The Gabelli Focus Five Fund

Shareholder Commentary
June 30, 2014

Dear Shareholders,

For the quarter ended June 30, 2014, the net asset value ("NAV") per Class I Share of the Gabelli Focus Five Fund (GWSIX) increased 6.9%, net of fees and expenses. See page 7 for additional performance information.

In the thirty months since launching the Focus Five investment strategy, GWSIX has delivered a net cumulative return of 75.9% versus an increase of 62.9% for the S&P 500. The Fund held about 16.5% of its average assets in cash over this period.

Assets under management (AUM) increased to $589 million at June 30 from $515 million on January 1, 2014, and $5.6 million on January 1, 2012. As AUM increases, the Fund's Class I Share expense ratio continues to decline, and was approximately 1.18% at quarter end.

Financial Engineering Back in Focus

After a period of de-risking and volatility in January and February, fundamentals seemed to matter once again starting in May, aided in part by a wave of financial engineering, including significant M&A activity.

The Fund's nearly 7% increase in the second calendar quarter was negatively impacted by our exposure to small cap stocks, representing nearly a third of AUM. While we anticipated a repricing of small caps (see our fourth quarter 2013 commentary), our expectation for company specific catalysts justifies our continued investment in the businesses we own.

While the Focus Five investment strategy seeks potential value surfacing catalysts over an 18 month time horizon, it is always worth reiterating to shareholders that exceptional performance rarely accrues at a linear rate. This is particularly true for those that employ value based methodologies. Warren Buffett is known to say *"We prefer a lumpy 15% return to a smooth 12% return."* We agree.

In the second quarter, the Fund benefited from a slew of financing engineering, including the announcement that AT&T would acquire DirecTV, the bidding war for Hillshire Brands, GTECH's offer for IGT, and additional assets sales at Weatherford.

We took an initial stake in Hillshire Brands (NSYE: HSH) in December, 2012, acquiring our first shares for $28.19. Hillshire, formerly known as Sara Lee Corporation before it spun off its international coffee business in mid 2012, competes primarily in meat-centric categories like breakfast sausages and hot dogs. The company's brands include *Hillshire Farms, Jimmy Dean,* and *Ball Park*.

The restructuring that Hillshire undertook in 2012 was in large part a response to a takeover proposal from JBS, a Brazilian competitor. Rather than sell the business, the Sara Lee Board chose to split the company, clearing a path for the two distinctive businesses to be valued on their own merit. The coffee business, DE Master Blenders, was quickly acquired for a significant premium.

The remaining protein business, Hillshire, could theoretically not be sold for two years from the date of the spinoff in order to preserve the deal's tax-free status. While the potential for JBS to re-emerge with an offer for the protein business was a component of our initial investment thesis, we also believed that standalone Hillshire would benefit from improving demographics and operating efficiencies. We estimated that Hillshire would generate 2014 revenues and EBITDA of approximately $4 billion and $520 million, respectively, and on a private market basis, was worth $50 per share.

Nearly 2 years from the date of the spin, Hillshire management surprisingly announced that it would acquire Pinnacle Foods, a move interpreted by investors as defensive rather than strategic. Could management be undertaking an illogical acquisition to preserve their jobs? In response, we sold shares that morning at $38.

Days later, however, JBS announced a debt financing, a move that we interpreted as a precursor for making an acquisition. Given investors' displeasure with the announced Pinnacle deal, the requirement for a shareholder vote, and JBS prior interest, we subsequently increased our position in Hillshire to roughly 2% of the Fund's assets.

JBS launched its initial offer for Hillshire days later at $45, although it ultimately lost a bidding war, with Tyson Foods agreeing to pay $63 per share in cash. The Focus Five Fund had an average cost for Hillshire of about $31, and earned almost $7 million in aggregate for shareholders over a 2 year holding period.

In contrast, an event that has initially not worked in our favor was the April announcement that Chemtura (NYSE: CHMT) would sell its AgroSolutions business for approximately $1 billion. The stock traded down nearly 10% the day it announced the divestiture, an over-reaction in our view that can be attributed to several scenarios:

1) Some investors had anticipated a higher price of $1.1 billion, or even a sale of the whole company.
2) The company provided very little information on expected tax leakage, timing of the closing, or use of proceeds.
3) An event driven hedge fund exited their fairly large position in one day.

Chemtura has been pursuing a major restructuring of its business and balance sheet for several years, led by CEO Craig Rogerson. He has been selling non-core assets and paying down debt, while also buying back shares aggressively at times. What remains after the sale of AgroSolution are two businesses arguably operating at the trough of the cycle, trading for approximately 6.5x EBITDA (versus private market multiples of 8-9x).

We expect Chemtura to close on the sale of AgroSolutions on October 1 or November 1, and to use $650 million of the proceeds to shrink its market cap significantly (via dutch tender). Its core business should continue to improve throughout 2015, with earnings estimated to increase from $1.03 in 2014 to $1.50 in 2015 and $1.80 in 2016. We believe Chemtura will ultimately get sold for a price in the high $30 per share range.

January 1, 2012 – June 30, 2014		
	Focus Five	S&P 500
Alpha	5.98	
Beta	0.85	
Std. Deviation	9.20	9.37
Up Capture	104.0	
Down Capture	74.8	
Active Share	98.1	

Source: Zephyr StyleADVISOR

Lets Talk Stocks

The following are selected holdings. Individual securities mentioned are not necessarily representative of the entire portfolio.

The largest new purchase in the second quarter for the Fund was Methanex Corporation (NASDAQ – MEOH).

Methanex is the world's largest supplier of methanol, a chemical commonly used in plastics, plywood, paints, and permanent press textiles, with approximately 15% of the global market. In addition to its traditional uses, methanol is a clean burning, high octane, fuel blending component made from non-petroleum energy sources like natural gas.

Alternative uses of methanol include gasoline blending, production of DME (for use in electric power generation), and biodiesel, all of which are becoming more common given the price advantage versus high cost petroleum energy and for its environmentally friendly emission levels. Methanol is less toxic and has higher energy density than ethanol, although the latter has historically been more politically popular given large government subsidies.

Methanex, a $6 billion market cap with about $450mm in net debt, has a diverse network of production facilities that allows it to deliver methanol in a cost-competitive manner to customers in all major global markets. Its competitors are mostly inefficient government sponsored entities in countries like Iran, where more outages are likely to occur as winter approaches.

In recent months, industry capacity that was offline returned to production, resulting in significant supply increases and a subsequent decline in prices. Methanol spot prices currently hover around $350/tonne in China and $400/tonne in North America and Europe, down about 20% from their peak in early 2014. Shares of Methanex are down almost 15% from their recent high in sympathy, despite several favorable developments.

Methanex is on schedule to benefit from the relocation of two idle plants from Chile to the US, expanding its capacity by 2mm tonnes (27%). Management is also currently evaluating whether to transfer these plants into an MLP structure to reap tax benefits in the US.

Last quarter, the company increased its annual dividend by 25% to $1.00 per share, and authorized a buyback for up to 5% of its shares outstanding. Note that this shareholder friendly management has repurchased about 45% of its shares since 2000.

MEOH is now trading for approximately 7x estimated EBITDA for the year ending December 31, 2015, and about 5.5x 2016. The shares have a double digit free cash flow yield and could be worth $90-100 over the next 18 months given favorable supply / demand dynamics and potential financial engineering. Near-term catalysts include the start-up of the Geismar plants in Louisiana and a potential $1 billion share buyback that could result from levering the balance sheet. Longer-term, as methanol gains acceptance as a fuel alternative, we believe the company makes an attractive acquisition target.

Your continued support is appreciated, and your feedback is always welcome.

Dan Miller
Portfolio Manager

August 9, 2014

Percentage of Fund Holdings as of June 30, 2014

Liberty Global plc	6.8%	Rowan Companies plc	4.1%
Chemtura Corp	5.4%	Take-Two Interactive Software Inc	3.8%
General Motors Co	4.4%	Methanex Corp	3.7%
Huntsman Corp	4.3%	Echostar Corp	3.1%
Weatherford International plc	4.2%	Hillshire Brands	2.0%
ADT Corp	4.1%	DirecTV	1.1%

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 Managers' Shareholder Commentary represents the opinions of the individual Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Manager and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

Minimum Initial Investment – $1,000

The Fund's minimum initial investment for regular accounts is $1,000. There are no subsequent investment minimums. No initial minimum is required for those establishing an Automatic Investment Plan. Additionally, the Fund and other Gabelli/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of 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 NAV 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 GWSVX for Class AAA Shares. Please call us during the business day, between 8:00 AM – 7:00 PM (Eastern Time), 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 mutual funds can 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 Focus Five Fund Class AAA Shares are no-load shares offered directly through 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, directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. The Board of Directors determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

Comparative Results

Average Annual Returns through June 30, 2014 (a)(b)

	Quarter	1 Year(c)	3 Year	5 Year	10 Year	Since (1/1/12)(c)	Since Inception (12/31/02)
Class AAA (GWSVX)	6.84%	21.00%	15.66%	19.81%	9.18%	25.04%	10.42%
S&P 500 Index	5.23	24.61	16.58	18.83	7.78	22.04(d)	9.42
Class A (GWSAX)	6.84	21.03	15.65	19.85	9.23	25.07	10.45
With sales charge (e)	0.70	14.07	13.39	18.44	8.56	22.14	9.87
Class C (GWSCX)	6.59	20.05	14.79	18.92	8.39	24.12	9.65
With contingent deferred sales charge (f)	5.59	19.05	14.79	18.92	8.39	24.12	9.65
Class I (GWSIX)	6.92	21.35	15.98	20.12	9.37	25.39	10.58

In the current prospectuses dated January 28, 2014, the expense ratios for Class AAA, A, C, and I Shares are 1.48%, 1.48%, 2.23%, and 1.23%, respectively. Class AAA and Class I Shares have no sales charge. The maximum sales charge for Class A Shares and Class C Shares is 5.75% 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, 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. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus please visit our website at www.gabelli.com.* The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class I Shares on January 11, 2008. The actual performance of Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. Dividends are considered reinvested. You cannot directly invest in an index.

(b) The Fund's fiscal year ends September 30.

(c) On January 1, 2012, the Fund changed its investment strategy to the current investment strategy and began operating under its current name.

(d) S&P 500 Index performance is as of December 31, 2011.

(e) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.

(f) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

THE GABELLI FOCUS FIVE FUND

Shareholder Commentary
June 30, 2014

GABELLI FUNDS

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THE GABELLI FOCUS FIVE FUND

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GAB840Q214SC

The Gabelli Focus Five Fund
Third Quarter Report — June 30, 2014

To Our Shareholders,

For the quarter ended June 30, 2014, the net asset value ("NAV") per Class AAA Share of The Gabelli Focus Five Fund increased 6.8% compared with an increase of 5.2% for the Standard & Poor's ("S&P") 500 Index. See below for additional performance information.

Enclosed is the schedule of investments as of June 30, 2014.

Comparative Results

Average Annual Returns through June 30, 2014 (a)(b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	Since January 1, 2012(c)	Since Inception (12/31/02)
Class AAA (GWSVX)	6.84%	21.00%	19.81%	9.18%	25.04%	10.42%
S&P 500 Index	5.23	24.61	18.83	7.78	22.04(d)	9.42
Class A (GWSAX)	6.84	21.03	19.85	9.23	25.07	10.45
With sales charge (e)	0.70	14.07	18.44	8.56	22.14	9.87
Class C (GWSCX)	6.59	20.05	18.92	8.39	24.12	9.65
With contingent deferred sales charge (f)	5.59	19.05	18.92	8.39	24.12	9.65
Class I (GWSIX)	6.92	21.35	20.12	9.37	25.39	10.58

In the current prospectuses dated January 28, 2014, the expense ratios for Class AAA, A, C, and I Shares are 1.48%, 1.48%, 2.23%, and 1.23%, respectively. Class AAA and Class I Shares have no sales charge. The maximum sales charge for Class A and C Shares is 5.75% 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, 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. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus please visit our website at www.gabelli.com.* The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class I Shares on January 11, 2008. The actual performance of Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. Dividends are considered reinvested. You cannot invest directly in an index.

(b) *The Fund's fiscal year ends September 30.*

(c) *On January 1, 2012, the Fund began operating under its current name.*

(d) *S&P 500 Index performance is as of December 31, 2011.*

(e) *Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.*

(f) *Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.*

The Gabelli Focus Five Fund
Schedule of Investments — June 30, 2014 (Unaudited)

Shares		Market Value
	COMMON STOCKS — 87.5%	
	Automotive — 6.4%	
721,683	General Motors Co.	$ 26,197,093
75,000	O'Reilly Automotive Inc.†	11,295,000
		37,492,093
	Business Services — 0.7%	
200,000	The Interpublic Group of Companies Inc.	3,902,000
	Cable and Satellite — 12.9%	
573,702	Cablevision Systems Corp., Cl. A	10,125,840
76,799	DIRECTV†	6,528,683
345,101	EchoStar Corp., Cl. A†	18,269,647
950,000	Liberty Global plc, Cl. C†	40,194,500
		75,118,670
	Computer Software and Services — 6.9%	
406,951	Blucora Inc.†	7,679,165
1,647,647	Internap Network Services Corp.†	11,615,911
297,573	Ixia†	3,401,259
180,514	NCR Corp.†	6,334,236
884,467	RealD Inc.†	11,285,799
		40,316,370
	Consumer Services — 4.2%	
700,000	The ADT Corp.	24,458,000
	Diversified Industrial — 2.9%	
375,000	Tyco International Ltd.	17,100,000
	Energy and Utilities — 12.2%	
200,000	Cabot Oil & Gas Corp.	6,828,000
227,801	Cameron International Corp.†	15,424,406
751,493	Rowan Companies plc, Cl. A	23,995,172
1,087,439	Weatherford International plc†	25,011,097
		71,258,675
	Entertainment — 6.7%	
1,014,502	Take-Two Interactive Software Inc.†	22,562,524
420,000	Twenty-First Century Fox Inc., Cl. B	14,376,600
100,000	Vivendi SA	2,446,940
		39,386,064
	Financial Services — 8.1%	
150,000	Capital One Financial Corp.	12,390,000
312,066	CIT Group Inc.	14,280,140
909,906	Quinpario Acquisition Corp.†	9,544,914
167,200	State Street Corp.	11,245,872
		47,460,926
	Food and Beverage — 2.3%	
96,400	Maple Leaf Foods Inc.	1,794,203
185,000	The Hillshire Brands Co.	11,525,500
		13,319,703
	Health Care — 3.1%	
110,188	Akorn Inc.†	$ 3,663,751
1,114,537	BioScrip Inc.†	9,295,239
75,000	Express Scripts Holding Co.†	5,199,750
		18,158,740
	Hotels and Gaming — 1.0%	
364,863	International Game Technology	5,804,970
	Retail — 6.6%	
300,000	GNC Holdings Inc., Cl. A	10,230,000
213,268	Macy's Inc.	12,373,809
125,000	Murphy USA Inc.†	6,111,250
934,719	The Bon-Ton Stores Inc.(a)	9,636,953
		38,352,012
	Specialty Chemicals — 13.5%	
1,226,002	Chemtura Corp.†	32,035,432
896,400	Huntsman Corp.	25,188,840
353,545	Methanex Corp.	21,842,010
		79,066,282
	TOTAL COMMON STOCKS	511,194,505
Principal Amount		
	U.S. GOVERNMENT OBLIGATIONS — 12.5%	
$72,856,000	U.S. Treasury Bills, 0.010% to 0.070%††, 07/03/14 to 11/20/14	72,849,697
	TOTAL INVESTMENTS — 100.0% (Cost $518,938,597)	$584,044,202

Aggregate tax cost	$519,777,421
Gross unrealized appreciation	$ 71,606,557
Gross unrealized depreciation	(7,339,776)
Net unrealized appreciation/depreciation	$ 64,266,781

(a) Security considered an affiliated holding because the Fund owns at least 5% of its outstanding shares.

† Non-income producing security.

†† Represents annualized yield at date of purchase.

See accompanying notes to schedule of investments.

The Fund's schedule of investments is prepared in accordance with U.S. Generally Accepted Accounting Principles ("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 schedule of investments.

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 Directors (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 the 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. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt 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
- Level 3 — significant unobservable inputs (including the Board's determinations as to the fair value of investments).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. 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 in securities and other financial instruments by inputs used to value the Fund's investments as of June 30, 2014 is as follows:

	Valuation Inputs		
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Total Market Value at 6/30/14
INVESTMENTS IN SECURITIES:			
ASSETS (Market Value):			
Common Stocks (a)	$511,194,505	—	$511,194,505
U.S. Government Obligations	—	$72,849,697	72,849,697
TOTAL INVESTMENTS IN SECURITIES – ASSETS	$511,194,505	$72,849,697	$584,044,202

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

The Fund did not have transfers between Level 1 and Level 2 during the period ended June 30, 2014. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

There were no Level 3 investments at June 30, 2014.

Additional Information to Evaluate Qualitative Information.

General. The Fund uses recognized industry pricing services – approved by the Board and unaffiliated with the Adviser – to value most of its securities, and uses broker quotes provided by market makers of securities not valued by these and other recognized pricing sources. Several different pricing feeds are received to value domestic equity securities, international equity securities, preferred equity securities, and fixed income securities. The data within these feeds is ultimately sourced from major stock exchanges and trading systems where these securities trade. The prices supplied by external sources are checked by obtaining quotations or actual transaction prices from market participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

Fair Valuation. Fair valued securities may be common and preferred equities, warrants, options, rights, and fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. Among the factors to be considered to fair value a security are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

The Adviser reports quarterly to the Board the results of the application of fair valuation policies and procedures. These include back testing the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

Derivative Financial Instruments. The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purposes of increasing the income of the Fund. 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 Fund's derivative contracts held at June 30, 2014, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

Options. The Fund may purchase or write call or put options on securities or indices for the purpose of increasing the income of the Fund. As a writer of put options, the Fund receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instrument underlying the option. The Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a written put option is exercised, the premium reduces the cost basis of the security.

As a purchaser of put options, the Fund pays a premium for the right to sell to the seller of the put option the underlying security at a specified price. The seller of the put has the obligation to purchase the underlying security upon exercise at the exercise price. If the price of the underlying security declines, the Fund would realize a gain upon sale or exercise. If the price of the underlying security increases or stays the same, the Fund would realize a loss upon sale or at the expiration date, but only to the extent of the premium paid.

In the case of call options, these exercise prices are referred to as "in-the-money," "at-the-money," and "out-of-the-money," respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline during the option period, (b) at-the-money call options when the Adviser expects that the price of the underlying security will remain stable, decline, or advance moderately during the option period, and (c) out-of-the-money call options when the Adviser expects that the premiums received from writing the call option will be greater than the appreciation in the price of the underlying security above the exercise price. By writing a call option, the Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option. Out-of-the-money, at-the-money, and in-the-money put options (the reverse of call options as to the relation of exercise price to market price) may be utilized in the same market environments that such call options are used in equivalent transactions. The Fund held no option positions at June 30, 2014.

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 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 purchase 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 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.

Tax Information. The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward for an unlimited period capital losses incurred. As a result of the rule, post-enactment capital losses that are carried forward will retain their character as either short term or long term capital losses.

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Portfolio Manager Biography

Daniel M. Miller has been the portfolio manager of The Gabelli Focus Five Fund since inception of the investment strategy on January 1, 2012. He is also a Managing Director of GAMCO Asset Management and Chairman of G.research, Inc., the Firm's institutional research business. Mr. Miller served as Head of Institutional Equities at G.research, Inc. from 2004 - 2011, where he oversaw a significant expansion of the brokerage business. His responsibilities included managing the Firm's daily research meetings, the institutional sales and trading teams, and seven industry conferences. Mr. Miller graduated magna cum laude with a degree in finance from the University of Miami in Coral Gables, FL.

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. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

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Third Quarter Report
June 30, 2014