Value Trust (GGZ), the Bancroft Fund Ltd. (BCV), the Ellsworth Growth and Income Fund Ltd. (ECF), and the Gabelli Go Anywhere Trust (GGO). We launched the Gabelli Value Plus+ Trust Plc (GVP)

in 2015 and the Gabelli Merger Plus+ Trust Plc (GMP) in 2017, both of which trade on the London Stock Exchange. As of December 31, 2018, the sixteen closed-end funds had total assets of $7.0 billion, representing 35.2% of the total assets in our Funds business.

Exchange Traded Managed Funds

During 2016, we launched our first exchange traded managed fund. The Gabelli Media Mogul NextShares™ trades on the Nasdaq Stock Market LLC under the symbol "MOGLC" and was the first member of the Gabelli NextShares Trust offered under an agreement with NextShares Solutions, LLC. The Gabelli Food of All Nations NextShares™ was launched in 2017 and trades on the Nasdaq Stock Market LLC under the symbol "FOANC". During 2018, we launched The Gabelli RBI NextShares™ which trades under the symbol "GRBIC" and The Gabelli Pet Parents™ NextShares™ which trades under the symbol "PETZC". As of December 31, 2018, the four ETMFs had AUM of $8.6 million. On November 14, 2018, the Board of Trustees for each of the Gabelli Media Mogul NextShares™ and the Gabelli Pet Parents™ NextShares™ determined that it would be in the best interest of shareholders of the funds to approve an agreement and plan of reorganization and termination for each fund, pursuant to which substantially all of the assets and liabilities of each fund would be transferred to a new series of a new trust to be created at a future date and shareholders of the funds would become shareholders of the new funds. It is expected that each new fund will be structured and operate as a no-load, open-end mutual fund registered under the Investment Company Act of 1940, as amended, instead of an exchange traded managed fund. In February 2019, the Board of Trustees of the NextShares™ funds approved a plan of liquidation for the Gabelli Food of All Nations NextShares™ and the Gabelli RBI NextShares™, pursuant to which each fund will be liquidated on or about March 28, 2019.

SICAV

We provide advisory services to one fund under the GAMCO brand, the GAMCO International SICAV. The SICAV has two sub-fund strategies, the GAMCO Merger Arbitrage Fund and the GAMCO All Cap Value Fund. Total AUM in the SICAV was $507 million at December 31, 2018.

Institutional and Private Wealth Management: At December 31, 2018, we had $14.1 billion of AUM in approximately 1,600 Institutional and Private Wealth Management accounts, representing 41.0% of our total AUM. The Private Wealth Management clients – defined as individuals generally having minimum investable assets of $2.5 million comprised approximately 81% of the total number of management accounts and approximately $3.8 billion, or 27%, of the Institutional and Private Wealth Management assets as of December 31, 2018. We believe that Private Wealth Management clients for the taxable portion of their assets are attracted to us by our returns and the tax efficient nature of the underlying investment process. As of December 31, 2018, institutional client accounts represented approximately $4.8 billion, or 34%, of the Institutional and Private Wealth Management assets and 9% of the accounts. Foundation and endowment fund assets represented 10% of the number of Institutional and Private Wealth Management accounts and approximately $1.2 billion, or 8%, of the Institutional and Private Wealth Management AUM. The sub-advisory clients, (where we act as sub-advisor to third party investment funds) held approximately $4.3 billion, or 31%, of total Institutional and Private Wealth Management assets with 1% of the total number of accounts.

The ten largest Institutional and Private Wealth Management relationships comprised approximately 48% of GAMCO Asset Management AUM and approximately 20% of our total AUM and approximately 27% of GAMCO Asset Management revenues and approximately 8% of our total revenues for the year ended December 31, 2018.

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.

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,					% Change
	2014 (c)	2015	2016	2017	2018	2018/2017
Equity:						
Open-end Funds	$17,684	$13,811	$13,462	$13,747	$10,589	(23.0 %)
Closed-end Funds	6,949	6,492	7,150	8,053	6,959	(13.6)
Institutional & Private Wealth Management	20,301	16,767	17,224	18,852	14,078	(25.3)
SICAV (a)	135	178	320	510	507	(0.6)
Total Equity	45,069	37,248	38,156	41,162	32,133	(21.9)
Fixed Income:						
Money Market Mutual Fund (b)	1,455	1,514	1,767	1,870	2,195	17.4
Institutional & Private Wealth Management	58	38	31	31	26	(16.1)
Total Fixed Income	1,513	1,552	1,798	1,901	2,221	16.8
Total AUM	$46,582	$38,800	$39,954	$43,063	$34,354	(20.2)
Breakdown of Total AUM:						
Funds	26,088	21,817	22,379	23,670	19,743	(16.6)
Institutional & Private Wealth Management	20,359	16,805	17,255	18,883	14,104	(25.3)
SICAV	135	178	320	510	507	(0.6)%
Total AUM	$46,582	$38,800	$39,954	$43,063	$34,354	(20.2 %)

(a) Adjusted to include assets of $135 million, $141 million, and $270 million at December 31, 2014, 2015, and 2016, respectively.
(b) The Fund is 100% invested in short-term U.S. Treasury obligations which have remaining maturities of 397 days or less.
(c) Historical AUM has been restated to remove the AUM managed by AC.

Summary of Investment Products

We manage assets in the following wide spectrum of investment products and strategies:

U.S. Equities: (90.5% of AUM)
All Cap Value
Large Cap Value
Large Cap Growth
Mid Cap Value
Small Cap Value
Small Cap Growth
Micro Cap
Natural Resources
Income
Utilities
Non-Market Correlated
Option Income
Multimedia
ESG
Healthcare

Global and International Equities: (1.7% of AUM)
International Growth
International Small Cap Growth
Global Growth
Global Value
Global Content & Connectivity
Global Utilities
Gold
Small and Mid Cap

U.S. Fixed Income: (6.4% of AUM)
Corporate
Government
Asset-backed
Intermediate
Short-term

Convertible Securities: (1.4% of AUM)
Convertible Securities

Additional Information on Mutual Funds

Through Funds Advisor, we act as advisor to all of the Funds, except with respect to the GAMCO Mathers Fund for which GAMCO Asset Management Inc. acted as the advisor.

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 open-end funds impose a 2% redemption fee on shares redeemed within seven days or less after a purchase. We periodically introduce new 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.

Our marketing efforts for the open-end 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 funds will continue to generate additional revenues from investment advisory fees. We had traditionally distributed most of our open-end 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 fund shareholders. Beginning in late 1995, we expanded our product distribution by offering several of our open-end 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 funds in third party distribution programs. Approximately 24% of the AUM in the open-end equity 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 $10.6 billion of AUM in the open-end equity funds as of December 31, 2018, approximately 76% 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. The multi-class shares are available in all of the Gabelli Funds, with the exception of the Gabelli Capital Asset Fund. We believe that the use of multi-class shares expands the distribution of our open-end funds into the advised sector of the mutual fund investment community. We introduced Class I shares, which are

no-load shares with higher minimum initial investment and without distribution fees available directly through G.distributors or through brokers that have entered into selling agreements with respect to Class I shares. The no-load shares are designated as Class AAA shares and are available for new and current investors. In general, distribution through third party 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 fund. The investment management agreements with the funds generally provide that we are responsible for the overall investment and administrative services, subject to the oversight of each fund's Board of Directors or Trustees and in accordance with each fund's fundamental investment objectives and policies. The investment management agreements permit us to enter into separate agreements for sub-administrative and accounting services on behalf of the respective funds.

Our affiliated advisor provides the 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 funds, internal accounting, tax accounting and reporting, regulatory filings and other services. Most of these administrative services are provided through sub-contracts with independent third parties. Transfer agency and custodial services are provided directly to the funds by independent third parties.

Our funds' investment management agreements may continue in effect from year to year only if specifically approved at least annually by (i) the fund's Board of Directors or Trustees or (ii) the fund's shareholders and, in either case, the vote of a majority of the fund's independent or non-interested 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 “Company Act”). Each 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 (if at least 50% of the shares are present at the meeting) or 50% of the outstanding voting shares of such Fund. Each investment management agreement automatically terminates in the event of its assignment, as defined in the Company Act. We may terminate an investment management agreement without penalty on 60 days' written notice.

Open-End Fund Distribution

G.distributors, a wholly-owned subsidiary of GBL, is a broker-dealer registered under the Securities Exchange Act of 1934 and is regulated by FINRA. G.distributors' revenues are derived primarily from the distribution of our open-end funds. G.distributors distributes our open-end funds pursuant to distribution agreements with each fund. It also distributes funds managed by Teton and its affiliates. Under each distribution agreement with an open-end fund, G.distributors offers and sells such open-end fund's shares on a continuous basis and pays the majority 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 G.distributors sales personnel. G.distributors receives fees for such services pursuant to distribution plans adopted under provisions of Rule 12b-1 (“12b-1”) of the Company Act. Distribution fees from the open-end funds are computed daily based on average net assets. Distribution fees from the open-end funds amounted to $35.1 million, $39.7 million and $41.0 million while payments to third-parties for selling the open-end funds totaled $32.3 million, $37.3 million and $39.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. G.distributors is the principal underwriter for funds distributed in multiple classes of shares which carry either a front-end, back-end or no sales charge. Underwriting fees and sales charges retained amounted to $0.9 million, $1.5 million and $1.2 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Under the distribution plans, the open-end Class AAA shares of the funds (except The Gabelli U.S. Treasury Money Market Fund, Gabelli Capital Asset Fund and The Gabelli ABC Fund) and the Class A and ADV shares of various funds pay G.distributors a distribution or service fee of .25% per year (except the Class A shares of the TETON Westwood Funds and Gabelli Enterprise Mergers & Acquisition Fund which pay .50% and 0.45% per year, respectively, and the TETON Westwood Intermediate Bond Fund which pays .35%) on the average daily net assets of the fund. Class C shares have a 12b-1 distribution plan with a service and distribution fee totaling 1%. G.distributors' distribution agreements with the funds may continue in effect from year to year only if specifically approved at least annually by (i) the fund's Board of Directors or Trustees or (ii) the fund's shareholders and, in either case, the vote of a majority of the fund's directors or trustees who are not parties to the agreement or “interested persons” of any such party, within the meaning of the Company Act. Each 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 (if at least 50% of the shares are present at the meeting) or 50% of the outstanding voting shares of such fund. Each distribution agreement automatically

terminates in the event of its assignment, as defined in the Company Act. G.distributors may terminate a distribution agreement without penalty upon 60 days' written notice.

G.distributors also offers our open-end 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.

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. Many of these investment management firms are subsidiaries of large diversified financial companies. 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. Other trends affecting the investment management business includes the widespread popularity of exchange traded products which have tax and cost advantages over traditional investment companies.

The market for providing investment management services to Institutional and Private Wealth Management clients is also highly competitive. Approximately 33% of our investment advisory fee revenue for the year ended December 31, 2018 was derived from our Institutional and Private Wealth Management business. 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 with focus also 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.

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 and (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, state and foreign laws and regulations. These laws and regulations are primarily intended to protect investment advisory clients and shareholders of investment funds. Under such laws and regulations, agencies that regulate investment advisors and broker-dealers have broad 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 an event, the possible sanctions that may be imposed include civil and criminal liability, the suspension of individual employees, injunctions, limitations on engaging in certain lines of business for specified periods of time, revocation of the investment advisor and other registrations, censures, and fines.

Our business is subject to extensive regulation at the federal, state and foreign level by the SEC and other regulatory bodies. Certain of our subsidiaries are registered with the SEC under the Investment Advisers Act of 1940 (“Advisers Act”), and the funds are registered with the SEC under the Company Act. We also have a subsidiary that is registered as a broker-dealer with the SEC and is subject to regulation by FINRA and various states.

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

We derive a substantial majority of our revenues from investment advisory services through our various investment management agreements. Under the Advisers Act, our investment management agreements may not be assigned without the client's consent. Under the Company Act, advisory agreements with registered investment companies such as our Funds terminate automatically upon assignment. The term “assignment” is broadly defined and includes direct 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, G.distributors is required to maintain certain minimum net capital amounts. These requirements also provide that equity capital may not be withdrawn, advances to affiliates may not be made or cash dividends paid if certain minimum net capital requirements are not met. G.distributors' net capital, as defined, met or exceeded all minimum requirements as of December 31, 2018. As a registered broker-dealer, G.distributors is also subject to periodic examination by FINRA, the SEC and the states.

Subsidiaries of GBL are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and to regulations promulgated thereunder, 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 and on behalf of our advisory clients and investment funds often represent a significant equity ownership position in an issuer's class of stock. As of December 31, 2018, we had five percent or more beneficial ownership with respect to 102 equity securities. This activity raises frequent regulatory, legal, and disclosure issues regarding our aggregate beneficial ownership level with respect to portfolio securities, including issues relating to issuers' shareholder rights plans or "poison pills," and various federal and state regulatory limitations, including state gaming laws and regulations, federal communications laws and regulations and federal and state public utility laws and regulations, as well as federal proxy rules governing shareholder communications and federal laws and regulations regarding the reporting of beneficial ownership positions. Foreign country regulations may have different levels of ownership limitations. Our failure to comply with these requirements could have a material adverse effect on us.

The USA Patriot Act of 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 connection with our 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 Conduct Authority ("FCA"). In connection with our registration in the United Kingdom, we have minimum capital requirements that have been consistently met or exceeded. We opened an office in Tokyo and therefore are subject to national and local laws in that jurisdiction. 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.

Regulatory matters

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 Commission has substantially increased its use of focused inquiries which request information from investment advisors and 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. 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 adverse impact. Although we have installed procedures and utilize the services of experienced administrators, accountants and lawyers to assist us in adhering to regulatory guidelines and satisfying these requirements, and maintain insurance to protect ourselves in the case of client losses, there can be no assurance that the precautions and procedures that we have instituted and installed, or the insurance that we maintain to protect ourselves in case of client losses, will protect us from all potential liabilities.

See Item 3: LEGAL PROCEEDINGS below.

Personnel

On February 28, 2019, we had a full-time staff of 172 individuals, of whom 54 served in the portfolio management, portfolio management support and trading areas (including 20 portfolio managers for the Funds, Institutional and Private Wealth Management), 59 served in the marketing and shareholder servicing areas and 59 served in the administrative area.

ITEM 1A: RISK FACTORS

We caution the reader that the following risks and those risks described elsewhere in this report and in our other SEC filings could have a material adverse effect on our business, prospects, financial condition, results of operations or cash flow or could cause a decline in the Company's stock price.

Risks Related to Our Industry

We earn substantially all of our revenue based on assets under management and therefore a reduction in assets under management would reduce our revenues and profitability. Assets under management fluctuate based on many factors including: market conditions, investment performance, and terminations of investment contracts.

Substantially all of our revenues are directly related to 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 and its affiliates over time pursuant to distribution plans adopted under provisions of Rule 12b-1 under the Company Act. Rule 12b-1 fees typically are based on the average AUM and represented approximately 10.3%, 11.0% and 11.6% of our total revenues for the years ended December 31, 2018, 2017 and 2016, 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 beyond our control, including but not limited to economic and political events, war (whether or not directly involving the U.S.), acts of terrorism, unanticipated changes in currency exchange rates, interest rates, inflation rates, the yield curve, defaults by derivative counterparties, bond default risks, sovereign debt crisis and other factors that are difficult or impossible to predict. If a decline in securities prices caused our revenues to decline, it could have a material adverse effect on our earnings.

Changes in laws or regulations or in governmental policies and compliance with existing laws or regulations 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 Company Act and the Advisers Act as well as other securities laws, by the Department of Labor under ERISA, and regulation by FINRA and state regulators. The Funds managed by Funds Advisor are registered with the SEC as investment companies under the Company Act. The Advisers Act imposes numerous obligations on investment advisors, including record-keeping, advertising and operating requirements, fiduciary and disclosure obligations, custodial requirements and prohibitions on fraudulent activities. The Company Act imposes similar obligations, as well as additional detailed operational requirements, on registered investment companies and investment advisors. In addition, our businesses are also subject to regulation by the Financial Services Authority in the United Kingdom, and we are also subject to the laws of other 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, censure, suspensions of personnel or other sanctions, including revocation of our subsidiaries' registrations 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. Our industry is frequently altered by new laws or regulations and by revisions to, and evolving interpretations of, existing laws and regulations, both in the U.S. and in other nations. Changes in laws or regulations or in governmental policies could limit the sources and amounts of our revenues including but not limited to distribution revenue under the Company Act, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

To the extent that provisions of the Tax Cuts and Jobs Act (the "Act") affect the deductibility of named executive officer ("NEO") compensation, we may be impacted.

The Act eliminates the performance based compensation exception for NEO compensation deductibility. To the extent that some of the compensation of our NEOs is affected by this change, we would have a lower amount of deductible compensation in future years and a higher effective tax rate than we would have had without this potential loss of deductibility. We continue to evaluate the impact of the Act's provisions, regarding NEO compensation and otherwise, and whether and if so, by how much, the Act's provisions will impact us.

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 advisory 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 advisory 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 or trustees of each fund managed by Funds Advisor 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 new business could have an adverse effect on our profit margins and results of operations.

We derive a substantial portion of our revenues from investment advisory contracts that may be terminated on short notice or may not be renewed by clients.

A substantial majority of our revenues are derived from investment management agreements and distribution arrangements. Investment management agreements and distribution arrangements with the Funds are terminable without penalty on 60 days' notice (subject to certain additional procedural requirements in the case of termination by a 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 Fund's board of directors or trustees. Investment advisory agreements with our Institutional and Private Wealth Management clients 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 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 Institutional and Private Wealth Management 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 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 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 to be assigned to another party when a controlling block of the advisor's ownership 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 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.

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

A terrorist attack, political unrest, war (whether or not directly involving the U.S.), power failure, cyber-attack, technology failure, natural disaster or many other possible catastrophic or unpredictable events could adversely affect our future revenues, expenses and earnings by, among other things: causing disruptions in U.S., regional or global economic conditions; interrupting our normal business operations; inflicting 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 it cannot be assured that this plan will be effective or sufficient in responding to, eliminating 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.

The soundness of other financial institutions could adversely affect our business.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We and the investments we manage may have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including: brokers and dealers, commercial banks, investment banks, clearing organizations, mutual and hedge funds, and other institutions. Many of these transactions expose us, or the accounts we manage, to credit risk in the event of the counterparty's default. There is no assurance that any such losses would not materially and adversely impact the Company's revenues and earnings.

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 Offering in 1999, Mr. Gabelli, through his control and majority ownership of GGCP, has beneficially owned a majority of our outstanding Class B Stock, representing 91% of voting control. 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, or offered less favorable terms to, an unaffiliated party.

On February 6, 2008, Mr. Gabelli entered into an amended and restated employment agreement (the "2008 Employment Agreement") with the Company, which was initially approved by the Company's shareholders on November 30, 2007 and approved again on May 6, 2011 and May 5, 2015, and which limits his activities outside of the Company. Under the 2008 Employment Agreement, the manner of computing Mr. Gabelli's remuneration from GAMCO is unchanged.

Mr. Gabelli has agreed that while he is employed by us he will not provide investment management services outside of GAMCO, AC, and GGCP, except for certain permitted accounts. These permitted accounts, excluding personal accounts, held assets at December 31, 2018 and 2017 of approximately $239.0 million and $267.7 million, respectively. Mr. Gabelli continues to be a member of the team that manages the TETON Westwood Mighty Mites^{SM}

Fund, whose advisor, Teton, was spun-off from GBL in March 2009. Effective February 27, 2017, Funds Advisor became the sub-advisor to the TETON Westwood Mighty Mites^{SM} Fund. The assets in the TETON Westwood Mighty Mites^{SM} Fund at December 31, 2018 and 2017 were $1.1 billion and $1.4 billion, respectively. The 2008 Employment Agreement may not be amended without the approval of the Compensation Committee and Mr. Gabelli.

We depend on Mr. 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 could 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 including, Christopher Marangi and Kevin Dreyer, the other Co-Chief Investment Officers of the Value team. The market for qualified portfolio managers is extremely competitive. 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 personnel. In addition, our investment professionals and senior marketing personnel have direct contact with our Institutional and Private Wealth Management clients, which can lead to strong client relationships. The loss of these personnel could jeopardize our relationships with certain Institutional and Private Wealth Management 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.

There may be adverse effects on our business 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. The securities markets in general have experienced significant volatility, and such volatility may continue or increase in the future. At December 31, 2018, approximately 94% of our AUM were invested in portfolios consisting primarily of equity securities. 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. Also, from time to time, a relatively high proportion of the assets we manage may be concentrated in particular economic or industry sectors. A general decline in the performance of securities in those industry sectors could have an adverse effect on our AUM and revenues.

Since the separation, certain of our directors and officers may have actual or potential conflicts of interest because of their positions or relationships with AC.

Since the separation of AC from GAMCO, Mario J. Gabelli has continued to serve as our Chairman and Chief Executive Officer and also serves as Executive Chairman of AC. Marc Gabelli, a son of Mario J. Gabelli, continues to have responsibilities relating to GAMCO. Kevin Handwerker, GAMCO's Executive Vice President, General Counsel and Secretary, also serves AC in the same capacities. Douglas R. Jamieson has continued to serve as President and Director of GAMCO Asset Management Inc. and also serves as President and Chief Executive Officer and Director of AC. Agnes Mullady has continued to serve as President and COO of the Fund Division of Gabelli Funds, LLC and also serves as an Executive Vice President of AC. In addition, certain of our portfolio managers and teammates will provide services to AC pursuant to the Transitional Services Agreement with AC and will be officers or employees of AC. Such dual assignments could create, or appear to create, potential conflicts of interest when our and AC's officers and directors face decisions that could have different implications for the two companies.

Also, some of our directors, executive officers, portfolio managers and teammates own shares of AC common stock.

Mario J. Gabelli is deemed to control AC by his control of GGCP Holdings, LLC, an intermediate subsidiary of GGCP, Inc., a private company controlled by Mario J. Gabelli. Marc Gabelli is President of GGCP, Inc.

In addition, potential conflicts of interest could arise in connection with the resolution of any dispute that may arise between GAMCO and AC regarding the terms of the agreements governing the separation and the relationship thereafter between the companies. The executive officers and other personnel of AC who serve as directors or executive management of GAMCO may interpret these agreements in their capacity as AC employees in a manner that would adversely affect the business of GAMCO.

Also, certain subsidiaries of AC are investment advisers. The executive officers and other personnel of AC who also serve as directors or executive management of GAMCO may be confronted with the possibility of making decisions in their AC capacity that would adversely affect the business of GAMCO.

Both GAMCO and AC expect to be vigilant in attempting to identify and resolve any potential conflicts of interest, including but not limited to the types described above, at the earliest possible time. However, there can be no guarantee that the interests of GAMCO may not be adversely affected at some point by such a conflict.

Our reputation is critical to our success.

Our reputation is critical to acquiring, maintaining and developing relationships with our clients, Mutual Fund shareholders and third party intermediaries. Misconduct by our staff, or even unsubstantiated allegations, could result not only in direct financial harm but also in harm to our reputation, causing injury to the value of our brands and our ability to retain or attract AUM. Moreover, reputational harm may cause us to lose current employees and we may be unable to attract new employees with similar qualification or skills. Damage to our reputation could substantially reduce our AUM and impair our ability to maintain or grow our business, which could have a material adverse effect on us.

There is a possibility of losses associated with proprietary investment activities.

Currently, we maintain a proprietary investment position in a few 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 advisory fees (which are based on the amount of AUM). Conversely, poor performance, both in absolute terms and/or relative to peers and industry benchmarks, tends to result in decreased sales, increased withdrawals and redemptions in the case of the open-end Funds, and in the loss of Institutional and Private Wealth Management clients, 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 or failure of the Funds to maintain ratings or rankings could, therefore, have a material adverse effect on us.

In addition, when our investment products experience strong results relative to the market or other asset classes, clients' investments in our products may increase beyond their target levels, and we could, therefore, suffer withdrawals as our clients rebalance their investments to fit their asset allocation preferences.

Loss of significant Institutional and Private Wealth Management accounts could affect our revenues.

We had approximately 1,600 Institutional and Private Wealth Management accounts as of December 31, 2018, of which the ten largest accounts generated approximately 8% of our total revenues during the year ended December 31, 2018. Account turnover for any reason would have an adverse effect on our revenues. Notwithstanding performance, we have from time to time experienced account turnover of large Institutional and Private Wealth Management accounts as a result of corporate mergers and restructurings, and we could continue to lose accounts under these or other circumstances.

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 approximately $5.7 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 our AUM and our revenue.

We rely on third party distribution programs.

A significant share of sales of our open-end funds come 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. A substantial component of sales growth is from third party distribution programs with no transaction fees payable by the customer, which we refer to as NTF programs. Approximately $3.1 billion of our AUM in the open-end equity funds as of December 31, 2018 are held 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 Funds. At December 31, 2018, approximately 92% of the NTF program net assets in the Gabelli/GAMCO families of funds are attributable to two NTF programs. The decision

by these third party distribution programs to discontinue distribution of the funds, or a decision by us to withdraw one or more of the funds from the programs, could have an adverse effect on our growth of AUM.

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. Despite the reliability of these systems, and the training and skill of our employees and third parties we rely on, it remains likely that errors may occasionally occur due to the extremely large number of transactions we process. In addition, if systems we use are unable to accommodate an increasing volume of transactions our ability to expand our businesses could be constrained. 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.

Failure to maintain adequate infrastructure could impede the Company's productivity and growth. Additionally, failure to implement effective information and cyber security policies, procedures and capabilities could disrupt operations and cause financial losses that could result in a decrease in the Company's earnings or stock price.

The Company's infrastructure, including its information systems and technology, is vital to the competitiveness of its business. The failure to maintain an adequate infrastructure commensurate with the size and scope of our business could impede our productivity and growth, which could cause our earnings or stock price to decline. 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. Technology is subject to rapid change and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products than we do for ours. In addition, there can be no assurance that the cost of maintaining such outsourcing arrangements will not increase from its current level, which could have a material adverse effect on us.

In addition, any inaccuracies, delays, system failures or security breaches in these and other systems could subject us to client dissatisfaction and losses. Breach of our technology systems could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the breach, additional security costs to mitigate against future incidents and litigation costs resulting from the incident. Moreover, loss of confidential customer identification information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues. Further, although we take precautions to password protect and encrypt our laptops and other mobile electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We may be the target of cyber-attacks, including denial-of-service attacks, and must continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in our, our clients', our counterparties' or third parties' operations, which could impact their ability to transact with us or otherwise result in significant losses or reputational damage. The increased use of mobile technologies can heighten these and other operational risks. We expect to expend significant additional resources on an ongoing basis to modify our protective measures and to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

We routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. We have discussed and worked with clients, vendors, service providers, counterparties and other third parties

to develop secure transmission capabilities and protect against cyber-attacks, but we do not have, and may be unable to put in place, secure capabilities with all of our clients, vendors, service providers, counterparties and other third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. An interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a client, vendor, service provider, counterparty or other third party could result in legal liability, regulatory action and reputational harm.

The failure of one of our vendors to fulfill its obligations to us could have a material adverse effect on the Company and its products.

The Company depends on a number of key vendors for various fund administration, accounting, custody and transfer agent roles and other operational needs. The failure or inability of the Company to diversify its sources for key services or the failure of any key vendors to fulfill their obligations could lead to operational issues for the Company and in certain products, which could result in financial losses for the Company and its clients.

Our ability to meet cash needs may be adversely affected by a number of factors.

Our ability to meet anticipated cash needs is affected by factors such as the market value of our assets, our operating cash flows and our creditworthiness as perceived by lenders. Adverse developments in any of these areas could have significantly adverse effects on our business. If we are unable to obtain funds and financing in a timely manner or on acceptable terms, we may be forced to incur unanticipated costs or revise our business plans. Further, our access to the capital markets depends significantly on our credit ratings. A reduction in our credit ratings could increase our borrowing costs and limit our access to the capital markets. Volatility in the U.S., regional or global financing markets may also impact our ability to access the capital markets should we seek to do so, and we may be forced to incur unanticipated costs or experience other adverse effects on our business. We currently have a credit rating of investment grade with one rating agency and one below investment grade with another rating agency. We believe that if our credit rating was below investment grade with both credit agencies it would increase our long-term borrowing costs, on future borrowings, by 65 basis points, while a two notch downgrade would increase our long-term borrowing costs, on future borrowings, by approximately 80-85 basis points. Our current outstanding debt issuances would not be impacted by any changes in our ratings.

We face exposure to legal actions, including litigation and arbitration claims and regulatory and governmental examinations and/or investigations. Insurance coverage for these matters may be inadequate.

The volume of litigation and arbitration claims 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 Funds or arising from an employment dispute. The risk of litigation is difficult to predict, assess or quantify, and may occur years after the activities or events at issue. In addition, from time to time we may become the subject of governmental or regulatory investigations and/or examinations. Even if we prevail in a legal or regulatory action, the costs alone of defending against the action or the harm to our reputation could have a material adverse effect on us. The insurance coverage that we maintain with respect to legal and regulatory actions may be inadequate or may not cover certain proceedings.

Compliance failures 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, liquidity, distribution, and tax requirements. A failure to comply with these guidelines or contractual requirements could result in damage to the Company's reputation or in its clients seeking to recover losses, withdrawing their AUM or terminating their contracts, any of which could cause the Company's revenues and earnings to decline. There can be no assurance that the precautions and procedures that we have instituted and installed or the insurance we maintain to protect ourselves in case of client losses will protect us from potential liabilities.

We face strong competition from numerous and, in many instances, larger companies.

The asset management business is intensely competitive. We compete with numerous investment management companies, stock brokerage and investment banking firms, insurance companies, banks, savings and loan associations and other financial institutions. The periodic establishment of new investment management companies and other competitors increases the competition that we face. At the same time, consolidation in the financial services industry has created stronger competitors with greater financial resources and broader distribution channels than our own. Competition is based on various factors, including, among others, business reputation, investment performance, product mix and offerings, service quality and innovation, distribution relationships and fees charged. Our competitive success in any or all of these areas cannot be assured. 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. Expense limitations and reimbursements have been put in place for certain classes of certain funds. 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 effect on our profit margins and results of operations.

Mr. Gabelli, our Chairman of the Board and Chief Executive Officer, may receive enhanced compensation under his various deferred compensation agreements in the event we repurchase shares under our Stock Repurchase Program.

GAMCO has entered into three separate deferred compensation agreements with Mr. Gabelli whereby his variable compensation for fiscal 2016 and certain periods of fiscal 2017 (each such period, an "employment period") will be in the form of Restricted Stock Units ("RSUs"), payable at the end of a specified deferral period (each, a "Lapse Date"). On each Lapse Date, the RSUs can be settled in either stock or cash, in an amount determined by the lesser of (x) the volume-weighted average price ("VWAP") of the Company's Class A Stock during the applicable employment period and (y) the VWAP of the Class A Stock on the Lapse Date. On July 2, 2018, the RSU for the first half of 2017 vested in accordance with the terms of the agreement and a cash payment in the amount of $28.3 million was made to Mr. Gabelli.

From time to time, the Company repurchases shares of its Class A Stock under a Stock Repurchase Program authorized by the Board. Share repurchases reduce the number of shares in a company held by the public, which increases earnings per share. As a result, the stock price may rise because shareholders know that a buyback will immediately boost earnings per share.

Since the amount of RSUs payable under Mr. Gabelli's deferred compensation agreements are tied to the Company's stock price, an increase in the amount of shares the Company repurchases under its Stock Repurchase Program may have the effect of increasing Mr. Gabelli's overall compensation.

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 Stock.

The holders of Class A Common Stock ("Class A Stock") and Class B Stock have identical rights except that (i) holders of Class A Stock are entitled to one vote per share, while holders of Class B 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 Stock are not eligible to vote on matters relating exclusively to Class B Stock and vice versa. Since our Offering in 1999, Mr. Gabelli, through his control and majority ownership of GGCP, has beneficially owned a majority of our outstanding Class B Stock, representing approximately 91% of voting control. 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 among other things any 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. The differential in voting rights and the ability of our company to issue additional Class B Stock could adversely affect the value of the Class A Stock to the extent the investors, or any potential future purchaser of our company, view the superior voting rights of the Class B Stock to have value. On May 3, 2017, Class A Stock shareholders approved an advisory proposal for the Board of Directors to consider the conversion and reclassification of our shares of Class B Stock into Class A Stock at a ratio in the range of 1.15 to 1.25 shares of Class A Stock for each share of Class B Stock. The Board of Directors has made no decision on this matter.

Future sales of our Class A Stock in the public market or sales or distributions of our Class B 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 Stock in subsequent public offerings. We also may issue additional shares of Class A Stock or convertible debt securities. On March 5, 2018, AC completed a tender offer in which tendering AC shareholders received an aggregate of approximately 660,000 shares of our registered Class A Stock constituting approximately 7% of the Class A Stock outstanding. On October 29, 2018, AC completed another tender offer in which tendering AC shareholders received an aggregate of approximately 710,000 shares of our registered Class A

Stock constituting approximately 7% of the Class A Stock outstanding. The market price of our Class A Stock could decline as a result of sales of Class A Stock by such shareholders. Any such sales as well as sales by our other current shareholders could be perceived negatively.

No prediction can be made as to the effect, if any, that future sales or distributions of Class B Stock owned by GGCP Holdings LLC will have on the market price of the Class A Stock from time to time. Sales or distributions of substantial amounts of Class A Stock or Class B Stock, or the perception that such sales or distributions are likely to occur, could adversely affect the prevailing market price for the Class A Stock.

Our common stock has relatively limited trading volume, and ownership of a large percentage is concentrated with a small number of shareholders, which could increase the volatility in our stock trading and dramatically affect our share price.

A large percentage of our common stock is held by a limited number of shareholders. If our larger shareholders decide to liquidate their positions, it could cause significant fluctuation in the share price of our common stock.

There has been no authoritative determination as to whether the distribution of shares of Associated Capital Group, Inc. to GAMCO stockholders in 2015 qualified for tax-free treatment for GAMCO, ACG or GAMCO stockholders under U.S. tax laws. It could be determined in the future that the distribution should have been considered a taxable event with respect to U.S. federal income tax purposes for ACG, GAMCO or GAMCO stockholders.

While at the time of the distribution GAMCO received an opinion from its tax advisors substantially to the effect that the distribution would be tax-free to GAMCO and its stockholders under Section 355 of the Code, neither GAMCO nor ACG ever applied for a private letter ruling from the IRS with respect to the tax consequences of the distribution. Accordingly, there can be no assurance that the IRS or another taxing authority will not assert that the distribution was taxable to GAMCO, ACG or GAMCO stockholders. If that were to happen, among other things, each GAMCO stockholder who received shares of ACG common stock in the Spin-off may be treated as having received a taxable distribution, and GAMCO would realize taxable income to the extent the distribution consists of appreciated property distributed by GAMCO.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

Since 1997, our principal offices, consisting of a single 60,000 square foot building, are located at 401 Theodore Fremd Avenue, Rye, New York, under a lease agreement which expires on December 31, 2028 from an entity controlled by members of Mr. Gabelli's immediate family. In addition we lease office space in Connecticut, Florida, Illinois, Missouri, New Jersey, Nevada and, internationally, in London and Tokyo.

ITEM 3: LEGAL PROCEEDINGS

From time to time, the Company may be named in legal actions and proceedings. These actions may seek substantial or indeterminate compensatory as well as punitive damages or injunctive relief. The Company is also subject to governmental or regulatory examinations or investigations. The examinations or investigations could result in adverse judgments, settlements, fines, injunctions, restitutions or other relief. For any such matters, the consolidated financial statements include the necessary provisions for losses that the Company believes are probable and estimable. Furthermore, the Company evaluates whether there exist losses which may be reasonably possible and, if material, makes the necessary disclosures.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

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 Stock are traded on the NYSE under the symbol GBL.

As of February 1, 2019, there were 435 Class A Stockholders of record and 21 Class B Stockholders of record. These figures do not include approximately 3,400 stockholders with shares held under beneficial ownership in nominee name.

As of December 31, 2018, since the Offering, we have returned to shareholders $2.0 billion in total of which $1.0 billion was in the form of the Spin-offs of AC and Teton, $493.3 million was from dividends and $463.7 million was through our stock buyback program.

The following table provides information with respect to the shares of our Class A Stock we repurchased during the three months ended December 31, 2018:

Period	Total Number of Shares Repurchased	Average Price Paid Per Share, net of Commissions	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
10/01/18 - 10/31/18	-	$ -	-	941,949
11/01/18 - 11/30/18	18,597	20.70	18,597	923,352
12/01/18 - 12/31/18	58,542	19.25	58,542	864,810
Totals	77,139	$ 19.60	77,139	

In 1999, the Board of Directors established the stock repurchase program. Our stock repurchase program is not subject to an expiration date.

We are required to provide a comparison of the cumulative total return on our Class A Stock as of December 31, 2018 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 Stock with the return on the S&P 500 Index and an index comprised of public asset managers ("SNL Asset Manager"). The comparison assumes that $100 was invested in the Class A Stock and in each of the named indices, including the reinvestment of dividends, on December 31, 2013. This chart is not intended to forecast future performance of our common stock.

	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
GAMCO Investors, Inc.	100.00	102.89	67.37	67.17	64.69	36.98
SNL Asset Manager	100.00	105.50	89.97	95.18	126.39	95.35
S&P 500 Index	100.00	113.69	115.26	129.05	157.22	150.33

The following table shows information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2018.

	Number of Securities to be Issued upon Exercise of	Weighted-Average Exercise

Plan Category	Outstanding Options, Warrants and Rights	Price of Outstanding Options, Warrants and Rights
Equity compensation plans approved by security holders:		
Stock options	10,000	$ 25.55
Restricted stock awards	427,650	$ 24.93
Equity compensation plans not approved by security holders:	-	n/a
Total	437,650	$ 24.94

The number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column above) is 1,087,717.

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 of Financial Condition and Results of Operations" included in Item 7 and "Financial Statements and Supplementary Data" included in Item 8 of this report. Amounts included in the tables related to income statement data and balance sheet data are derived from audited financial statements.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Income Statement Data (in thousands)					
Revenues					
Investment advisory and incentive fees	$302,651	$316,705	$308,459	$329,965	$360,498
Distribution fees and other income	38,804	43,819	44,541	51,011	61,438
Total revenues	341,455	360,524	353,000	380,976	421,936
Expenses:					
Compensation costs	83,768	134,170	86,572	146,371	156,533
Management fee	9,014	13,666	6,518	15,503	18,663
Distribution costs	39,194	44,447	44,189	51,990	59,746
Other operating expenses	22,692	23,221	23,925	19,163	17,542
Total expenses	154,668	215,504	161,204	233,027	252,484
Operating income	186,787	145,020	191,796	147,949	169,452
Other income (expense), net					
Net gain from investments	(25,173)	3,115	1,594	4,953	4,282
Extinguishment of debt	-	(3,300)	-	(1,067)	(84)
Interest and dividend income	2,241	2,350	1,511	2,222	2,154
Interest expense	(3,525)	(10,160)	(12,674)	(8,636)	(7,653)
Charitable contributions	(5,671)	(4,137)	-	(6,396)	(134)
Total other income (expense), net	(32,128)	(12,132)	(9,569)	(8,924)	(1,435)
Income before income taxes	154,659	132,888	182,227	139,025	168,017
Income tax provision	37,463	55,079	65,106	51,726	61,734
Income from continuing operations	117,196	77,809	117,121	87,299	106,283
Income/(loss) from discontinued operations, net of taxes	-	-	-	(3,887)	3,107
Net income attributable to GAMCO Investors, Inc.'s shareholders	$117,196	$77,809	$117,121	$83,412	$109,390
Net income per share attributable to GAMCO Investors, Inc.'s shareholders:					
Basic - Continuing operations	$4.08	$2.68	$4.01	$3.43	$4.20
Basic - Discontinued operations	-	-	-	(0.15)	0.12
Basic - Total	$4.08	$2.68	$4.01	$3.28	$4.32
Diluted - Continuing operations	$4.07	$2.60	$3.92	$3.40	$4.16
Diluted - Discontinued operations	-	-	-	(0.15)	0.12
Diluted - Total	$4.07	$2.60	$3.92	$3.24	$4.28
Weighted average shares outstanding:					
Basic	28,744	28,980	29,182	25,425	25,335

Diluted	28,777	30,947	30,170	25,711	25,558
Actual shares outstanding at December 31st (a)	28,982	28,974	29,463	29,821	25,855
Dividends declared per share:	$0.08	$0.08	$0.08	$0.28	$0.50

(a) Includes unvested RSAs of 427,650, 19,400, 424,340, 553,100 and 710,750 at December 31, 2018, 2017, 2016, 2015 and 2014, respectively.

	December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data (in thousands)					
Total assets (a)	$134,612	$128,286	$149,229	$103,899	$865,803
Long-term obligations (a)	28,962	79,087	239,021	279,267	116,789
Other liabilities and noncontrolling interest	96,040	145,472	76,855	100,959	221,219
Total liabilities and noncontrolling interest	125,002	224,559	315,876	380,226	338,008
Total equity (deficit)	$9,610	$(96,273)	$(166,647)	$(276,327)	$527,795

(a) Total assets and long-term obligations have been decreased by $128 and $627 at December 31, 2015 and 2014, respectively, for the adoption of ASU 2015-03 to present the debt issuance costs as a reduction of the related debt rather than as an asset.

	December 31,				
	2018	2017	2016	2015	2014
Assets Under Management (at year end, in millions):					
Open-end Funds	$12,784	$15,617	$15,229	$15,325	$19,139
Closed-end Funds	6,959	8,053	7,150	6,492	6,949
Institutional & PWM Separate Accounts	14,104	18,883	17,255	16,805	20,359
SICAV (a)	507	510	320	178	135
Total	$34,354	$43,063	$39,954	$38,800	$46,582

(a) Adjusted to include assets of $135 million, $141 million and $270 million at December 31, 2014, 2015, and 2016, respectively.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements and the notes thereto included in Item 8 to this report.

Introduction

On the Spin-Off Date, GBL distributed to its stockholders all of the outstanding common stock of Associated Capital Group, Inc. ("AC") and its subsidiaries along with certain cash and other assets. AC owns and operates, directly or indirectly, the alternatives and the institutional research businesses previously owned and operated by GBL. In the Spin-off, each holder of GAMCO's Class A Common Stock ("Class A Stock") of record as of 5:00 p.m. New York City time on November 12, 2015 (the "Record Date"), received one share of AC Class A common stock for each share of GAMCO Class A Stock held on the Record Date. Each record holder of GAMCO's Class B Stock received one share of AC Class B common stock for each share of GAMCO Class B Stock held on the Record Date. Subsequent to the Spin-off, GAMCO no longer consolidates the financial results of AC for the purposes of its own financial reporting and the historical financial results of AC have been reflected in the Company's consolidated financial statements as discontinued operations for all periods presented through the Spin-off Date. Historical AUM have similarly been adjusted to remove AUM managed by AC.

Our revenues are highly correlated to the level of AUM and fees associated with our various investment products, rather than our own corporate assets. AUM, which are directly influenced by the level and changes of the overall equity markets, can also fluctuate through acquisitions, the creation of new products, the addition of new accounts or the loss of existing accounts. Since various equity products have different fees, changes in our business mix may also affect revenues. At times, the performance of our equity products may differ markedly from popular market indices, and this can also impact our revenues. It is our belief that general stock market trends will have the greatest impact on our level of AUM and hence, revenues.

As of December 31, 2018, we had $34.4 billion of AUM. We conduct our investment advisory business principally through: Funds Advisor (Funds) and GAMCO (Institutional and Private Wealth Management). We also are a distributor of our open-end funds through our broker-dealer subsidiary G.distributors.

Organizational Chart

Subsequent to the Spin-off, this is the current organizational chart of the Company.

2018 Business and Investment Highlights

- In May, the Gabelli Utility Trust completed a significantly over-subscribed rights offering raising $48.5 million.

- We launched our fourth exchange traded managed fund, the Gabelli Pet Parents™ Fund (the “Fund”). The Fund invests primarily in companies that actively participate in the companion animal food, therapeutics, diagnostics, product distribution and related services.

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- Ian Lapey joined in October 2018 as the Portfolio Manager for the launch of the Gabelli Global Financial Services Fund. Prior to joining Moerus, Ian was a Partner, Research Analyst, and Portfolio Manager at Third Avenue Management. In 2009 he was appointed Co-Manager of the firm's flagship Third Avenue Value Fund, and was subsequently named sole Portfolio Manager of that fund in 2012.

- On August 27, 2018, Trevor, Stewart, Burton & Jacobson ("TSB&J"), an RIA firm, agreed to assign their private wealth clients to GAMCO Asset Management. Carl Kempner, Jr. and Melody Bryant joined GAMCO to manage the portfolios for the former TSB&J clients.

- On September 28, 2018, Fitch Ratings gave the Gabelli U.S. Treasury Fund its highest rating, AAAmmf.

- In October, we launched the Gabelli Global Mini Mites Fund, which invests on a global basis in equity securities that have a market capitalization of $250 million or less.

- In October, the Gabelli Convertible and Income Securities Fund completed a common share rights offering raising $23 million.

- On October 30, 2018, we announced that Theresa Pope joined GAMCO's institutional team as Vice President, Consultant Relations. This role underscores GAMCO's commitment to serving this important distribution channel and delivering superior risk adjusted returns and best in class service to our institutional clients.

- On November 19, 2018, we announced that Peter Tcherepnine, CEO of Loeb Partners Corporation, joined GAMCO as a Senior Vice President along with the private wealth clients that will be assigning their assets to GAMCO subject to the completion of documentation.

- In November, the Company announced that both the Gabelli Media Mogul NextShares™ and the Gabelli Pet Parents™ NextShares™ would be starting as no-load open-end mutual fund registered under the Investment Company Act of 1940 with timing subject to the Federal government shutdown.

- In December, the Gabelli Global Utility & Income Trust completed a common and preferred share rights offering raising $85 million.

Overview

Consolidated Statements of Income

Investment advisory and incentive fees, which are based on the amount and composition of AUM in our Funds, Institutional and Private Wealth Management accounts, represent our largest source of revenues. In addition to the general level and trends of the stock market, growth in revenues depends on good investment performance, which influences the value of existing AUM as well as contributes to higher investment and lower redemption rates and facilitates the ability to attract additional investors while maintaining current fee levels. Growth in AUM is also dependent on being able to access various distribution channels, which is usually based on several factors, including performance and service. A majority of our cash inflows to mutual fund products have come through third party distribution programs, including NTF programs. We have also been engaged to act as a sub-advisor for other much larger financial services companies with much larger sales distribution organizations. These sub-advisory clients are subject to business combinations that may result in the termination of the relationship. The loss of a sub-advisory relationship could have a significant impact on our financial results in the future.

Advisory fees from the open-end funds, closed-end funds and sub-advisory accounts are computed daily or weekly based on average net assets. Advisory fees from Institutional and Private Wealth Management clients are generally

computed quarterly based on account values as of the end of the preceding quarter. These revenues are based on AUM which is highly correlated to the stock market and can vary in direct proportion to movements in the stock market and the level of sales compared with redemptions, financial market conditions and the fee structure for AUM. Revenues derived from the equity-oriented portfolios generally have higher advisory fee rates than fixed income portfolios.

We also receive incentive fees from certain Institutional and Private Wealth Management clients, which are based upon meeting or exceeding a specific benchmark index or indices. These fees are recognized at the end of the stipulated contract period, which may be quarterly or annually, for the respective account. Advisory fees on assets attributable to a majority of the closed-end preferred shares are earned at year-end if the total return to common shareholders of the closed-end fund for the calendar year exceeds the dividend rate of the preferred shares. These fees are recognized at the end of the measurement period.

Distribution fees and other income primarily include distribution fee revenue earned in accordance with Rule 12b-1 of the Company Act, as amended, along with sales charges and underwriting fees associated with the sale of the mutual funds plus other revenues. Distribution fees fluctuate based on the level of AUM and the amount and type of mutual funds sold directly by G.distributors or through various distribution channels.

Compensation costs include variable and fixed compensation and related expenses paid to officers, portfolio managers, sales, trading, research and all other professional staff. Variable compensation paid to sales personnel and portfolio management generally represents 40% of revenues and is the largest component of total compensation costs. Distribution costs include marketing, product distribution and promotion costs. Management fee is incentive-based and entirely variable compensation in the amount of 10% of the aggregate pre-tax profits which is paid to Mr. Gabelli or his designee for acting as CEO pursuant to his 2008 Employment Agreement so long as he is an executive of GBL and devotes the substantial majority of his working time to the business. Other operating expenses include general and administrative operating costs.

Other income and expenses includes net gains and losses from investments (which include both realized and unrealized gains and losses from trading securities), interest and dividend income, and interest expense. Net gains and losses from investments are derived from our proprietary investment portfolio consisting of various public and private investments.

Net income (loss) attributable to noncontrolling interests represents the share of net income attributable to the minority stockholders, as reported on a separate company basis, of our consolidated majority-owned subsidiaries and net income attributable to third party limited partners of certain partnerships and offshore funds we consolidate. Please refer to Note A in our consolidated financial statements included elsewhere in this report.

Income/(loss) on discontinued operations, net of taxes represents the results of the businesses and assets that were part of the Spin-off of AC.

Consolidated Statements of Financial Condition

We ended the 2018 year with approximately $75.0 million in cash and investments. The $75.0 million consists of $41.2 million cash and cash equivalents, primarily invested in our 100% U.S. Treasury Money Market Fund and $33.8 million invested in common stocks, mutual funds and closed-end funds. Of the $33.8 million of common stocks, mutual funds, and closed-end funds, $18.8 million represent our investment in shares of Westwood Holdings Group.

The face value of our debt consisted of $24.2 million of 5.875% senior notes due June 1, 2021.

Deferred compensation owed totaled $48.1 million as of December 31, 2018. The balance sheet includes $36.8 million as of December 31, 2018. $9.0 million is payable on April 1, 2019 and $39.1 million is payable on January 1, 2020. We will receive a tax benefit upon payment of the deferred compensation equal to Federal and State rates in effect at the time of payment.

Equity was $9.6 million on December 31, 2018 compared to a negative $96.3 million on December 31, 2017.

We filed a shelf registration with the SEC in 2018 which, among other things, provides us the flexibility to sell any combination of senior and subordinate debt securities, convertible debt securities, equity securities (including common and preferred stock), and other securities up to a total amount of $500 million. The shelf is available through April 10, 2021, at which time it may be renewed.

Our short-term focus has been to use our cash flow to pay down our existing debt. During 2018, we repaid the $15 million 1.6% AC note and $50 million of the 4% AC Note. We continue to opportunistically and strategically grow operating income.

Assets Under Management Highlights

We reported assets under management as follows (dollars in millions):

	Year Ended December 31,					CAGR (a)
	2018	2017	2016	2015	2014	2018/2014
Equities:						
Open-End	$10,589	$13,747	$13,462	$13,811	$17,684	(12.0)%
Closed-End	6,959	8,053	7,150	6,492	6,949	-
Institutional & PWM	14,078	18,852	17,224	16,767	20,301	(8.7)
SICAV (b)	507	510	320	178	135	39.2
Total Equities	32,133	41,162	38,156	37,248	45,069	(8.1)
Fixed Income:						
Money-Market Fund	2,195	1,870	1,767	1,514	1,455	10.8
Institutional & PWM	26	31	31	38	58	(18.2)
Total Fixed Income	2,221	1,901	1,798	1,552	1,513	10.1
Total AUM	$34,354	$43,063	$39,954	$38,800	$46,582	(7.3)%

(a) Compound annual growth rate.
(b) Adjusted to include assets of $135 million, $141 million, and $270 million at December 31, 2014, 2015, and 2016, respectively.

Our net cash inflows or outflows by product line were as follows (in millions):

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Equities:					
Open-End	$(2,160)	$(1,347)	$(1,832)	$(3,053)	$(355)
Closed-End (a)	(501)	(91)	(55)	(87)	(137)
Institutional & PWM	(2,464)	(1,079)	(1,797)	(2,510)	(1,096)
SICAV(b)	28	149	133	49	42
Total Equities	(5,097)	(2,368)	(3,551)	(5,601)	(1,546)
Fixed Income:					
Money-Market Fund	290	89	249	59	(280)
Institutional & PWM	(5)	-	(7)	(20)	(4)
Total Fixed Income	285	89	242	39	(284)
Total Net Cash In (Out) Flows	$(4,812)	$(2,279)	$(3,309)	$(5,562)	$(1,830)

(a) Our net cash inflows or outflows for Closed-End equity funds includes distributions, net of reinvestments, to fund holders of $522 million, $483 million, $500 million, $461 million, and $479 million in 2018, 2017, 2016, 2015, and 2014, respectively.
(b) Adjusted to include inflows or outflows of $125 million, $10 million, and $42 million in 2016, 2015, and 2014, respectively.

	Closed-End Fund flows		
	Offerings, net of repurchases	Distributions, net of reinvestments	Net
2018	$21	$ (522)	$(501)

2017	392	(483)	(91)
2016	445	(500)	(55)
2015	374	(461)	(87)
2014	342	(479)	(137)

Our net appreciation and depreciation by product line were as follows (in millions):

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Equities					
Open-End	$(998)	$1,632	$1,483	$(820)	$961
Closed-End	(593)	994	713	(370)	141
Institutional & PWM	(2,310)	2,707	2,254	(1,024)	1,114
SICAV(a)	(31)	41	9	(6)	(3)
Total Equities	(3,932)	5,374	4,459	(2,220)	2,213
Fixed Income					
Money-Market Fund	35	14	4	-	-
Institutional & PWM	-	-	-	-	-
Total Fixed Income	35	14	4	-	-
Total Net Appreciation/(Depreciation)	$(3,897)	$5,388	$4,463	$(2,220)	$2,213

(a) Adjusted to include appreciation and depreciation of $4 million, ($4) million, and ($3) million in 2016, 2015, and 2014, respectively.

AUM at December 31, 2018 were $34.4 billion, a decrease of 20.2% from AUM of $43.1 billion at December 31, 2017. Equity AUM were $32.1 billion on December 31, 2018, 22.1% below the $41.2 billion on December 31, 2017. We earn incentive fees for certain institutional client assets, assets attributable to certain preferred issues for our closed-end funds, our GDL Fund (NYSE: GDL), the Gabelli Merger Plus+ Trust Plc (LSE: GMP), and the GAMCO Merger Arbitrage Fund. As of December 31, 2018, assets with incentive based fees were $1.8 billion, 41.9% below the $3.1 billion on December 31, 2017. The majority of these assets have calendar year-end measurement periods; therefore, our incentive fees are primarily recognized in the fourth quarter when the uncertainty is removed at the end of the annual measurement period.

Operating Results for the Year Ended December 31, 2018 as Compared to the Year Ended December 31, 2017

Revenues

Total revenues were $341.5 million in 2018, $19.0 million or 5.3% lower than the total revenues of $360.5 million in 2017. The change in total revenues by revenue component was as follows (dollars in millions):

	Year Ended December 31,		Increase (decrease)	
	2018	2017	$	%
Investment advisory	$299.6	$307.6	$(8.0)	(2.6)
Incentive fees	3.1	9.1	(6.0)	(65.9)
Distribution fees and other income	38.8	43.8	(5.0)	(11.4)
Total revenues	$341.5	$360.5	$(19.0)	(5.3)

Investment Advisory and Incentive Fees: Investment advisory fees, which comprised 88.6% of total revenues in 2018, are directly influenced by the level and mix of average AUM. Average total AUM decreased 4.0% to $40.3 billion in 2018 as compared to $42.0 billion in 2017. Average equity AUM decreased 4.7% to $38.3 billion in 2018 from $40.2 billion in 2017, primarily from market depreciation. Incentive fees, which comprised 0.9% of total revenues in 2018, result from our ability to either generate an absolute return in a portfolio or meet or exceed a specific benchmark index or indices and can vary significantly from one period to another. Incentive fees were lower in 2018 as a fewer number of portfolios exceeded their respective benchmarks as compared to 2017.

Fund revenues decreased $12.1 million or 5.9%, to $194.7 million, driven by lower average AUM. Revenue from open-end funds decreased $6.7 million, or 5.0%, to $127.3 million from the prior year as average AUM in 2018 decreased $0.5 billion, or 3.0%, to $16.1 billion from the $16.6 billion in 2017. Closed-end fund revenues decreased $5.4 million, or 7.4%, to $67.4 million from the prior year and were comprised of a decrease of $8.6 million in incentive fees on certain closed-end fund AUM, offset by an increase of $3.2 million in investment advisory fees attributable to higher average AUM. Revenue from Institutional and Private Wealth Management accounts, excluding incentive fees, which are generally billed on beginning quarter AUM, decreased $5.6 million, or 5.3%, principally due to lower billable AUM levels throughout the course of 2018. There were $1.7 million in incentive fees earned in 2018 and none earned in 2017. In 2018, average AUM in our equity Institutional and Private Wealth Management business decreased $1.6 billion, or 9.1%, for the year to $15.9 billion.

Distribution Fees and Other Income: Distribution fees and other income decreased $5.0 million, or 11.4%, to $38.8 million in 2018 from $43.8 million in 2017 primarily from lower average open-end equity AUM . Lower distribution fees of $35.1 million in 2018 versus $39.7 million for the prior year and $0.6 million less fees from the sale of load shares of mutual funds offset slightly by $0.2 million in increased other revenue.

Expenses

Compensation: Total compensation costs, which are largely variable in nature, decreased $43.4 million, or 34.6%, to $82.1 million in 2018 from $125.5 million in 2017. Variable compensation costs, principally portfolio manager and relationship manager fees, decreased $48.6 million to $48.8 million in 2018 from $97.4 million in 2017 and decreased as a percent of revenues to 14.3% in 2018 from 27.0% in 2017. The main driver of this decrease was the $46.6 million of compensation that was waived by the CEO. On February 23, 2018, the Company announced that the CEO would be waiving all of his compensation that he otherwise would have been entitled to for the period from March 1, 2018 to December 31, 2018. Additionally, the accounting for the vesting of the Deferred Cash Compensation Agreements ("DCCAs") reduced 2018 compensation by $3.6 million. Compensation expense without the impact of the CEO compensation waiver and the DCCAs, was $132.3 million in 2018 as compared to $133.1 million in 2017.

The DCCAs granted to the CEO are required to be amortized over their respective vesting periods. The 2016 DCCA is being amortized over four years, the First Half 2017 DCCA was amortized over eighteen months, and the Fourth Quarter 2017 DCCA is being amortized over eighteen months. In the third quarter 2017, there was no DCCA. In 2016, the full amount of the compensation was deferred, and expense was recorded for the 25% vesting in that year. In 2017, an additional 25% of the deferred compensation from 2016 was recorded as well as 67% of the First Half 2017 DCCA and 17% of the Fourth Quarter 2017 DCCA. In 2018, an additional 25% of the deferred compensation from 2016 was recorded as well as 33% of the First Half 2017 DCCA and 66% of the Fourth Quarter 2017 DCCA. The effect of the DCCAs and current non deferred compensation being recorded resulted in a $4.1 million decrease in compensation in 2018 compared to 2017. Variable compensation is also driven by revenue levels which decreased in 2018 from 2017. Fixed compensation costs increased slightly to $33.4 million in 2018 from $28.1 million in 2017.

Stock Based Compensation: Stock based compensation was $1.6 million in 2018, a decrease of $7.1 million, as compared to $8.7 million in 2017. The decrease primarily results from the acceleration of all but 19,400 RSAs during 2017 for an additional expense of $6.8 million that would have been recognized in future years.

Management Fee: In 2018, management fee expense decreased to $9.0 million versus $13.7 million in 2017. Management fee expense is incentive-based and entirely variable in the amount of 10% of the aggregate pre-tax profits which is paid to Mr. Gabelli (or his designee) in accordance with his employment agreement. During 2018, the CEO compensation waiver reduced management fee expense by $9.9 million while the amortization of the DCCAs increased it by $7.2 million. Management fee expense for 2018 without the impact of the CEO compensation waiver and amortization of the DCCAs was $11.7 million.

Distribution Costs: Distribution costs, which include marketing, promotion and distribution costs decreased $5.2 million, or 11.7%, to $39.2 million in 2018 from $44.4 million in 2017, driven by a decrease in average open-end equity mutual funds AUM of 6.6%.

Other Operating Expenses: Our other operating expenses were $22.7 million in 2018 compared to $23.2 million in 2017, a decrease of $0.5 million or 2.2%. Lower research service fee of $2.5 million was slightly offset by an increase to the advisory fee paid to GCIA for the SICAV of $1.1 million, legal expense of $0.4 million and other operating expense of $0.5 million.

Operating Income and Margin

Operating income increased $41.8 million, or 28.8%, to $186.8 million for 2018 versus $145.0 million in the prior year period. This increase was primarily due to the CEO compensation waiver of $56.5 million in 2018. Operating margin was 54.7% for the year ended December 31, 2018, versus 40.2% in the prior year period. The increase in

operating margin was due primarily to lower variable compensation costs and management fee expense related to the CEO compensation waiver in 2018.

Operating income before management fee was $195.8 million for the year ended of 2018, versus $158.7 million in the prior year. Operating margin before management fee was 57.3% in the 2018 period versus 44.0% in the 2017 period. The reconciliation of operating income before management fee and operating margin before management fee, both of which are non-GAAP measures to their respective GAAP measures, is provided at the end of this section.

Other Income and Expense

Total other income (expense), net of interest expense, was an expense of $32.1 million for the year ended December 31, 2018, compared to an expense of $12.1 million in 2017. This is comprised of net loss from investments of $25.2 million in 2018 as compared to a net gain from investments of $3.1 million in 2017; interest and dividend income of $2.2 million in 2018 versus $2.4 million in 2017; interest expense of $3.5 million in 2018 as compared to $10.2 million in 2017 and charitable contributions expense of $5.7 million in 2018 and $4.1 million in 2017. There was no loss on extinguishment of debt in 2018. 2017 included a loss on extinguishment of debt of $3.3 million.

Income Taxes
The effective tax rate ("ETR") was 24.2% for the year ended December 31, 2018, versus 41.4% for the year ended December 31, 2017. The ETR for 2017 included a net $8.2 million write down for net deferred tax assets resulting from the enactment of the Tax Cuts and Jobs Act (the "Act") in December 2017. The Act had the effect of increasing the ETR for 2017 by 6.1%.

Shareholder Compensation and Initiatives
During 2018, we returned $12.9 million of our earnings to shareholders through dividends and stock repurchases. We returned to shareholders a total of $0.08 per share in regular quarterly cash dividends in 2018 totaling $2.3 million. During 2017, we returned $16.7 million of our earnings to shareholders through dividends and stock repurchases. We returned to shareholders a total of $0.08 per share in regular quarterly cash dividends in 2017 totaling $2.4 million.

Through our stock buyback program, we repurchased 419,995 shares and 484,526 shares in 2018 and 2017, respectively, for approximately $10.6 million and $14.3 million, respectively, or $25.25 per share and $29.56 per share, respectively. Approximately 865,000 shares remain authorized under our stock buyback program at December 31, 2018.

Weighted average shares outstanding on a diluted basis in 2018 and 2017 were 28.8 million and 30.9 million, respectively.

Operating income before management fee expense is used by management for purposes of evaluating its business operations. We believe this measure is useful in illustrating the operating results of the Company as management fee expense is based on pre-tax income before management fee expense, which includes non-operating items including investment gains and losses from the Company's proprietary investment portfolio and interest expense. We believe that an investor would find this useful in analyzing the business operations of the Company without the impact of the non-operating items such as trading and investment portfolios or interest expense.

Reconciliation of non-GAAP financial measures to GAAP:

	2018		2017	
Revenues	$341,455		$360,524	
Operating Income	186,787		145,020	
Add back: management fee expense	9,014		13,666	
Operating income before management fee	$195,801		$158,686	
Operating margin	54.7	%	40.2	%
Operating margin before management fee	57.3	%	44.0	%

Operating Results for the Year Ended December 31, 2017 as Compared to the Year Ended December 31, 2016

Revenues
Total revenues were $360.5 million in 2017, $7.5 million or 2.1% higher than the total revenues of $353.0 million in 2016. The change in total revenues by revenue component was as follows (dollars in millions):

	Year Ended December 31,		Increase (decrease)	
	2017	2016	$	%
Investment advisory	$307.6	$293.1	$14.5	4.9
Incentive fees	9.1	15.4	(6.3)	(40.9)

Distribution fees and other income	43.8	44.5	(0.7)	(1.6)
Total revenues	$360.5	$353.0	$7.5	2.1

Investment Advisory and Incentive Fees: Investment advisory fees, which comprised 87.9% of total revenues in 2017, are directly influenced by the level and mix of average AUM. Average total AUM rose 8.0% to $42.0 billion in 2017 as compared to $38.9 billion in 2016. Average equity AUM increased 8.1% to $40.2 billion in 2017 from $37.2 billion in 2016, primarily from market appreciation. Incentive fees, which comprised 2.5% of total revenues in 2017, result from our ability to either generate an absolute return in a portfolio or meet or exceed a specific benchmark index or indices and can vary significantly from one period to another. Incentive fees were lower in 2017 as a fewer number of portfolios exceeded their respective benchmarks as compared to 2016.

Fund revenues increased $7.5 million or 3.8%, to $206.8 million, driven by higher average AUM. Revenue from open-end funds rose $4.0 million, or 3.1%, to $134.0 million from the prior year as average AUM in 2017 increased $1.4 billion, or 9.2%, to $16.6 billion from the $15.2 billion in 2016. Closed-end fund revenues increased $3.4 million, or 4.9%, to $72.8 million from the prior year and were comprised of an increase of $6.3 million in investment advisory fees attributable to higher average AUM, offset by a decrease of $2.9 million in incentive fees on certain closed-end fund AUM. Revenue from Institutional and Private Wealth Management accounts, excluding incentive fees, which are generally billed on beginning quarter AUM, increased $2.1 million, or 2.1%, principally due to higher billable AUM levels throughout the course of 2017. There were no incentive fees earned in 2017. In 2017, average AUM in our equity Institutional and Private Wealth Management business increased $0.8 billion, or 4.8%, for the year to $17.5 billion.

Distribution Fees and Other Income: Distribution fees and other income decreased $0.7 million, or 1.6%, to $43.8 million in 2017 from $44.5 million in 2016. Lower distribution fees of $39.7 million in 2017 versus $41.0 million for the prior year, were partially offset by an increase of $0.5 million in fees from the sale of load shares of mutual funds and other income.

Expenses

Compensation: Total compensation costs, which are largely variable in nature, increased $42.9 million, or 51.9%, to $125.5 million in 2017 from $82.6 million in 2016. Variable compensation costs, principally portfolio manager and relationship manager fees, increased $40.8 million to $97.4 million in 2017 from $56.6 million in 2016 and increased as a percent of revenues to 27.0% in 2017 from 16.0% in 2016. This is primarily due to the accounting for the vesting of the Deferred Cash Compensation Agreements (“DCCAs”). Absent the DCCAs, compensation expense was $133.1 million in 2017 as compared to $128.3 million in 2016.

The DCCAs granted to the CEO are required to be amortized over their respective vesting periods. The 2016 DCCA will be amortized over four years, the First Half 2017 DCCA will be amortized over eighteen months, and the Fourth Quarter 2017 DCCA will be amortized over eighteen months. In the third quarter 2017, there was no DCCA. In 2016, the full amount of the compensation was deferred, and expense was recorded for the 25% vesting in that year. In 2017, an additional 25% of the deferred compensation from 2016 was recorded as well as 67% of the First Half 2017 DCCA and 17% of the Fourth Quarter 2017 DCCA. The effect of the DCCAs and current non deferred compensation being recorded resulted in a $38.1 million increase in compensation in 2017 compared to 2016. Variable compensation is also driven by revenue levels which increased in 2017 from 2016. Fixed compensation costs increased slightly to $28.1 million in 2017 from $26.0 million in 2016.

Stock Based Compensation: Stock based compensation was $8.7 million in 2017, an increase of $4.7 million, as compared to $4.0 million in 2016. The increase primarily results from the acceleration of all but 19,400 RSAs during 2017 for an additional expense of $6.8 million that would have been recognized in future years.

Management Fee: In 2017, management fee expense increased to $13.7 million versus $6.5 million in 2016. Management fee expense is incentive-based and entirely variable in the amount of 10% of the aggregate pre-tax profits which is paid to Mr. Gabelli (or his designee) in accordance with his employment agreement. Most importantly, the DCCA agreements reduced the management fee by $7.8 million in 2016 while 2017 was virtually unchanged. (see page 36)

Distribution Costs: Distribution costs, which include marketing, promotion and distribution costs increased $0.2 million, or 0.5%, to $44.4 million in 2017 from $44.2 million in 2016 driven by an increase in average open-end equity mutual funds AUM of 0.4%.

Other Operating Expenses: Our other operating expenses were $23.2 million in 2017 compared to $23.9 million in 2016, a decrease of $0.7 million or 2.9%. Lower donated securities expense of $1.7 million and legal expense of $0.7 million were slightly offset by an increase to the research services fee of $1.5 million.

Operating Income and Margin

Operating income decreased $46.8 million, or 24.4%, to $145.0 million for 2017 versus $191.8 million in the prior year period. This decrease was primarily due to increased variable compensation expense relating to the DCCA agreements of $45.9 million. Operating margin was 40.2% for the year ended December 31, 2017, versus 54.3% in the prior year period. The decrease in operating margin was due primarily to higher variable compensation costs and management fee expense related to the DCCA agreements. (see page 36)

Operating income before management fee was $158.7 million for the year ended of 2017, versus $198.3 million in the prior year. Operating margin before management fee was 44.0% in the 2017 period versus 56.2% in the 2016 period. The reconciliation of operating income before management fee and operating margin before management fee, both of which are non-GAAP measures to their respective GAAP measures, is provided at the end of this section.

Other Income and Expense

Total other income (expense), net of interest expense, was an expense of $12.1 million for the year ended December 31, 2017 compared to an expense of $9.6 million in 2016. This is comprised of net gain from investments of $3.1 million in 2017 as compared to $1.6 million in 2016; loss on extinguishment of debt of $3.3 million in 2017; interest and dividend income of $2.4 million in 2017 versus $1.5 million in 2016; interest expense of $10.2 million in 2017 as compared to $12.7 million in 2016 and charitable contributions expense of $4.1 million in 2017.

Interest expense decreased $2.5 million to $10.2 million in 2017, from $12.7 million in 2016 primarily related to the higher average amount of debt outstanding in 2016 versus 2017.

Income Taxes

The effective tax rate ("ETR") was 41.4% for the year ended December 31, 2017, versus 35.7% for the year ended December 31, 2016. The ETR for 2017 included a net $8.2 million write down for net deferred tax assets resulting from the enactment of the Tax Cuts and Jobs Act (the "Act") in December 2017. The Act had the effect of increasing the ETR for 2017 by 6.1%. The ETR for 2016 benefitted by 1.4% due to the reversal of tax accruals related to the closing out of a state audit.

Shareholder Compensation and Initiatives

During 2017, we returned $16.7 million of our earnings to shareholders through dividends and stock repurchases. We returned to shareholders a total of $0.08 per share in regular quarterly cash dividends in 2017 totaling $2.4 million. During 2016, we returned $13.2 million of our earnings to shareholders through dividends and stock repurchases. We returned to shareholders a total of $0.08 per share in regular quarterly cash dividends totaling $2.4 million.

Through our stock buyback program, we repurchased 484,526 and 348,687 shares in 2017 and 2016, respectively, for approximately $14.3 million and $10.8 million, or $29.56 and $30.88 per share, respectively. Approximately 674,000 shares remain authorized under our stock buyback program at December 31, 2017. Since our IPO we have repurchased 10,385,866 shares for a total investment of $453.1 million, or $43.63 per share.

Weighted average shares outstanding on a diluted basis in 2017 and 2016 were 30.9 million and 30.2 million, respectively.

Operating income before management fee expense is used by management for purposes of evaluating its business operations. We believe this measure is useful in illustrating the operating results of the Company as management fee expense is based on pre-tax income before management fee expense, which includes non-operating items including investment gains and losses from the Company's proprietary investment portfolio and interest expense. We believe that an investor would find this useful in analyzing the business operations of the Company without the impact of the non-operating items such as trading and investment portfolios or interest expense.

Reconciliation of non-GAAP financial measures to GAAP:

	2017	2016
Revenues	$360,524	$353,000
Operating income	145,020	191,796
Add back: management fee expense	13,666	6,518
Operating income before management fee	$158,686	$198,314

Operating margin	40.2	%	54.3	%
Operating margin before management fee	44.0	%	56.2	%

DEFERRED COMPENSATION

As previously disclosed, the Company has deferred the cash compensation of the Chief Executive Officer relating to all of 2016 (“2016 DCCA”), the first half of 2017 (“First Half 2017 DCCA”) and the fourth quarter of 2017 (“Fourth Quarter 2017 DCCA”) to provide the Company with flexibility to pay down debt and enhance our ability to execute lift-outs, make acquisitions, and seed new products. We have made substantial progress toward this objective, having reduced our debt since the November 2015 Spin-off of AC, resulting in Standard & Poor’s July 2018 reaffirmation of our investment grade rating of BBB- and stable outlook.

Notwithstanding its ability to settle these agreements in stock, GAMCO currently intends to make cash payments to Mr. Gabelli on the respective vesting dates. While the agreements did not change Mr. Gabelli’s compensation, GAAP reporting for his compensation did change due to the ratable vesting.

The DCCAs defer the Chief Executive Officer’s compensation expense by amortizing it over each DCCA’s respective vesting period. The Chief Executive Officer is not entitled to receive the compensation until the end of the vesting period, so GAAP specifies this treatment of the expense. The 2016 DCCA is expensed ratably over 4 years, the First Half 2017 DCCA is expensed ratably over 18 months, and the Fourth Quarter 2017 DCCA is expensed ratably over 18 months.

Because the GAAP reporting of the DCCAs granted to the CEO tracks vesting, compensation expense and management fee expense in the year of grant is lower than compensation expense and management fee expense in future periods to the extent that future periods contain the vesting of the prior year’s DCCA compensation in addition to normal non-deferred compensation for the current year period. In 2016, the full amount of the compensation was deferred, and expense was recorded for the 25% vesting in that year. In the first six months of 2017, the ratable vesting continued for the 2016 compensation, and the new First Half 2017 DCCA grant resulted in compensation for the first six months of 2017 being deferred and expense being recorded for 33% vesting in that period. The CEO’s third quarter 2017 compensation was not deferred so 100% of the CEO’s compensation for that period was recorded together with the ratable portions of the vestings of the 2016 DCCA and the First Half 2017 DCCA. This results in a compounding effect in future periods when non-deferred current period compensation and prior period deferred compensation is ratably vested. On May 23, 2018, the CEO waived receipt of $6 million of the First Half 2017 DCCA, and a reduction in expense was recognized in 2018. On July 2, 2018, the First Half 2017 DCCA vested in accordance with the terms of the agreement and a cash payment in the amount of $28.3 million was made to the CEO.

Accordingly, this vesting schedule resulted in a $4.0 million decrease in compensation expense in 2018 versus 2017 as well as a $7.1 million decrease in management fee expense in 2018 as compared to 2017.

The following tables show the amortization and EPS impact of the DCCAs by quarter. The amortization amount of future periods assumes that the stock price of GBL of $16.89 is unchanged from December 31, 2018. For every $1.00 change in the GBL stock price, up to a GBL stock price of $32.8187, the 2016 DCCA would increase by $2,314,695, while the Fourth Quarter 2017 DCCA would increase by $530,662, up to a GBL stock price of $29.1875.

	2017	2018	2019	2020		2017	2018	2019	2020
	(amounts in thousands)								
Q1	$(8,126)	$979	$3,937	$ -	Q1	$0.16	$(0.03)	$0.10	$ -
Q2	(7,389)	11,232	2,443	-	Q2	0.15	(0.29)	0.06	-
Q3	9,805	183	2,443	-	Q3	(0.20)	-	0.06	-
Q4	(1,857)	(8,764)	2,443	-	Q4	0.04	(0.23)	0.06	-
Year	$(7,567)	$3,630	$11,266	$ -	Year	$0.15	$(0.55)	$0.28	$ -

The GAAP based balance sheets are also impacted as only the vested portion of the compensation subject to the DCCAs is included in compensation payable. At December 31, 2018, the amount of unrecognized compensation was $11.3 million.

The following tables show a reconciliation of our results for 2018 and 2017, and our balance sheet at December 31, 2018 between the GAAP basis and a non-GAAP adjusted basis as if all of the 2016 DCCA, the First Half 2017 DCCA, and the Fourth Quarter 2017 DCCA expense were recognized in 2017 and 2018, respectively, without regard to the vesting schedule. We believe the non-GAAP financial measures below provide relevant and meaningful information to investors about our core operating results. These measures have been established in order to increase transparency for the purpose of evaluating our core business, for comparing results with prior period results, and to enable comparisons with industry peers. However, non-GAAP financial measures should not be considered a substitute for financial measures calculated in accordance with U.S. GAAP and may be calculated differently by other companies. The following schedules reconcile U.S. GAAP financial measures to non-GAAP measures for the years ended December 31, 2018 and 2017 as well as at December 31, 2018.

	Year Ended December 31, 2018				
	Reported GAAP	Impact of Fourth Quarter 2017 DCCA	Impact of First Half 2017 DCCA	Impact of 2016 DCCA	Non-GAAP
Revenues					
Investment advisory and incentive fees	$302,651	$-	$-	$-	$ 302,651
Distribution fees and other income	38,804	-	-	-	38,804
Total revenues	341,455	-	-	-	341,455
Expenses					
Compensation	83,768	(3,210)	(2,335)	9,113	87,336
Management fee	9,014	(1,676)	(1,401)	(4,120)	1,817
Distribution costs	39,194	-	-	-	39,194
Other operating expenses	22,692	-	-	-	22,692
Total expenses	154,668	(4,886)	(3,736)	4,993	151,039
Operating income	186,787	4,886	3,736	(4,993)	190,416
Other income (expense)					
Net gain (loss) from investments	(25,173)	-	-	-	(25,173)
Interest and dividend income	2,241	-	-	-	2,241
Interest expense	(3,525)	-	-	-	(3,525)
Charitable contributions	(5,671)	-	-	-	(5,671)
Total other expense, net	(32,128)	-	-	-	(32,128)
Income before income taxes	154,659	4,886	3,736	(4,993)	158,288
Income tax provision	37,463	1,222	934	(1,249)	38,370
Net income attributable to GAMCO Investors, Inc.'s shareholders	$117,196	$3,664	$2,802	$(3,744)	$ 119,918
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:					
Basic	$4.08	$0.13	$0.10	$(0.13)	$ 4.17
Diluted	$4.07	$0.13	$0.10	$(0.13)	$ 4.17

	Year Ended December 31, 2017				
	Reported GAAP	Impact of Fourth Quarter 2017 DCCA	Impact of First Half 2017 DCCA	Impact of 2016 DCCA	Non-GAAP
Revenues					
Investment advisory and incentive fees	$316,705	$-	$-	$-	$ 316,705
Distribution fees and other income	43,819	-	-	-	43,819
Total revenues	360,524	-	-	-	360,524
Expenses					
Compensation	134,170	10,318	9,619	(12,322)	141,785
Management fee	13,666	1,064	1,775	(2,887)	13,618

Distribution costs	44,447	-	-	-	44,447
Other operating expenses	23,221	-	-	-	23,221
Total expenses	215,504	11,382	11,394	(15,209)	223,071
Operating income	145,020	(11,382)	(11,394)	15,209	137,453
Other income (expense)					
Net gain (loss) from investments	(185)	-	-	-	(185)
Interest and dividend income	2,350	-	-	-	2,350
Interest expense	(10,160)	-	-	-	(10,160)
Charitable contributions	(4,137)	-	-	-	(4,137)
Total other expense, net	(12,132)	-	-	-	(12,132)
Income before income taxes	132,888	(11,382)	(11,394)	15,209	125,321
Income tax provision	55,079	(4,325)	(4,442)	5,818	52,130
Net income attributable to GAMCO Investors, Inc.'s shareholders	$77,809	$(7,057)	$(6,952)	$9,391	$ 73,191
Net income attributable to GAMCO Investors, Inc.'s shareholders per share:					
Basic	$2.68	$(0.24)	$(0.24)	$0.32	$ 2.53
Diluted	$2.60	$(0.23)	$(0.22)	$0.30	$ 2.45

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	December 31, 2018			
	Reported GAAP	Impact of Fourth Quarter 2017 DCCA	Impact of 2016 DCCA	Non-GAAP
ASSETS				
Cash and cash equivalents	$41,202	$-	$-	$41,202
Investments in securities	33,789	-	-	33,789
Receivable from brokers	3,423	-	-	3,423
Investment advisory fees receivable	25,677	-	-	25,677
Receivable from affiliates	4,194	-	-	4,194
Income tax receivable	15,001	374	2,444	17,819
Other assets	11,326	-	-	11,326
Total assets	$134,612	$374	$2,444	$137,430
LIABILITIES AND EQUITY				
Payable to brokers	112	-	-	112
Income taxes payable and deferred tax liabilities	2,388	-	-	2,388
Capital lease obligation	4,794	-	-	4,794
Compensation payable	60,408	1,494	9,774	71,676
Payable to affiliates	1,041	-	-	1,041
Accrued expenses and other liabilities	32,091	-	-	32,091
Sub-total	100,834	1,494	9,774	112,102
5.875% Senior notes (due June 1, 2021)	24,168	-	-	24,168
Total liabilities	125,002	1,494	9,774	136,270
Equity				
GAMCO Investors, Inc. stockholders' equity				
Class A Common Stock	14	-	-	14
Class B Common Stock	19	-	-	19
Additional paid-in capital	14,192	-	-	14,192
Retained earnings (deficit)	282,928	(1,120)	(7,330)	274,478
Accumulated other comprehensive income	(240)	-	-	(240)
Treasury stock, at cost	(287,303)	-	-	(287,303)
Total GAMCO Investors, Inc. stockholders' equity (deficit)	9,610	(1,120)	(7,330)	1,160
Total liabilities and equity (deficit)	$134,612	$374	$2,444	$137,430

Liquidity and Capital Resources

Our principal assets are highly liquid in nature and consist of cash and cash equivalents, short-term investments and securities held for investment purposes. Cash and cash equivalents are comprised primarily of 100% U.S. Treasury money market funds managed by GAMCO.

Summary cash flow data derived from our audited consolidated statements of cash flows are as follows:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Cash flows provided by (used in) from continuing operations:			
Operating activities	$117,882	$126,691	$115,737
Investing activities	(2,388)	237	(1,435)
Financing activities	(92,029)	(148,902)	(88,247)
Increase (decrease) in cash and cash equivalents from continuing operations	23,465	(21,974)	26,055
Effect of exchange rates on cash and cash equivalents	(84)	(17)	38
Net increase (decrease) in cash and cash equivalents	23,381	(21,991)	26,093
Cash and cash equivalents at beginning of year	17,821	39,812	13,719
Cash and cash equivalents at end of year	$41,202	$17,821	$39,812

Cash and liquidity requirements have historically been met through cash generated by operating income and our borrowing capacity. We filed a shelf registration with the SEC in 2018 which, among other things, provides us opportunistic flexibility to sell any combination of senior and subordinate debt securities, convertible debt securities, equity securities (including common and preferred stock), and other securities up to a total amount of $500 million. The shelf is available through April 2021, at which time it may be renewed.

At December 31, 2018, we had cash and cash equivalents of $41.2 million, an increase of $23.4 million from the prior year-end primarily due to the Company's financing activities described below. Face value third party debt outstanding at December 31, 2018 was $24.1 million, consisting of 5.875% senior notes due 2021. It is anticipated that the majority of our cash flow will go towards servicing our deferred compensation payable next year.

Cash provided by operating activities was $117.9 million in 2018 and $126.7 million in 2017. Our largest source of cash comes from net earnings as adjusted for non-cash expenses. In 2018, this totaled $117.2 million versus $77.8 million in 2017. Other sources of cash included a decrease in unrealized value for available for sale securities of $18.6 million, a decrease in investment advisory fees receivable of $8.0 million, a decrease in deferred income taxes of $5.0 million, an increase of $4.0 million of accrued expenses and other liabilities, and an increase of $0.7 million in payable to affiliates. Cash uses included a decrease in compensation payable of $63.0 million, an increase in investments in trading securities of $13.6 million, a decrease in stock based compensation expense of $7.0 million, an increase in receivable from brokers of $0.7 million, and $0.2 million from other changes in net assets and liabilities.

Net cash used in investing activities of $2.4 million in 2018 is due to purchases of securities of $2.4 million. Net cash provided by investing activities of $0.2 million in 2017 is due to $4.1 million in proceeds from sales of available for sale securities less purchases of available for sale securities of $3.9 million.

Net cash used in financing activities of $92.0 million in 2018 principally resulted from the $50 million in prepayments of our AC 4% PIK Note due November 30, 2020, $25.1 million in margin loan payments, $15 million in prepayments of our AC 1.6% Note due February 28, 2018, $10.6 million of repurchases of our Class A Stock under the Stock Repurchase Program, and $2.3 million in dividends paid offset partially by $11.0 million in margin loan borrowings. Net cash used in financing activities of $148.9 million in 2017 principally resulted from the $113.3 million repayment of the 4.5% Convertible note due August 15, 2021, the $50 million in prepayments of our AC 4% PIK Note due November 30, 2020, $14.3 million of repurchases of our Class A Stock under the Stock Repurchase Program, $5.0

million in margin loan payments, and $2.3 million in dividends paid offset slightly by margin loan borrowings of $20.9 million and the issuance of the $15 million 1.6% note due February 28, 2018.

Under the terms of the lease of our Rye, New York office, we are obligated to make minimum total payments of $11.0 million through December 2028. For our Greenwich, Connecticut office we are obligated to make payments of approximately $0.1 million through July 2019.

On November 25, 2015, Moody's Investors Services downgraded the Company to Ba1 from Baa3. We continue to maintain an investment grade rating of BBB- with Standard and Poor's Ratings Services. We believe that our ability to maintain our investment grade rating will provide greater access to the capital markets, enhance liquidity and lower overall borrowing costs.

G.distributors is registered with the SEC as a broker-dealer and is regulated by FINRA. As such, it is subject to the minimum net capital requirements promulgated by the SEC. G.distributors' net capital exceeded these minimum requirements at December 31, 2018. G.distributors computes its net capital under the alternative method permitted by the SEC, which requires minimum net capital of the greater of $250,000 or 2% of the aggregate debit items in the reserve formula for those broker-dealers subject to Rule 15c3-3 promulgated under the Securities Exchange Act of 1934. At December 31, 2018 and 2017, G.distributors had net capital, as defined, of approximately $3.7 million and $2.0 million, respectively, exceeding the regulatory requirement by approximately $3.4 million and $1.8 million, respectively. Net capital requirements for our affiliated broker-dealer may increase in accordance with rules and regulations to the extent they engage in other business activities.

Our subsidiary, GAMCO Asset Management (UK) Limited is authorized and regulated by the FCA. In February 2011, GAMCO Asset Management (UK) Limited increased its permitted license with the FCA's predecessor, the Financial Services Authority ("FSA") and has held Total Capital of £671,000 and £632,000 ($852,000 and $853,000 at December 31, 2018 and 2017, respectively) and had a Financial Resources Requirement of £154,000 and £216,000 ($195,000 and $291,000 at December 31, 2018 and 2017, respectively). We have consistently met or exceeded these minimum requirements.

The Tax Cuts and Jobs Act (the "Act") enacted in December 2017 contains provisions that affect the deductibility of named executive officer ("NEO") compensation. Specifically, the Act eliminates the performance based compensation exception for NEO compensation deductibility. To the extent that some of the compensation of our NEOs is affected by this change, we would have a lower amount of deductible compensation in future years and a higher effective tax rate than we would have had without this potential loss of deductibility. We continue to evaluate the impact of the Act's provisions, regarding NEO compensation and otherwise, and whether and if so, by how much, the Act's provisions will impact us.

Market Risk

Our primary market risk exposure is to changes in equity prices and interest rates. Since approximately 94% of our AUM are equities, our financial results are subject to equity-market risk as revenues from our investment management services are sensitive to stock market dynamics. In addition, returns from our proprietary investment portfolio are exposed to interest rate and equity market risk.

The Company's Chief Investment Officer oversees the proprietary investment portfolios and allocations of proprietary capital among the various strategies. The Chief Investment Officer and the Board of Directors review the proprietary investment portfolios throughout the year. Additionally, the Company monitors its proprietary investment portfolios to ensure that they are in compliance with the Company's guidelines.

Equity Price Risk

The Company earns substantially all of its revenue as advisory and distribution fees from our affiliated open-end and closed-end funds, Institutional and Private Wealth Management, and Investment Partnership assets. Such fees represent a percentage of AUM, and the majority of these assets are in equity investments. Accordingly, since revenues are proportionate to the value of those investments, a substantial increase or decrease in equity markets overall will have a corresponding effect on the Company's revenues.

With respect to our proprietary investment activities, included in investments in securities of $33.8 million and $36.8 million at December 31, 2018 and 2017, respectively, were investments in common stocks totaling $32.4 million and $36.7 million, respectively, and closed-end funds of $1.3 million and $0.1 million, respectively. Of the $32.4 million and $36.7 million, invested in common stocks at December 31, 2018 and 2017, respectively, $18.8 million and $36.6 million, respectively, was related to our investment in Westwood Holdings Group Inc. (NYSE: WHG). Securities sold, not yet purchased are financial instruments purchased under agreements to resell and financial instruments sold

under agreement to repurchase. These financial instruments are stated at fair value and are subject to market risks resulting from changes in price and volatility. At December 31, 2018 and 2017, there were no securities sold, not yet purchased.

The following table provides a sensitivity analysis for our investments in equity securities as of December 31, 2018. The sensitivity analysis assumes a 10% increase or decrease in the value of these investments (in thousands):

	Fair Value	Fair Value assuming 10% decrease in equity prices	Fair Value assuming 10% increase in equity prices
At December 31, 2018:			
Equity price sensitive investments, at fair value	$33,789	$30,410	$37,168
At December 31, 2017:			
Equity price sensitive investments, at fair value	$36,790	$33,111	$40,470

Investment advisory fees for mutual funds and sub-advisory relationships are based on average daily or weekly asset values. Advisory fees earned on Institutional and Private Wealth Management assets, for any given quarter, are generally determined based on asset values at the beginning of a quarter with any significant increases or decreases in market value of assets managed which occur during a quarter resulting in a relative increase or decrease in revenues for the following quarter.

Interest Rate Risk

Our exposure to interest rate risk results, principally, from our investment of excess cash in a money market fund that holds U.S. Government securities. These investments are primarily short term in nature, and the carrying value of these investments generally approximates fair value. Based on December 31, 2018, cash and cash equivalent balance of $41.2 million a 1% increase in interest rates would increase our interest income by $4.1 million annually while a 1% decrease would reduce our interest income by $4.1 million annually.

Contractual Obligations

We are obligated to make future payments under various contracts such as debt agreements and capital and operating lease agreements. The following table sets forth our significant contractual cash obligations as of December 31, 2018 (in thousands):

	Total	2019	2020	2021	2022	2023	Thereafter
Contractual Obligations:							
5.875% Senior notes	$24,225	$-	$-	$24,225	$-	$-	$ -
Interest on 5.875% Senior notes	3,439	1,423	1,423	593	-	-	-
Capital lease obligations	10,973	1,253	1,080	1,080	1,080	1,080	5,400
Non-cancelable operating lease obligations	809	616	121	68	4	-	-
Total	$39,446	$3,292	$2,624	$25,966	$1,084	$1,080	$ 5,400

The capital lease contains an escalation clause tied to the change in the New York Metropolitan Area Consumer Price Index which may cause the future minimum payments to exceed $1,080,000 annually. Any increases to the base rental will be accounted for prospectively.

Off-Balance Sheet Arrangements

We do not invest in any other off-balance sheet vehicles that provide financing, liquidity, market or credit risk support or engage in any leasing activities that expose us to any liability that is not reflected on the Consolidated Financial Statements.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with U.S. generally accepted accounting principles. We base our estimates on historical experience, when available, and on other various assumptions that are believed to be reasonable under the circumstances. Actual results could differ significantly from those estimates under different assumptions and conditions.

We believe the critical assumptions and estimates are those applied to revenue recognition, the accounting for and valuation of investments in securities, income taxes, and stock based compensation accounting.

Major Revenue-Generating Services and Revenue Recognition

The Company's revenues are derived primarily from investment advisory and incentive fees, institutional research services and distribution fees.

Investment advisory and incentive fees are directly influenced by the level and mix of AUM as fees are derived from a contractually-determined percentage of AUM for each account as well as incentive fees earned on certain accounts. Advisory fees from the open-end funds, closed-end funds and sub-advisory accounts are computed daily or weekly based on average net assets and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition. Advisory fees from Institutional and Private Wealth Management accounts are generally computed quarterly based on account values as of the end of the preceding quarter, and amounts receivable are included in investment advisory fees receivable on the consolidated statements of financial condition. The Company derived approximately 89%, 88% and 87% of its total revenues from advisory fees, including incentive fees, for the periods ended December 31, 2018, 2017 and 2016, respectively. These revenues vary depending upon the level of sales compared with redemptions, financial market conditions, performance and the fee structure for AUM. Revenues derived from the equity-oriented portfolios generally have higher advisory fee rates than fixed income portfolios.

The Company earns incentive fees from certain Institutional and Private Wealth Management accounts, which are based upon meeting or exceeding a specific benchmark index or indices. Incentive fees refer to fees earned when the return generated for the client exceeds the benchmark and can be earned even if the return to the client is negative as long as the return exceeds the benchmark. These fees are recognized, for each respective account, at the end of the stipulated contract period which is either quarterly or annually and varies by account. Receivables due for incentive fees earned are included in investment advisory fees receivable on the consolidated statements of financial condition. There were no incentive fees receivable as of December 31, 2018 or 2017.

For The GDL Fund, there is an incentive fee earned as of the end of the calendar year and varies to the extent the total return of the fund is in excess of the ICE Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index total return. This fee is recognized at the end of the measurement period, which is annually on a calendar year basis. Receivables due on incentive fees relating to The GDL Fund are included in investment advisory fees receivable on the consolidated statements of financial condition and were $1.4 million as of December 31, 2017. There were no incentive fees receivable at December 31, 2018.

For the Gabelli Merger Plus^{+} Trust Plc, there is an incentive fee which is earned and recognized at the end of the measurement period, June 30th and varies to the extent the total return of the fund is in excess of twice the rate of return of the 13 week Treasury Bills over the performance period. There was no performance fee receivable as of December 31, 2018 or 2017.

Advisory fees on a majority of the closed-end preferred shares are earned at year-end if the total return to common shareholders of the closed-end fund for the calendar year exceeds the dividend rate of the preferred shares. These fees

are recognized at the end of the measurement period, which is annually. Receivables due for advisory fees on closed-end preferred shares are included in investment advisory fees receivable on the consolidated statements of financial condition. There were $7.1 million in advisory fees receivable on closed-end preferred shares as of December 31, 2017. There were no advisory fees receivable on closed-end preferred shares at December 31, 2018.

For the GAMCO Merger Arbitrage SICAV, there is an incentive fee earned as of the end of the calendar year equal to twenty percent of the gross return of the fund. This fee is recognized as the end of the measurement period, which is annually on a calendar year basis, or earlier if there is a redemption. Receivables due on incentive fees relating to the GAMCO Merger Arbitrage SICAV are included in investment advisory fees receivable on the consolidated statements of financial condition and were $1.3 million and $0.5 million as of December 31, 2018 and 2017, respectively.

Distribution fees revenues are derived primarily from the distribution of Gabelli, GAMCO, Comstock, TETON and Teton-Keeley open-end funds ("Funds") advised by a subsidiary of GBL, Funds Advisor and a subsidiary of GGCP, Teton. G.distributors distributes these open-end Funds pursuant to distribution agreements with each Fund. Under each distribution agreement with an open-end Fund, G.distributors offers and sells such open-end Fund 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 G.distributors' sales personnel. G.distributors receives fees for such services pursuant to distribution plans adopted under provisions of Rule 12b-1 of the Company Act. G.distributors is the principal underwriter for funds distributed in multiple classes of shares which carry front-end or back-end sales charge or no-load to certain investors.

Under the distribution plans, the open-end Class AAA shares of the Funds (except The Gabelli U.S. Treasury Money Market Fund, Gabelli Capital Asset Fund and The Gabelli ABC Fund), the Class A shares of certain Funds pay G.distributors a distribution or service fee of .25% per year (except the Class A shares of the TETON Westwood Funds which pay .50% per year, except for the TETON Westwood Intermediate Bond Fund which pays .35%, and the Class A shares of the Gabelli Enterprise Mergers and Acquisitions Fund which pay .45% 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%.

Distribution fees from the open-end funds are computed daily based on average net assets. The amounts receivable for distribution fees are included in receivables from affiliates on the consolidated statements of financial condition.

Finally, GBL also has investment gains or losses generated from its proprietary trading activities which are included in net gain/(loss) from investments on the consolidated statements of income.

Investments in Securities

Investments in securities are accounted for as either "trading securities" or "available for sale" and are stated at fair value. Management determines the appropriate classification of debt and equity securities at the time of purchase. U.S. Treasury Bills and Notes with maturities of greater than three months at the time of purchase are considered investments in securities. Securities that are not readily marketable are stated at their estimated fair values in accordance with GAAP. A portion of investments in securities are held for resale in anticipation of short-term market movements and therefore are classified as trading securities. Trading securities, and effective January 1, 2018, with the adoption of Accounting Standards Update ("ASU") 2016-01, available for sale ("AFS") investments, are stated at fair value, with any unrealized gains or losses reported in current period earnings in net gain/(loss) from investments on the consolidated statements of income. Prior to January 1, 2018, AFS investments were stated at fair value, with any unrealized gains or losses, net of taxes, reported as a component of other comprehensive income except for losses deemed to be other than temporary which were recorded as realized losses on the consolidated statements of income. Securities transactions and any related gains and losses are recorded on a trade date basis. Realized gains and losses from securities transactions are recorded on the specific identified cost basis and are included in net gain/(loss) from investments on the consolidated statements of income.

Prior to January 1, 2018, AFS securities were evaluated for other than temporary impairments each reporting period and any impairment charges were recorded in net gain/(loss) from investments on the consolidated statements of income. Management reviewed all available for sale securities whose cost exceeds their fair value to determine if the impairment was other than temporary. Management used qualitative factors such as the intent to hold the investment, the amount of time that the investment had been impaired and the severity of the decline in determining whether the impairment was other than temporary.

Securities sold, but not yet purchased are recorded on the trade date, and are stated at fair value and represent obligations of GBL to purchase the securities at prevailing market prices. Therefore, the future satisfaction of such obligations may be for an amount greater or less than the amounts recorded on the consolidated statements of financial condition. The ultimate gains or losses recognized are dependent upon the prices at which these securities are purchased to settle the obligations under the sales commitments. Realized gains and losses from covers of securities sold, not yet purchased transactions are included in net gain/(loss) from investments on the consolidated statements of income. Securities sold, not yet purchased are stated at fair value, with any unrealized gains or losses reported in current period earnings in net gain/(loss) from investments on the consolidated statements of income.

Income Taxes

Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and the reported amounts on the consolidated financial statements using the statutory tax rates in effect for the year when the reported amount of the asset or liability is recovered or settled, respectively. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. As a result of the enactment of the Tax Cuts and Jobs Act in December 2017, the Company recorded an increase in expense of $8.2 million reflecting the net write-down to its deferred tax assets and deferred tax liabilities. In accordance with SEC SAB 118, this revaluation could have been provisional but the Company had the requisite information to complete the evaluation and finalize the December 22, 2017 adjustment. A valuation allowance is recorded to reduce the carrying values of deferred tax assets to the amount that is more likely than not to be realized. For each tax position taken or expected to be taken in a tax return, the Company determines whether it is more likely than not that the position will be sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The Company recognizes the accrual of interest on uncertain tax positions and penalties in income tax provision on the consolidated statements of income.

Stock Based Compensation

The Company has granted RSAs to staff members and stock options to members of the board of directors which were recommended by the Company's Chairman, who did not receive an RSA or option award, and approved by the Compensation Committee of the Company's Board of Directors. We use a fair value based method of accounting for stock-based compensation provided to our staff and board members.

The estimated fair value of RSAs is determined by using the closing price of our Class A Stock on the day prior to the grant date. The total expense, which is reduced by estimated forfeitures, is recognized over the vesting period for these awards which is either (1) 30% over three years from the date of grant and 70% over five years from the date of grant or (2) 30% over three years from the date of grant and 10% each year over years four through ten from the date of grant. The forfeiture rate is determined by reviewing historical forfeiture rates for previous stock-based compensation grants and is reviewed and updated quarterly, if necessary. During the vesting period, dividends to RSA holders are held for them until the RSA vesting dates and are forfeited if the grantee is no longer employed by the Company on the vesting dates. Dividends declared on these RSAs, less estimated forfeitures, are charged to retained earnings on the declaration date.

The estimated fair value of option awards is determined using the Black Scholes option-pricing model. This sophisticated model utilizes a number of assumptions in arriving at its results, including the estimated life of the option, the risk free interest rate at the date of grant and the volatility of the underlying common stock. There may be other factors, which have not been considered, which may have an effect on the value of the options as well. The effects of changing any of the assumptions or factors employed by the Black Scholes model may result in a significantly different valuation for the options. The total expense, which is reduced by estimated forfeitures, is recognized over the vesting period for these awards which is 75% over three years from the date of grant and 25% after four years from date of grant. The forfeiture rate is determined by reviewing historical forfeiture rates for previous stock-based compensation grants and is reviewed and updated quarterly, if necessary.

In connection with the Spin-off of AC, the unvested RSA expense relating to the existing GBL RSAs at November 30, 2015 was split between GBL and AC based on the allocation of time of the underlying employees who held the RSAs.

The Company has entered into three deferred compensation agreements with Mr. Gabelli whereby his variable compensation for 2016, the first half of 2017 and the fourth quarter of 2017 was in the form of Restricted Stock Units ("RSUs") determined by the volume-weighted average price ("VWAP") of the Company's Class A Stock during those respective periods. The 2016 DCCA will vest 100% on January 1, 2020, the First Half 2017 DCCA vested 100% on July 1, 2018, and the Fourth Quarter 2017 DCCA will vest 100% on April 1, 2019. The Company settled the First Half 2017 DCCA award in cash and intends to settle the unvested awards in cash at their vesting. The Company, however, reserves the right to issue shares of the Company's Class A Stock in lieu of such cash payment. Under the terms of the agreement the Company will pay Mr. Gabelli an amount equal to the number of RSUs valued at the lesser of the VWAP of the Company's Class A Stock for the applicable period or the value on the lapse date or, if not a trading day, then the first trading date thereafter.

Under GAAP, for the 2016 DCCA only 25% of this deferred compensation expense is being recognized in 2016 with the remainder amortized ratably over 2017, 2018, and 2019. Similarly, under GAAP, for the First Half 2017 DCCA 67% of the expense is recognized in 2017 with the remaining 33% expensed in 2018. For the Fourth Quarter 2017 DCCA 17% of the expense is recognized in 2017, 66% in 2018 and the remaining 17% in 2019. Notwithstanding its ability to settle the award in stock, given the Company's intent to settle it in cash, in accordance with GAAP (ASC 718), the awards are accounted for as liability-classified awards and not as equity-classified awards. The liability is remeasured at fair value on each reporting period from December 31, 2016 until the vesting date. However, given the cap on the obligation in that Mr. Gabelli will not receive cash in excess of the VWAP of the Company's Class A Stock for each respective period, the remeasurement of the liability at fair value will never exceed its value determined using each period's respective VWAP price.

Recent Accounting Developments

See Footnote A. Significant Accounting Policies – Recent Accounting Developments.

Seasonality and Inflation

We do not believe our operations are subject to significant seasonal fluctuations. We do not believe inflation will significantly affect our compensation costs, as they are substantially variable in nature. However, the rate of inflation may affect our expenses such as information technology and occupancy costs. To the extent inflation results in rising interest rates and has other effects upon the securities markets, it may adversely affect our financial position and results of operations by reducing our AUM, revenues or otherwise.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to the information contained under the heading “Management's Discussion and Analysis of Financial Condition and Results of Operations -- Market Risk.”

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

GAMCO INVESTORS, INC. AND SUBSIDIARIES
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All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission that are not required under the related instructions or are inapplicable have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of GAMCO Investors, Inc.
Greenwich, Connecticut

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of GAMCO Investors, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

New York, New York
March 11, 2019

We have served as the Company’s auditor since 2009.
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of GAMCO Investors, Inc.
Greenwich, Connecticut

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of GAMCO Investors, Inc. and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2018 of the Company and our report dated March 11, 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

New York, New York
March 11, 2019
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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Investment advisory and incentive fees	$302,651	$316,705	$308,459
Distribution fees and other income	38,804	43,819	44,541
Total revenues	341,455	360,524	353,000
Expenses			
Compensation	83,768	134,170	86,572
Management fee	9,014	13,666	6,518
Distribution costs	39,194	44,447	44,189
Other operating expenses	22,692	23,221	23,925
Total expenses	154,668	215,504	161,204
Operating income	186,787	145,020	191,796
Other income (expense)			
Net gain/(loss) from investments	(25,173)	3,115	1,594
Extinguishment of debt	-	(3,300)	-
Interest and dividend income	2,241	2,350	1,511
Interest expense	(3,525)	(10,160)	(12,674)
Charitable contributions	(5,671)	(4,137)	-
Total other income (expense), net	(32,128)	(12,132)	(9,569)
Income before income taxes	154,659	132,888	182,227
Income tax provision	37,463	55,079	65,106
Net income attributable to GAMCO Investors, Inc.'s shareholders	$117,196	$77,809	$117,121
Net income per share attributable to GAMCO Investors, Inc.'s shareholders:			
Basic	$4.08	$2.68	$4.01
Diluted	$4.07	$2.60	$3.92
Weighted average shares outstanding:			
Basic	28,744	28,980	29,182
Diluted	28,777	30,947	30,170
Actual shares outstanding	28,982	28,974	29,463

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Net income attributable to GAMCO Investors, Inc.'s shareholders	$117,196	$77,809	$117,121
Other comprehensive income/(loss), net of tax:			
Foreign currency translation	(6)	82	(164)
Net unrealized gains on securities available for sale (a)	-	523	2,320
Other comprehensive income/(loss)	(6)	605	2,156
Comprehensive income attributable to GAMCO Investors, Inc. shareholders	$117,190	$78,414	$119,277

(a) Net of income tax expense of $0, $290 and $1,363 for 2018, 2017 and 2016, respectively.
Effective January 1, 2018, upon the adoption of ASU 2016-01, the Company no longer recognizes unrealized gains or losses on equity securities through other comprehesive income/(loss). See Note C.

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands)

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$41,202	$17,821
Investments in securities	33,789	36,790
Receivable from brokers	3,423	1,578
Investment advisory fees receivable	25,677	38,712
Receivable from affiliates	4,194	5,635
Capital lease	2,095	2,304
Goodwill and identifiable intangible assets	3,765	3,765
Income taxes receivable and deferred tax assets, net	15,001	15,615
Other assets	5,466	6,066
Total assets	$134,612	$128,286
LIABILITIES AND EQUITY		
Payable to brokers	$112	$14,926
Income taxes payable	2,388	3,128
Capital lease obligation	4,794	4,943
Compensation payable	60,408	82,907
Payable to affiliates	1,041	855
Accrued expenses and other liabilities	32,091	28,656
Sub-total	100,834	135,415
AC 4% PIK Note (due November 30, 2020) (Note G)	-	50,000
5.875% Senior notes (net of issuance costs of $57 and $81, respectively) (due June 1, 2021) (Note G)	24,168	24,144
AC 1.6% Note Payable (due February 28, 2018) (Note G)	-	15,000
Total liabilities	125,002	224,559
Commitments and contingencies (Note J)		
Equity:		
Preferred stock, $.001 par value; 10,000,000 shares authorized; none issued and outstanding	-	-
Class A Common Stock, $0.001 par value; 100,000,000 shares authorized; 15,969,303 and 15,541,489 shares issued, respectively; 9,957,301 and 9,949,482 shares outstanding, respectively	14	14
Class B Common Stock, $0.001 par value; 100,000,000 shares authorized; 24,000,000 shares issued and 19,024,240 and 19,024,404 shares outstanding, respectively	19	19
Additional paid-in capital	14,192	12,572
Retained earnings	282,928	155,939
Accumulated comprehensive income	(240)	11,876
Treasury stock, at cost (6,012,002 and 5,592,007 shares, respectively)	(287,303)	(276,693)
Total equity/(deficit)	9,610	(96,273)

Total liabilities and equity	$134,612	$128,286

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	GAMCO Investors, Inc. shareholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2015	$33	$ 345	$(34,224)	$ 9,115	$(251,596)	$(276,327)
Net income	-	-	117,121	-	-	117,121
Net unrealized gains on securities available for sale, net of income tax expense ($1,857)	-	-	-	3,111	-	3,111
Amounts reclassified from accumulated other comprehensive income, net of income tax benefit ($464)	-	-	-	(791)	-	(791)
Foreign currency translation	-	-	-	(164)	-	(164)
Dividends declared ($0.08 per share)	-	-	(2,382)	-	-	(2,382)
Stock based compensation expense	-	3,959	-	-	-	3,959
Reduction of deferred tax asset for excess of recorded RSA tax benefit over actual tax benefit	-	(401)	-	-	-	(401)
Purchase of treasury stock	-	-	-	-	(10,773)	(10,773)
Balance at December 31, 2016	$33	$ 3,903	$80,515	$ 11,271	$(262,369)	$(166,647)

See accompanying notes.

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GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(continued) (In thousands)

	GAMCO Investors, Inc. shareholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2016	$33	$ 3,903	$80,515	$ 11,271	$(262,369)	$(166,647)
Net income	-	-	77,809	-	-	77,809
Net unrealized gains on securities available for sale, net of income tax expense ($1,446)	-	-	-	2,492	-	2,492
Amounts reclassified from accumulated other comprehensive income, net of income tax benefit ($1,156)	-	-	-	(1,969)	-	(1,969)
Foreign currency translation	-	-	-	82	-	82
Dividends declared ($0.08 per share)	-	-	(2,385)	-	-	(2,385)
Stock based compensation expense	-	8,669	-	-	-	8,669
Purchase of treasury stock	-	-	-	-	(14,324)	(14,324)
Balance at December 31, 2017	$33	$ 12,572	$155,939	$ 11,876	$(276,693)	$(96,273)

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(continued) (In thousands)

	GAMCO Investors, Inc. shareholders					
	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Comprehensive Income	Treasury Stock	Total
Balance at December 31, 2017	$33	$ 12,572	$155,939	$ 11,876	$(276,693)	$(96,273)
Net income	-	-	117,196	-	-	117,196
Reclassification pursuant to adoption of ASU 2016-01, net of tax ($7,095)	-	-	12,110	(12,110)	-	-
Foreign currency translation	-	-	-	(6)	-	(6)
Dividends declared ($0.08 per share)	-	-	(2,317)	-	-	(2,317)
Stock based compensation expense	-	1,620	-	-	-	1,620
Purchase of treasury stock	-	-	-	-	(10,610)	(10,610)
Balance at December 31, 2018	$33	$ 14,192	$282,928	$ (240)	$(287,303)	$9,610

See accompanying notes.

GAMCO INVESTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	$117,196	$77,809	$117,121
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	562	595	625
Stock based compensation expense	1,620	8,669	3,959
Deferred income taxes	(487)	(5,451)	(5,537)
Foreign currency translation gain/(loss)	(6)	82	(164)
Donated securities	325	1,124	499
Unrealized on available for sale securities	18,632	-	-
Gains on sales of available for sale securities	-	(62)	(4)
Loss on extinguishment of debt	-		