

The utility sector provided investors with total returns of approximately 10% to 12% in 2009, and with returns of over 40% since March 2009. Roughly half of this annual total return came in the form of dividends, and nearly all of the annual price appreciation occurred with the fourth quarter's 6% price advance. As expected, the sector's recovery lagged the overall market recovery in the second and third quarters as initial investor optimism regarding an economic recovery was directed toward the higher beta cyclical and growth sectors. However, the group advanced solidly in the fourth quarter as it has become more likely that the U.S. will experience a slower and more prolonged recovery than many had predicted. A slowly recovering economy provides a better macroeconomic environment for the near-term relative performance of the defensive utility sector, and we continue to believe that utility stocks offer attractive, low risk, total return potential. While the group was decidedly cheap in the second quarter and provided easier opportunities for value investing, the recent appreciation has resulted in more normalized valuation multiples, and future performance will become more dependent upon stock selection.

The 4.6% current yield on the electric utility sector is still 80 basis points higher than the yield on the ten year U.S. Treasury note. In addition, utility stocks offer the potential for annual dividend increases. In 2009, electric utilities increased the annual dividend rate by an average of 2%. The current dividend represents an average payout of 64% of forecasted 2009 earnings, which provides a comfortable margin for dividend maintenance and growth. Given that we expect sector earnings growth of roughly 7% in 2010 and five year annual earnings growth of 4% to 6%, investors can expect dividend growth above recent historical inflation rates.

The fundamentals of the group are solid and offer the likelihood of further improvement. Balance sheets and credit ratings are generally strong, and the return of investor confidence has allowed capital raising activity to resume at a measured pace. Early 2009 investor concern that climate change legislation could penalize the sector has faded. The climate change bill that passed the House in mid 2009, and then stalled in the Senate in late 2009 was the result of significant compromise and was generally considered "utility friendly." While the timing of the inevitable climate change legislation remains uncertain, it appears that utilities will be provided with a sufficient transition period to address legislated requirements.

Our expectation for mid-to-high single digit utility earnings growth in 2010 and 2011 is driven by rate recognition of investments, recovering load growth, and cost controls. Rate increases are necessary to offset declines in the earned profit levels associated with economically impacted retail sales as well as to recognize investments made in utility infrastructure. Over the past twelve to eighteen months, utilities have dramatically increased their rate filing activity. Recent, pending, and future rate recognition of the increased capital spending in utility infrastructure is made more politically palatable by depressed fuel prices, which lowers the fuel portion (charge) of the customer bill and mitigates the net impact of the customer bill. In addition, 2010 earnings comparisons will likely be made easier by the negative earnings impact of mild temperatures in the summer of 2009.

Should the economy experience a stronger than expected recovery, we would expect an equally positive recovery in retail electric sales, which would enhance earnings growth. Long-term natural gas prices remain an important variable, and higher prices would improve depressed non-regulated merchant power generation margins, which would be significant for the independent power generating companies. Finally, we expect the benefits of significant cost cutting efforts from the sector to materialize in 2010.

Monthly Distributions – \$0.07 per share

The Gabelli Utilities Fund has a \$0.07 per share monthly distribution policy. For more specific dividend and tax information, please visit our website at www.gabelli.com or call 800-GABELLI (800-422-3554). Shareholders should be aware that a portion of the distribution may represent a non-taxable return of capital. Distributions of capital reduce the cost basis of your shares if you hold them in a taxable account.

Utility stocks do face some challenges. Economic factors, which include depressed natural gas and power prices, will likely result in 2009 EPS results roughly 5% to 7% below 2008 results. We expect the recessionary declines in revenue from larger industrial customers, whose consumption declined as much as 15% in some regions, to take a couple of years to recover fully. In addition, for the first time in decades, residential 2009 consumption per capita declined, albeit modestly, driven by conservation related to household budgetary constraints and global warming concerns. Nonetheless, utilities remain one of the more recession resistant sectors of the stock market, and earnings are more stable during economic weakness because the volume of electricity and natural gas sold to residential and commercial customers tends to be less sensitive to economic cycles. Electricity, natural gas, and water are not discretionary purchases for consumers. Industrial demand is more cyclical, but industrial revenues make up only about 25% of total revenues. In addition, these customers usually buy their electricity and natural gas under long-term contracts that require them to pay the utility a fixed amount regardless of consumption. As a result, the bottom line net income impact is significantly less than the top line decline in unit sales.

Lack of clarity regarding the eventual rules governing climate change, as well as lower electric demand, have temporarily slowed renewable generation development and associated long haul transmission projects. As rules are firmly established in the near future, utility managements can strategically invest in the necessary infrastructure, and the appropriate regulatory bodies, such as the Federal Energy Regulatory Commission (“FERC”) and individual state public utility commissions, can recognize these investments in customer rates.

In 2009, the long-term trend of utility consolidation slowed to a tepid pace. In the fourth quarter, Chesapeake Utilities purchased Florida Public Utilities, TransAlta purchased Canadian Hydro Developers, and EDF Development closed on the purchase of a 49.9% interest in the nuclear generation assets of Constellation Energy. While Exelon abandoned its hostile bid for NRG in the third quarter, the action reinforces the long-term tendency of utilities to increase scale.

The same forces that resulted in more than one hundred utility takeover announcements over the past two decades remain in place, and some new forces have come into play to continue to drive the long-term trend. As rules for climate change policy are clarified, utilities will face increased pressure to meet renewable portfolio standards and emission reduction standards, as well as to generate baseload power. Given that it is easier to buy assets than build them, utility investors can expect more acquisitions in the years to come. Pending details of important climate change policy will likely lead utility managements to make long-term strategic decisions, such as acquisitions. We look for larger European utilities, especially the Iberian utilities, to pursue growth in North America and Latin America. In early 2010, these companies expect to receive over €10 billion in cash refunds relating to previous under-recoveries from the Spanish government.

We expect utility stocks to provide solid, low risk total return potential over the next few years. Their relatively safe, high dividends provide support to stock prices, and their stable, predictable earnings should be much less volatile than many other industry groups. In addition, the material “pick-up” in rate case activity is expected to drive earnings growth in 2010. Economic stimulus plans continue to enhance cash flows of many companies in the utility industry and provide some assurance of rate recognition of higher capital investments. We are particularly encouraged by the administration’s emphasis on increased infrastructure investment to modernize the electric grid and on accelerated investment in alternative energy, which will provide more efficient products for customers as well as new base rates on which utility companies will be allowed to earn a return for their investors.

COMMENTARY

In the upcoming year, we believe that investors will continue to look for dividend paying stocks with low betas and low fundamental risk. Utility stocks fit this description. Across the utilities sector, we see many opportunities to buy the stocks of good companies with strong earnings growth potential and relatively safe and growing dividends, trading at attractive valuations.

Some of the best performers among the major holdings of the Fund during the fourth quarter were: NSTAR (NST) (1.3% of net assets as of December 31, 2009), TECO Energy (TE) (0.3%), and El Paso Electric (EE) (1.0%). TE and EE benefited from recent and anticipated constructive rate relief while NST sold a non-core asset, which further improved its future cash flow outlook.

Future Green World Policies a Key Long-Term Consideration

Global warming is an overwhelming public policy concern, and we believe climate change legislation to lower carbon dioxide emissions and slow down global warming is inevitable. Like many large countries, over half of U.S. electricity is produced from coal fired generation, and nearly three-quarters from fossil fuels. President Obama and the Democratic majority in both houses of Congress are pushing for aggressive reductions in carbon dioxide emissions from power plants, compared with the views of the previous administration. It appears likely that a “cap-and-trade” system for greenhouse gas emissions (“GHGs”) will be implemented sometime in the near future, as well as federal and state mandates to increase the percentage of electric output to be derived from renewable energy such as wind farms and solar plants. This is more in line with the policies already in place in Europe.

Legislation passed in the fall of 2008, combined with the February 2009 American Recovery and Reinvestment Act, permits U.S. utilities to accelerate the use of tax credits from investment in alternative energy power plants and provides for more than \$60 billion in loan guarantees for companies to pursue investments in the electric grid and alternative energy. While wind generation makes up less than 3% of total U.S. generation, this percentage is expected to increase dramatically over the next decade as wind farms are built throughout Montana, the Dakotas, Minnesota, Wyoming, Iowa, Kansas, Texas, and other wind rich states.

Over the long term, we anticipate increased utility investment in renewable generation, specifically wind and solar plants, smart grid technology, and long haul transmission lines. The investments are likely to be received favorably by utility regulators and offer the opportunity for long-term earnings growth. The FERC regulates transmission investment and also promotes it via higher allowed profit levels, including 12.5%+ allowed ROEs. Smart grid technology and advanced meters allow for real time communication between power users and providers, which will ultimately lead to efficiencies, lower utility bills, and higher margins. Moreover, we expect a second wave of nuclear generation to be added over the 2020-2030 time period. Advancing efforts and technology improvements offer longer term potential to develop an electric vehicle, which could lead to substantial increases in future electric consumption.

Cap and Trade

A cap-and-trade system would call for a mandatory reduction in total emissions, most importantly carbon. Utilities unable to meet the reduction requirements would be allowed to purchase the preset number of credits made available by the government. A market based trading system would develop for such emission credits, and the number of credits would decline in future years. The bill that cleared the House called for roughly 35% of the credits made available to be allocated to the industry in the initial years of the program. Fortunately for utilities, the “free” allocation of credits would act to delay and/or mitigate the initial negative financial impact. In

addition, state public utility regulators will likely allow cost of compliance, which includes the purchase of credits, to be passed on to customers.

Growing the Nation's Power Highway

Expanding the archaic U.S. electric grid to move power from unpopulated wind regions to load centers as well as freeing up existing "bottlenecks" in the system represents one of the better investment opportunities for the sector. The FERC, not state public utility commissions, regulates transmission, and it wants more investment in the grid. Transmission investment generally receives higher profit levels, more incentives, and easier recovery than investment in the jurisdictions regulated by state public utility commissions. Utilities have proposed billions of dollars in projects for longer "power highways" that will enhance future earnings growth potential.

Another Wave of Nuclear Plants

Over the long term, large baseload generation plants that can operate at low marginal costs will be needed to meet growing demand and replace older coal fired units. Given that wind farms only run when the wind blows, solar plants only run when the sun shines, and natural gas prices have proven volatile, it appears that a new wave of nuclear plants will be needed. Incentives from the 2005 energy legislation already provide generous loan guarantees for companies that build new nuclear plants, and more than two dozen nuclear construction license requests are now awaiting approval from the Nuclear Regulatory Commission. Actual construction on the first new wave of plants is expected to begin in 2011, with operations starting in 2016 and 2017. We believe that the value of existing nuclear plants, as well as those currently being developed, will only increase as the number of coal fired plants diminishes over time. The inherent value of nuclear plants will become more evident should natural gas prices recover from their current cyclical depression.

Today's Investment Results in Tomorrow's Earnings

The utility sector remains in the early stages of another round of investment. Utilities build, own, and operate infrastructure: power plants, transmission lines, gas pipelines, distribution systems, gas storage facilities, and water treatment plants. After a five year lull in capital spending, utilities have increased capital investment to operate in a more environmentally friendly manner and replace aging infrastructure while meeting growing demand. The politicians and general public are supportive, if not at least understanding, of the need for infrastructure investment.

Regulated utilities generate income when regulators set rates that allow utilities a reasonable opportunity to earn a return on their investment or rate base. Therefore, there is a direct correlation between accelerating long-term earnings prospects and accelerating capital budgets. Given generally strong balance sheets, utilities are well positioned to meet their investment obligations. The number of rate increase requests has picked up significantly over the past twelve months, and rate increases authorized recently and in the near future will drive earnings growth in the sector.

Our Approach

There are nearly seventy publicly traded, investor owned electric utilities in the U.S. This is fifty more than we need from the standpoint of economic efficiency. Small natural gas distribution companies make no economic sense either. The balkanized structure of the industry is inherently inefficient and competitive forces are now putting pressure on the marginal players. The big companies feel the need to be bigger to achieve scale economies, and the small companies are selling out as the cost of staying in the game rises. It is only because of a complex and lengthy merger review and approval process that the industry remains as fragmented as it currently is. Our investments in regulated companies have primarily, though not exclusively, focused on fundamentally sound, reasonably priced mid cap and small cap utilities that are likely acquisition targets for large utilities seeking increased bulk.

We also like the beneficiaries of developing trends. This has led to our ongoing focus on nuclear power utilities and utilities with material wind development pipelines as a way to benefit from the need for more power from carbon free generation. We favor utilities with pending transmission line developments and also focus on natural gas pipelines and storage operators as a way to take advantage of the growing demand for natural gas in the U.S.

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. The share prices of the following holdings are stated in U.S. dollars or U.S. dollar equivalent terms as of December 31, 2009.

Allegheny Energy Inc. (2.0% of net assets as of December 31, 2009) (AYE - \$23.48 - NYSE), based in Greensburg, Pennsylvania, owns three electric utility companies serving parts of Pennsylvania, West Virginia, Maryland, and Virginia. AYE also owns unregulated generating assets located primarily in the Mid-Atlantic region. AYE shares have been oversold due to unwarranted fear concerning its large unregulated coal fired generation fleet, which happens to be among the lowest cost units in the region. Earnings are expected to grow materially over the next few years due to higher wholesale power profit margins as most of AYE's power plants transition from selling power at fixed prices to selling power at much higher, market based prices. Climate change legislation, in its current form, will not hurt this generation portfolio as much as feared. Completion of major transmission lines by AYE also should add to earnings.

El Paso Electric (1.0%) (EE - \$20.28 - NYSE) is a vertically integrated electric utility serving 365,000 customers in and around El Paso, Texas and Las Cruces, New Mexico. We consider El Paso Electric to be a low risk traditional utility investment with solid earnings growth potential after its increased effort in both of its regulatory jurisdictions. During December 2009, EE filed its first Texas rate case in fifteen years and achieved a new rate order in New Mexico.

FPL Group Inc. (2.3%) (FPL - \$52.82 - NYSE) is expected to be one of the biggest beneficiaries of the pending climate change policy. FPL's non-regulated subsidiary, NextEra Energy Resources, is the nation's largest builder, owner, and operator of wind farms. NextEra benefits from a competitive advantage in wind development and a pipeline of future wind farms totaling roughly 30,000 megawatts. FPL's regulated utility, Florida Power & Light Company, is one of the largest, best operated, and historically fastest growing utilities in the U.S. While the recession has hit Florida's economy hard, a pending rate case could reset rates based on current sales

levels, recognize the sizeable investments the company has made, and lead to strong regulated utility growth in 2010. In addition, FPL has one of the strongest balance sheets in the utility industry and it is one of the few companies in the sector to raise its dividend every year for the past decade.

Maine & Maritimes (0.4%) (MAM - \$34.80 - AMEX) is the parent company of Maine Public Service Company, a regulated electric transmission and distribution utility serving approximately 36,000 electricity customer accounts in Northern Maine. MAM is also the parent company of MAM Utility Services Group, an unregulated corporation that provides electrical services including transmission line and substation design and construction. Maine & Maritimes has recently been focusing on a transmission solution linking northern Maine to the rest of the state and that would create essential access to the New England power market for future renewable resources.

National Fuel Gas Co. (3.6%) (NFG - \$50.00 - NYSE) is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, NY. It also owns major gas pipelines that move gas from the Midwest and Canada down to New York City and to New England. However, NFG's largest business, providing more than 40% of earnings, is its domestic production of natural gas and oil. Under the name Seneca Resources, NFG and its joint venture partner EOG Resources have been successfully drilling for natural gas in a very promising region of the Northeast called the Marcellus Shale. It has continued to increase its dividend for almost forty years.

Northeast Utilities (0.8%) (NU - \$25.79 - NYSE), the holding company for four regulated distribution utilities in the Northeast, is a transmission play. NU expects that a significant portion of its capital investment over the next several years will be for transmission infrastructure, and projects its total transmission rate base to more than double to nearly \$5.0 billion by year end 2013. In May 2009, FERC conceptually approved NU's proposed 150-200 mile transmission line that would deliver about 1,200 megawatts of "no carbon" hydroelectric power from Quebec to New England. The company is moving forward on several other transmission projects in Connecticut that will relieve bottlenecks and improve reliability in the heavily populated region. NU's business model is somewhat desensitized to the economy given numerous adjustment clauses and other mechanisms.

NSTAR (1.3%) (NST - \$36.80 - NYSE) is a consolidation play in the New England region. NST is primarily an electric transmission and distribution utility serving the Boston and Cape Cod regions of Massachusetts. NST also owns a small gas utility. The northeast region of the U.S. has been the most active area for consolidation activity among utilities, including the acquisition of KeySpan by National Grid in August 2007 and the takeover of Energy East by Iberdrola in September 2008. In the interim, the company benefits from a relatively strong Boston economy, constructive annual rate adjustments, and significant transmission projects such as the proposed 1,200 megawatt hydroelectric transmission line the company is jointly pursuing with Northeast Utilities.

PNM Resources (1.6%) (PNM - \$21.72 - NYSE) is a public utility holding company headquartered in Albuquerque, New Mexico. Regulated electric utility subsidiaries include Public Service Company of New Mexico (PSNM) and Texas-New Mexico Power Company (TNMP) and non-regulated subsidiaries include Optim Energy (Optim) and First Choice Power (FCP). PNM is a solid turnaround story driven by an improved New Mexico regulatory environment and significant focus on improving operations of non-regulated businesses. Historically, PNM has experienced above average customer growth and below average regulatory treatment. However, it appears as though the New Mexico regulatory environment is improving and legislation recently passed allowing for a forward looking test year.

SCANA Corp. (0.9%) (SCG - \$37.68 - NYSE) is the parent company of regulated utilities South Carolina Electric & Gas (SCE&G) and Public Service Company of North Carolina (PSNC). It is a play on the buildout of new nuclear plants, as the company has a constructive regulatory environment that will allow it to recover ongoing construction financing costs. In May of 2007, the Base Load Review Act (BLRA) became law in South Carolina and established a procedure allowing an investor owned electric utility to recover some of the costs of constructing a new large generating facility prior to the completion of the project, as long as the plant is constructed in accordance with the schedules, estimates, and projections set forth in the approved application. Currently, SCE&G, in a joint venture with the state owned utility South Carolina Public Service Authority (Santee Cooper), is set to build two 1,117 megawatt nuclear units, to be completed in 2016 and 2019.

Westar Energy Inc. (2.0%) (WR - \$21.72 - NYSE) is another turnaround story since its large divestiture of non-core assets, which enabled it to reduce a significant amount of debt. The balance sheet is solid, with common equity representing 45% of total capitalization. Westar is building several smaller transmission projects in Kansas and has joint venture to build a large \$400 million transmission project in southern Kansas. The company benefits from its ability to recover transmission costs through several automatic mechanisms.

Wisconsin Energy Corp. (1.4%) (WEC - \$49.83 - NYSE) is the holding company for Wisconsin Electric, that state's largest electric utility. WEC shares offer a near term outlook of free cash flow, above average EPS and dividend growth, nearly completed new baseload coal plants from its "Power the Future" plan, and significant opportunities for renewable rate base growth. Over the next few years, WEC's capital program is projected to decline, and "already granted" rate recognition of its investments should drive earnings and cash flow growth mechanisms.

Sincerely,



Mario J. Gabelli, CFA
Team Portfolio Manager

January 29, 2010

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 Utilities Fund, Mr. Gabelli received \$1,956,850 in calendar 2008. In 1999, the Fund's first year of operation starting in August, Mr. Gabelli received less than \$25,000. As beneficial owner, he had \$399,049 invested in The Gabelli Utilities Fund as of December 31, 2009, which includes the holdings of GAMCO Asset Management, Inc. and GGCP, Inc., GBL's parent holding company.

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 in seven days or less of a purchase. See the prospectus for more details.

www.gabelli.com

Please visit us on the Internet. Our homepage at 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.

The Fund's daily net asset value is available in the financial press and each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). The Fund's Nasdaq symbol is GABUX for Class AAA Shares. Please call us during the business day for further information.

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

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.

Multi-Class Shares

The Gabelli Utilities Fund began offering additional classes of Fund shares on December 31, 2002. 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 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 – December 31, 2009 (a)					
	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	15.48%	15.57%	14.65%	14.55%	15.78%
		8.93(c)	9.65(d)	13.55(e)	
5 Year	5.75	5.79	4.97	4.98	5.84
		4.54(c)	4.64(d)	4.98	
10 Year	5.18	5.22	4.61	4.65	5.22
		4.59(c)	4.61	4.65	
Life of Fund (b)	7.07	7.10	6.51	6.54	7.11
		6.49(c)	6.51	6.54	
Current expense ratio	1.43	1.43	2.18	2.18	1.18
Maximum sales charge . . .	None	5.75	5.00	1.00	None
Ticker Symbols	GABUX	GAUAX	GAUBX	GAUCX	GAUIX

(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. Current performance may be lower or higher than the performance data presented. Visit 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 value of utility stocks change as long-term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. The Class AAA Share 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, 2002 and Class I Shares on January 11, 2008. 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 of the Class I Shares would have been higher due to lower expenses related to this class of shares.

(b) Performance is calculated from inception of Class AAA Shares on August 31, 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 and five year periods of 5% 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.

(e) Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the one year period 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.

The Gabelli Utilities Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

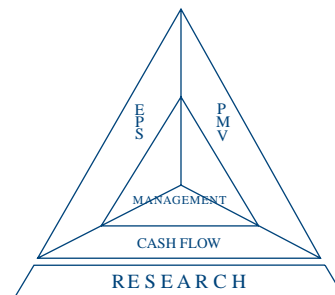
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

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800-GABELLI after 7:00 P.M.



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The Gabelli Utilities Fund

*Morningstar® rated The Gabelli Utilities Fund Class
AAA Shares 4 stars overall and 5 stars for the three
year period and 4 stars for the five and ten year
periods ended December 31, 2009 among 97, 97, 80,
and 52 Specialty-Utilities funds, respectively.*

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

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SHAREHOLDER COMMENTARY
DECEMBER 31, 2009

The Gabelli Utilities Fund

Annual Report – December 31, 2009

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Mario J. Gabelli, CFA

To Our Shareholders,

The Sarbanes-Oxley Act requires a fund's principal executive and financial officers to certify the entire contents of the semi-annual and annual shareholder reports in a filing with the Securities and Exchange Commission (the "SEC") on Form N-CSR. This certification would cover the portfolio managers' commentary and subjective opinions if they are attached to or a part of the financial statements. Many of these comments and opinions would be difficult or impossible to certify.

Because we do not want our portfolio managers to eliminate their opinions and/or restrict their commentary to historical facts, we have separated their commentary from the financial statements and investment portfolio and have sent it to you separately. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com/funds.

Enclosed are the audited financial statements including the investment portfolio as of December 31, 2009 with a description of factors that affected the performance during the past year.

Performance Discussion (Unaudited)

For the 12 months ended December 31, 2009, The Gabelli Utilities Fund (the "Fund") (Class AAA) net asset value ("NAV") per share rose 15.48% compared with gains of 11.91% and 16.43% for the S&P 500 Utilities Index and the Lipper Utility Fund Average, respectively.

The utility sector provided investors with total returns of approximately 10-12% in 2009, with returns of over 40% since March 2009. Roughly half of this annual total return came in the form of dividends, and nearly all of the annual price appreciation occurred with the fourth quarter's 6% price advance. As could be expected, the sector's recovery lagged the overall market recovery in the second and third quarters as initial investor optimism regarding an economic recovery was directed towards the higher beta cyclical and growth sectors.

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund's three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund's monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA Share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative. ©2009 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

However, the group advanced solidly in the fourth quarter as it has become more likely that the U.S. will experience a slower and more prolonged recovery than many had predicted. A slowly recovering economy provides a better macroeconomic environment for the near-term relative performance of the defensive utility sector, and we continue to believe that utility stocks offer attractive low risk total return potential. While the group was decidedly cheap in the second quarter and provided easier opportunities for value investing, the recent appreciation has resulted in more normalized valuation multiples.

Selected holdings that contributed positively to performance in 2009 were National Fuel Gas Co. (3.6% of net assets as of December 31, 2009), Constellation Energy Group Inc., (1.6%), Rolls-Royce Group, (1.5%), and OGE Energy Corp. (1.3%). Some of our weaker performing stocks during the year were Allegheny Energy Inc. (2.0%), CH Energy Group Inc. (1.4%), and Exelon Corp. (1.1%).

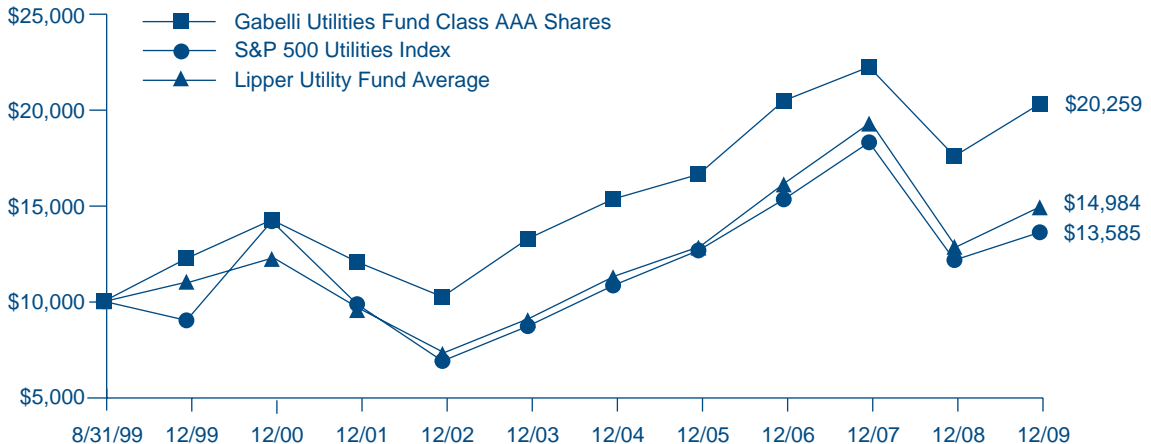
Sincerely yours,



Bruce N. Alpert
President

February 19, 2010

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI UTILITIES FUND CLASS AAA SHARES AND THE S&P 500 UTILITIES INDEX (Unaudited)



Past performance is not predictive of future results. The performance tables and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

Comparative Results

Average Annual Returns through December 31, 2009 (a) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (8/31/99)
Gabelli Utilities Fund Class AAA	4.64%	15.48%	(0.28)%	5.75%	5.18%	7.07%
S&P 500 Utilities Index	7.26	11.91	(1.74)	6.05	4.88	3.69
Lipper Utility Fund Average	5.76	16.43	(2.80)	5.43	3.38	4.18
Class A	4.62	15.57	(0.23)	5.79	5.22	7.10
	(1.40)(b)	8.93(b)	(2.18)(b)	4.54(b)	4.59(b)	6.49(b)
Class B	4.34	14.65	(1.01)	4.97	4.61	6.51
	(0.66)(c)	9.65(c)	(2.01)(c)	4.64(c)	4.61	6.51
Class C	4.31	14.55	(1.00)	4.98	4.65	6.54
	3.31(d)	13.55(d)	(1.00)	4.98	4.65	6.54
Class I	4.62	15.78	(0.14)	5.84	5.22	7.11

In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.43%, 1.43%, 2.18%, 2.18%, and 1.18%, respectively. See page 12 for the expense ratios for the year ended December 31, 2009. 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 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 values of utility stocks change as long-term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. 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, 2002 and Class I Shares on January 11, 2008. 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 of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Utilities Index is an unmanaged indicator of electric and gas utility stock performance, while the Lipper Utility 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.

(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, one year, three year, and five year periods of 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 and one year periods of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.

The Gabelli Utilities Fund

Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from July 1, 2009 through December 31, 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. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended December 31, 2009.

	Beginning Account Value 07/01/09	Ending Account Value 12/31/09	Annualized Expense Ratio	Expenses Paid During Period*
<i>The Gabelli Utilities Fund</i>				
Actual Fund Return				
Class AAA	\$1,000.00	\$1,161.90	1.47%	\$ 8.01
Class A	\$1,000.00	\$1,162.80	1.47%	\$ 8.01
Class B	\$1,000.00	\$1,158.00	2.22%	\$12.08
Class C	\$1,000.00	\$1,156.90	2.22%	\$12.07
Class I	\$1,000.00	\$1,163.00	1.22%	\$ 6.65
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,017.80	1.47%	\$ 7.48
Class A	\$1,000.00	\$1,017.80	1.47%	\$ 7.48
Class B	\$1,000.00	\$1,014.01	2.22%	\$11.27
Class C	\$1,000.00	\$1,014.01	2.22%	\$11.27
Class I	\$1,000.00	\$1,019.06	1.22%	\$ 6.21

* 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 total net assets as of December 31, 2009:

The Gabelli Utilities Fund

Energy and Utilities	69.5%	Other	3.7%
Communications	15.7%	Other Assets and Liabilities (Net)	0.1%
U.S. Government Obligations	11.0%		<u>100.0%</u>

The Fund files a complete schedule of portfolio holdings with 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 September 30, 2009. Shareholders may obtain this information at 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 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.

2009 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2009, the Fund paid to shareholders ordinary income distributions (comprised of net investment income) totaling \$0.133 per share for all classes. For the year ended December 31, 2009, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003.

U.S. Government Income

The percentage of the ordinary income distribution paid by the Fund during 2009 which was derived from U.S. Treasury securities was 0.10%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli Utilities Fund did not meet this strict requirement in 2009. The percentage of U.S. Government securities held as of December 31, 2009 was 11.04%. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

All designations are based on financial information available as of the date of this annual report and, accordingly, are subject to change. For each item, it is the intention of the Fund to designate the maximum amount permitted under the Internal Revenue Code and the regulations thereunder.

The Gabelli Utilities Fund

Statement of Assets and Liabilities December 31, 2009

Assets:

Investments, at value (cost \$780,062,594)	\$803,796,407
Foreign currency, at value (cost \$1,677)	1,681
Receivable for Fund shares sold	10,127,009
Unrealized appreciation on swap contracts	1,862
Dividends and interest receivable	1,559,285
Prepaid expenses	70,388
Total Assets	815,556,632

Liabilities:

Payable to custodian	13,848
Payable for investments purchased	7,704,963
Payable for Fund shares redeemed	1,563,192
Payable for investment advisory fees	657,257
Payable for distribution fees	360,476
Payable for accounting fees	11,250
Other accrued expenses	517,707
Total Liabilities	10,828,693

Net Assets applicable to 128,250,966

shares outstanding \$804,727,939

Net Assets Consist of:

Paid-in capital	\$790,102,333
Undistributed net investment income	58,959
Accumulated net realized loss on investments, swap contracts, and foreign currency transactions	(9,169,426)
Net unrealized appreciation on investments	23,733,813
Net unrealized appreciation on swap contracts	1,862
Net unrealized appreciation on foreign currency translations	398
Net Assets	\$804,727,939

Shares of Beneficial Interest:
Class AAA:

Net Asset Value, offering, and redemption price per share (\$189,533,702 ÷ 29,330,894 shares outstanding, at \$0.001 par value; unlimited number of shares authorized) \$6.46

Class A:

Net Asset Value and redemption price per share (\$278,606,747 ÷ 42,868,835 shares outstanding, at \$0.001 par value; unlimited number of shares authorized) \$6.50

Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price) \$6.90

Class B:

Net Asset Value and offering price per share (\$245,910 ÷ 41,378 shares outstanding, at \$0.001 par value; unlimited number of shares authorized) \$5.94 (a)

Class C:

Net Asset Value and offering price per share (\$319,960,227 ÷ 53,486,060 shares outstanding, at \$0.001 par value; unlimited number of shares authorized) \$5.98 (a)

Class I:

Net Asset Value, offering, and redemption price per share (\$16,381,353 ÷ 2,523,799 shares outstanding, at \$0.001 par value; unlimited number of shares authorized) \$6.49

Statement of Operations For the Year Ended December 31, 2009

Investment Income:

Dividends (net of foreign taxes of \$444,740)	\$ 25,100,166
Interest	155,923
Total Investment Income	25,256,089

Expenses:

Investment advisory fees	6,227,750
Distribution fees – Class AAA	345,300
Distribution fees – Class A	533,124
Distribution fees – Class B	2,292
Distribution fees – Class C	2,618,440
Shareholder services fees	769,463
Shareholder communications expenses	203,268
Custodian fees	115,387
Registration expenses	96,084
Trustees' fees	46,750
Legal and audit fees	46,499
Accounting fees	45,000
Interest expense	48
Miscellaneous expenses	70,909
Total Expenses	11,120,314

Less:

Custodian fee credits (6)

Net Expenses 11,120,308

Net Investment Income 14,135,781

Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:

Net realized loss on investments	(4,671,187)
Net realized gain on swap contracts	35,856
Net realized gain on foreign currency transactions	59,819
Net realized loss on investments, swap contracts, and foreign currency transactions	(4,575,512)
Net change in unrealized appreciation/depreciation: on investments	83,905,364
on swap contracts	(747)
on foreign currency translations	2,653

Net change in unrealized appreciation/depreciation on investments, swap contracts, and foreign currency translations 83,907,270

Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency 79,331,758

Net Increase in Net Assets Resulting from Operations \$ 93,467,539

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

See accompanying notes to financial statements.

The Gabelli Utilities Fund

Statement of Changes in Net Assets

	<u>Year Ended</u> <u>December 31, 2009</u>	<u>Year Ended</u> <u>December 31, 2008</u>
Operations:		
Net investment income	\$ 14,135,781	\$ 10,663,107
Net realized loss on investments, swap contracts, and foreign currency transactions	(4,575,512)	(2,344,126)
Net change in unrealized appreciation/depreciation on investments, swap contracts, and foreign currency translations	<u>83,907,270</u>	<u>(168,722,331)</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>93,467,539</u>	<u>(160,403,350)</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(3,075,114)	(2,088,307)
Class A	(4,713,352)	(3,636,534)
Class B	(5,488)	(4,728)
Class C	(6,213,255)	(4,803,967)
Class I	<u>(210,483)</u>	<u>(33,465)</u>
	<u>(14,217,692)</u>	<u>(10,567,001)</u>
Net realized gain		
Class AAA	—	(313,299)
Class A	—	(545,574)
Class B	—	(710)
Class C	—	(720,719)
Class I	<u>—</u>	<u>(5,022)</u>
	<u>—</u>	<u>(1,585,324)</u>
Return of capital		
Class AAA	(16,277,524)	(12,360,158)
Class A	(24,949,225)	(21,523,718)
Class B	(29,047)	(27,983)
Class C	(32,888,670)	(28,433,460)
Class I	<u>(1,114,153)</u>	<u>(198,070)</u>
	<u>(75,258,619)</u>	<u>(62,543,389)</u>
Total Distributions to Shareholders	<u>(89,476,311)</u>	<u>(74,695,714)</u>
Shares of Beneficial Interest Transactions:		
Class AAA	63,298,144	7,935,944
Class A	73,115,804	22,719,949
Class B	6,374	3,039
Class C	65,241,400	47,278,222
Class I	<u>8,921,410</u>	<u>7,560,758</u>
Net Increase in Net Assets from Shares of Beneficial Interest Transactions	<u>210,583,132</u>	<u>85,497,912</u>
Redemption Fees	<u>1,844</u>	<u>2,487</u>
Net Increase/(Decrease) in Net Assets	<u>214,576,204</u>	<u>(149,598,665)</u>
Net Assets:		
Beginning of period	<u>590,151,735</u>	<u>739,750,400</u>
End of period (including undistributed net investment income of \$58,959 and \$55,720, respectively)	<u><u>\$804,727,939</u></u>	<u><u>\$ 590,151,735</u></u>

See accompanying notes to financial statements.

The Gabelli Utilities 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 (a)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Net Investment Income	Net Realized Gain on Investments	Return of Capital	Total Distributions	Redemption Fees (b)(b)	Net Asset Value, End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income	Operating Expenses	Portfolio Turnover Ratio††
Class AAA															
2009	\$6.43	\$0.16	\$ 0.71	\$ 0.87	\$(0.13)	\$(0.02)	\$(0.71)	\$(0.84)	\$0.00	\$6.46	15.5%	\$189,534	2.57%	1.47%(c)	12%
2008	9.08	0.15	(1.96)	(1.81)	(0.12)	(0.02)	(0.70)	(0.84)	0.00	6.43	(20.9)	123,864	1.92	1.43(c)	19
2007	9.16	0.17	0.60	0.76	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)	9.08	8.6	161,930	1.78	1.42(c)	19
2006	8.20	0.16	1.63	1.80	(0.16)	(0.18)	(0.50)	(0.84)	0.00	9.16	23.1	157,645	2.02	1.44	24
2005	8.36	0.15	0.53	0.68	(0.15)	(0.09)	(0.60)	(0.84)	0.00	8.20	8.4	124,437	1.79	1.50	18
Class A															
2009	\$6.46	\$0.16	\$ 0.72	\$ 0.88	\$(0.13)	—	\$(0.71)	\$(0.84)	\$0.00	\$6.50	15.6%	\$278,607	2.58%	1.47%(c)	12%
2008	9.12	0.15	(1.97)	(1.82)	(0.12)	(0.02)	(0.70)	(0.84)	0.00	6.46	(20.9)	202,112	1.92	1.43(c)	19
2007	9.15	0.16	0.61	0.77	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)	9.12	8.7	267,468	1.78	1.42(c)	19
2006	8.23	0.18	1.62	1.80	(0.16)	(0.18)	(0.50)	(0.84)	0.00	9.16	23.0	201,124	2.02	1.44	24
2005	8.38	0.16	0.53	0.69	(0.15)	(0.09)	(0.60)	(0.84)	0.00	8.23	8.5	81,869	1.88	1.50	18
Class B															
2009	\$6.02	\$0.10	\$ 0.66	\$ 0.76	\$(0.13)	—	\$(0.71)	\$(0.84)	\$0.00	\$5.94	14.7%	\$ 246	1.86%	2.22%(c)	12%
2008	8.63	0.09	(1.86)	(1.77)	(0.12)	(0.02)	(0.70)	(0.84)	0.00	6.02	(21.6)	243	1.16	2.18(c)	19
2007	8.80	0.09	0.56	0.67	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)	6.63	7.9	343	1.02	2.17(c)	19
2006	7.97	0.11	1.56	1.67	(0.12)	(0.18)	(0.54)	(0.84)	0.00	8.80	22.1	347	1.28	2.19	24
2005	8.20	0.08	0.53	0.61	(0.09)	(0.09)	(0.66)	(0.84)	0.00	7.97	7.6	331	1.01	2.25	18
Class C															
2009	\$6.06	\$0.10	\$ 0.66	\$ 0.76	\$(0.13)	—	\$(0.71)	\$(0.84)	\$0.00	\$5.98	14.6%	\$319,960	1.84%	2.22%(c)	12%
2008	8.67	0.09	(1.86)	(1.77)	(0.12)	(0.02)	(0.70)	(0.84)	0.00	6.06	(21.5)	256,517	1.17	2.18(c)	19
2007	8.84	0.09	0.58	0.67	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)	8.67	7.8	316,009	1.04	2.17(c)	19
2006	8.00	0.11	1.57	1.68	(0.12)	(0.18)	(0.54)	(0.84)	0.00	8.84	22.1	209,691	1.27	2.19	24
2005	8.23	0.09	0.52	0.61	(0.09)	(0.09)	(0.66)	(0.84)	0.00	8.00	7.6	94,118	1.14	2.25	18
Class I															
2009	\$6.44	\$0.17	\$ 0.72	\$ 0.89	\$(0.13)	—	\$(0.71)	\$(0.84)	\$0.00	\$6.49	15.8%	\$ 16,381	2.82%	1.22%(c)	12%
2008(d)	8.94	0.16	(1.82)	(1.66)	(0.12)	(0.02)	(0.70)	(0.84)	0.00	6.44	(19.6)	7,416	2.34(c)(e)	1.18(c)(e)	19

† 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 a 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, and 2005 would have been 47%, 37%, and 33%, respectively.

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

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

(c) 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 ratio for the year ended December 31, 2007 would have been 1.41% (Class AAA and Class A) and 2.16% (Class B and Class C). For the years ended December 31, 2009 and 2008, the effect of custodian fee credits was minimal.

(d) From the commencement of offering Class I Shares on January 11, 2008 through December 31, 2008.

(e) Annualized.

See accompanying notes to financial statements.

The Gabelli Utilities Fund

Notes to Financial Statements

1. Organization. The Gabelli Utilities Fund (the “Fund”) was organized on May 18, 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 31, 1999. The Fund’s primary objective is to provide a high level of total return through a combination of capital appreciation and current income.

2. Significant Accounting Policies. The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) has become the exclusive reference of authoritative U.S. generally accepted accounting principles (“GAAP”) recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal laws are also sources of authoritative GAAP for SEC registrants. The ASC has superseded all existing non-SEC accounting and reporting standards. The Fund’s financial statements are prepared in accordance with GAAP, which may require the use of management estimates and assumptions. 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.

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 inputs and valuation techniques used to measure fair value of the Fund’s investments are summarized into three levels as described in the hierarchy 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

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

- 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 December 31, 2009 is as follows:

	Valuation Inputs			Total Market Value at 12/31/09
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
ENERGY AND UTILITIES				
Energy and Utilities: Merchant Energy	\$ 8,596,800	—	\$ 0	\$ 8,596,800
Other Industries (a)	549,549,382	—	—	549,549,382
COMMUNICATIONS				
Wireless Communications	32,153,460	—	0	32,153,460
Other Industries (a)	92,454,633	—	—	92,454,633
OTHER				
Aviation: Parts and Services	11,714,207	\$ 145,368	—	11,859,575
Other Industries (a)	18,330,339	—	—	18,330,339
Total Common Stocks	712,798,821	145,368	0	712,944,189
Convertible Preferred Stocks (a)	1,404,520	—	—	1,404,520
Rights (a)	6,000	—	—	6,000
Warrants:				
ENERGY AND UTILITIES				
Energy and Utilities: Merchant Energy	28,140	—	—	28,140
COMMUNICATIONS				
Telecommunications	—	609,532	—	609,532
Total Warrants	28,140	609,532	—	637,672
U.S. Government Obligations	—	88,804,026	—	88,804,026
TOTAL INVESTMENTS IN SECURITIES	\$714,237,481	\$89,558,926	\$ 0	\$803,796,407
OTHER FINANCIAL INSTRUMENTS:				
ASSETS (Unrealized Appreciation): *				
Contract for Difference Swap Agreement	\$ —	\$ 1,862	\$—	\$ 1,862

(a) Please refer to the Schedule of Investments for the industry classifications of these portfolio holdings.

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

Derivative Financial Instruments.

The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purpose of increasing the income of the Fund or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Investing in certain derivative financial instruments, including participation in the options, futures, or swap markets, entails certain execution, liquidity, hedging, tax, and securities, interest, credit, or currency market risks. Losses may arise if the Adviser's prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate. Losses may also arise if the counterparty does not perform its duties under a contract, or that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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 is 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. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities 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.

The Fund has entered into an equity contract for difference swap agreement with The Goldman Sachs Group, Inc. Details of the swap at December 31, 2009 are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation</u>
\$107,826 (22,000 Shares)	Market Value Appreciation on: International Power plc	One month LIBOR plus 90 bps plus Market Value Depreciation on: International Power plc	6/25/10	\$1,862

The Fund increased the volume of activity in equity contract for difference swap agreements during the year ended December 31, 2009 with an average notional amount of approximately \$87,470.

As of December 31, 2009, the value of equity contract for difference swap agreements that were held with equity risk exposure can be found in the Statement of Assets and Liabilities under Assets, Unrealized appreciation on swap contracts.

For the year ended December 31, 2009, the effect of equity contract for difference swap agreements with equity risk exposure can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency, Net realized gain on swap contracts and Net change in unrealized appreciation/depreciation on swap 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. During the year ended December 31, 2009, the Fund had no investments in forward foreign exchange contracts.

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

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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 December 31, 2009, there were no open repurchase agreements.

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 inability 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 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.

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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 and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions made in excess of current earnings and profits on a tax basis are treated as a non-taxable return of capital. Distributions from net investment for federal income tax purposes 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. Permanent differences were primarily due to recharacterization of distributions and swap gain reclasses. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2009, reclassifications were made to decrease accumulated distributions in excess of net investment income by \$85,150 and to increase accumulated net realized loss on investments, swap contracts, and foreign currency transactions by \$100,934, with an offsetting adjustment to paid-in capital.

The tax character of distributions paid during the years ended December 31, 2009 and December 31, 2008, was as follows:

	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>
Distributions paid from:		
Ordinary income (inclusive of short-term capital gains)	\$14,217,692	\$10,567,001
Net long-term capital gains	—	1,585,324
Return of capital	75,258,619	62,543,389
Total distributions paid	<u>\$89,476,311</u>	<u>\$74,695,714</u>

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

Since January 2000, the Fund has had a fixed distribution policy. Under the policy, the Fund declares and pays monthly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year are made in excess of required distributions. To the extent such distributions are made from current earnings and profits, they are considered ordinary income or long-term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pass through to shareholders all of its net realized long-term capital gains as a Capital Gain Dividend, subject to the maximum federal income tax rate of 15%, and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 35%. The Board continues to evaluate the distribution policy in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future. The current annualized rate is \$0.84 per share.

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.

As of December 31, 2009, the components of accumulated earnings/losses on a tax basis were as follows:

Accumulated capital loss carryforwards	\$ (5,738,593)
Net unrealized appreciation on investments, swap contracts and foreign currency translations	20,368,271
Other temporary differences*	(4,072)
Total	<u>\$14,625,606</u>

* Other temporary differences are primarily due to accrued income on hybrid securities and mark-to-market and accrual adjustments on investments in swap contracts.

At December 31, 2009, the Fund had net capital loss carryforwards for federal income tax purposes of \$5,738,593, which are available to reduce future required distributions of net capital gains to shareholders through 2017.

At December 31, 2009, the difference between book basis and tax basis unrealized appreciation was primarily due to deferral of losses from wash sales for tax purposes and basis adjustments on investments in partnerships.

The following summarizes the tax cost of investments and the related unrealized appreciation/depreciation at December 31, 2009:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Investments	\$783,430,396	\$65,887,923	\$(45,521,912)	\$20,366,011

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed to not meet the more-likely-than-not threshold. For the year ended December 31, 2009, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2009, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund's net assets or results of operations. Tax years ended December 31, 2007 through December 31,

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

2009, remain subject to examination by the Internal Revenue Service and state taxing authorities. On an ongoing basis, the Adviser will monitor its tax positions to determine if adjustments to this conclusion are necessary.

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 Fund pays each Trustee who is not considered an affiliated person an annual retainer of \$3,000 plus \$1,000 for each Board meeting attended. 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 an annual fee of \$1,000. 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.

5. Portfolio Securities. Purchases and sales of securities for the year ended December 31, 2009, other than short-term securities and U.S. Government obligations, aggregated \$121,714,287 and \$45,475,193, respectively.

Purchases and sales of U.S. Government obligations for the year ended December 31, 2009, other than short-term obligations aggregated \$4,342,688 and \$28,143,415, respectively.

6. Transactions with Affiliates. During the year ended December 31, 2009, the Fund paid brokerage commissions on security trades of \$202,342 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$651,043 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. During the year ended December 31, 2009, the Fund paid or accrued \$45,000 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 the federal funds rate 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 year ended December 31, 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 are offered without a sales charge

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

only to investors who acquire them directly from Gabelli & Company, through selected broker/dealers, or the transfer agent. Class I Shares are offered to foundations, endowments, institutions, and employee benefit plans without a 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. Class I Shares were first issued on January 11, 2008.

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 years ended December 31, 2009 and December 31, 2008 amounted to \$1,844 and \$2,487, 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 beneficial interest were as follows:

	Year Ended December 31, 2009		Year Ended December 31, 2008*	
	Shares	Amount	Shares	Amount
Class AAA				
Shares sold	14,651,030	\$ 90,485,673	7,485,201	\$ 54,692,572
Shares issued upon reinvestment of distributions	2,462,380	14,845,212	1,447,640	10,884,722
Shares redeemed	(7,042,972)	(42,032,741)	(7,498,231)	(57,641,350)
Net increase	<u>10,070,438</u>	<u>\$ 63,298,144</u>	<u>1,434,610</u>	<u>\$ 7,935,944</u>
Class A				
Shares sold	16,375,320	\$101,619,460	9,529,572	\$ 74,506,509
Shares issued upon reinvestment of distributions	2,313,584	13,999,716	1,661,474	12,625,283
Shares redeemed	(7,097,239)	(42,503,372)	(8,573,955)	(64,411,843)
Net increase	<u>11,591,665</u>	<u>\$ 73,115,804</u>	<u>2,617,091</u>	<u>\$ 22,719,949</u>
Class B				
Shares sold	—	—	650	\$ 3,976
Shares issued upon reinvestment of distributions	1,153	\$ 7,256	456	3,205
Shares redeemed	(165)	(882)	(470)	(4,142)
Net increase	<u>988</u>	<u>\$ 6,374</u>	<u>636</u>	<u>\$ 3,039</u>
Class C				
Shares sold	14,382,795	\$ 83,001,233	10,624,623	\$ 80,311,588
Shares issued upon reinvestment of distributions	4,143,147	23,240,343	2,948,363	21,067,976
Shares redeemed	(7,385,803)	(41,000,176)	(7,663,671)	(54,101,342)
Net increase	<u>11,140,139</u>	<u>\$ 65,241,400</u>	<u>5,909,315</u>	<u>\$ 47,278,222</u>
Class I				
Shares sold	1,834,711	\$ 11,644,578	1,200,472	\$ 7,881,142
Shares issued upon reinvestment of distributions	202,647	1,223,147	12,707	95,199
Shares redeemed	(664,850)	(3,946,315)	(61,888)	(415,583)
Net increase	<u>1,372,508</u>	<u>\$ 8,921,410</u>	<u>1,151,291</u>	<u>\$ 7,560,758</u>

* From commencement of offering Class I Shares on January 11, 2008.

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

9. Concentration Risks. The Fund invests a high percentage of its assets in the utilities sector. As a result, the Fund may be more susceptible to economic, political, and regulatory developments, positive or negative, and may experience increased volatility to the Fund's NAV and a magnified effect in its total return.

10. 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.

11. 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 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.

12. Subsequent Events. Management has evaluated the impact on the Fund of events occurring subsequent to December 31, 2009 through February 25, 2010, 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 Utilities Fund

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
The Gabelli Utilities Fund

We have audited the accompanying statement of assets and liabilities of The Gabelli Utilities Fund (the "Fund"), including the schedule of investments, as of December 31, 2009, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2009, by correspondence with the Fund's custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Gabelli Utilities Fund at December 31, 2009, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the periods then ended, in conformity with U.S. generally accepted accounting principles.

Philadelphia, Pennsylvania
February 25, 2010

Ernst & Young LLP

The Gabelli Utilities Fund

Additional Fund Information (Unaudited)

The business and affairs of the Fund are managed under the direction of the Fund's Board of Trustees. Information pertaining to the Trustees and officers of the Fund is set forth below. The Fund's Statement of Additional Information includes additional information about the Fund's Trustees and is available without charge, upon request, by calling 800-GABELLI (800-422-3554) or by writing to The Gabelli Utilities Fund at One Corporate Center, Rye, NY 10580-1422.

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Number of Funds in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Trustee³</u>
<u>INTERESTED TRUSTEES³:</u>				
Mario J. Gabelli Trustee Age: 67	Since 1999	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chairman and Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications)
<u>INDEPENDENT TRUSTEES⁵:</u>				
Anthony J. Colavita Trustee Age: 74	Since 1999	34	President of the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Trustee Age: 66	Since 1999	16	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics)
Mary E. Hauck Trustee Age: 67	Since 2000	3	Retired Senior Manager of the Gabelli O'Connor Fixed Income Mutual Funds Management Company	—
Kuni Nakamura Trustee Age: 41	Since 2009	9	President of Advanced Polymer, Inc.	—
Werner J. Roeder, MD Trustee Age: 69	Since 1999	22	Medical Director of Lawrence Hospital and practicing private physician	—
<u>OFFICERS:</u>				
Bruce N. Alpert President Age: 58	Since 2003	—	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Director and President of Teton Advisors, Inc.; Director and President of Teton Advisors, Inc. 1998 through 2008; Chairman of Teton Advisors, Inc. since 2008; Senior Vice President of GAMCO Investors, Inc. since 2008	—
Agnes Mullady Treasurer and Secretary Age: 51	Since 2006	—	Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005	—
Peter D. Goldstein Chief Compliance Officer Age: 56	Since 2004	—	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex	—

¹ Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

² Each Trustee will hold office for an indefinite term until the earliest of (i) the next meeting of shareholders, if any, called for the purpose of considering the election or re-election of such Trustee and until the election and qualification of his or her successor, if any, elected at such meeting, or (ii) the date a Trustee resigns or retires, or a Trustee is removed by the Board of Trustees or shareholders, in accordance with the Fund's By-Laws and Agreement and Declaration of Trust. Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

³ "Interested person" of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an "interested person" because of his affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser.

⁴ This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended (i.e. public companies) or other investment companies registered under the 1940 Act.

⁵ Trustees who are not interested persons are considered "Independent" Trustees.

The Gabelli Utilities Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

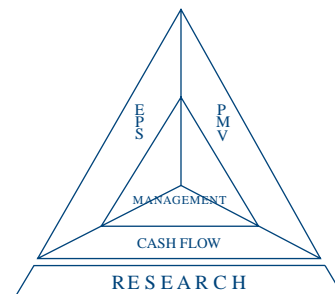
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

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



Board of Trustees

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.*

Kuni Nakamura
*President
Advanced Polymer, Inc.*

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

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

Officers

Bruce N. Alpert
President

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
Secretary and 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

a a a a

The Gabelli Utilities Fund

*Morningstar® rated The Gabelli Utilities Fund Class
AAA Shares 4 stars overall and 5 stars for the three
year period and 4 stars for the five and ten year
periods ended December 31, 2009 among 97, 97, 80,
and 52 Specialty-Utilities funds, respectively.*

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

GAB470Q409SR

**ANNUAL REPORT
DECEMBER 31, 2009**