

# The Gabelli Blue Chip Value Fund

## Shareholder Commentary June 30, 2009



**Barbara G. Marciniak, CFA**

### **To Our Shareholders,**

Stock and bond markets worldwide rallied broadly in the second quarter in relief that economic disaster was averted. The strong rebounds that started from the market lows posted in March continued through mid June. The Standard & Poor's ("S&P") 500 and the Dow Jones Industrial Average rose 15.9% and 12.0%, respectively, tremendously strong gains and their best quarter since 1998.

In the second quarter, the government released the results of its "stress tests," designed to reveal how much more capital would be needed if the economy continued to deteriorate, which confirmed that most financial institutions would muddle through. By quarter end, nearly all major financial institutions, with the most notable exceptions of Citigroup and Bank of America (2.4% of net assets as of June 30, 2009), had announced they would repay their loans from the government under the Troubled Asset Relief Program (or TARP), passed last fall. Without question, the various government loans and loan guarantees enacted last year helped to restore confidence and played an important role in stabilizing the financial system.

The Gabelli Blue Chip Value Fund will be ten years old on August 26th and we will finally have a ten year performance record! The Fund's Class AAA Shares annualized total returns for the one, three, five year and since inception periods through June 30th were (21.0%), (6.3%), (0.1%) and 1.7%, respectively, outperforming the S&P 500 benchmark as well as the Lipper Large Cap Average for each of these periods.

While we are pleased to outperform these indices and other funds with our objective and style, in this case relative return is little consolation. We believe that the second decade of our Fund will be a much better one not only relatively but also in absolute terms, for both the broad stock market and for the Blue Chip Value Fund. We believe that, after we get through this difficult market, we could be in for a longer period of expansion and returns that are more like the historical yields from the stock market. The long-term return on the stock market, as calculated by S&P, from 1926 through March 2009, has been an average annual rate of 9.5%, and we expect that the next decade will bring annual returns that are much closer to that than the almost completely flat – or zero return – that the S&P 500 has returned over the ten years ended June 30th. We greatly appreciate your trust and confidence in Gabelli Funds and The Gabelli Blue Chip Value Fund, particularly during these extraordinary times. We will continue to work diligently on your behalf.

### **Performance**

The net asset value of The Gabelli Blue Chip Value Fund Class AAA Shares rose 19.13% in the second quarter, outperforming the S&P 500 Index and the Lipper Large Cap Value Fund Average returns of 15.92% and 16.28%, respectively. For the year to date through June 30th the Fund rose 11.28% versus gains of 3.19% and 0.92% in the S&P 500 and Lipper Large Cap Value Fund Average, respectively.

## THE GABELLI BLUE CHIP VALUE FUND INVESTMENT RESULTS (CLASS AAA SHARES) (a)

		Quarter				Year
		1st	2nd	3rd	4th	
2009:	Net Asset Value .....	\$8.78	\$10.46	—	—	—
	Total Return .....	(6.6)%	19.1%	—	—	—
2008:	Net Asset Value .....	\$13.18	\$13.27	\$12.09	\$9.40	\$9.40
	Total Return .....	(7.2)%	0.7%	(8.9)%	(22.1)%	(33.7)%
2007:	Net Asset Value .....	\$14.95	\$15.88	\$15.83	\$14.21	\$14.21
	Total Return .....	1.2%	6.2%	(0.3)%	(6.6)%	0.1%
2006:	Net Asset Value .....	\$13.28	\$13.27	\$13.82	\$14.77	\$14.77
	Total Return .....	5.4%	(0.1)%	4.1%	7.1%	17.5%
2005:	Net Asset Value .....	\$11.81	\$11.97	\$12.46	\$12.60	\$12.60
	Total Return .....	0.0%	1.4%	4.1%	1.1%	6.7%
2004:	Net Asset Value .....	\$10.69	\$11.01	\$10.83	\$11.81	\$11.81
	Total Return .....	1.4%	3.0%	(1.6)%	9.4%	12.4%
2003:	Net Asset Value .....	\$7.21	\$8.96	\$9.20	\$10.54	\$10.54
	Total Return .....	(1.5)%	24.3%	2.7%	14.6%	44.0%
2002:	Net Asset Value .....	\$10.09	\$7.55	\$6.12	\$7.32	\$7.32
	Total Return .....	(5.8)%	(25.2)%	(18.9)%	19.6%	(31.7)%
2001:	Net Asset Value .....	\$12.33	\$12.31	\$9.84	\$10.71	\$10.71
	Total Return .....	1.3%	(0.2)%	(20.1)%	9.1%	(11.8)%
2000:	Net Asset Value .....	\$12.40	\$12.16	\$13.23	\$12.17	\$12.17
	Total Return .....	6.4%	(1.9)%	8.8%	(2.2)%	11.1%
1999:	Net Asset Value .....	—	—	\$9.54	\$11.65	\$11.65
	Total Return .....	—	—	(4.6)% <sup>(b)</sup>	23.5%	17.8% <sup>(b)</sup>

### Average Annual Returns through June 30, 2009 (a)

	Quarter	Year to Date	1 Year	3 Year	5 Year	Since Inception (8/26/99)
<b>Gabelli Blue Chip Value Fund Class AAA . . .</b>	<b>19.13%</b>	<b>11.28%</b>	<b>(21.01)%</b>	<b>(6.26)%</b>	<b>(0.09)%</b>	<b>1.71%</b>
S&P 500 Index . . . . .	15.92	3.19	(26.20)	(8.22)	(2.24)	(2.20)
Lipper Large Cap Value Average . . . . .	16.28	0.92	(26.95)	(9.96)	(2.40)	(0.31)

**The current expense ratio is 2.00% for the Fund's Class AAA Shares. Class AAA Shares do not have a sales charge.**

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. 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. Performance results for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for 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.** See page 7 for performance of other share classes. The S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper Large Cap Value Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

(b) From commencement of investment operations on August 26, 1999.

All ten industry sectors in the S&P 500 rose during the quarter, led by the financial shares, which rose 36%. Stocks of banks, brokers, credit card issuers, and insurance companies continued their rebound from the very low levels of the March 9th market closing lows of the year. The next top two performing sectors in the quarter were the technology sector, up 20%, followed by the industrials, up 19%.

By far and away, the big winner of the year so far has been the technology sector, with a 25% gain through June 30th. By contrast, the other two top performing sectors of the second quarter, the financials and the industrials, are still working through dismal returns in the first quarter and through June 30th are still down (4%) and (6%), respectively. Other sector performances for the quarter were the consumer discretionary stocks gaining 18%, the materials stocks gaining 16%, energy stocks gaining 11%, and utilities gaining 10%.

The three industry groups with the lowest quarterly returns were the consumer stocks with a gain of 10%, the health care stocks with a gain of 9%, and telecommunications stocks with a gain of 4%.

Stocks in our Fund with the strongest performance in the quarter were a very diverse group including Bank of America, American Express (0.6%), Discover Financial (1.5%), Capital One (0.7%), Wells Fargo (1.6%), Weatherford International (1.0%), State Street (1.7%), Cablevision (1.6%), and Apple Computer (0.3%). Just a few of the stocks that we held since the start of the quarter in the Fund declined, and these included Monsanto (1.3%) and Newmont Mining (1.1%).

## **The Current State of the Economy and Markets**

Along with the improvement in the stock and bond markets over the past few months, the economy thawed from the frozen state of paralysis that had gripped businesses and consumers until March. Consumer confidence stabilized after falling to the lowest level since record keeping began in 1967, but remained low. Personal income improved, due to boosts from government transfers in the form of tax refunds and onetime Social Security bonuses. The Conference Board Leading Economic Index rose for three months in a row through June.

Despite these improvements, consumer spending remains weak. Manufacturing also remains weak, and the operating rate is below 70%. Capital spending plans remain low, as do business plans to hire. State and local governments' layoffs are lagging business layoffs, so this has a while to continue. What we have seen in the second quarter is a return from the anticipation of a depression-like fall in the first quarter to a more normal recessionary economy.

The government has been doing its best to fight this recession by lowering interest rates and injecting spending. The intention is to have the lower interest rates help banks to repair their balance sheets and resume lending, and to encourage consumers to purchase cars and homes, and businesses to borrow and hire. Housing sales and the decline in home prices have stabilized. However, unlike a more traditional cycle, this one was accompanied by tremendous excess homebuilding and buying in the past few years. So it will be a long time before the housing industry plays any role in creating jobs or activity to assist in a recovery. (Certainly low interest rates have been around for a long time.) Both businesses and consumers will continue to reduce borrowing for a while longer.

Likewise, auto sales had fallen so low in the first quarter that they appeared to be at bottom levels, but in the "recovery" quarters ahead, with General Motors and Chrysler emerging from bankruptcy with major elements being dismantled and sold, these companies and their dealerships will continue to be a source of layoffs. In addition, banks are still weighed down by large and, in some cases, increasing losses from home mortgages, commercial mortgages, and credit cards, and despite record low interest rates, are unlikely to expand their low level of lending activity within the next few quarters.

We had hoped in the second quarter that "less bad" or "less worse" economic numbers would indicate that the transition to better and even good times was emerging. However, at midyear it is clear that these numbers, while no longer the worst that could happen, are bad and will continue to be bad. Unemployment, which formerly was a lagging indicator but which is now more of a coincident indicator, is still rising. De-leveraging has a long way to go: U.S. household debt at the end of 2008 was 97% of GDP, a third higher than in the 1990s. Over the past several years, consumers have borrowed to monetize assets such as their homes, and it will take a while to rebuild savings and wealth. Therefore spending levels will remain low during that time.

How should we interpret the strong advance in the stock market? The stock market is a forward looking barometer. With the second quarter rise, it is tempting to think that the recession is just about over and we might start in on a recovery that will boost profits for years. We think it is more likely that the rise in the market has been due to the relief from taking the worst case depression scenario off the table, and that we are back to the levels in the market and the economy where we would have been if the first quarter's contraction had not occurred. We think there is a good possibility, or even likelihood, that we are still in for a longer period of economic weakness and rising unemployment, perhaps lasting another year.

## Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the percentage of net assets and their share prices are presented as of June 30, 2009.

*American Water Works (2.4% of net assets as of June 30, 2009) (AWK - \$19.11 - NYSE)* is a water utility with unique growth opportunities. The shares offer investors a 4.6% dividend yield and the likelihood of consistent annual dividend increases. We expect solid growth in earnings over the near term (2008-2011) due to increases in rates as American Water Works is allowed to realize a return on its past investments. During the 2003-2006 period few rate increases were requested. Now, subsidiaries currently have \$300 million in revenue requests pending decisions, creating a greater certainty of rate base growth than typically achieved in the regulated electric and gas utility sector. We also believe the company has a greater opportunity for customer growth through consolidation and privatization opportunities.

*Exxon Mobil Corp. (1.7%) (XOM - \$69.91 - NYSE)* is a leading international energy company with operations in most of the world's countries. In the United States, Exxon Mobil has significant exploration, production, refining, marketing, and chemicals operations. Exxon Mobil is one of the largest oil and gas producers and owners of oil and gas reserves, with a portfolio that includes Alaska, onshore Gulf Coast, and deepwater Gulf of Mexico reserves. There are approximately 13,000 Exxon and Mobil branded service stations in the U.S. and seven refineries, four of which are integrated petrochemical facilities. Exxon Mobil's full year 2008 earnings, excluding special items, were a record \$44 billion, up 8% from 2007. The company distributed an average of 20% of its earnings to shareholders in the form of dividends over the past five years. Exxon Mobil's financial strength continued to support its long-term focus and disciplined capital investment approach in the midst of a growing global economic slowdown.

*Intel Corp. (2.2%) (INTC - \$16.55 - Nasdaq)* recently introduced consumer ultra low voltage mobile processors that are creating a new personal computer segment of ultra thin, full function notebooks. Ultra-thin notebooks are now shipping in the market and we believe that they will further invigorate the notebook category and become a significant contributor to Intel's future profits. The company has taken significant steps to improve its efficiency and reduce costs resulting in cost savings of \$800 million in 2008, and further spending reductions are expected in 2009 of \$700 million over the 2008 level.

*Johnson & Johnson (2.3%) (JNJ - \$56.80 - NYSE)* is the largest and most diversified health care company in the world. The company's leading positions across pharmaceuticals, medical devices, and consumer health care make it a steady performer and defensive name in these challenging times. Johnson & Johnson's strong cash flow and credit rating will allow the company to make accretive acquisitions at attractive prices during the downturn, while continuing to repurchase stock. With a reasonable valuation of 11x earnings, and a 3.3% dividend yield, JNJ should be able to weather a very difficult 2009 before returning to approximately 10% earnings growth in 2010.

*Kraft Foods Inc. (1.1%) (KFT - \$25.34 - NYSE)* continues to reinvest in its products to reinvigorate sales growth. However, it also continues to struggle to expand margins in key categories as it absorbs higher input costs and spends heavily to support its brands through marketing and new product development. The company is dealing with weaker consumer spending, commodity, and currency volatility, and the integration of the Danone biscuit business. New product innovation and execution improvements should gradually improve operating results over the next year.

*PepsiCo Inc. (PEP - \$54.96 - NYSE)* could experience double digit earnings growth over the next few years. With its global blue chip brands in Pepsi and Frito Lay, the longer-term growth outlook is compelling. Earlier this year, the company made an offer for the balance of the Pepsi Bottling Group and Pepsi Americas that it does not own, and as a result, Pepsi is trading at an historically high discount to the market. However, this deal could produce tremendous cost savings and therefore higher earnings growth. Pepsi offers a good dividend yield and we believe there is considerable upside to the shares over the next few years.

*Wyeth (2.0%) (WYE - \$45.39 - NYSE)* develops, manufactures, and markets vaccines, biotechnology products, nutritionals, and non-prescription medicines. Under the terms of a merger agreement, Pfizer, the number one drug maker, will acquire all of the outstanding shares of Wyeth for \$33.00 in cash and 0.985 shares of Pfizer's stock per share of Wyeth. This deal is subject to regulatory and shareholder approvals and is expected to close in the third quarter of 2009.

## **Looking Ahead**

The government has done its best to launch an interest rate and government spending led recovery, and this should continue to work in the short term, as it already has. The question of sustainability remains, however, when we get past the third quarter, into the fourth quarter and even into the beginning of next year, and to this question there are yet no positive answers. To achieve a sustainable recovery, we need business confidence to improve, jobs to be created, and consumers to have income and the desire to spend. As of yet, we are still looking for signs that we are on our way to a sustainable recovery out of this recession. We may be through the worst of the layoffs, but the unemployment outlook is still pretty awful and there is a growing realization that unemployment will continue to climb for another year.

We do have some positives coming from the thaw of the atmosphere that froze consumer and business spending on even normal replacement goods and helped lead to the bankruptcies of Chrysler and General Motors together with a shutdown of auto production for a couple of months. It is estimated that this boost from the replacement of inventories, along with the resumption of auto production, could lead to a swing in Gross Domestic Product ("GDP") of as much as 6% to 7%, implying the GDP looping from a negative 1% in the second quarter to a positive GDP in the third quarter. However, it is possible that growth will return to the almost recessionary lows after that.

Due to the many economic stimulus programs, we now have a tremendous amount of debt, which will carry an annual cost to service and will have to be repaid some day. Other large political, environmental, and economic initiatives, such as the energy "cap and trade" and the universal health care plan, potentially loom on the near horizon. Both of these programs address good long-term goals. However, efforts to sell them are being accompanied by unrealistic long-term projections of what they will cost. In the latest example of this, the Congressional Budget Office, Congress' own chief budget scorekeeper, put a damper on the current health care proposal with its analysis, concluding that it will not reduce the trajectory of health care spending, and in fact could actually escalate costs.

There is concern that the government is operating as if it does not matter where the money that it is shoveling out goes. The government announces a new program each week with very little work done to foster incentives to facilitate or build longer-term non-inflationary growth, savings, investing, or creating businesses or jobs. The private sector has to be the primary creator of new jobs and growth and so far the new programs do not address this. The stabilization is being achieved with a very high cost of trillions of dollars of government debt, and lessened confidence in America's economy, future growth, and the dollar as a store of value.

We are combining an unprecedented amount of government spending with a lack of any real or thoughtful analysis of the longer-term impact, and this has the potential to be graded with an "F" by a lower dollar and higher interest rates, which would compound our problems in financing our debt longer term. Of course, right now and for the foreseeable future, perhaps the next year or so, the excess capacity in the U.S. and worldwide makes any pick up in inflation unlikely.

As we start in on the second half of this year, we hope that it will be less volatile than the first. The market appears to be reasonably price, with some earnings recovery showing up in the initial reports of second quarter corporate earnings. We do not expect investors to be willing to pay a much higher multiple of earnings as we encounter higher taxes, increased regulation, and potentially higher inflation and interest rates in the next few years. We continue to look for companies selling at good long-term value, which can generate cash flow and

earnings, and we particularly like those that have a history of paying out earnings in dividends. This led us to our new positions in the second quarter in PepsiCo and American Water Works and to add to our position in Johnson & Johnson.

Sincerely,



**Barbara G. Marcin, CFA**  
Portfolio Manager

August 12, 2009

**Note:** The views expressed in this Shareholder Commentary reflect those of the Portfolio Manager only through the end of the period stated in this Shareholder Commentary. The Portfolio Manager's views are subject to change at any time based on market and other conditions. The information in this Portfolio Manager's Shareholder Commentary represents the opinions of the individual Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Manager and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

#### **Minimum Initial Investment – \$1,000**

The Fund's minimum initial investment for regular accounts is \$1,000. There are no subsequent investment minimums. No initial minimum is required for those establishing an Automatic Investment Plan. Additionally, the Fund and other Gabelli/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold within seven days of a purchase. See the prospectus for more details.

#### **[www.gabelli.com](http://www.gabelli.com)**

Please visit us on the Internet. Our homepage at [www.gabelli.com](http://www.gabelli.com) contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at [info@gabelli.com](mailto:info@gabelli.com).

You may sign up for our e-mail alerts at [www.gabelli.com](http://www.gabelli.com) and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

The Fund's daily net asset value is available each evening after 6:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554) or through financial websites on the Internet. The Fund's Nasdaq symbol is GABBX for Class AAA Shares. Please call us during the business day for further information.

#### **Top Ten Holdings (Percent of Net Assets)** **June 30, 2009**

Bank of America Corp. 2.4%	Intel Corp. 2.2%
Halliburton Co. 2.4%	AT&T Inc. 2.1%
American Water Works Co. Inc. 2.4%	CME Group Inc. 2.1%
E.I. du Pont de Nemours & Co. 2.3%	EMC Corp. 2.0%
Johnson & Johnson 2.3%	Wyeth 2.0%

## e-delivery

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our open end mutual funds can now elect to receive their Annual, Semiannual, and Quarterly Fund Reports, Manager Commentaries, and Prospectuses via e-delivery. For more information or to sign up for e-delivery, please visit our website at [www.gabelli.com](http://www.gabelli.com).

## Multi-Class Shares

Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions which initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

### Average Annual Returns – June 30, 2009 (a)

	<b>Class AAA Shares</b>	<b>Class A Shares</b>	<b>Class B Shares</b>	<b>Class C Shares</b>	<b>Class I Shares</b>
1 Year . . . . .	(21.01)%	(20.96)% (25.51)(c)	(21.52)% (25.44)(d)	(21.47)% (22.26)(e)	(20.81)%
3 Year . . . . .	(6.26)	(6.26) (8.09)(c)	(6.93) (7.87)(d)	(6.93) (6.93)	(6.02)
5 Year . . . . .	(0.09)	(0.04) (1.22)(c)	(0.77) (1.17)(d)	(0.79) (0.79)	0.18
Life of Fund (b) . . . . .	1.71	1.74 1.13(c)	1.32 1.32	1.31 1.31	1.85
<b>Current Expense Ratio . . .</b>	<b>2.00</b>	<b>2.00</b>	<b>2.75</b>	<b>2.75</b>	<b>1.75</b>
<b>Maximum Sales Charge . .</b>	<b>None</b>	<b>5.75</b>	<b>5.00</b>	<b>1.00</b>	<b>None</b>

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Current returns may be higher or lower than that shown. 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. Visit [www.gabelli.com](http://www.gabelli.com) for 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.**

(b) Performance is calculated from inception of Class AAA Shares on August 26, 1999.

(c) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.

(d) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the one year, three year, and five year periods of 5%, 3%, and 2%, respectively, of the Fund's net asset value ("NAV") at the time of purchase or sale, whichever is lower.

(e) Performance results include the deferred sales charge for the Class C Shares upon redemption at the end of the one year period of 1% of the Fund's NAV at the time of purchase or sale, whichever is lower.

We have separated the portfolio manager's commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio manager's commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com/funds](http://www.gabelli.com/funds).

## The Gabelli Blue Chip Value Fund

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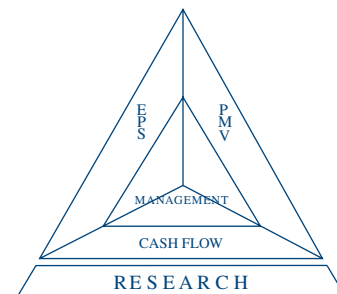
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**e-mail: [info@gabelli.com](mailto:info@gabelli.com)**

Net Asset Value per share available daily by calling  
**800-GABELLI** after 7:00 P.M.



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# The Gabelli Blue Chip Value Fund

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

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SHAREHOLDER COMMENTARY  
JUNE 30, 2009

# The Gabelli Blue Chip Value Fund

## Semi-Annual Report June 30, 2009

### To Our Shareholders,

During the second quarter of 2009, the net asset value (“NAV”) per Class AAA Share of The Gabelli Blue Chip Value Fund (the “Fund”) advanced 19.1%, while the Standard & Poor’s (“S&P”) 500 Index and the Lipper Large Cap Value Fund Average rose 15.9% and 16.3%, respectively. For the six month period ended June 30, 2009, the Fund gained 11.3% versus a rise of 3.2% for the S&P 500 Index and an increase of 0.9% for the Lipper Large Cap Value Fund Average.

Enclosed are the financial statements and the investment portfolio as of June 30, 2009.

### Comparative Results

#### Average Annual Returns through June 30, 2009 (a)

	Quarter	Year to Date	1 Year	3 Year	5 Year	Since Inception (8/26/99)
<b>Gabelli Blue Chip Value Fund Class AAA</b> .....	<b>19.13%</b>	<b>11.28%</b>	<b>(21.01)%</b>	<b>(6.26)%</b>	<b>(0.09)%</b>	<b>1.71%</b>
S&P 500 Index .....	15.92	3.19	(26.20)	(8.22)	(2.24)	(2.20)
Lipper Large Cap Value Average .....	16.28	0.92	(26.95)	(9.96)	(2.40)	(0.31)
Class A .....	19.11	11.26	(20.96)	(6.26)	(0.04)	1.74
Class B .....	12.26(b)	4.87(b)	(25.51)(b)	(8.09)(b)	(1.22)(b)	1.13(b)
Class C .....	18.97	10.92	(21.52)	(6.93)	(0.77)	1.32
Class I .....	13.97(c)	5.92(c)	(25.44)(c)	(7.87)(c)	(1.17)(c)	1.32
Class A .....	18.99	10.93	(21.47)	(6.93)	(0.79)	1.31
Class B .....	17.99(d)	9.93(d)	(22.26)(d)	(6.93)	(0.79)	1.31
Class C .....	19.09	11.37	(20.81)	(6.02)	0.18	1.85

**In the current prospectus the gross expense ratios for Class AAA, A, B, C, and I Shares are 2.02%, 2.02%, 2.77%, 2.77%, and 1.77%, respectively. The net expense ratios in the current prospectus for these share classes are 2.00%, 2.00%, 2.75%, 2.75%, and 1.75%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.**

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. 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. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for 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.** The Standard & Poor’s (“S&P”) 500 Index is an unmanaged indicator of stock market performance, while the Lipper Large Cap Value Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

The Class AAA Shares NAVs per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003, and the Class I Shares on June 30, 2004. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance for the Class I Shares would have been higher due to the lower expenses related to this class of shares.

- (b) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.  
(c) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the quarter, year to date, one year, three year, and five year periods of 5%, 5%, 5%, 3%, and 2%, respectively, of the Fund’s NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.  
(d) Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the quarter, year to date, and one year periods of 1% of the Fund’s NAV per share at the time of purchase or sale, whichever is lower.

We have separated the portfolio manager’s commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio manager’s commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com/funds](http://www.gabelli.com/funds).

# The Gabelli Blue Chip Value Fund

## Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from January 1, 2009 through June 30, 2009

## Expense Table

We believe it is important for you to understand the impact of fees and expenses regarding your investment. All mutual funds have operating expenses. As a shareholder of a fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of a fund. When a fund's expenses are expressed as a percentage of its average net assets, this figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The Expense Table below illustrates your Fund's costs in two ways:

**Actual Fund Return:** This section provides information about actual account values and actual expenses. You may use this section to help you to estimate the actual expenses that you paid over the period after any fee waivers and expense reimbursements. The "Ending Account Value" shown is derived from the Fund's **actual** return during the past six months, and the "Expenses Paid During Period" shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your Fund under the heading "Expenses Paid During Period" to estimate the expenses you paid during this period.

**Hypothetical 5% Return:** This section provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio. It assumes a hypothetical annualized return of 5% before expenses during the period shown. In this case – because the hypothetical return used is **not** the Fund's actual return – the results do not apply to your investment and you cannot use the hypothetical account value and expense to estimate the actual ending account balance or expenses you paid for the period. This example is useful in making comparisons of the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

	Beginning Account Value 01/01/09	Ending Account Value 06/30/09	Annualized Expense Ratio	Expenses Paid During Period*
<b><i>The Gabelli Blue Chip Fund</i></b>				
<b>Actual Fund Return</b>				
Class AAA	\$1,000.00	\$1,112.80	2.00%	\$10.48
Class A	\$1,000.00	\$1,112.60	2.00%	\$10.48
Class B	\$1,000.00	\$1,109.20	2.75%	\$14.38
Class C	\$1,000.00	\$1,109.30	2.75%	\$14.38
Class I	\$1,000.00	\$1,113.70	1.75%	\$ 9.17
<b>Hypothetical 5% Return</b>				
Class AAA	\$1,000.00	\$1,014.88	2.00%	\$ 9.99
Class A	\$1,000.00	\$1,014.88	2.00%	\$ 9.99
Class B	\$1,000.00	\$1,011.16	2.75%	\$13.71
Class C	\$1,000.00	\$1,011.16	2.75%	\$13.71
Class I	\$1,000.00	\$1,016.12	1.75%	\$ 8.75

\* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by 365.

## Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of net assets as of June 30, 2009:

### Gabelli Blue Chip Value Fund

U.S. Government Obligations	20.4%	Diversified Industrial	2.6%
Health Care	10.1%	Entertainment	2.4%
Financial Services	9.7%	Water	2.4%
Energy Services	8.3%	Metals and Mining	2.3%
Energy	6.8%	Cable	2.0%
Electronics	4.9%	Computer Software and Services	2.0%
Telecommunications	4.0%	Business Services	1.7%
Food and Beverage	3.9%	Retail	1.0%
Banking	3.8%	Automotive: Parts and Accessories	1.0%
Computer Hardware	3.7%	Agriculture	0.7%
Specialty Chemicals	3.6%	Machinery	0.4%
Aerospace	3.1%	Other Assets and Liabilities (Net)	(0.8)%
			<u>100.0%</u>

*The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended March 31, 2009. Shareholders may obtain this information at [www.gabelli.com](http://www.gabelli.com) or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.*

### Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the twelve months ended June 30th, no later than August 31st of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at [www.sec.gov](http://www.sec.gov).

# The Gabelli Blue Chip Value Fund

## Schedule of Investments — June 30, 2009 (Unaudited)

Shares	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS — 80.4%</b>					
<b>Aerospace — 3.1%</b>					
5,000	General Dynamics Corp. .... \$ 264,576	\$ 276,950	7,000	Capital One Financial Corp. ... \$ 101,388	\$ 153,160
10,000	The Boeing Co. .... <u>662,168</u>	<u>425,000</u>	1,500	CME Group Inc. .... 335,442	466,665
		<u>701,950</u>	33,000	Discover Financial Services .. 331,919	338,910
			8,000	State Street Corp. .... 159,796	377,600
<b>Agriculture — 0.7%</b>			12,000	The Bank of New York Mellon Corp. 364,921	351,720
6,000	Archer-Daniels-Midland Co. ... <u>147,019</u>	<u>160,620</u>	15,000	Wells Fargo & Co. .... <u>382,395</u>	<u>363,900</u>
					<u>2,191,395</u>
<b>Automotive: Parts and Accessories — 1.0%</b>			<b>Food and Beverage — 3.9%</b>		
20,000	TRW Automotive Holdings Corp.† <u>228,250</u>	<u>226,000</u>	10,000	Kraft Foods Inc., Cl. A ..... 320,971	253,400
<b>Banking — 3.8%</b>			8,000	PepsiCo Inc. .... 431,321	439,680
40,876	Bank of America Corp. .... 386,794	539,563	5,000	The Hershey Co. .... <u>180,111</u>	<u>180,000</u>
9,000	JPMorgan Chase & Co. .... <u>242,712</u>	<u>306,990</u>			<u>873,080</u>
		<u>846,553</u>	<b>Health Care — 10.1%</b>		
<b>Business Services — 1.7%</b>			3,000	Cephalon Inc.† ..... 171,842	169,950
9,000	Alliance Data Systems Corp.† <u>392,284</u>	<u>370,710</u>	7,000	Covidien plc ..... 218,687	262,080
<b>Cable — 2.0%</b>			5,000	Genzyme Corp.† ..... 311,023	278,350
18,000	Cablevision Systems Corp., Cl. A 306,854	349,380	9,000	Johnson & Johnson ..... 564,649	511,200
3,514	Time Warner Cable Inc. .... <u>164,837</u>	<u>111,288</u>	16,000	Schering-Plough Corp. .... 361,935	401,920
		<u>460,668</u>	5,000	Stryker Corp. .... 198,475	198,700
<b>Computer Hardware — 3.7%</b>			10,000	Wyeth ..... <u>446,863</u>	<u>453,900</u>
500	Apple Inc.† ..... 41,129	71,215			<u>2,276,100</u>
19,000	Cisco Systems Inc.† ..... 361,586	354,160	<b>Machinery — 0.4%</b>		
4,000	International Business Machines Corp. .... <u>428,268</u>	<u>417,680</u>	2,500	Deere & Co. .... <u>99,939</u>	<u>99,875</u>
		<u>843,055</u>	<b>Metals and Mining — 2.3%</b>		
<b>Computer Software and Services — 2.0%</b>			4,000	Agnico-Eagle Mines Ltd. .... 223,841	209,920
35,000	EMC Corp.† ..... <u>617,124</u>	<u>458,500</u>	1,000	Freeport-McMoRan Copper & Gold Inc. .... 32,370	50,110
<b>Diversified Industrial — 2.6%</b>			1,000	Kinross Gold Corp. .... 20,960	18,150
23,000	General Electric Co. .... 199,501	269,560	6,000	Newmont Mining Corp. .... <u>161,569</u>	<u>245,220</u>
10,000	Honeywell International Inc. ... <u>278,952</u>	<u>314,000</u>			<u>523,400</u>
		<u>583,560</u>	<b>Retail — 1.0%</b>		
<b>Electronics — 4.9%</b>			4,000	The Home Depot Inc. .... 76,834	94,520
26,000	Applied Materials Inc. .... 418,245	285,220	4,000	Yum! Brands Inc. .... <u>143,509</u>	<u>133,360</u>
30,000	Intel Corp. .... 661,065	496,500			<u>227,880</u>
15,000	Texas Instruments Inc. .... <u>289,650</u>	<u>319,500</u>	<b>Specialty Chemicals — 3.6%</b>		
		<u>1,368,960</u>	20,000	E. I. du Pont de Nemours and Co. 752,483	512,400
			4,000	Monsanto Co. .... <u>295,439</u>	<u>297,360</u>
<b>Energy — 6.8%</b>					<u>809,760</u>
2,000	Chevron Corp. .... 127,670	132,500	<b>Telecommunications — 4.0%</b>		
9,050	ConocoPhillips ..... 377,225	380,643	19,000	AT&T Inc. .... 618,731	471,960
7,000	Devon Energy Corp. .... 479,666	381,500	14,200	Verizon Communications Inc. <u>439,623</u>	<u>436,366</u>
5,500	Exxon Mobil Corp. .... 325,898	384,505			<u>908,326</u>
8,000	Suncor Energy Inc. .... <u>258,348</u>	<u>242,720</u>	<b>Water — 2.4%</b>		
		<u>1,568,807</u>	27,800	American Water Works Co. Inc. <u>479,550</u>	<u>531,258</u>
<b>Energy Services — 8.3%</b>					<b>TOTAL COMMON STOCKS ... 18,983,141 18,135,178</b>
15,000	ABB Ltd., ADR ..... 152,058	236,700	<b>U.S. GOVERNMENT OBLIGATIONS — 20.4%</b>		
12,000	Allegheny Energy Inc. .... 302,280	307,800	U.S. Treasury Bills, 0.086% to 0.183%††, 07/02/09 to 09/03/09 .... <u>4,612,137</u>		
4,000	Diamond Offshore Drilling Inc. 318,703	332,200			<u>4,612,182</u>
26,000	Halliburton Co. .... 767,637	538,200	<b>TOTAL INVESTMENTS — 100.8% \$23,595,278 22,747,360</b>		
7,000	National Oilwell Varco Inc.† .. 271,156	228,620	<b>Other Assets and Liabilities (Net) — (0.8%) (187,213)</b>		
12,000	Weatherford International Ltd.† <u>404,036</u>	<u>234,720</u>	<b>NET ASSETS — 100.0% \$22,560,147</b>		
		<u>2,215,870</u>			
<b>Entertainment — 2.4%</b>					
7,000	The Walt Disney Co. .... 175,280	163,310			
15,000	Time Warner Inc. .... <u>524,804</u>	<u>377,850</u>			
		<u>541,160</u>			
<b>Financial Services — 9.7%</b>					
6,000	American Express Co. .... 180,780	139,440			

† Non-income producing security.  
†† Represents annualized yield at date of purchase.  
ADR American Depositary Receipt  
See accompanying notes to financial statements.

## The Gabelli Blue Chip Value Fund

### Statement of Assets and Liabilities June 30, 2009 (Unaudited)

<b>Assets:</b>	
Investments, at value (cost \$23,595,278) . . . . .	\$22,747,360
Cash . . . . .	17,481
Receivable for investments sold . . . . .	494,429
Receivable for Fund shares sold . . . . .	203,980
Dividends receivable . . . . .	9,990
Prepaid expenses . . . . .	<u>32,732</u>
<b>Total Assets</b> . . . . .	<u>23,505,972</u>
<b>Liabilities:</b>	
Payable for investments purchased . . . . .	833,789
Payable for Fund shares redeemed . . . . .	31,666
Payable for investment advisory fees . . . . .	16,195
Payable for distribution fees . . . . .	4,590
Other accrued expenses . . . . .	<u>59,585</u>
<b>Total Liabilities</b> . . . . .	<u>945,825</u>
<b>Net Assets</b> applicable to 2,156,943 shares outstanding . . . . .	<u>\$22,560,147</u>
<b>Net Assets Consist of:</b>	
Paid-in capital, each class at \$0.001 par value . . . . .	\$28,093,687
Accumulated net investment income . . . . .	96,881
Accumulated net realized loss on investments . . . . .	(4,782,503)
Net unrealized depreciation on investments . . . . .	<u>(847,918)</u>
<b>Net Assets</b> . . . . .	<u>\$22,560,147</u>
<b>Shares of Capital Stock:</b>	
<b>Class AAA:</b>	
Net Asset Value, offering, and redemption price per share (\$20,833,391 ÷ 1,991,494 shares outstanding; unlimited number of shares authorized) . . . . .	<u>\$10.46</u>
<b>Class A:</b>	
Net Asset Value and redemption price per share (\$679,493 ÷ 64,927 shares outstanding; unlimited number of shares authorized) . . . . .	<u>\$10.47</u>
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price) . . . . .	<u>\$11.11</u>
<b>Class B:</b>	
Net Asset Value and offering price per share (\$59,946 ÷ 5,902 shares outstanding; unlimited number of shares authorized) . . . . .	<u>\$10.16(a)</u>
<b>Class C:</b>	
Net Asset Value and offering price per share (\$140,365 ÷ 13,834 shares outstanding; unlimited number of shares authorized) . . . . .	<u>\$10.15(a)</u>
<b>Class I:</b>	
Net Asset Value, offering, and redemption price per share (\$846,952 ÷ 80,786 shares outstanding; unlimited number of shares authorized) . . . . .	<u>\$10.48</u>

### Statement of Operations For the Six Months Ended June 30, 2009 (Unaudited)

<b>Investment Income:</b>	
Dividends (net of foreign taxes of \$201) . . . . .	\$ 213,758
Interest . . . . .	<u>1,848</u>
<b>Total Investment Income</b> . . . . .	<u>215,606</u>
<b>Expenses:</b>	
Investment advisory fees . . . . .	94,499
Distribution fees – Class AAA . . . . .	22,145
Distribution fees – Class A . . . . .	434
Distribution fees – Class B . . . . .	266
Distribution fees – Class C . . . . .	356
Shareholder communications expenses . . . . .	25,369
Shareholder services fees . . . . .	18,103
Registration expenses . . . . .	16,299
Legal and audit fees . . . . .	14,967
Trustees' fees . . . . .	12,346
Custodian fees . . . . .	5,802
Interest expense . . . . .	85
Miscellaneous expenses . . . . .	<u>6,289</u>
<b>Total Expenses</b> . . . . .	216,960
Less: Expense reimbursement (See Note 3) . . . . .	<u>(28,301)</u>
<b>Net Expenses</b> . . . . .	<u>188,659</u>
<b>Net Investment Income</b> . . . . .	<u>26,947</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments:</b>	
Net realized loss on investments . . . . .	(2,936,156)
Net change in unrealized appreciation/ depreciation on investments . . . . .	<u>4,989,402</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments</b> . . . . .	<u>2,053,246</u>
<b>Net Increase in Net Assets Resulting from Operations</b> . . . . .	<u>\$ 2,080,193</u>

(a) Redemption price varies based on the length of time held.

See accompanying notes to financial statements.

# The Gabelli Blue Chip Value Fund

## Statement of Changes in Net Assets

	<b>Six Months Ended</b>	<b>Year Ended</b>
	<b>June 30, 2009</b>	<b>December 31, 2008</b>
	<b>(Unaudited)</b>	
<b>Operations:</b>		
Net investment income .....	\$ 26,947	\$ 63,384
Net realized loss on investments .....	(2,936,156)	(1,669,994)
Net change in unrealized appreciation/depreciation on investments .....	<u>4,989,402</u>	<u>(8,430,696)</u>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations .....</b>	<u>2,080,193</u>	<u>(10,037,306)</u>
<b>Distributions to Shareholders:</b>		
Net investment income		
Class AAA .....	—	(30,929)
Class A .....	—	(309)
Class I .....	<u>—</u>	<u>(3,429)</u>
	—	<u>(34,667)</u>
Net realized gain		
Class AAA .....	—	(6,380)
Class A .....	—	(39)
Class B .....	—	(2)
Class C .....	—	(23)
Class I .....	<u>—</u>	<u>(232)</u>
	—	<u>(6,676)</u>
<b>Total Distributions to Shareholders .....</b>	<u>—</u>	<u>(41,343)</u>
<b>Shares of Beneficial Interest Transactions:</b>		
Class AAA .....	768,768	(4,188,826)
Class A .....	522,205	45,912
Class B .....	—	47,144
Class C .....	67,701	24,751
Class I .....	<u>91,038</u>	<u>992,214</u>
<b>Net Increase/(Decrease) in Net Assets from Capital Share Transactions .....</b>	<u>1,449,712</u>	<u>(3,078,805)</u>
<b>Redemption Fees .....</b>	<u>—</u>	<u>331</u>
<b>Net Increase/(Decrease) in Net Assets .....</b>	<u>3,529,905</u>	<u>(13,157,123)</u>
<b>Net Assets:</b>		
Beginning of period .....	<u>19,030,242</u>	<u>32,187,365</u>
End of period (including undistributed net investment income of \$96,881 and \$69,934, respectively) .....	<u>\$22,560,147</u>	<u>\$ 19,030,242</u>

See accompanying notes to financial statements.

# The Gabelli Blue Chip Value Fund

## Financial Highlights

Selected data for a share of beneficial interest outstanding throughout each period:

Period Ended December 31	Income from Investment Operations					Distributions			Ratios to Average Net Assets/ Supplemental Data						
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)(a)	Net Realized and Unrealized Gain (Loss) on Investments	Total Investment Operations	Net Investment Income	Net Realized Gain on Investments	Total Distributions	Redemption Fees(a)	Net Asset Value End of Period	Total Return	Net Assets End of Period (in 000's)	Net Investment Income (Loss)	Operating Expenses Before Reimbursement	Operating Expenses Net of Reimbursement(b)	Portfolio Turnover Rate††
<b>Class AAA</b>															
2009(c)	\$ 9.40	\$ 0.01	\$ 1.05	\$ 1.06	—	—	—	—	\$10.46	11.3%	\$20,833	0.29%(e)	2.30%(e)	2.00%(e)	40%
2008	14.21	0.03	(4.82)	(4.79)	—	—	—	—	9.40	(33.7)	18,136	0.23	2.02	2.00	90
2007	14.77	0.05	(0.03)	0.02	—	—	—	—	14.21	0.1	32,011	0.33	1.78	1.78	41
2006	12.60	0.03	2.18	2.21	—	—	—	—	14.77	17.5	36,754	0.23	1.82	1.82	44
2005	11.81	(0.01)	0.80	0.79	—	—	—	—	12.60	6.7	36,663	(0.08)	1.89	1.89	37
2004	10.54	0.03	1.27	1.30	—	—	—	—	11.81	12.4	38,448	0.25	1.89	1.89	26
<b>Class A</b>															
2009(c)	\$ 9.41	\$ 0.01	\$ 1.05	\$ 1.06	—	—	—	—	\$10.47	11.3%	\$ 680	0.11%(e)	2.30%(e)	2.00%(e)	40%
2008	14.23	0.03	(4.82)	(4.79)	—	—	—	—	9.41	(33.7)	111	0.24	2.02	2.00	90
2007	14.80	0.05	(0.04)	0.01	—	—	—	—	14.23	0.1	103	0.32	1.78	1.78	41
2006	12.63	0.04	2.17	2.21	—	—	—	—	14.80	17.5	88	0.27	1.82	1.82	44
2005	11.82	(0.01)	0.82	0.81	—	—	—	—	12.63	6.9	42	(0.07)	1.89	1.89	37
2004	10.54	0.04	1.28	1.32	—	—	—	—	11.82	12.5	1	0.38	1.89	1.89	26
<b>Class B</b>															
2009(c)	\$ 9.16	\$ (0.02)	\$ 1.02	\$ 1.00	—	—	—	—	\$10.16	10.9%	\$ 60	(0.44)% (e)	3.05%(e)	2.75%(e)	40%
2008	13.92	(0.06)	(4.70)	(4.76)	—	—	—	—	9.16	(34.2)	54	(0.51)	2.77	2.75	90
2007	14.55	(0.06)	(0.15)	(0.09)	—	—	—	—	13.92	(0.7)	9	(0.42)	2.53	2.53	41
2006	12.47	(0.07)	2.03	2.08	—	—	—	—	14.55	16.7	10	0.53	2.57	2.57	44
2005	11.76	(0.09)	0.80	0.71	—	—	—	—	12.47	6.0	1	(0.71)	2.64	2.64	37
2004	10.54	(0.04)	1.26	1.22	—	—	—	—	11.76	11.6	1	(0.38)	2.64	2.64	26
<b>Class C</b>															
2009(c)	\$ 9.15	\$ (0.03)	\$ 1.03	\$ 1.00	—	—	—	—	\$10.15	10.9%	\$ 140	(0.67)% (e)	3.05%(e)	2.75%(e)	40%
2008	13.91	(0.06)	(4.70)	(4.76)	—	—	—	—	9.15	(34.2)	64	(0.50)	2.77	2.75	90
2007	14.54	(0.05)	(0.04)	(0.09)	—	—	—	—	13.91	(0.7)	63	(0.37)	2.53	2.53	41
2006	12.47	(0.06)	2.13	2.07	—	—	—	—	14.54	16.6	5	(0.48)	2.57	2.57	44
2005	11.76	(0.09)	0.80	0.71	—	—	—	—	12.47	6.0	6	(0.72)	2.64	2.64	37
2004	10.54	(0.08)	1.30	1.22	—	—	—	—	11.76	11.6	1	(0.71)	2.64	2.64	26
<b>Class I</b>															
2009(c)	\$ 9.41	\$ 0.02	\$ 1.05	\$ 1.07	—	—	—	—	\$10.48	11.4%	\$ 847	0.52%(e)	2.05%(e)	1.75%(e)	40%
2008	14.23	0.06	(4.83)	(4.77)	—	—	—	—	9.41	(33.5)	665	0.52	1.77	1.75	90
2007	14.80	0.09	(0.04)	0.05	—	—	—	—	14.23	0.3	1	0.59	1.55	1.55	41
2006	12.63	0.06	2.18	2.24	—	—	—	—	14.80	17.7	1	0.46	1.57	1.57	44
2005	11.79	0.03	0.81	0.84	—	—	—	—	12.63	7.1	1	0.28	1.64	1.64	37
2004(f)	11.01	0.05	0.80	0.85	—	—	—	—	11.79	7.7	1	0.81(e)	1.59(e)	1.59(e)	26

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the period and sold at the end of the period including reinvestment of distributions and does not reflect applicable sales charges. Total return for a period of less than one year is not annualized.

†† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007, 2006, 2005, and 2004 would have been as shown.

(a) Per share amounts have been calculated using the average shares outstanding method.

(b) The Fund incurred interest expense during the years ended December 31, 2007, 2006 and 2004. If interest expense had not been incurred, the ratio of operating expenses to average net assets would have been 1.77%, 1.81%, and 1.87% (Class AAA and Class A), 2.52%, 2.56%, and 2.62% (Class B and Class C), and 1.52%, 1.56%, and 1.62% (Class I), respectively. For the six months ended June 30, 2009 and the years ended December 31, 2008 and 2005, the effect of interest expense was minimal.

(c) For the six months ended June 30, 2009, unaudited.

(d) Amount represents less than \$0.005 per share.

(e) Annualized.

(f) From the commencement of offering Class I Shares on June 30, 2004.

See accompanying notes to financial statements.

# The Gabelli Blue Chip Value Fund

## Notes to Financial Statements (Unaudited)

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**1. Organization.** The Gabelli Blue Chip Value Fund (the “Fund”) was organized on May 13, 1999 as a Delaware statutory trust. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund commenced operations on August 26, 1999. The Fund’s primary objective is long-term growth of capital.

**2. Significant Accounting Policies.** The preparation of financial statements in accordance with United States (“U.S.”) generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**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 sixty 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 sixty 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.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt (“ADR”) securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

Statement of Financial Accounting Standard No. 157, “Fair Value Measurements” (“SFAS 157”) 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;

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued) (Unaudited)

- 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 the Fund’s investments by inputs used to value the Fund’s investments as of June 30, 2009 is as follows:

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value) Assets</u>
Level 1 – Quoted Prices*	\$18,135,178
Level 2 – Other Significant Observable Inputs**	4,612,182
Total	<u>\$22,747,360</u>

\* The industry classifications are detailed in the Schedule of Investments.

\*\* The Level 2 securities represent U.S. Government Obligations as detailed in the Schedule of Investments.

There were no Level 3 investments held at December 31, 2008 or June 30, 2009.

**Repurchase Agreements.** The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund’s holding period. It is the policy of the Fund to always receive and maintain securities as collateral whose market value, including accrued interest, is at least equal to 102% of the dollar amount invested by the Fund in each agreement. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At June 30, 2009, there were no open repurchase agreements.

**Foreign Securities.** The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies, and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.

**Foreign Taxes.** The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued) (Unaudited)

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**Securities Transactions and Investment Income.** Securities transactions are accounted for on the trade date with realized gain or loss on investments determined by using the identified cost method. Interest income (including amortization of premium and accretion of discount) is recorded on the accrual basis. Premiums and discounts on debt securities are amortized using the effective yield to maturity method. Dividend income is recorded on the ex-dividend date except for certain dividends which are recorded as soon as the Fund is informed of the dividend.

**Determination of Net Asset Value and Calculation of Expenses.** Certain administrative expenses are common to, and allocated among, various affiliated funds. Such allocations are made on the basis of each Fund's average net assets or other criteria directly affecting the expenses as determined by the Adviser pursuant to procedures established by the Board.

In calculating the NAV per share of each class, investment income, realized and unrealized gains and losses, redemption fees, and expenses other than class specific expenses are allocated daily to each class of shares based upon the proportion of net assets of each class at the beginning of each day. Distribution expenses are borne solely by the class incurring the expense.

**Custodian Fee Credits and Interest Expense.** When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as "custodian fee credits." When cash balances are overdrawn, the Fund is charged an overdraft fee of 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations.

**Distributions to Shareholders.** Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on the NAV of the Fund.

The tax character of distributions paid during the year ended December 31, 2008 was as follows:

<b>Distributions paid from:</b>	
Ordinary income	
(inclusive of short-term capital gains) .....	\$34,682
Net long-term capital gains .....	<u>6,661</u>
Total distributions paid .....	<u>\$41,343</u>

**Provision for Income Taxes.** The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). It is the policy of the Fund to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of its net investment company taxable income and net capital gains. Therefore, no provision for federal income taxes is required.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued) (Unaudited)

At December 31, 2008, the Fund had net capital loss carryforwards for federal income tax purposes of \$1,266,550, which are available to reduce future required distributions of net capital gains to shareholders through 2016.

The following summarizes the tax cost of investments and the related unrealized appreciation/depreciation at June 30, 2009:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Depreciation</u>
Investments .....	\$24,066,455	\$1,300,646	\$(2,619,741)	\$(1,319,095)

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (current and prior three tax years) and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

**3. Investment Advisory Agreement and Other Transactions.** The Fund has entered into an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Fund will pay the Adviser a fee, computed daily and paid monthly, at the annual rate of 1.00% of the value of its average daily net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio, oversees the administration of all aspects of the Fund's business and affairs, and pays the compensation of all Officers and Trustees of the Fund who are affiliated persons of the Adviser.

The Adviser has contractually agreed to waive its advisory fee and/or reimburse expenses of the Fund to the extent necessary to maintain the annualized total operating expenses of the Fund (exclusive of brokerage fees, interest, taxes, and extraordinary expenses) at 2.00%, 2.00%, 2.75%, 2.75%, and 1.75%, respectively, of Class AAA, Class A, Class B, Class C, and Class I Shares' average daily net assets. The Fund is obliged to repay the Adviser for a period of two years following the year in which the Adviser reimbursed the Fund only to the extent that the operating expenses of the Fund fell below those percentages of average daily net assets for those respective share classes. For the six months ended June 30, 2009, the Adviser reimbursed the Fund in the amount of \$28,301.

The Fund pays each Trustee who is not considered to be an affiliated person an annual retainer of \$3,000 plus \$500 for each Board meeting attended and each Trustee is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended and the Chairman of the Audit Committee and the Lead Trustee each receive a \$1,000 annual fee. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**4. Distribution Plan.** The Fund's Board has adopted a distribution plan (the "Plan") for each class of shares, except for Class I Shares, pursuant to Rule 12b-1 under the 1940 Act. Gabelli & Company, Inc. ("Gabelli & Company"), an affiliate of the Adviser, serves as distributor of the Fund. Under the Class AAA, Class A, Class B, and Class C Share Plans, payments are authorized to Gabelli & Company at annual rates of 0.25%, 0.25%, 1.00%, and 1.00%, respectively, of the average daily net assets of those classes, the annual limitations under each Plan. Such payments are accrued daily and paid monthly.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued) (Unaudited)

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**5. Portfolio Securities.** Purchases and sales of securities for the six months ended June 30, 2009, other than short-term securities and U.S. Government obligations, aggregated \$6,154,805 and \$7,734,767, respectively.

**6. Transactions with Affiliates.** During the six months ended June 30, 2009, the Fund paid brokerage commissions on security trades of \$21,725 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$2,729 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. A reimbursement was not sought by the Adviser during 2009 or 2008.

**7. Line of Credit.** The Fund participates in an unsecured line of credit of up to \$75,000,000 under which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bear interest at the higher of the sum of the overnight LIBOR plus 100 basis points or the sum of Fed Funds plus 100 basis points at the time of borrowing. This amount, if any, would be included in "interest expense" in the Statement of Operations. During the six months ended June 30, 2009, there were no borrowings under the line of credit.

**8. Shares of Beneficial Interest.** The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares and Class I Shares are offered to investors without a front-end sales charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%. Class B Shares are subject to a contingent deferred sales charge ("CDSC") upon redemption within six years of purchase and automatically convert to Class A Shares approximately eight years after the original purchase. The applicable CDSC is equal to a declining percentage of the lesser of the NAV per share at the date of the original purchase or at the date of redemption, based on the length of time held. Class C Shares are subject to a 1.00% CDSC for one year after purchase. Class B Shares are available only through exchange of Class B Shares of other funds distributed by Gabelli & Company.

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund. The redemption fees retained by the Fund during the year ended December 31, 2008 amounted to \$331. The Fund did not retain any redemption fees during the six months ended June 30, 2009.

The redemption fee does not apply to redemptions of shares where (i) the shares were purchased through automatic reinvestment of distributions, (ii) the redemption was initiated by the Fund, (iii) the shares were purchased through programs that collect the redemption fee at the program level and remit them to the Fund, or (iv) the shares were purchased through programs that the Adviser determines to have appropriate anti-short-term trading policies in place or as to which the Adviser has received assurances that look-through redemption fee procedures or effective anti-short-term trading policies and procedures are in place.

# The Gabelli Blue Chip Value Fund

## Notes to Financial Statements (Continued) (Unaudited)

Transactions in shares of beneficial interest were as follows:

	Six Months Ended June 30, 2009 (Unaudited)		Year Ended December 31, 2008	
	Shares	Amount	Shares	Amount
	<b>Class AAA</b>		<b>Class AAA</b>	
Shares sold	249,971	\$ 2,482,622	340,547	\$ 4,042,321
Shares issued upon reinvestment of distributions	—	—	3,651	33,076
Shares redeemed	(187,747)	(1,713,854)	(667,545)	(8,264,223)
Net increase/(decrease)	<u>62,224</u>	<u>\$ 768,768</u>	<u>(323,347)</u>	<u>\$(4,188,826)</u>
	<b>Class A</b>		<b>Class A</b>	
Shares sold	59,666	\$ 577,501	6,925	\$ 75,725
Shares issued upon reinvestment of distributions	—	—	29	265
Shares redeemed	(6,513)	(55,296)	(2,404)	(30,078)
Net increase	<u>53,153</u>	<u>\$ 522,205</u>	<u>4,550</u>	<u>\$ 45,912</u>
	<b>Class B</b>		<b>Class B</b>	
Shares sold	—	—	5,215	\$ 47,141
Shares issued upon reinvestment of distributions	—	—	—	3
Net increase	<u>—</u>	<u>—</u>	<u>5,215</u>	<u>\$ 47,144</u>
	<b>Class C</b>		<b>Class C</b>	
Shares sold	8,868	\$ 86,648	3,196	\$ 30,264
Shares issued upon reinvestment of distributions	—	—	3	23
Shares redeemed	(2,093)	(18,947)	(656)	(5,536)
Net increase	<u>6,775</u>	<u>\$ 67,701</u>	<u>2,543</u>	<u>\$ 24,751</u>
	<b>Class I</b>		<b>Class I</b>	
Shares sold	13,687	\$ 122,847	78,099	\$ 1,080,092
Shares issued upon reinvestment of distributions	—	—	404	3,661
Shares redeemed	(3,608)	(31,809)	(7,892)	(91,539)
Net increase	<u>10,079</u>	<u>\$ 91,038</u>	<u>70,611</u>	<u>\$ 992,214</u>

**9. Indemnifications.** The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued) (Unaudited)

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**10. Other Matters.** On April 24, 2008, the Adviser entered into an administrative settlement with the SEC to resolve the SEC's inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the "Global Growth Fund") by one investor who was banned from the Global Growth Fund in August 2002. In the settlement, the SEC found that the Adviser had violated Section 206(2) of the Investment Advisers Act, Section 17(d) of the 1940 Act, and Rule 17d-1 thereunder, and had aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC's findings and allegations, agreed, among other things, to pay the previously reserved total of \$16 million (including a \$5 million penalty), of which at least \$11 million will be distributed to shareholders of the Global Growth Fund in accordance with a plan being developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and the staff of the SEC, and to cease and desist from future violations of the above referenced federal securities laws. The settlement will not have a material adverse impact on the Adviser or its ability to fulfill its obligations under the Advisory Agreement. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Global Growth Fund and other funds in the Gabelli/GAMCO fund complex including the Fund. The officer denies the allegations and is continuing in his positions with the Adviser and the funds. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Fund or the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

**11. Subsequent Events.** Management has evaluated the impact of all subsequent events on the Fund through August 25, 2009, the date the financial statements were issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

# The Gabelli Blue Chip Value Fund

## Board Consideration and Re-Approval of Investment Advisory Agreement (Unaudited)

At its meeting on May 19, 2009, the Board of Trustees (“Board”) of the Fund approved the continuation of the investment advisory agreement with the Adviser for the Fund on the basis of the recommendation by the trustees who are not “interested persons” of the Fund (the “Independent Board Members”). The following paragraphs summarize the material information and factors considered by the Independent Board Members as well as their conclusions relative to such factors.

**Nature, Extent, and Quality of Services.** The Independent Board Members considered information regarding the portfolio manager, the depth of the analyst pool available to the Adviser and the portfolio manager, the scope of supervisory, administrative, shareholder, and other services supervised or provided by the Adviser and the absence of significant service problems reported to the Board. The Independent Board Members noted the experience, length of service, and reputation of the portfolio manager.

**Investment Performance.** The Independent Board Members reviewed the short, medium, and long-term performance of the Fund since inception against a peer group of large-cap value funds and against the customized peer group selected by Lipper. The Independent Board Members noted that the Fund’s performance was within the top third of its peer groups in short, medium, and longer-term performance.

**Profitability.** The Independent Board Members reviewed summary data regarding the lack of profitability of the Fund to the Adviser both with an administrative overhead charge and without such a charge. The Independent Board Members also noted that a substantial portion of the Fund’s portfolio transactions were executed by an affiliated broker, that the affiliated broker received distribution fees and minor amounts of sales commissions, and that the Adviser received a moderate amount of soft dollar benefits through the Fund’s portfolio brokerage.

**Economies of Scale.** The Independent Board Members discussed the major elements of the Adviser’s cost structure and the relationship of those elements to potential economies of scale. The Independent Board Members noted that the Fund needed significantly more assets before any potential economies of scale could be realized.

**Sharing of Economies of Scale.** The Independent Board Members noted that the investment advisory fee schedule for the Fund does not take into account any potential economies of scale that may develop or any historical losses or diminished profitability to the Adviser in prior years.

**Service and Cost Comparisons.** The Independent Board Members compared the expense ratios of the investment advisory fee, other expenses, and total expenses of the Fund with similar expense ratios of the peer group of large-cap value funds and noted that the advisory fee includes substantially all administrative services of the Fund as well as the investment advisory services of the Adviser. The Independent Board Members noted that the Fund’s expense ratios were above average and the Fund’s size was below average within these groups. The Independent Board Members also noted that an advisory fee waiver structure was in effect for the Fund. The Independent Board Members were presented with, but did not consider to be material to their decision, various information comparing the advisory fee with the fee for other types of accounts managed by the Adviser.

**Conclusions.** The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and an excellent performance record. The Independent Board Members also concluded that the Fund’s expense ratios and low profitability to the Adviser of managing the Fund were reasonable, particularly in light of the Fund’s performance, and that economies of scale were not a significant factor in their thinking at this time. The Independent Board Members did not view the potential profitability of ancillary services as material to their decision. On the basis of the foregoing and without assigning particular weight to any single conclusion, the Independent Board Members determined to recommend continuation of the Advisory Agreement to the full Board.

## The Gabelli Blue Chip Value Fund

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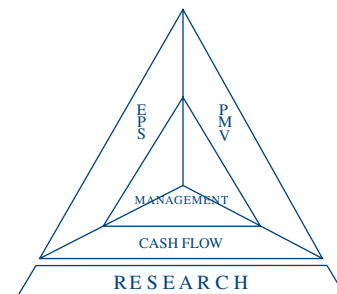
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Net Asset Value per share available daily by calling  
**800-GABELLI** after 7:00 P.M.



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### Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

# The Gabelli Blue Chip Value Fund

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

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GAB402Q209SR

SEMI ANNUAL REPORT  
JUNE 30, 2009