

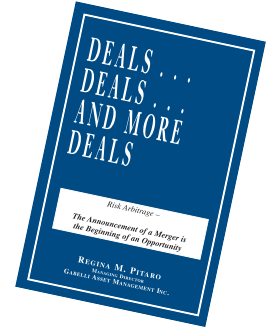
# The Gabelli ABC Fund

## Merger and Arbitrage “The Deal Fund”

Shareholder Commentary  
June 30, 2009

*“Give a man a fish and you feed him for a day.  
Teach him how to arbitrage and you feed him forever.”*

– Warren Buffett



### To Our Shareholders,

The Gabelli ABC Fund was created for conservative investors desiring to participate in the equity markets without assuming the risk of portfolios fully invested in equities. Our objective is to achieve positive returns in the various market environments. Our approach to this mandate has been to build a portfolio consisting of undervalued stocks, stable risk arbitrage positions, and risk free short-term U.S. Treasury securities.

Throughout the Fund's history, this portfolio mix has produced respectable returns in up markets and preserved capital during down markets.

### FOR THE BENEFICIAL OWNERS

**The Gabelli ABC Fund remains open to new investors with the following characteristics:**

#### Direct Ownership – Class AAA (GABCX)

- Purchases may be made through Gabelli & Company, or directly through the Fund's Transfer Agent; and
- The minimum *initial* investment is \$10,000; and
- Investment accounts must be registered in the beneficial owner's name; and
- The Fund may involuntarily redeem shares through brokers or financial consultants in omnibus and individual accounts where the beneficial owner is not disclosed.

#### Ownership Through Intermediaries – Advisor Class (GADVX)

- The Advisor Share Class is available through unaffiliated brokers or financial consultants; and
- The minimum *initial* investment is \$10,000.

**INVESTMENT RESULTS (CLASS AAA SHARES) (a)**

	Quarter					Year
	1st	2nd	3rd	4th		
2009: Net Asset Value	\$9.32	\$9.53	—	—	—	—
Total Return	0.4%	2.3%	—	—	—	—
2008: Net Asset Value	\$9.70	\$9.76	\$9.66	\$9.28	\$9.28	\$9.28
Total Return	(1.0)%	0.6%	(1.0)%	(1.2)%	(2.6)%	(2.6)%
2007: Net Asset Value	\$10.21	\$10.54	\$10.62	\$9.80	\$9.80	\$9.80
Total Return	2.1%	3.2%	0.8%	0.8%	7.1%	7.1%
2006: Net Asset Value	\$10.28	\$10.53	\$10.72	\$10.00	\$10.00	\$10.00
Total Return	4.4%	2.4%	1.8%	2.9%	12.0%	12.0%
2005: Net Asset Value	\$9.91	\$10.02	\$10.20	\$9.85	\$9.85	\$9.85
Total Return	0.6%	1.1%	1.8%	1.4%	5.0%	5.0%
2004: Net Asset Value	\$9.88	\$9.85	\$9.89	\$9.85	\$9.85	\$9.85
Total Return	0.5%	(0.3)%	0.4%	1.3%	1.9%	1.9%
2003: Net Asset Value	\$9.67	\$9.78	\$9.92	\$9.83	\$9.83	\$9.83
Total Return	0.3%	1.1%	1.4%	2.0%	4.9%	4.9%
2002: Net Asset Value	\$9.69	\$9.72	\$9.71	\$9.64	\$9.64	\$9.64
Total Return	0.4%	0.3%	(0.1)%	0.3%	0.9%	0.9%
2001: Net Asset Value	\$9.52	\$9.70	\$9.78	\$9.65	\$9.65	\$9.65
Total Return	0.7%	1.9%	0.8%	1.0%	4.6%	4.6%
2000: Net Asset Value	\$9.67	\$9.89	\$10.17	\$9.45	\$9.45	\$9.45
Total Return	2.4%	2.3%	2.8%	2.9%	10.9%	10.9%
1999: Net Asset Value	\$9.65	\$10.20	\$10.21	\$9.44	\$9.44	\$9.44
Total Return	0.6%	5.7%	0.1%	2.4%	9.0%	9.0%
1998: Net Asset Value	\$10.64	\$10.68	\$10.16	\$9.59	\$9.59	\$9.59
Total Return	4.0%	0.4%	(4.9)%	11.9%	11.1%	11.1%
1997: Net Asset Value	\$9.98	\$10.45	\$10.74	\$10.23	\$10.23	\$10.23
Total Return	1.4%	4.7%	2.8%	3.3%	12.8%	12.8%
1996: Net Asset Value	\$10.10	\$10.16	\$9.77	\$9.84	\$9.84	\$9.84
Total Return	4.1%	0.6%	0.8%	2.2%	7.8%	7.8%
1995: Net Asset Value	\$9.94	\$10.14	\$10.41	\$9.71	\$9.71	\$9.71
Total Return	3.9%	2.0%	2.7%	2.2%	11.2%	11.2%
1994: Net Asset Value	\$10.12	\$10.11	\$10.42	\$9.57	\$9.57	\$9.57
Total Return	0.9%	(0.1)%	3.1%	0.6%	4.5%	4.5%
1993: Net Asset Value	—	\$10.10	\$10.63	\$10.03	\$10.03	\$10.03
Total Return	—	1.0%(b)	5.2%	2.6%	9.1%(b)	9.1%(b)

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

	Quarter	Year to						Since Inception (5/14/93)
		Date	1 Year	3 Year	5 Year	10 Year	15 Year	
<b>Gabelli ABC Fund</b>								
AAA Shares	2.25%	2.69%	0.40%	3.90%	5.07%	4.90%	6.77%	6.91%
Advisor Shares	2.15	2.59	0.19	3.72	4.96	4.84	6.74	6.88
S&P 500 Index	15.92	3.19	(26.20)	(8.22)	(2.24)	(2.22)	6.92	6.70
Lipper U.S. Treasury Money								
Market Average	0.01	0.02	0.34	2.47	2.40	2.50	3.30	3.26(c)

**The Fund's expense ratios in the current prospectus are 0.64% for the Class AAA Shares and 0.89% for the Advisor Class Shares. The Fund does 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 returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Returns would have been lower if certain expenses of the Fund had not been waived or reimbursed from April 1, 2002 through April 30, 2007. 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 S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper U.S. Treasury Money Market 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' net asset values are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance for the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.

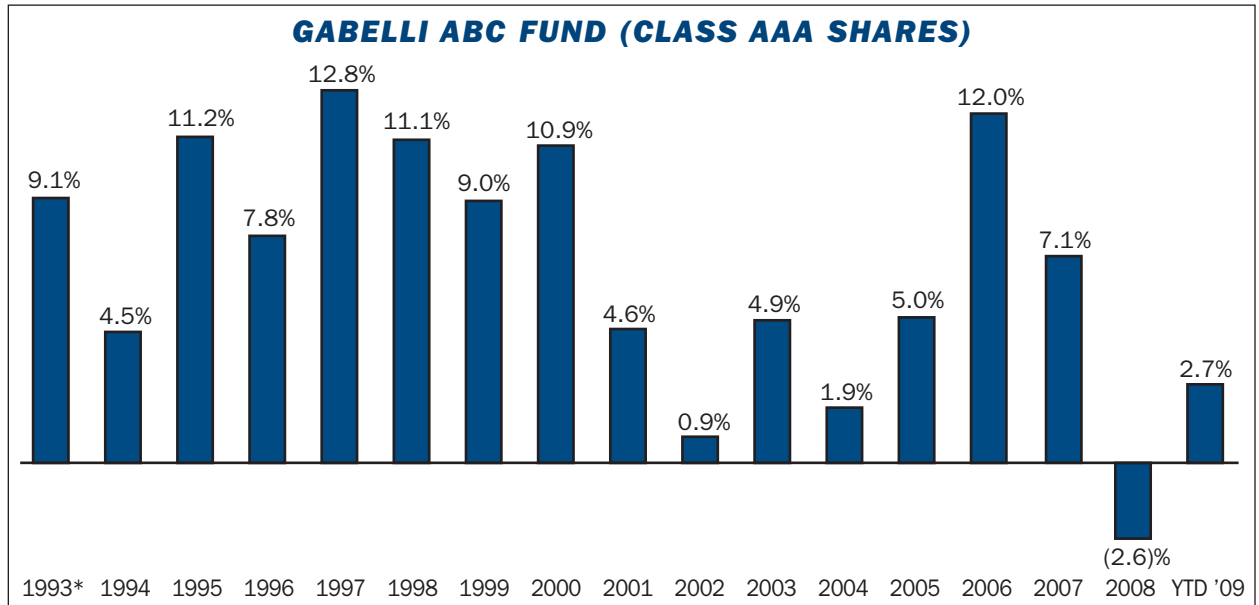
(b) From commencement of investment operations on May 14, 1993.

(c) From April 30, 1993, the date closest to the Fund's inception for which data is available.

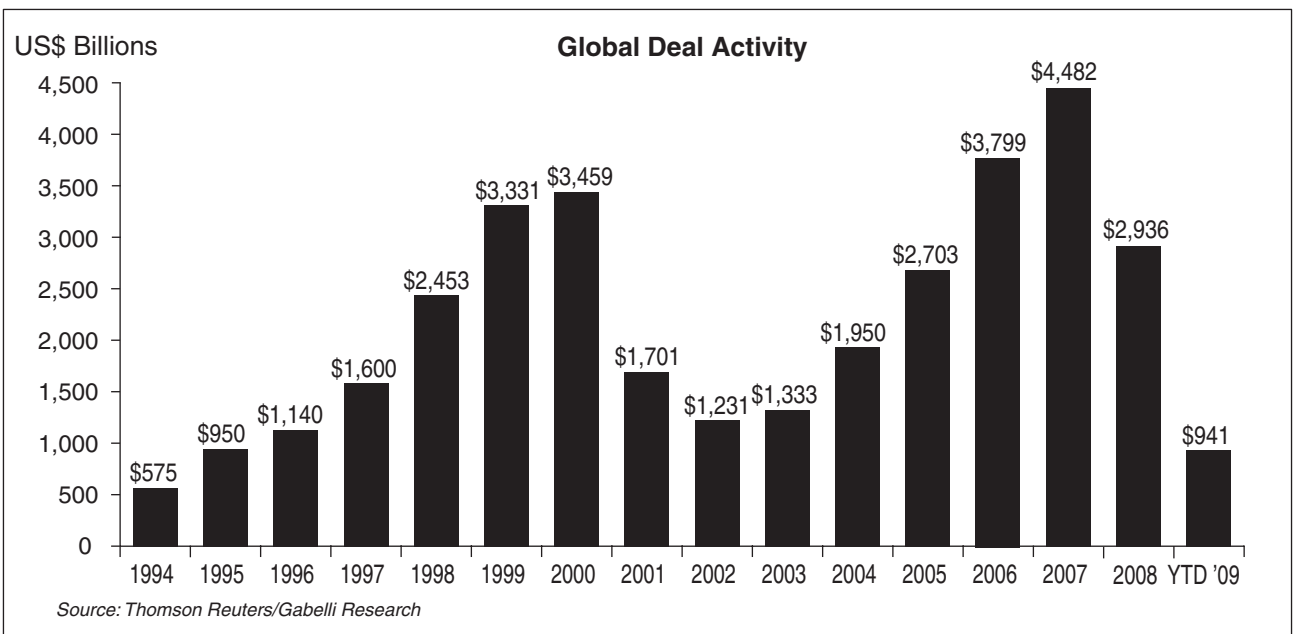
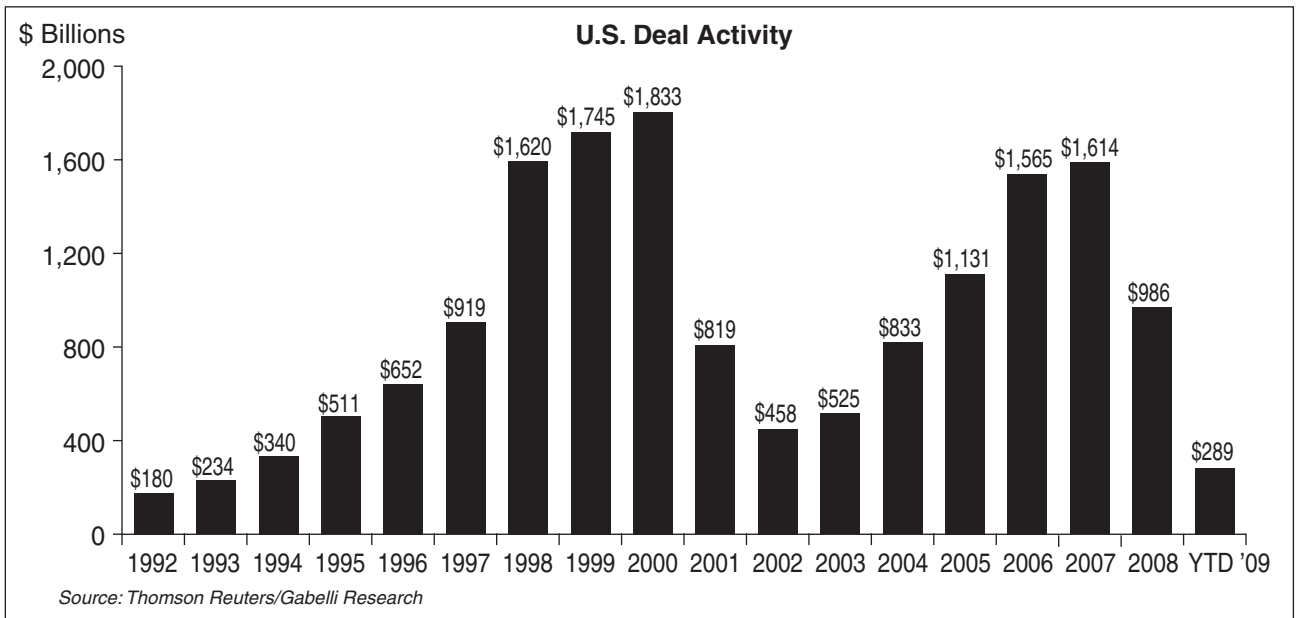
# GABELLI ABC FUND

## Absolute Returns

**Gabelli ABC Fund** is a **no-load**, open-end, non-diversified, management investment company whose investment objective is to achieve total returns that are attractive to investors in various market conditions without excessive risk of capital. Investments will be made based on management's perception of their potential for capital appreciation.



**Past performance is no guarantee of future results.** 0.40%, 5.07%, 4.90%, and 6.91% are the one year, five year, ten year, and life of Fund average annual returns for the Gabelli ABC Fund AAA Shares through June 30, 2009. The expense ratio of the Fund in the current prospectus is 0.64%. The average annual returns and total returns shown above are historical and reflect changes in share price, reinvested dividends and capital gains 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. **The Fund's investments are subject to market, economic, and business risks that cause their prices to fluctuate. As a non-diversified Fund, the Fund may have a larger portion of its assets in a single issuer than a more diversified fund. Because the Fund invests in announced mergers or acquisitions, the Fund is subject to the risk that the announced merger or acquisition may not be completed, may be negotiated at a less attractive price, or may not close on the expected date. The Fund may not achieve its objective and you may lose money by investing in the Fund.** Results from April 1, 2002 through April 30, 2007 have been enhanced by voluntary fee reductions initiated by the Adviser. 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. To obtain a prospectus and current performance, contact Gabelli & Company, Inc., the Distributor, at 800-GABELLI. **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 Fund is open only to investors who purchase shares directly through the Distributor, Gabelli & Company or the Fund's transfer agent. "Absolute Returns" refers to an investment strategy that seeks to achieve positive total returns not correlated to the performance of stocks and bonds in both rising and falling markets. \*From commencement of operations on 5/14/93.



## COMMENTARY

### Deals...Deals...Where are the Deals?

In the second quarter of 2009, the mergers and acquisitions (“M&A”) market seemingly picked up where it left off at the end of the first quarter in the midst of the continuing economic downturn and tight credit markets.

As reported by Thomson Reuters, global announced M&A volume in the second quarter totaled \$467 billion, down about 48% compared with the second quarter of 2008 and down 1.5% from the first three months of 2009. However, the second quarter ended on a positive note, with \$221 billion of deals announced in June alone, the largest monthly gain since October 2008. As in the U.S., cross border transactions began weakly but strengthened in numbers towards quarter end. Following the pattern of the prior three months, the technology and media and telecom sectors showed the most deal activity.

Cross border deals increased substantially in the second quarter even as total transaction amounts trailed 2008's pace by about 50%. The majority of these deals took place in the energy, power, and chemicals sectors, where valuations of such companies dropped to opportunistic levels for acquiring parties. The fear that accompanied the economic slowdown as well as the drop in the price of commodities, especially crude oil, helped to accelerate the devaluation of companies in these sectors. The continued slow pace of M&A activity in the second quarter came as no surprise, as buyers still were trying to grasp the declining valuations and the possibility of how soon an economic recovery will take root.

### **Selected Stock Holdings**

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 stated in U.S. dollar equivalent terms are presented as of June 30, 2009.

*Addax Petroleum Corp. (0.3% of net assets as of June 30, 2009) (AXC CN - \$42.41 - Toronto Stock Exchange)* is based in Calgary, Alberta and involved in the exploration and production of oil and gas in the Middle East and Africa. On June 24, 2009, Sinopec International Petroleum Exploration and Production Corporation of China announced that it had entered into an agreement to acquire Addax for C\$52.80 in cash per share, valuing the transaction at C\$8.3 billion. The deal requires acceptances of at least 66.66% of Addax shares outstanding as well as regulatory approvals from both Canada and China. The acquisition is expected to close by mid August 2009.

*Axsys Technologies Inc. (2.6%) (AXYS - \$53.64 - Nasdaq)* designs and develops high performance surveillance cameras, imaging systems, and related motion control technologies for the aerospace, defense, and high performance commercial markets. On June 4, 2009 the company announced that it had entered into an agreement to be acquired by General Dynamics. Under the terms of the agreement, Axsys shareholders will receive \$54.00 per share in cash, valuing the deal at \$650 million. The deal is subject to regulatory approvals and a shareholder vote, and is anticipated to be complete in the third quarter of 2009.

*Cablevision Systems Corp. (0.2%) (CVC - \$19.41 - NYSE)* is one of the nation's leading telecommunication and entertainment companies. Headquartered in Bethpage, NY, Cablevision serves over 3 million cable customers in the attractive metropolitan New York market. Cablevision also owns sports related assets, including Madison Square Garden, the NY Knicks, the NY Rangers, and the MSG networks and high growth cable networks AMC, Women's Entertainment, IFC, and Sundance. The company pioneered the "triple play" bundle of video, voice, and data services and is now the majority phone provider in much of its footprint. Cablevision continues to innovate with a robust offering for small businesses and free Wi-Fi service utilizing its advanced infrastructure. Cablevision has begun to reap years of investment in the form of growing free cash flow which we expect to continue for some time. On July 30, 2009, CVC announced plans to spin off its Madison Square Garden assets that include the Madison Square Garden arena, the Knicks, the Rangers, two New York area sports networks,

and Radio City Music Hall. We proposed a spinoff of these assets last year. The move could facilitate other transactions, such as the sale of its cable networks and strategic acquisitions, namely contiguous cable assets in the New York metropolitan area.

*Cougar Biotechnology Inc. (3.5%) (CGRB - \$42.96 - Nasdaq)* announced on May 21, 2009 that it had entered into an agreement to be acquired by Johnson & Johnson. Cougar Biotechnology develops and licenses clinical stage oncology drugs. The transaction is to be carried out by a tender offer through which shareholders of CGRB will receive \$43.00 per share in cash, valuing the total offer at approximately \$1 billion. The deal is conditional on tender of the majority of shares of CGRB outstanding, as well as regulatory clearances and approvals. Johnson & Johnson announced the successful completion of the tender offer on July 10, 2009.

*FiberNet Telecom Group Inc. (0.1%) (FTGX - \$12.42 - Nasdaq)* announced on May 28, 2009 that it had entered into an agreement to be acquired by Zayo Group. Based in New York, FiberNet is a provider of interconnection services for the exchange of data between global networks. The company's network provides broadband interconnectivity for network operators. Under the merger agreement, shareholders of FTGX will receive \$11.45 per share in cash, valuing the total deal at approximately \$90 million. The transaction is subject to FTGX shareholder approval and customary regulatory approvals and conditions. The deal is expected to be completed in the third quarter of 2009.

*Wyeth (0.8%) (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.

Sincerely,



**Mario J. Gabelli, CFA**  
Portfolio Manager and  
Chief Investment Officer

August 17, 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.

## Portfolio Manager Compensation

Mr. Gabelli's incentive-based, variable compensation structure, and dollar amount have been fully disclosed each year since April of 2000 in GAMCO Investors, Inc.'s (NYSE: GBL) annual proxy statement. Mr. Gabelli receives no base salary, no annual bonus, and no options.

As founder and portfolio manager of the Gabelli ABC Fund, Mr. Gabelli received \$193,183 in calendar 2008. For the Fund's first twelve months of operation starting in May 1993, Mr. Gabelli received less than \$60,000. As a direct and beneficial owner, he had \$100,293,997 invested in the Gabelli ABC Fund as of June 30, 2009, which includes the holdings of GBL and its subsidiaries, Gabelli Securities Inc., Gabelli & Company Inc., and GGCP, Inc., GBL's parent holding company.

## www.gabelli.com

Please visit us on the Internet. Our homepage 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 performances.

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

## 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).

### Top Ten Holdings (Percent of Net Assets)

June 30, 2009

Sun Microsystems Inc. 4.5%	Schering-Plough Corp. 1.5%
Cougar Biotechnology Inc. 3.5%	International Game Technology 1.3%
Axsys Technologies Inc. 2.6%	Wyeth 0.8%
Centennial Communications Corp. 2.4%	Nova Chemicals Corp. 0.7%
Wind River Systems Inc. 2.1%	Lion Nathan Ltd. 0.5%

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 ABC Fund

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

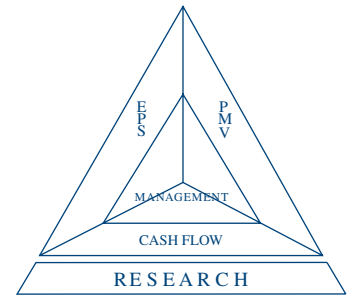
**800-422-3554**

**fax: 914-921-5118**

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

**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.



### Board of Directors

Mario J. Gabelli, CFA  
*Chairman and Chief  
Executive Officer*  
GAMCO Investors, Inc.

Mary E. Hauck  
*Former Senior Portfolio Manager  
Gabelli-O'Connor Fixed Income  
Mutual Fund Management Co.*

Anthony J. Colavita  
*President*  
Anthony J. Colavita, P.C.

Werner J. Roeder, MD  
*Medical Director*  
Lawrence Hospital

Vincent D. Enright  
*Former Senior Vice President  
and Chief Financial Officer*  
KeySpan Corp.

### Officers

Bruce N. Alpert  
*President and Secretary*

Peter D. Goldstein  
*Chief Compliance Officer*

Agnes Mullady  
*Treasurer*

### Distributor

Gabelli & Company, Inc.

### Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

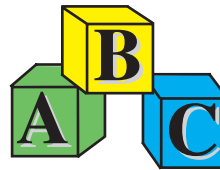
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This report is submitted for the general information of the shareholders of The Gabelli ABC Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

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GAB408Q209SC

# The Gabelli



# Fund

SHAREHOLDER COMMENTARY  
JUNE 30, 2009

# The Gabelli ABC 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 ABC Fund (the “Fund”) rose 2.3%, while the Standard & Poor’s (“S&P”) 500 Index was up 15.9%. For the six month period ended June 30, 2009, the Fund was up 2.7% versus a rise of 3.2% for the S&P 500 Index.

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	10 Year	15 Year	Since Inception (5/14/93)
<b>Gabelli ABC Fund</b>								
AAA Shares .....	2.25%	2.69%	0.40%	3.90%	5.07%	4.90%	6.77%	6.91%
Advisor Shares .....	2.15	2.59	0.19	3.72	4.96	4.84	6.74	6.88
S&P 500 Index .....	15.92	3.19	(26.20)	(8.22)	(2.24)	(2.22)	6.92	6.70
Lipper U.S. Treasury Money Market Average .....	0.01	0.02	0.34	2.47	2.40	2.50	3.30	3.26(b)

**In the current prospectus, the Fund’s expense ratios are 0.64% for the Class AAA Shares and 0.89% for the Advisor Class Shares. The Fund does 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 returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Returns would have been lower if certain expenses of the Fund had not been waived or reimbursed from April 1, 2002 through April 30, 2007. 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 S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper U.S. Treasury Money Market 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 net asset values per share are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance of the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.

(b) From April 30, 1993, the date closest to the Fund’s inception for which data is available.

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 ABC 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>The Gabelli ABC Fund</b>				
<b>Actual Fund Return</b>				
Class AAA	\$1,000.00	\$1,026.90	0.63%	\$3.17
Advisor Class	\$1,000.00	\$1,025.90	0.88%	\$4.42
<b>Hypothetical 5% Return</b>				
Class AAA	\$1,000.00	\$1,021.67	0.63%	\$3.16
Advisor Class	\$1,000.00	\$1,020.43	0.88%	\$4.41

\* 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:

### The Gabelli ABC Fund

#### Long Positions:

U.S. Government Obligations . . . . .	86.4%	Electronics . . . . .	0.2%
Computer Software and Services . . . . .	7.3%	Retail . . . . .	0.1%
Health Care . . . . .	6.4%	Broadcasting . . . . .	0.1%
Aerospace . . . . .	2.6%	Building and Construction . . . . .	0.1%
Wireless Communications . . . . .	2.5%	Computer Hardware . . . . .	0.1%
Energy and Utilities . . . . .	2.5%	Mutual Funds . . . . .	0.1%
Entertainment . . . . .	1.7%	Hotels and Gaming . . . . .	0.0%
Food and Beverage . . . . .	1.2%	Agriculture . . . . .	0.0%
Financial Services . . . . .	1.1%	Publishing . . . . .	0.0%
Telecommunications . . . . .	1.0%	Equipment and Supplies . . . . .	0.0%
Specialty Chemicals . . . . .	0.8%	Aviation: Parts and Services . . . . .	0.0%
Business Services . . . . .	0.6%	Communications Equipment . . . . .	0.0%
Automotive: Parts and Accessories . . . . .	0.5%	Home Furnishings . . . . .	0.0%
Metals and Mining . . . . .	0.4%	Transportation . . . . .	0.0%
Diversified Industrial . . . . .	0.3%	Other Assets and Liabilities (Net) . . . . .	<u>(16.5)%</u>
Consumer Products . . . . .	0.3%		<u>100.0%</u>
Cable and Satellite . . . . .	0.2%	<b>Short Positions:</b>	
		Forward Foreign Exchange Contracts . . . . .	(0.1)%

*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 ABC Fund

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

Shares		Cost	Market Value	Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>							
<b>Energy and Utilities — 2.3%</b>							
26,000	Addax Petroleum Corp. . . . .	\$ 1,119,464	\$ 1,102,678	6,000	PNC Financial Services Group Inc. . . . .	\$ 160,540	\$ 232,860
7,000	Anadarko Petroleum Corp. . . . .	285,895	317,730	2,000	Provident New York Bancorp . . . . .	30,603	16,240
42,000	Endesa SA . . . . .	1,079,018	1,005,177	70,000	SLM Corp.† . . . . .	1,227,235	718,900
42,000	GDF Suez, Strips . . . . .	0	59	14,000	TD Ameritrade Holding Corp.† . . . . .	246,569	245,560
105,000	Great Plains Energy Inc. . . . .	1,997,637	1,632,750	12,000	The Bank of New York Mellon Corp. . . . .	273,233	351,720
10,263	Mirant Corp.† . . . . .	175,575	161,540	8,000	Wells Fargo & Co. . . . .	129,763	194,080
250,000	Mirant Corp., Escrow† (a) . . . . .	0	0	6,000	Willis Group Holdings Ltd. . . . .	173,280	154,380
12,000	NATCO Group Inc., Cl. A† . . . . .	400,649	395,040			<u>3,760,864</u>	<u>3,770,775</u>
15,000	Northeast Utilities . . . . .	269,463	334,650	<b>Food and Beverage — 1.2%</b>			
56,000	NorthWestern Corp. . . . .	1,587,656	1,274,560	29,000	Corn Products International Inc. . . . .	629,807	776,910
48,000	NRG Energy Inc.† . . . . .	1,159,944	1,246,080	500	Genesee Corp., Cl. A† (a) . . . . .	0	0
200	Oesterreichische Elektrizitaetswirtschafts AG, Cl. A . . . . .	9,361	10,179	12,200	Genesee Corp., Cl. B† (a) . . . . .	1,020	0
1,000	Origin Energy Ltd. . . . .	15,738	11,797	40,000	Grupo Continental SAB de CV . . . . .	61,459	69,713
25,000	Progress Energy Inc., CVO† (a) . . . . .	13,000	8,250	180,000	Lion Nathan Ltd. . . . .	1,479,052	1,678,163
400	REpower Systems AG† . . . . .	61,426	65,536	9,000	Pernod-Ricard SA . . . . .	698,790	566,517
95,000	WesternZagros Resources Ltd.† . . . . .	350,101	131,496	13,000	Remy Cointreau SA . . . . .	633,234	470,519
		<u>8,524,927</u>	<u>7,697,522</u>	50,000	Sara Lee Corp. . . . .	448,021	488,000
						<u>3,951,383</u>	<u>4,049,822</u>
<b>Entertainment — 0.5%</b>				<b>Health Care — 6.4%</b>			
1,001	Chestnut Hill Ventures† (a) . . . . .	3,749	33,714	468	Allergan Inc. . . . .	27,202	22,267
4,000	Discovery Communications Inc., Cl. A† . . . . .	80,563	90,200	6,000	ArthroCare Corp.† . . . . .	100,130	64,800
2,500	Discovery Communications Inc., Cl. C† . . . . .	41,561	51,325	6,000	Baxter International Inc. . . . .	301,559	317,760
10,000	Liberty Media Corp. - Entertainment, Cl. A† . . . . .	167,053	267,500	2,900	Biogen Idec Inc.† . . . . .	152,024	130,935
132,000	Take-Two Interactive Software Inc. . . . .	2,865,955	1,250,040	2,000	Boston Scientific Corp.† . . . . .	20,220	20,280
		<u>3,158,881</u>	<u>1,692,779</u>	270,000	Cougar Biotechnology Inc.† . . . . .	11,583,281	11,599,200
				17,000	Cruceil NV, ADR† . . . . .	331,443	409,020
				6,000	Fresenius Kabi Pharmaceuticals Holding Inc., CVR† . . . . .	0	1,620
<b>Equipment and Supplies — 0.0%</b>				44,000	I-Flow Corp.† . . . . .	357,437	305,360
25,000	Baldwin Technology Co. Inc., Cl. A† . . . . .	59,500	25,000	12,000	IMS Health Inc. . . . .	306,809	152,400
60	Hexpol AB† . . . . .	881	266	30,000	Indevus Pharmaceuticals Inc., Escrow† (a) . . . . .	0	33,000
		<u>60,381</u>	<u>25,266</u>	500	Mead Johnson Nutrition Co., Cl. A† . . . . .	12,000	15,885
<b>Financial Services — 1.1%</b>				100,000	Monogram Biosciences Inc.† . . . . .	452,857	453,000
14,000	AllianceBernstein Holding LP . . . . .	270,407	281,260	200,000	Schering-Plough Corp. . . . .	4,108,157	5,024,000
2,000	Argo Group International Holdings Ltd.† . . . . .	52,801	56,440	2,100	UCB SA . . . . .	58,272	67,228
1,000	Central Jersey Bancorp† . . . . .	6,204	5,500	60,000	Wyeth . . . . .	2,537,610	2,723,400
14,000	H&R Block Inc. . . . .	254,698	241,220			<u>20,349,001</u>	<u>21,340,155</u>
7,000	Legg Mason Inc. . . . .	159,122	170,660	<b>Hotels and Gaming — 0.0%</b>			
2,200	Leucadia National Corp.† . . . . .	22,128	46,398	2,000	Las Vegas Sands Corp.† . . . . .	9,887	15,720
35,000	Morgan Stanley . . . . .	684,754	997,850	18,000	MGM Mirage† . . . . .	79,135	115,020
5,018	NewAlliance Bancshares Inc. . . . .	69,527	57,707			<u>89,022</u>	<u>130,740</u>

See accompanying notes to financial statements.

# The Gabelli ABC Fund

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

Shares/ Units	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			<b>Wireless Communications — 2.5%</b>		
<b>Metals and Mining — 0.4%</b>			<b>American Tower Corp.,</b>		
3,000	Agnico-Eagle Mines Ltd. . . . \$ 153,306	\$ 157,440	500	Cl. A† . . . . . \$ 7,707	\$ 15,765
13,000	Alcoa Inc. . . . . 117,140	134,290	979,202	Centennial	
3,000	Barrick Gold Corp. . . . . 87,840	100,650		Communications Corp.† . . . . .	8,109,944 8,186,129
12,000	Freeport-McMoRan Copper		14,000	Metricom Inc.† . . . . .	1,680 21
	& Gold Inc. . . . . 337,359	601,320	6,000	United States Cellular Corp.†	231,035 230,700
10,000	Gold Fields Ltd., ADR . . . . . 127,424	120,500	50,000	Winstar Communications	
3,666	Lonmin plc . . . . . 94,269	70,747		Inc.† (a) . . . . .	2,125 50
8,000	NovaGold Resources Inc.† . . . . . 22,280	34,240			8,352,491 8,432,665
10,000	Royal Oak Mines Inc.† (a) . . . . . 11,858	0			
2,000	Uranium One Inc.† . . . . . 13,955	4,591			
				<b>TOTAL COMMON STOCKS . . . . .</b>	<b>97,936,177 93,582,292</b>
	<u>965,431</u>	<u>1,223,778</u>			
<b>Mutual Funds — 0.1%</b>			<b>PREFERRED STOCKS — 0.1%</b>		
30,000	KKR Private Equity		<b>Communications Equipment — 0.0%</b>		
	Investors LP† . . . . . 84,561	180,000	RSL Communications Ltd.		
			1,000	7.500%, Cv. Pfd.(a)(b)(c)†	93 0
			2,000	7.500%, Cv. Pfd., Ser. A†(a)	185 0
					278 0
<b>Publishing — 0.0%</b>			<b>Home Furnishings — 0.0%</b>		
7,000	PagesJaunes Groupe . . . . . 159,996	68,043	O'Sullivan Industries		
			8,000	Holdings Inc.,	
				12.000% Pfd.† (a) . . . . .	4,750 0
<b>Retail — 0.1%</b>			<b>Telecommunications — 0.1%</b>		
50,000	Denny's Corp.† . . . . . 149,592	107,500	6,000	Cincinnati Bell Inc.,	
3,000	Macy's Inc. . . . . 35,490	35,280		6.750% Cv. Pfd., Ser. B . . . . .	164,359 174,000
8,000	Pier 1 Imports Inc.† . . . . . 55,180	15,920			
1,000	Saks Inc.† . . . . . 1,720	4,430		<b>TOTAL PREFERRED STOCKS</b>	<b>169,387 174,000</b>
5,000	SUPERVALU Inc. . . . . 148,750	64,750			
25,000	The Great Atlantic &			<b>WARRANTS — 0.0%</b>	
	Pacific Tea Co. Inc.† . . . . . 239,660	106,250		<b>Automotive: Parts and Accessories — 0.0%</b>	
				<b>Federal-Mogul Corp.,</b>	
	<u>630,392</u>	<u>334,130</u>		expire 12/27/14† . . . . .	14,912 49
<b>Specialty Chemicals — 0.7%</b>				<b>Broadcasting — 0.0%</b>	
1,000	CF Industries Holdings Inc. . . . . 72,632	74,140	1,969	Granite Broadcasting Corp.,	
1,200	Monsanto Co. . . . . 96,405	89,208		Ser. A, expire 06/04/12† . . . . .	0 10
370,000	NOVA Chemicals Corp. . . . . 2,200,874	2,194,100	1,969	Granite Broadcasting Corp.,	
				Ser. B, expire 06/04/12† . . . . .	0 20
	<u>2,369,911</u>	<u>2,357,448</u>			0 30
<b>Telecommunications — 0.9%</b>				<b>Consumer Products — 0.0%</b>	
320,000	Asia Satellite		10,396	Pillowtex Corp.,	
	Telecommunications			expire 11/24/09† (a) . . . . .	45,461 1
	Holdings Ltd. . . . . 729,145	365,417			
30,000	BCE Inc. . . . . 606,390	619,800		<b>TOTAL WARRANTS . . . . .</b>	<b>60,373 80</b>
20,000	Corning Inc. . . . . 225,787	321,200			
1,000	D&E Communications Inc. . . . . 10,174	10,230			
2,000	Deutsche Telekom AG, ADR	23,600			
18,100	FiberNet Telecom				
	Group Inc.† . . . . . 214,514	224,802			
100,000	Portugal Telecom SGPS SA	1,161,970			
3,000	Telegroup Inc.† (a) . . . . . 32	0			
7,000	Telephone & Data				
	Systems Inc. . . . . 206,831	198,100			
5,000	Verizon Communications Inc.	177,034			
	<u>3,354,937</u>	<u>2,894,732</u>			

See accompanying notes to financial statements.



## The Gabelli ABC Fund

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

<b>Assets:</b>	
Investments, at value (cost \$395,293,088) . . .	\$ 390,985,483
Cash . . . . .	690
Receivable for Fund shares sold . . . . .	2,477,289
Dividends and interest receivable . . . . .	123,034
Prepaid expenses . . . . .	68,594
<b>Total Assets</b> . . . . .	<u>393,655,090</u>
<b>Liabilities:</b>	
Payable for investments purchased . . . . .	56,905,249
Payable for Fund shares redeemed . . . . .	507,195
Payable for investment advisory fees . . . . .	136,662
Payable for distribution fees . . . . .	26,204
Payable for accounting fees . . . . .	3,750
Unrealized depreciation on forward foreign exchange contracts . . . . .	239,915
Other accrued expenses . . . . .	53,703
<b>Total Liabilities</b> . . . . .	<u>57,872,678</u>
<b>Net Assets</b> applicable to 35,275,904 shares outstanding . . . . .	<u>\$335,782,412</u>
<b>Net Assets Consist of:</b>	
Paid-in capital, each class at \$0.001 par value	\$340,332,922
Accumulated net investment income . . . . .	14,443
Accumulated net realized loss on investments, swap contracts, and foreign currency transactions . . . . .	(17,834)
Net unrealized depreciation on investments . .	(4,307,605)
Net unrealized depreciation on foreign currency translations . . . . .	(239,514)
<b>Net Assets</b> . . . . .	<u>\$335,782,412</u>
<b>Shares of Capital Stock:</b>	
<b>Class AAA:</b>	
Net Asset Value, offering, and redemption price per share (\$205,020,856 ÷ 21,510,395 shares outstanding; 500,000,000 shares authorized)	<u>\$9.53</u>
<b>Advisor Class:</b>	
Net Asset Value, offering, and redemption price per share (\$130,761,556 ÷ 13,765,509 shares outstanding; 500,000,000 shares authorized)	<u>\$9.50</u>

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

<b>Investment Income:</b>	
Dividends (net of foreign taxes of \$32,771) . . . . .	\$ 604,112
Interest . . . . .	354,797
<b>Total Investment Income</b> . . . . .	<u>958,909</u>
<b>Expenses:</b>	
Investment advisory fees . . . . .	657,202
Distribution fees – Advisor Class . . . . .	117,068
Shareholder services fees . . . . .	28,764
Custodian fees . . . . .	26,296
Shareholder communications expenses . . . . .	24,843
Registration expenses . . . . .	24,075
Accounting fees . . . . .	22,500
Legal and audit fees . . . . .	22,125
Directors' fees . . . . .	5,682
Tax expenses . . . . .	4,114
Interest expense . . . . .	208
Miscellaneous expenses . . . . .	14,453
<b>Total Expenses</b> . . . . .	<u>947,330</u>
Less:	
Advisory fee reduction on unsupervised assets	(2,706)
Custodian fee credits . . . . .	(29)
<b>Total Reductions and Credits</b> . . . . .	<u>(2,735)</u>
<b>Net Expenses</b> . . . . .	<u>944,595</u>
<b>Net Investment Income</b> . . . . .	<u>14,314</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:</b>	
Net realized gain on investments . . . . .	1,285,901
Net realized gain on foreign currency transactions . . . . .	43,961
Net realized gain on investments and foreign currency transactions . . . . .	<u>1,329,862</u>
Net change in unrealized appreciation/ depreciation on investments . . . . .	8,394,888
Net change in unrealized appreciation/ depreciation on swap contracts . . . . .	127
Net change in unrealized appreciation/ depreciation on foreign currency translations . .	<u>(239,421)</u>
Net change in unrealized appreciation/ depreciation on investments, swap contracts, and foreign currency translations . . . . .	<u>8,155,594</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency</b> . . . . .	<u>9,485,456</u>
<b>Net Increase in Net Assets Resulting from Operations</b> . . . . .	<u>\$9,499,770</u>

See accompanying notes to financial statements.

# The Gabelli ABC Fund

## Statement of Changes in Net Assets

	<u>Six Months Ended June 30, 2009 (Unaudited)</u>	<u>Year Ended December 31, 2008</u>
<b>Operations:</b>		
Net investment income .....	\$ 14,314	\$ 2,345,385
Net realized gain on investments, swap contracts, and foreign currency transactions ..	1,329,862	2,924,921
Net change in unrealized appreciation/depreciation on investments, swap contracts, and foreign currency translations .....	<u>8,155,594</u>	<u>(12,712,007)</u>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations .....</b>	<u>9,499,770</u>	<u>(7,441,701)</u>
<b>Distributions to Shareholders:</b>		
Net investment income		
Class AAA .....	—	(1,265,491)
Advisor Class .....	<u>—</u>	<u>(414,228)</u>
	<u>—</u>	<u>(1,676,719)</u>
Net realized gain		
Class AAA .....	—	(2,247,640)
Advisor Class .....	<u>—</u>	<u>(831,479)</u>
	<u>—</u>	<u>(3,079,119)</u>
<b>Total Distributions to Shareholders .....</b>	<u>—</u>	<u>(4,758,838)</u>
<b>Capital Share Transactions:</b>		
Class AAA .....	69,683,134	(36,121,173)
Advisor Class .....	<u>77,434,368</u>	<u>44,217,497</u>
<b>Net Increase in Net Assets from Capital Share Transactions .....</b>	<u>147,117,502</u>	<u>8,096,324</u>
<b>Redemption Fees .....</b>	<u>587</u>	<u>714</u>
<b>Net Increase/(Decrease) in Net Assets .....</b>	156,617,859	(4,103,501)
<b>Net Assets:</b>		
Beginning of period .....	<u>179,164,553</u>	<u>183,268,054</u>
End of period (including undistributed net investment income of \$14,443 and \$129, respectively) .....	<u>\$ 335,782,412</u>	<u>\$179,164,553</u>

See accompanying notes to financial statements.

# The Gabelli ABC Fund

## Financial Highlights

Selected data for a share of capital stock outstanding throughout each period:

Period Ended December 31	Income				Distributions				Ratios to Average Net Assets/ Supplemental Data				
	from Investment Operations				Distributions								
	Net Realized and Unrealized Gain (Loss) on Investments	Net Investment Income (Loss)(a)	Total from Investment Operations	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 Fees Waived	Operating Expenses Net of Fees Waived(b)(c)	Portfolio Turnover Rate††
<b>Class AAA</b>													
2009(d)	\$ 9.28	\$ 0.00(e)	\$ 0.25	—	—	\$ 0.00(e)	\$ 9.53	2.7%	\$205,021	0.10%(f)	0.63%(f)	0.63%(f)	226%
2008	9.80	0.11	(0.37)	\$(0.17)	\$(0.26)	0.00(e)	9.28	(2.6)	129,687	1.11	0.64	0.64	472
2007	10.00	0.16	0.55	(0.74)	(0.91)	0.00(e)	9.80	7.1	176,322	1.50	0.79	0.65	204
2006	9.85	0.30	0.88	(0.26)	(1.03)	0.00(e)	10.00	12.0	154,776	2.44	1.14	0.64	190
2005	9.85	0.17	0.32	(0.15)	(0.34)	0.00(e)	9.85	5.0	176,989	1.26	1.14	0.64	127
2004	9.83	0.08	0.11	(0.08)	(0.17)	0.00(e)	9.85	1.9	301,255	0.83	1.15	0.61	141
<b>Advisor Class (g)</b>													
2009(d)	\$ 9.26	\$(0.01)	\$ 0.25	—	—	\$ 0.00(e)	\$ 9.50	2.6%	\$130,761	(0.15)(f)	0.88%(f)	0.88%(f)	226%
2008	9.79	0.09	(0.37)	\$(0.17)	\$(0.25)	0.00(e)	9.26	(2.8)	49,478	0.92	0.89	0.89	472
2007	10.33	0.12	0.24	(0.16)	(0.90)	0.00(e)	9.79	3.5	6,946	1.74(f)	0.89(f)	0.92(f)	204

† 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. 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 439%, 394%, 302%, and 268%, respectively.

(a) Per share amounts have been calculated using the average shares outstanding method.  
 (b) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits, the expense ratios for the years ended December 31, 2008, 2007, 2006 and 2005 would have been 0.63%, 0.63%, 0.62%, and 0.62%, respectively, for Class AAA. The expense ratios for the year ended December 31, 2008 and the period ended December 31, 2007 would have been 0.88% and 0.89%, respectively, for the Advisor Class. For the six months ended June 30, 2009, the effect of the custodian fee credits was minimal.

(c) The Fund incurred interest expense during the years ended December 31, 2007 and 2006. If interest expense had not been incurred, the ratio of operating expenses to average net assets would have been 0.63% and 0.61% for Class AAA, and 0.88% for the period ended December 31, 2007 for the Advisor Class. For the six months ended June 30, 2009 and the year ended December 31, 2008, the effect of interest expense was minimal.

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

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

(f) Annualized.

(g) Advisor Class Shares were initially offered on May 1, 2007.

See accompanying notes to financial statements.

## The Gabelli ABC Fund

### Notes to Financial Statements (Unaudited)

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**1. Organization.** The Gabelli ABC Fund (the “Fund”), a series of Gabelli Investor Funds, Inc. (the “Corporation”), was organized on October 30, 1992 as a Maryland corporation. The Fund is a non-diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund’s primary objective is to achieve total returns that are attractive to investors in various market conditions without excessive risk of capital loss. The Fund commenced investment operations on May 14, 1993. On February 21, 2007, the Board of Directors (the “Board”) reclassified the Fund’s shares into Class AAA Shares and Advisor Class Shares and reallocated the authorized shares evenly between these Share Classes. Advisor Class Shares were first issued on May 1, 2007.

**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 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 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.

## The Gabelli ABC Fund

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

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;
- 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 and other financial instruments by inputs used to value the Fund's investments as of June 30, 2009 is as follows:

	Valuation Inputs			Total Market Value at 6/30/09
	Level 1 - Quoted Prices	Level 2 - Other Significant Observable Inputs	Level 3 - Significant Unobservable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Common Stocks				
Computer Software and Services	\$23,800,750	—	\$ 36,450	\$ 23,837,200
Energy and Utilities	7,689,272	—	8,250	7,697,522
Entertainment	1,659,065	—	33,714	1,692,779
Health Care	21,307,155	—	33,000	21,340,155
Wireless Communications	8,432,615	—	50	8,432,665
Other Industries (a)	30,581,971	—	—	30,581,971
<b>Total Common Stocks</b>	<b>93,470,828</b>	<b>—</b>	<b>111,464</b>	<b>93,582,292</b>
Preferred Stocks	174,000	—	—	174,000
Warrants				
Automotive: Parts and Accessories	49	—	—	49
Broadcasting	10	—	20	30
Consumer Products	—	—	1	1
<b>Total Warrants</b>	<b>59</b>	<b>—</b>	<b>21</b>	<b>80</b>
Convertible Corporate Bonds	—	\$ 6,515,875	—	6,515,875
Corporate Bonds	—	629,750	—	629,750
U.S. Government Obligations	—	290,083,486	—	290,083,486
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>\$93,644,887</b>	<b>\$297,229,111</b>	<b>\$111,485</b>	<b>\$390,985,483</b>
<b>OTHER FINANCIAL INSTRUMENTS:</b>				
<b>LIABILITIES (Unrealized Depreciation): *</b>				
Forward Foreign Exchange Contracts	\$ —	\$ (239,915)	\$ —	\$ (239,915)

(a) Industry classifications for these categories are detailed in the Schedule of Investments.

\* Other financial instruments are derivative instruments not reflected in the Schedule of Investments, such as futures, forwards, and swaps, which are valued at the unrealized appreciation/depreciation of the investment.

## The Gabelli ABC Fund

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

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Balance as of 12/31/08	Accrued discounts/ (premiums)	Realized gain/ (loss)	Change in unrealized appreciation/ depreciation†	Net purchases/ (sales)	Transfers in and/or out of Level 3	Balance as of 6/30/09	Net change in unrealized appreciation/ depreciation during the period on Level 3 investments held at 6/30/09†
<b>INVESTMENTS IN SECURITIES:</b>								
<b>ASSETS (Market Value):</b>								
Common Stocks								
Broadcasting	\$ 0	\$—	\$—	\$ (787)	\$—	\$787	\$ 0	\$ (787)
Computer Software and Services	36,450	—	—	—	—	—	36,450	—
Energy and Utilities	8,250	—	—	—	—	—	8,250	—
Entertainment	33,714	—	—	—	—	—	33,714	—
Food and Beverage	0	—	—	—	—	—	0	—
Healthcare	—	—	—	33,000	0	—	33,000	33,000
Metals and Mining	0	—	—	—	—	—	0	—
Telecommunications	0	—	—	—	—	—	0	—
Wireless Communications	50	—	—	—	—	—	50	—
<b>Total Common Stocks</b>	<b>78,464</b>	<b>—</b>	<b>—</b>	<b>32,213</b>	<b>0</b>	<b>787</b>	<b>111,464</b>	<b>32,213</b>
Preferred Stocks								
Communications Equipment	0	—	—	—	—	—	0	—
Home Furnishings	0	—	—	—	—	—	0	—
<b>Total Preferred Stocks</b>	<b>0</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>—</b>
Warrants								
Broadcasting	0	—	—	—	—	20	20	—
Consumer Products	1	—	—	—	—	—	1	—
<b>Total Warrants</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20</b>	<b>21</b>	<b>—</b>
Convertible Corporate Bonds								
Corporate Bonds	0	—	(4,000)	4,000	0	—	—	—
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>\$78,465</b>	<b>\$—</b>	<b>\$(4,000)</b>	<b>\$36,213</b>	<b>\$0</b>	<b>\$807</b>	<b>\$111,485</b>	<b>\$32,213</b>

† Net change in unrealized appreciation/depreciation on investments is included in the related amounts in the Statement of Operations.

#### **Derivative Financial Instruments.**

The Fund may invest in various derivative financial instruments and engage in various portfolio investment strategies for the purpose of increasing the income of the Fund, hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Losses may arise if the value of the contract decreases due to an unfavorable change in the price of the underlying security or if the counterparty does not perform its duties under the contract. Investing in certain derivative financial instruments entails certain execution, market, liquidity, hedging, and tax risks. Participation in the options or futures markets and in currency exchange transactions involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Adviser's prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies.

The Fund is subject to equity price risk and foreign currency exchange rate risk in the normal course of pursuing its investment objectives by investing in various derivative financial instruments, as described below.

## The Gabelli ABC Fund

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

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**Swap Agreements.** The Fund may enter into equity and contract for difference swap transactions for the purpose of increasing the income of the Fund. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In a swap, a set of future cash flows are exchanged between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to the swap contracts, or that, in the event of default, the Fund will succeed in pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to the swap contracts. The creditworthiness of the swap contract counterparties is closely monitored in order to minimize the risk. Depending on the general state of short-term interest rates and the returns of the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments. In addition, at the time a swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments.

The use of derivative instruments involves, to varying degrees, elements of market and counterparty risk in excess of the amount recognized below.

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements.

At June 30, 2009, there were no open contracts for difference swap agreements.

**Futures Contracts.** The Fund may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, which are included in unrealized appreciation/depreciation on investments and futures contracts. The Fund recognizes a realized gain or loss when the contract is closed.

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At June 30, 2009, there were no open futures contracts.

**Forward Foreign Exchange Contracts.** The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on investments and foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

## The Gabelli ABC Fund

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

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At June 30, 2009, the Fund had a forward foreign exchange contract which is detailed in the Schedule of Investments.

**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.

**Securities Sold Short.** The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The Fund did not hold any short positions as of June 30, 2009.

**Foreign Currency Translations.** The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/loss on investments.

**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.

**Restricted and Illiquid Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are illiquid. Illiquid securities include securities the disposition of which is subject to substantial legal

## The Gabelli ABC Fund

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

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or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity.

**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 equal to 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 and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income include net realized gains on foreign currency transactions. 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:

**Distributions paid from:**

Ordinary income	
(inclusive of short-term capital gains) . . . . .	\$4,758,838
Total distributions paid . . . . .	<u>\$4,758,838</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 ABC Fund

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

The following summarizes the tax cost of investments, swap contracts, 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 .....	\$396,825,133	\$4,141,417	\$(9,981,067)	\$(5,839,650)

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 0.50% 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 Directors of the Fund who are affiliated persons of the Adviser.

The Fund pays each Director who is not considered to be an affiliated person an annual retainer of \$1,000 plus \$250 for each Board meeting attended and each Director is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$250 per meeting attended and the Chairman of the Audit Committee and the Lead Director each receive a \$1,000 annual fee. A Director may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Directors 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 the Advisor Class 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 Advisor Class Share Plan, payment is authorized to Gabelli & Company at an annual rate of 0.25% of the average daily net assets of the Advisor Class Shares, the annual limitation under the Plan. Such payments are accrued daily and paid monthly.

**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 \$163,580,413 and \$178,541,220, respectively.

**6. Transactions with Affiliates.** During the six months ended June 30, 2009, the Fund paid brokerage commissions on security trades of \$81,645 to Gabelli & Company.

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. During the six months ended June 30, 2009, the Fund paid or accrued \$22,500 to the Adviser in connection with the cost of computing the Fund's NAV.

**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. Capital Stock.** The Fund offers Class AAA Shares and Advisor Class Shares to investors without a front-end sales charge. Class AAA Shares are available directly through the distributor or through the Fund's transfer agent. Advisor Class Shares are available through registered broker-dealers or other financial intermediaries that have entered into appropriate selling agreements with the distributor.

## The Gabelli ABC Fund

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

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 six months ended June 30, 2009 and year ended December 31, 2008 amounted to \$587 and \$714, respectively.

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.

Transactions in shares of capital stock 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	8,666,400	\$ 80,271,941	6,319,768	\$ 61,917,062
Shares issued upon reinvestment of distributions	—	—	382,948	3,492,478
Shares redeemed	(1,131,083)	(10,588,807)	(10,716,067)	(101,530,713)
Net increase/(decrease)	<u>7,535,317</u>	<u>\$ 69,683,134</u>	<u>(4,013,351)</u>	<u>\$ (36,121,173)</u>
	<b>Advisor Class</b>		<b>Advisor Class</b>	
Shares sold	10,625,605	\$ 98,070,737	6,231,694	\$ 59,475,901
Shares issued upon reinvestment of distributions	—	—	84,013	764,517
Shares redeemed	(2,202,692)	(20,636,369)	(1,682,245)	(16,022,921)
Net increase	<u>8,422,913</u>	<u>\$ 77,434,368</u>	<u>4,633,462</u>	<u>\$ 44,217,497</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.

**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 ABC Fund

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

At its meeting on February 25, 2009, the Board of Directors (“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 directors 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 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 against a peer group of diversified specialty funds chosen by Lipper as being comparable. The Independent Board Members noted that the Fund’s performance was in the top third for the one, three, and five year periods. They also noted that the peer group for the Fund encompasses a broad range of funds which makes direct performance comparisons more difficult.

**Profitability.** The Independent Board Members reviewed summary data regarding the 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 substantial portions of the Fund’s portfolio transactions were executed by an affiliated broker.

**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 agreed that the low relative cost structure of the Fund and the low historical profitability of the Fund to the Adviser argued strongly against any concern regarding economies of scale.

**Sharing of Economies of Scale.** The Independent Board Members noted that the investment management fee schedule for the Fund does not take into account any potential economies of scale that may develop or any 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 management fee, other expenses, and total expenses of the Fund with similar expense ratios of the peer group of diversified specialty funds and noted that the Adviser’s management fee includes substantially all administrative services of the Fund as well as investment advisory services. The Independent Board Members noted that the Fund’s expense ratios were at the low end of its peer group. The Independent Board Members also noted that the management fee structure was much lower than that in effect for most of the Gabelli funds.

**Conclusions.** The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and a good performance record. The Independent Board Members also concluded that the Fund’s expense ratios and the profitability to the Adviser of managing the Fund were lower than normal 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 investment management agreement to the full Board.

## The Gabelli ABC Fund

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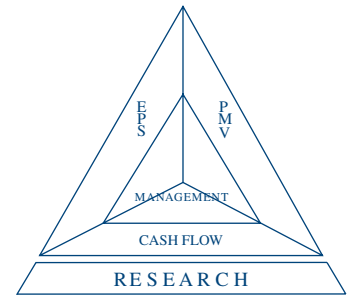
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Net Asset Value per share available daily by calling  
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State Street Bank and Trust Company

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

# The Gabelli ABC Fund

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

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SEMI ANNUAL REPORT  
JUNE 30, 2009