

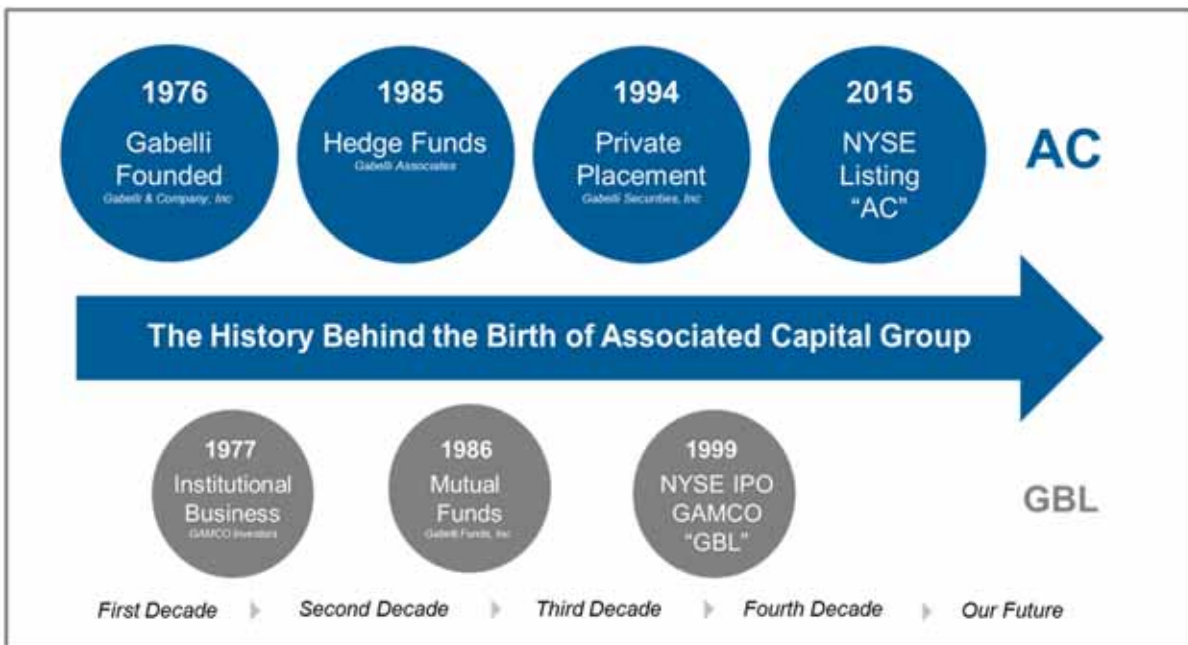
ASSOCIATED
CAPITAL GROUP

ANNUAL
REPORT
2015



Our teammates on the floor of the New York Stock Exchange celebrating our listing

Associated Capital began trading on the NYSE on December 1, 2015 (NYSE: AC)



Dear Partners/Shareholders:

It is our privilege to share with you the state of Associated Capital (“AC” or the “Company”) as we enter our first full year as an independent public company, but 40th year investing on behalf of our clients. Let’s go back to the beginning. When we started the business, we set forth a mission statement and think it is appropriate to share it with you again.

Mission Statement (Gabelli & Company, 1976):

To **earn a superior risk-adjusted return for our clients** over the long-term by providing value-added products utilizing our proprietary fundamental methodology.

By **earning returns for our clients**, we will be earning returns for all our stakeholders:

- Our Shareholders
- Our Professional Staff

We appreciate the confidence and trust you have offered our organization. Today, we remain vigilant in the application of our investment philosophy and in our search for opportunities, as we have for forty years. We thank you for entrusting a portion of your assets to (y)our firm.

Financial Highlights

On November 30, 2015, GAMCO Investors, Inc. (“GAMCO”) distributed all the outstanding shares of each class of common stock of AC on a pro rata one-for-one basis to the holders of each class of GAMCO’s common stock. Prior to the distribution, GAMCO contributed the 93.9% interest it held in Gabelli Securities, Inc. (“GSI”) and certain cash and other assets to AC.

As we had previously communicated, we believed that separating AC as an independent, publicly owned company will add increased value to both AC and GAMCO. The spin-off permits each company to:

- tailor its strategic plans and growth opportunities
- more efficiently raise and allocate resources, including capital raised through debt or equity offerings
- flexibly use its own stock as currency for teammate incentive compensation and potential acquisitions
- provide investors a more targeted investment opportunity

The following transactions were also undertaken in connection with the Spin-off:

AC, through its majority owned GSI subsidiary, acquired 4,393,055 shares of GAMCO Class A common stock.

GAMCO issued a promissory note (the “GAMCO Note”) to AC in the original principal amount of \$250.0 million used to partially capitalize the Company in connection with the Spin-off. The GAMCO Note bears interest at 4.0% per annum and has a maturity date of November 30, 2020. GAMCO will repay the original principal amount of the GAMCO Note to AC Group, in cash, in five equal annual installments of \$50 million on each interest payment date up to and including the maturity date. GAMCO may prepay the GAMCO Note prior to maturity without penalty.

Condensed Consolidated Balance Sheet
(In thousands)

	Decmeber 31,	
	2015	2014
ASSETS		
Investments (including cash and cash equivalents)	763,101	653,308
Receivables	68,863	78,954
Other assets	4,784	22,432
Total assets	\$836,748	\$754,694
LIABILITIES AND EQUITY		
Compensation payable	10,926	9,179
Securities sold, not yet purchased	9,623	10,595
Income tax payable	5,669	16,363
Accrued expenses and other liabilities	53,243	67,296
Total liabilities and equity	79,461	103,433
Redeemable noncontrolling interest	5,738	68,334
Stockholders' equity	999,196	582,927
GBL 4% PIK Note	(250,000)	-
Noncontrolling interest	2,353	-
Total equity	751,549	582,927
Total liabilities and equity	\$836,748	\$754,694

At December 31, 2015, we had cash and net investments of \$753 million, including \$306 million of cash and short term treasuries, \$219 million of net marketable securities, including the shares of GAMCO stock and \$228 million invested in affiliated and third party funds and partnerships. We have a GAAP basis book value of \$29.54 per share at December 31, 2015.

With respect to the \$250 million due to us from GAMCO, we stress that this amount is not included in our book value for GAAP purposes, as GAAP requires the note to be accounted for as a contra-equity item instead of an asset until the note is paid down with cash. As such, management believes it is useful to consider Adjusted Economic Book Value ("AEBV"), a non-GAAP measure, when reviewing our financial condition. AEBV is calculated as GAAP book value plus the value of the GAMCO Note. AEBV and AEBV per share were \$1.002 billion and \$39.37 per share respectively¹.

Our financial resources underpin our flexibility to pursue strategic objectives that may include acquisitions, lift-outs, seeding new investment strategies, and co-investing, as well as shareholder compensation in the form of share repurchase and dividends. Our primary goal is to use our liquid resources to opportunistically and strategically grow book value.

Assets Under Management

(In millions)	Year Ended December 31,					CAGR (a)
	2011	2012	2013	2014	2015	2015/2011
Event Merger Arb	\$513	\$721	\$691	\$796	\$869	14.1%
Event-Driven Value	132	124	140	167	145	2.4
Other	65	75	76	77	66	0.4
Total AUM	\$710	\$920	\$907	\$1,040	\$1,080 (b)	11.1%

(a) Compound annual growth rate.

(b) Includes \$89.3 million of proprietary capital.

¹ See Notes on Non-GAAP Financial Measures on page 3.

Quarterly Financial Information

Quarterly financial information for the years ended December 31, 2015 and 2014 is presented below.

	2015				
	1st	2nd	3rd	4th	Total
(In thousands, except per share data)					
Revenues	\$4,567	\$4,590	\$4,690	\$8,995	\$22,842
Operating loss	(3,880)	(3,468)	(1,081)	(5,883)	(14,312)
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders	2,385	855	(7,540)	4,189	(111)
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders per share:					
Basic	0.09	0.03	(0.30)	0.17	-
Diluted	\$0.09	\$0.03	\$(0.30)	\$0.17	-
	2014				
	1st	2nd	3rd	4th	Total
Revenues	\$3,904	\$4,553	\$4,895	\$7,677	\$21,029
Operating loss	(3,278)	(3,645)	(748)	(2,253)	(9,924)
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders	422	4,015	(3,783)	2,346	3,000
Net income (loss) attributable to Associated Capital Group, Inc.'s shareholders per share:					
Basic	0.02	0.16	(0.15)	0.09	0.12
Diluted	\$0.02	\$0.16	\$(0.15)	\$0.09	\$0.12

The Company's financial information for the eleven months ended November 30, 2015 and year ended December 31, 2014 were derived from the combined consolidated financial statements and accounting records of GAMCO and are presented as carve-out financial statements as the Company was not a standalone public company prior to the Spin-off. For the periods prior to the spin-off of the Company from GAMCO, the quarterly financial information includes allocations from GAMCO. These allocations may not be reflective of the actual level of assets, liabilities, income or costs which would have been incurred had the Company operated as a separate legal entity apart from GAMCO. The Company's financial information for the one month ended December 31, 2015 is presented based on our actual results as a stand-alone public company subsequent to our Spin-off.

Notes of Non-GAAP Financial Measures

Adjusted Economic Book Value (AEBV) is used by management for purposes of evaluating our financial condition. We believe this measure is useful in illustrating a value of the Company inclusive of the \$250 million GAMCO Note.

Reconciliation of Total Equity to Adjusted Economic Book Value

	Total	Per Share
Total equity as reported	\$ 751,549	\$29.54
Add: GAMCO Note	250,000	9.83
Adjusted Economic book value	\$1,001,549	\$39.37

Board of Directors

Richard L. Bready

*Former Chairman & Chief Executive Officer
Nortek, Inc.*

Daniel R. Lee

*Chief Executive Officer and Director
Full House Resorts, Inc.*

Marc Gabelli

*President
Associated Capital Group, Inc.
Co-Chairman,
Gabelli Securities, Inc.*

Mario J. Gabelli

*Chairman and Chief Executive Officer
Associated Capital Group, Inc.*

Bruce M. Lisman

*Former Chairman of JP Morgan's Global
Equity Division*

Salvatore F. Sodano

*Chairman and Chief Executive Officer
Worldwide Capital Advisory Partners, LLC.
Former Chairman & CEO of the American
Stock Exchange
Former Vice Chairman of the NASD*

Officers

Mario J. Gabelli, CFA

Executive Chairman and Chief Executive Officer

Marc Gabelli

President

Kevin Handwerker

*Executive Vice President, General Counsel
and Secretary*

Patrick Dennis

*Executive Vice President and
Chief Financial Officer*

Corporate and Shareholder Information

Investor Relations

For our 10-K and other shareholder information, as well as information on our products and services, visit our website at www.associated-capital-group.com or write to:

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914-921-8381
email: investor@associated-capital-group.com

Transfer Agent

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250 Royall Street
Canton, MA 02021
(781) 575-2000

Trading Information

New York Stock Exchange
Class A Common Stock
Symbol - AC

Website

www.associated-capital-group.com

Investment Services Information

Alternative Investments
Contact: Michael M. Gabelli
Managing Director and President
914-921-5135
email: alternatives@gabelli.com

Institutional Research
Contact: C.V. McGinity
President
914-921-7732
email: CMcGinity@gabelli.com

Annual Meeting

Our 2016 Annual Meeting of Shareholders will be held at 1:00 p.m. on May 3, 2016 at the Indian Harbor Yacht Club, 710 Steamboat Road Greenwich, CT 06830



Our teammates ringing the bell on the New York Stock Exchange celebrating our listing

ASSOCIATED
CAPITAL GROUP

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