

GAMCO Mathers Fund

Shareholder Commentary September 30, 2008



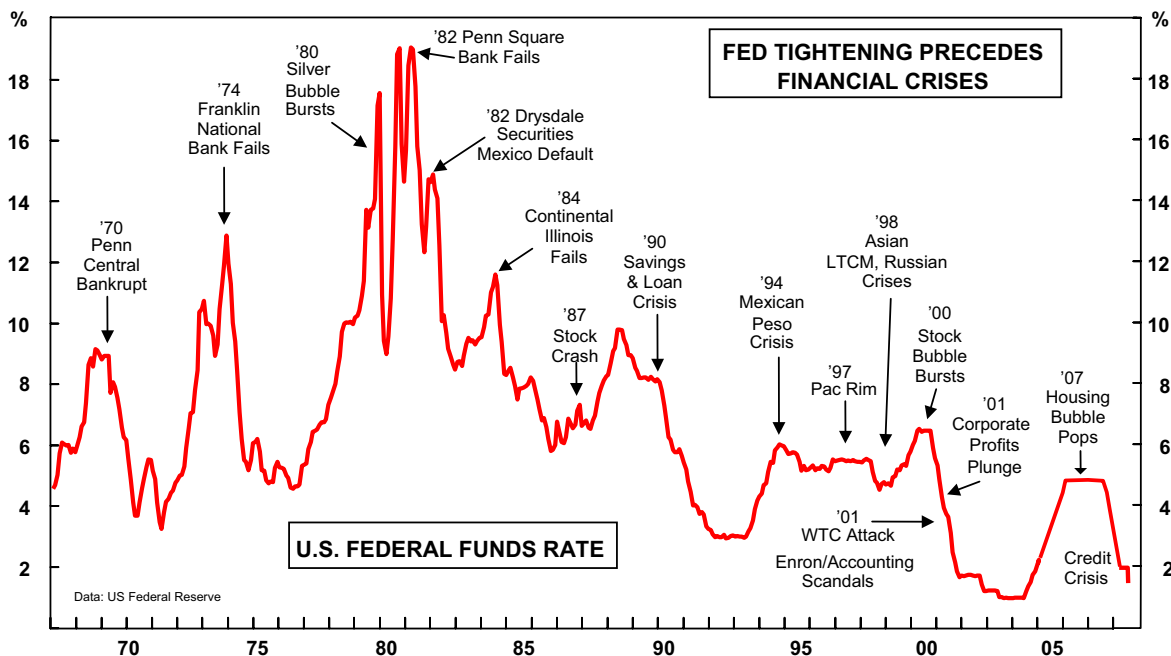
Henry G. Van der Eb, CFA

To Our Shareholders,

Systemic financial risk has been building for the last fifteen years as total credit market debt as a percentage of U.S. GDP accelerated. This can be clearly seen on the chart at the top of page three and is a general proxy for the global financial system. Ironically, the data does not include several hundred trillion dollars of very high risk credit derivatives that arguably triggered the current stock market panic.

A tidal wave of unsalable debt securities is destroying wealth as sellers scramble for liquidity by dumping stocks, commodities and other assets, driving prices down. Lost confidence has created a liquidity trap and the central banks of the world are pushing on the proverbial string. Governments and regulators are overwhelmed as unprecedented policy initiatives, monetary ease, and fiscal stimulus prove ineffective.

Powerful secular deflationary forces generated by the crush of excessive debt and its derivatives are now being unleashed as the bubble collapses. With the current 1.50% nominal Federal funds interest rate now close to zero, even mild deflation will turn the real Federal funds rate (nominal minus inflation) positive, causing the risks of a classic deflationary spiral and economic depression to rise dramatically.



Investment Performance and Portfolio Highlights

The GAMCO Mathers Fund total return gain for the nine months ended September 30, 2008 was 0.38% versus a decline of (19.28)% for the S&P 500. For the three months ended September 30, 2008, the Fund's total return was (0.19)% versus (8.37)% for the S&P 500. On September 30, stocks were 1.04% of assets, with 0.0% in long positions and 1.04% in short positions, resulting in a 1.04% net short portfolio exposure. The remainder of the portfolio, as has been the case for an extended time period, was invested in short-term U.S. Treasury bills and U.S. Treasury collateralized repurchase agreements.

During the quarter, the Fund's gross exposure was kept relatively low to avoid the potential for high market volatility due to various pro-growth responses to the credit crisis by Washington policy makers. The portfolio remains conservatively positioned to potentially benefit both absolutely and relatively from a declining stock market. The fixed income portion, which is invested in short-term U.S. Treasury bills and U.S. Treasury collateralized repos, has relatively high liquidity, credit quality and safety of principal. The relatively low yields on U.S. Treasury bills are due to both a flight to safety and monetary easing.

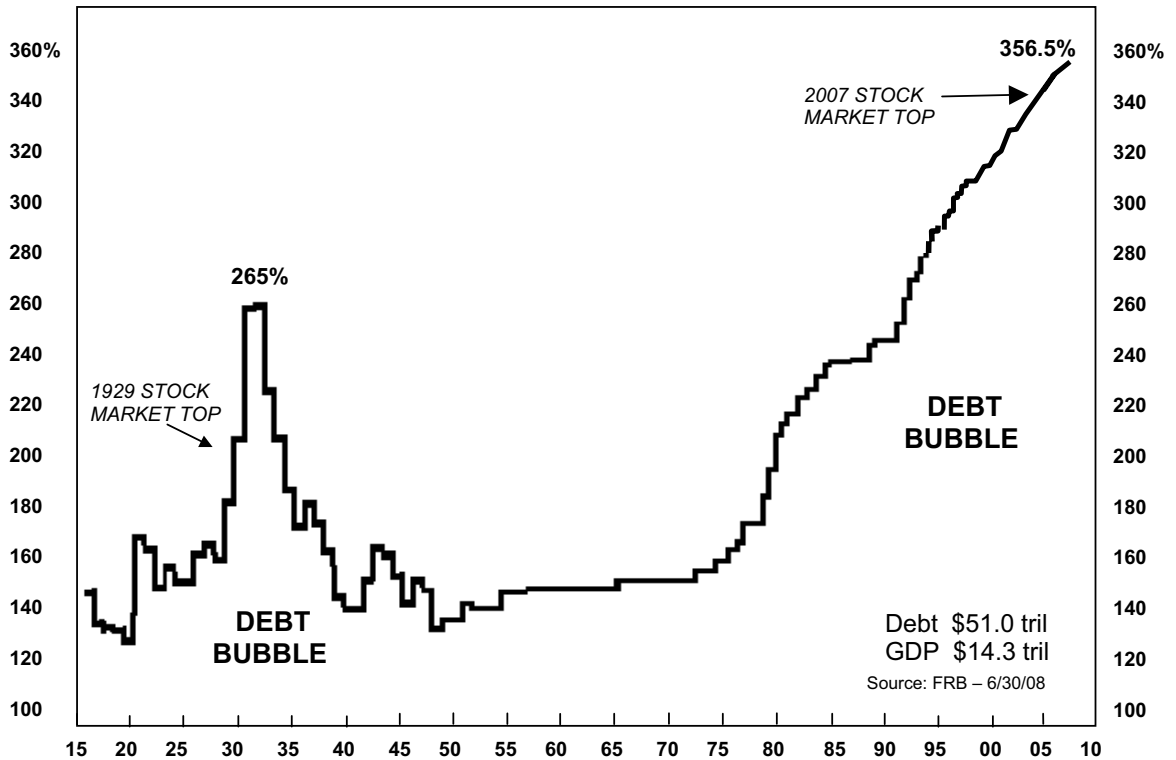
The Fund's total return gain for the twelve months ended September 30, 2008 was 0.37% versus a loss of (21.97)% for the Standard & Poor's 500 Index. For the calendar year ended December 31, 2007, the Fund rose 3.56% versus 5.49% for the Standard & Poor's 500 Index. On December 31, 2007, the Fund's gross exposure was 4.4% (longs plus shorts), comprised of 0.3% long and 4.1% in short positions, with a 3.8% net short exposure (longs minus shorts). The Fund had a 7.4% average net short portfolio structure during 2007 (4.2% long minus 11.6% short) based on the average of quarter-end data. The Fund's gross and net portfolio exposures may vary significantly from day to day in an effort to control portfolio volatility under changing market conditions. Accordingly, the quarter-end figures may not be indicative of the range of gross and net exposures that precede or follow each reporting period.

If long positions are held for short time periods, the result may be a disproportionately high portfolio turnover rate, which can be misleading. This occurs when the Fund's short-term fixed income position is a relatively high proportion of assets and has a maturity of less than one year, while the percent invested in long stock positions is low. This was the case in 2007 and may occur again in 2008 and beyond.

A portion of the Fund's long common stock segment may be invested in takeover target companies subject to friendly, all cash tender or merger offers from an acquiring entity. The Fund purchases these event driven stocks after the deals are publicly announced, generally by financially strong, strategic or financial buyers. Deal arbitrage stocks typically earn relatively attractive annualized returns, but are held for short time periods. The Fund uses this defensive, non-market correlated merger arbitrage strategy to potentially increase cash returns above the prevailing level of short-term U.S. Treasury bill interest rates.

The GAMCO Mathers Fund's performance for the 1-year, 5-year and 10-year periods ending September 30, 2008, was 0.37%, 1.26%, and 0.38%, respectively. *The expense ratio for calendar year 2007 was 2.29% of which 0.13% was due to dividends paid on stocks sold short. Average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses. **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance. **Please visit www.gabelli.com to obtain performance information as of the most recent month end. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.***

TOTAL CREDIT MARKET DEBT (ALL SECTORS) AS % OF U.S. GDP



Cash is King

"The very effort of individuals to lessen the burden of their debts increases it, because of the mass effect to liquidate.

The more the debtors pay, the more they owe.

The more the economic boat tips, the more it tends to tip.

It is not righting itself, but is capsizing."

Irving Fisher 1933

The Debt-Deflation Theory of Great Depressions

Will the financial crises lead the United States down Friedrich Hayek's 'Road to Serfdom' as Adam Smith's free market 'invisible hand' is replaced by the government and personal freedoms are eroded?

Herry Van der Eb

President and Portfolio Manager

October 10, 2008

Tax Loss Carryforward Offsets Capital Gains

The Fund's tax loss carryforward from prior years is expected to offset any net realized portfolio capital gains in 2008, as was the case in 2007. Capital gains realized on investments in 2008 and future years are expected to be offset until the carryforward is either used up or expires. Consequently, there will be no taxable distributions from capital gains until such time.

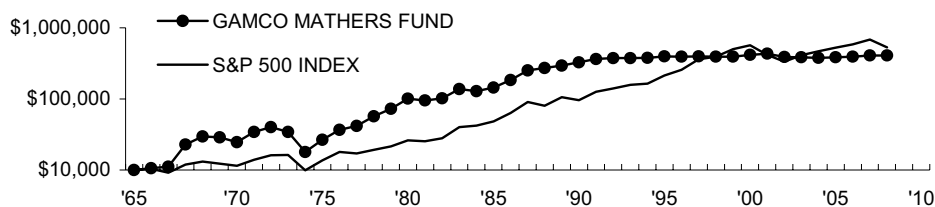
www.gabelli.com

Please visit us on the Internet. The Gabelli home page at www.gabelli.com contains information about GAMCO Investors Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, quarterly reports, closing prices and other current news. You can e-mail us at info@gabelli.com.

Minimum Initial Investment

The Fund's minimum initial investment is \$1,000 for regular and \$250 for all retirement accounts, with no subsequent minimums. No initial minimum is required for accounts starting an Automatic Investment Plan. The Fund and other Gabelli/GAMCO Mutual Funds are available through no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold in 7 days or less of a purchase. See the Fund's prospectus for more details.

GROWTH OF \$10,000 INVESTMENT IN GAMCO MATHERS FUND (Log Scale)



Percent Average Annual Total Returns through September 30, 2008*

	<u>1 YR</u>	<u>2 YRS</u>	<u>3 YRS</u>	<u>5 YRS</u>	<u>10 YRS</u>	<u>20 YRS</u>	<u>30 YRS</u>	<u>43 YRS†</u>
GAMCO MATHERS	0.37	2.20	2.16	1.26	0.38	2.06	6.80	8.99
Standard & Poor's 500	(21.98)	(4.69)	0.22	5.16	3.06	9.94	11.72	9.65

The current expense ratio is 2.29%. † From commencement of investment operations on August 19, 1965.

* Average annual total returns reflect changes in share price and reinvestment of dividends and are net of expenses. Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Please visit www.gabelli.com to obtain performance information as of the most recent month end. The Standard & Poor's 500 is an unmanaged indicator of stock market performance. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.**

NOTE: The opinions expressed in this report reflect those of the Portfolio Manager only through the date of the shareholder letter and are subject to change at any time based on market and other conditions.

To obtain a copy of the Fund's prospectus, please contact Gabelli Funds at One Corporate Center, Rye, NY 10580-1422, by calling 800-GABELLI (800-422-3554) or visit our website www.gabelli.com.

GAMCO Mathers Fund

Third Quarter Report
September 30, 2008

To Our Shareholders,

The Sarbanes-Oxley Act's corporate governance regulations require a Fund's principal executive and financial officers to certify the entire contents of the semi-annual and annual shareholder reports in a filing with the Securities and Exchange Commission (the "SEC") on Form N-CSR. This certification covers the portfolio manager's commentary and subjective opinions if they are attached to or a part of the financial statements.

Rather than ask our portfolio managers to eliminate their opinions and/or restrict their commentary to historical facts only, we separated their commentary from the financial statements and investment portfolio and sent it to you separately to ensure that its content is complete and unrestricted. Both the commentary and the financial statements, including the portfolio of investments, are also available on our website at www.gabelli.com/funds.

We trust that you understand that our approach is an unintended consequence of the ever increasing regulatory requirements affecting public companies generally. We hope the specific certification requirements of these regulations will be modified as they relate to mutual funds, since investment companies have different corporate structures and objectives from other public companies.

Sincerely yours,

A handwritten signature in blue ink that reads "Bruce N. Alpert". The signature is written in a cursive, slightly stylized font.

Bruce N. Alpert
Executive Vice President

November 14, 2008

GAMCO Mathers Fund

Notes to Schedule of Investments (Unaudited)

1. Security Valuation. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Trustees (the "Board") so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC, the Adviser.

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

On January 1, 2008, the Fund adopted Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS 157") that clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 – significant unobservable inputs (including the Fund's determinations as to the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of inputs used to value the Fund's net assets as of September 30, 2008 is as follows:

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value)</u>
Level 1 – Quoted Prices	\$ 263,660
Level 2 – Other Significant Observable Inputs	25,435,929
Total	<u>\$25,699,589</u>

In March 2008, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standard No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161") that is effective for fiscal years beginning after November 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity's results of operations and financial position. Management is currently evaluating the implications of SFAS 161 on the Fund's financial statement disclosures.

2. Tax Information. At December 31, 2007, the Fund had net capital loss carryforwards for federal income tax purposes of \$13,671,438, which are available to reduce future required distributions of net capital gains to shareholders. \$11,623,877 is available through 2010; \$670,201 is available through 2011; \$280,466 is available through 2012; and \$1,096,894 is available through 2014.

GAMCO Mathers Fund

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Net Asset Value per share available daily by calling

800-GABELLI after 6:00 P.M.

GAMCO

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GAMCO Mathers Fund

This report is submitted for the general information of the shareholders of The GAMCO Mathers Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

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THIRD QUARTER REPORT SEPTEMBER 30, 2008