

# The Gabelli Asset Fund

## Shareholder Commentary – September 30, 2014



*Morningstar® rated The Gabelli Asset Fund Class AAA Shares 4 stars overall, 2 stars for the three year period, 3 stars for the five year period, and 5 stars for the ten year period ended September 30, 2014 among 1,343, 1,343, 1,204, and 804 Large Blend funds, respectively. Morningstar Rating™ is based on risk-adjusted returns.*

### (Y)our Portfolio Management Team



**Mario J. Gabelli, CFA** **Christopher J. Marangi** **Jeffrey J. Jonas, CFA** **Kevin V. Dreyer**

### To Our Shareholders,

For the quarter ended September 30, 2014, the net asset value (“NAV”) per Class AAA Share of The Gabelli Asset Fund decreased 4.2% compared with an increase of 1.1% for the Standard & Poor’s (“S&P”) 500 Index. See page 2 for additional performance information.

### Market Commentary

The third quarter saw a return of volatility to financial markets, starting with a decline in July, as macroeconomic factors, including conflict in Ukraine and Israel, a slowdown in emerging market growth, and Argentinian debt default on the last day of the month all weighed on the market. Markets rebounded sharply in August, as mostly positive second quarter earnings reports were coupled with dovish comments from Federal Reserve Chair Janet Yellen, who at the annual Federal Reserve meeting in Jackson Hole, reiterated, “that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after our current asset purchase program ends.” In other words, rates are likely to remain low for some time. With the backdrop of a slowly improving economy and continued accommodative Fed policy, the S&P 500 hit an all-time high on September 19.

Towards the end of the month, however, markets began factoring in the possibility of a recession in Europe, a worse than expected emerging markets slowdown, the negative impact of foreign currencies on overseas earnings (especially in the Eurozone), concerns about the impact of communicable diseases on travel and leisure industries, and continued conflict around the globe, whether in Ukraine, Iraq, Syria, or elsewhere.

## Comparative Results

### Average Annual Returns through September 30, 2014 (a)

	Quarter	1 Year	5 Year	10 Year	Since Inception (3/3/86)
<b>Class AAA (GABAX)</b> .....	(4.22)%	10.10%	14.94%	9.59%	12.36%
S&P 500 Index .....	1.13	19.73	15.70	8.11	10.37(d)
Dow Jones Industrial Average .....	1.86	15.20	14.78	8.14	11.26(d)
Nasdaq Composite Index .....	2.24	20.62	17.59	10.27	9.10(d)
<b>Class A (GATAX)</b> .....	(4.22)	10.09	14.93	9.59	12.36
With sales charge (b) .....	(9.73)	3.76	13.58	8.94	12.12
<b>Class C (GATCX)</b> .....	(4.39)	9.28	14.08	8.78	12.05
With contingent deferred sales charge (c) .....	(5.35)	8.28	14.08	8.78	12.05
<b>Class I (GABIX)</b> .....	(4.16)	10.36	15.22	9.77	12.43

**In the current prospectuses dated April 30, 2014, the expense ratios for Class AAA, A, C, and I Shares are 1.35%, 1.35%, 2.10%, and 1.10%, respectively. Class AAA and Class I Shares do not have a 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](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC (the "Adviser") not reimbursed certain expenses of the Fund for periods prior to December 31, 1988. 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](http://www.gabelli.com). 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. The Dow Jones Industrial Average and the Nasdaq Composite Index are unmanaged indicators of stock market performance. Dividends are considered reinvested, except for the Nasdaq Composite Index. You cannot invest directly in an index. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance of the Class A Shares and Class C Shares would have been lower due to the additional fees and 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 results include the effect of the maximum 5.75% sales charge at the beginning of the period.

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

(d) S&P 500 Index, Dow Jones Industrial Average, and Nasdaq Composite Index since inception performance results are as of February 28, 1986.

We have separated the portfolio managers' 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 managers' commentary is unrestricted. Both the commentary and the financial statements, including the portfolio of investments, are available on our website at [www.gabelli.com](http://www.gabelli.com).

In volatile times, we believe it is important to reiterate that, as value investors, we seek for “Mr. Market” to serve us, rather than inform us about the value of a company. We continue to use stock-specific and market dislocations (as has been with small capitalization stocks this year) in order to buy even more of the companies we own on your behalf. These are high-quality, cash generating franchise businesses, operating in industries in which we have a core competency, which have potential catalysts to surface value: a takeover of the company, financial engineering, new management, regulatory changes, a change in cash flow allocation, or some other dynamic. We note that continued low rates mean that companies will continue to have access to low-cost financing, with which they can pursue mergers and acquisitions (M&A). This underscores our confidence that the “Fifth Wave” of takeover activity is likely to continue.

### **Deals, Deals, and More Deals**

Dealmaking continued in the third quarter, with worldwide M&A up 59% to \$2.7 trillion for the first nine months of 2014, although year over year deal value declined in the third quarter. Fund holding Alere (0.2% of net assets as of September 30, 2014), leading diagnostics company, received an inquiry from its former CEO, Ron Zwanziger, about taking the company private in September. While the company has so far rebuffed Mr. Zwanziger’s advances, we believe that a transaction is still very possible and note that the company has launched a “strategic review” of its operations. Additionally, Tyson Foods (less than 0.1%) completed its acquisition of Fund holding Hillshire Brands, a leading branded meat company, in August.

In addition to M&A activity, financial engineering continued in the third quarter. Fund holding eBay (0.2%) announced plans to spin off its PayPal secure payments business from its core online marketplace operations. We had long anticipated this move and think it could eventually result in the acquisition of one or both units.

### **Let’s Talk Stocks**

The following are stock specifics on selected holdings of the Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the percentage of net assets and their share prices are presented as of September 30, 2014.

*Alere Inc. (0.2% of net assets as of September 30, 2014) (ALR - \$38.78 - NYSE)* is the largest manufacturer of rapid, point-of-care diagnostics in the world. The company has underperformed for the past year, weighed down by manufacturing problems and a heavy debt load from questionable past acquisitions. An activist investor has been publicly pushing the company to improve operations and, after being slow to respond initially, Alere’s Board of Directors forced the company’s founder and CEO to resign on July 1. However, he has now partnered with private equity partners and is seeking to take the company private with an initial bid of \$46 per share. Whatever the final outcome is, we believe positive change is in the air for Alere.

*AMETEK Inc. (1.7%) (AME - \$50.21 - NYSE)* is a leading global manufacturer of analytical instruments for the process, aerospace, and industrial markets, and a leading producer of electric motors and blowers for the floor care and outdoor power equipment markets. In the near term, the company continues to experience significant growth in its longer cycle businesses in the aerospace, power generation, and process industries. Longer term, the company continues to make acquisitions to augment growth. In the Electronic Instruments Group, AMETEK

expects one half to two thirds of its revenue growth to come from acquisitions. The company is focused on acquiring differentiated businesses with revenues of \$30-\$100 million. Differentiated businesses compete on the basis of product capability, have higher growth rates, and offer superior returns. In the Electromechanical Group, AMETEK's key strategy is to reduce costs by increasing efficiency and moving noncore operations to low cost countries such as Mexico, the Czech Republic, and China.

*Chemtura Corp. (0.1%) (CHMT - \$23.33 - NYSE)* is a global developer, manufacturer, and marketer of engineered specialty chemicals. Its products are used as additives, ingredients, or intermediates serving major industries such as agriculture (being sold), building and construction, energy, electrical & electronics, transportation, and general industrial. Since its emergence from Chapter 11 in November 2010, under the leadership of Craig Rogerson, the management team has focused on actively managing its portfolio via investments in three vertical markets (transportation, electronics & energy, and agriculture), while monetizing businesses with below target long term potential. The previously announced sale of AgroSolutions to Platform Specialty Products (PAH) for \$950 million in cash and two million shares of PAH worth \$51 million at today's price of \$25.45 for a total consideration of \$1 billion. The transaction is expected to close shortly; it will generate net proceeds estimated at \$850 million. Following debt reduction of \$200 million, \$650 million will be used for share repurchase (including the monetization of PAH within one year of closing). Following 5.6 million shares acquired in the first half with the proceeds of the sale from Consumer Products, we estimate that Chemtura will repurchase another 26 million shares (28% of its float), lowering its outstanding shares to 65 million by year end 2015. The remaining operations, Industrial Performance Products (IPP) (petroleum additives and urethanes) and Industrial Engineered Products (IEP) (bromine/flame retardants and organometallics), are expected to grow revenues via innovations, share gain, and geographic expansion, while the bottom line will benefit from internal actions. We anticipate IPP to reach its EBITDA target of \$200 million in 2016. However, IEP results are one year behind schedule due to the industry excess capacity and lack of selling price increases, in spite of Chemtura's announcements. Increasing demand for mercury removal, the switch to greener flame retardants (higher prices), and improvement in electronic applications will tighten the market and result in price increases and substantially higher EBITDA. As per CEO Craig Rogerson, "In 1-3 years Chemtura will be part of a bigger entity, with a merger the most likely outcome." We estimate that the "new Chemtura" (exclusive of consumer and agriculture) will generate EPS of \$1.25 and \$1.85 in 2015 and 2016, respectively. The EPS calculation is based on the already mentioned decline in the shares outstanding. We calculate Private Market Values (PMVs) of \$30 and \$44 for 2015 and 2016, respectively.

*Cablevision Systems Corp. (0.9%) (CVC - \$17.51 - NYSE)* provides broadband, television, and phone service to over three million subscribers in the New York metropolitan area. An industry pioneer, CVC has developed the most advanced cable plant in the country and converted over 70% of its subscribers into triple play (video, phone, and broadband) customers. In the process, Cablevision achieved industry leading average monthly subscription revenues and margins. This peak performance led the company to become a victim of its own success; combined with competition from Verizon FiOS (0.3%) in approximately half its footprint, Cablevision saw reduced growth and a sagging share price in 2012/2013. The company's efforts to address these declines appear to be paying off. Management has also been active on the financial front, spinning off Madison Square Garden (0.8%) in February 2010 and AMC Networks (0.6%) in June 2011 and repurchasing over 10% of shares outstanding. Cablevision is now a single-market, pure-play cable operator, which could facilitate an eventual consolidation of the company in our view.

*Genuine Parts Co. (1.3%) (GPC - \$87.71 - NYSE)* is an Atlanta based distributor of automotive and industrial replacement parts, office products, and electrical and electronic components. We expect GPC's well known NAPA Auto Parts group to benefit as an aged vehicle population, which includes the highest percentage of off warranty vehicles in history, helps drive sales of automotive aftermarket products over the next several years. Additionally, economic indicators remain supportive of the company's industrial and electrical parts distribution businesses amid steady economic expansion. Finally, GPC's management has shown consistent dedication to shareholder value via share repurchases and dividend increases.

*Rogers Communications Inc. (1.0%, 0.1%) (RCI - \$37.42 - NYSE, RCI/B - \$37.43 - Tokyo Stock Exchange)* is one of the few companies in North America to offer consumers the "Quadruple Play" of video, high speed data, and fixed and wireless telephony through a wholly owned plant. The company, founded by late telecom pioneer Ted Rogers, is Canada's largest cable and wireless company. As the largest spectrum owner in North America, Rogers is aggressively deploying the next generation of wireless services. Rogers also has a substantial media business that operates radio stations, television networks (including The Shopping Channel), magazines, and trade publications, the Toronto Blue Jays baseball team, and interests in the Toronto Maple Leafs (NHL) and Raptors (NBA). In late 2013, Rogers hired a new CEO named Guy Laurence from Vodafone (less than 0.1%). While Mr. Laurence has yet to formally unveil his vision, we expect it to include a focus on improving the customer experience through continued investment in plant, balanced by regular capital returns to shareholders.

*Rolls-Royce Holding plc (0.9%) (RR - \$15.64 - London Stock Exchange)* provides jet engines, power and propulsion systems, and services to commercial aviation, defense, marine, oil and gas, and other industries. RR has leading engine positions as the sole supplier on the Airbus A350 and one of two suppliers on the Boeing (0.3%) 787 Dreamliner, two new wide body programs with healthy backlogs, to be delivered over the next decade. A recently announced re-engining of the A330 will extend one of Rolls' most profitable engine programs, with Rolls as the exclusive engine supplier. Engine deliveries lead to recurring, higher margin parts and service revenues, which benefit the company more than twenty years after new engines are delivered. Rolls' stock continues to struggle against 2014 guidance that called for a marked falloff in defense revenues and slower than expected improvement in civil aerospace margins. Notwithstanding near term headwinds, we believe that over the next decade, RR will see substantial growth in its civil aerospace operations, accompanied by improved margins approaching the levels of its peers. Recent portfolio changes have been positive, including the two billion GBP acquisition of Daimler's 50% interest in Rolls-Royce Power Systems and the \$1 billion GBP sale of the energy aero-derivative gas turbine business to Siemens. The company's modest debt levels provide balance sheet optionality for additional investments.

*Twenty-First Century Fox Inc. (2.1%, 0.2%) (FOX - \$33.31 - NASDAQ, FOXA - \$34.29 - NASDAQ)* is a diversified media company with operations in cable network television, television broadcasting, filmed entertainment, and direct broadcast satellite television. Cable networks account for 66% of the company's EBITDA and benefit from contractually recurring affiliate fees and exposure to the fast growing global pay television market. We also expect the company to benefit from rising demand for premium content, driven by emerging distribution platforms such as Netflix, retransmission revenue, and aggressive share repurchases.

*Vivendi SA (0.5%) (VIV - \$24.15 - EPA)* is a French media and telecommunications holding company in the late stages of a decade long transition. In April 2014, the company announced it had reached an agreement to sell its French wireless operation, SFR, to French cable operator Numericable. More recently, the company reached an agreement to sell its Brazilian telecom operator, GVT, to Telefonica (0.1%). Over the last year, the company also sold most of its 62% stake in Activision Blizzard and sold its entire 53% stake in Maroc Telecom SA. After closing the SFR and GVT sales, Vivendi will be a more focused media firm, consisting of Canal+ (a Francophone focused pay-television network owner and distributor), Universal Music Group (UMG), the number one recording music company and number two music publishing entity in the world. While operating conditions have been challenging in most of Vivendi's businesses, it appears their trajectory is finally turning more positive and should be supported by a healthier balance sheet.

*Walgreen Co. (0.1%) (WAG - \$59.27 - NYSE)* is becoming a global pharmacy and drug wholesaler through the pending acquisition of Alliance Boots. The combined companies should garner significant purchasing and operational synergies from their worldwide scale, with a strong presence in emerging markets. Management is also becoming more shareholder friendly, granting two Board seats to an activist investor and committing to return significant amounts of cash to shareholders via dividends and share repurchases. While there are likely to be some bumps in the road during the integration process, we believe the combined company will be an attractive global leader in the industry.

*Xylem (0.7%) (XYL - \$35.49 - NYSE)* is a global leader in the design, manufacturing, and application of highly engineered technologies for the transportation, treatment, and testing of water. The company is expected to benefit from favorable long term fundamentals in the water industry, driven by scarcity, population growth, aging of the infrastructure, and the need to improve water quality. Further, with a large installed base of pumps and systems, the company is well positioned to increase aftermarket revenue, which currently represents roughly 40% of total revenues. Xylem's attractive business mix also generates strong cash flow, which is expected to support acquisitions, debt service, and dividend growth. The company recently appointed a new CEO, Patrick Decker, who has experience in the water industry and is looking to expand geographically as well as sustainably improve operating performance.

## **Investment Scorecard**

Top contributors to performance included Berkshire Hathaway (1.2% of net assets as of September 30, 2014) (+9%), which reported strong earnings driven by performance by its operating businesses amid an improving U.S. economy; Archer-Daniels Midland (0.6%) (+16%), which expanded its food ingredient business by announcing the acquisition of WILD Flavors for €2.3 billion (the deal closed just after quarter end); Procter & Gamble (0.9%) (+7%), which delivered strong organic growth and margin improvement in its fiscal fourth quarter; and Tenet Healthcare (0.3%) (+27%), which is seeing a modest acceleration in admissions and a double digit decline in the bad debt/charity care that it provides.

Detractors to performance included Viacom (1.1%) (-11%), which declined amid concerns about the television advertising market, ratings and pay-television subscriber growth; Deere (1.5%) (-9%), which declined due to continued softness in global demand for large agricultural equipment; IDEX (1.4%) (-10%), which declined due to lower energy prices and a potential slowdown in the global economy; and Rolls-Royce (-15%), which experienced weaker marine aftermarket performance in the first half.

## Conclusion

As always, in volatile times, our process remains unchanged. We conduct bottom-up research on companies and industries in order to uncover undervalued businesses we would be happy to own for many years. Our Private Market Value (PMV) with a Catalyst™ stock selection process identifies potential acquisition targets and likely candidates for financial engineering. Should volatility return and “Mr. Market” provide us with an opportunity, we remain prepared to increase our ownership of businesses that fit these characteristics, as well as invest in new opportunities as they become available.

October 9, 2014

<b>Top Ten Holdings (Percent of Net Assets)</b>	
<b><u>September 30, 2014</u></b>	
Twenty-First Century Fox Inc.	2.3%
DIRECTV	1.8%
AMETEK INC.	1.7%
Brown-Forman Corp.	1.6%
American Express Co.	1.6%
Deere & Co.	1.5%
Precision Castparts Co.	1.4%
IDEX Corp.	1.4%
Genuine Parts Corp.	1.3%
Berkshire Hathaway Inc.	1.2%

**Note:** The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' 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 Managers 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 Managers 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 prospectuses for more details.

## **www.gabelli.com**

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

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 GABAX 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](http://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 and Semiannual Reports, Manager Commentaries, and Prospectus via e-delivery. For more information or to sign up for e-delivery, please visit our website at [www.gabelli.com](http://www.gabelli.com).

## **Multi-Class Shares**

The Gabelli Asset Fund began offering additional classes of Fund shares on December 31, 2003. 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 directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. 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.

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. © 2014 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.



## **Gabelli/GAMCO Funds and Your Personal Privacy**

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### **Who are we?**

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC and GAMCO Asset Management Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

### **What kind of non-public information do we collect about you if you become a fund shareholder?**

If you apply to open an account directly with us, you will be giving us some non-public information about yourself. The non-public information we collect about you is:

- *Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.
- *Information about your transactions with us, any transactions with our affiliates, and transactions with the entities we hire to provide services to you.* This would include information about the shares that you buy or redeem. If we hire someone else to provide services—like a transfer agent—we will also have information about the transactions that you conduct through them.

### **What information do we disclose and to whom do we disclose it?**

We do not disclose any non-public personal information about our customers or former customers to anyone other than our affiliates, our service providers who need to know such information, and as otherwise permitted by law. If you want to find out what the law permits, you can read the privacy rules adopted by the Securities and Exchange Commission. They are in volume 17 of the Code of Federal Regulations, Part 248. The Commission often posts information about its regulations on its website, [www.sec.gov](http://www.sec.gov).

### **What do we do to protect your personal information?**

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the fund and to ensure that we are complying with the laws governing the securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

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**THE GABELLI ASSET FUND**  
**One Corporate Center**  
**Rye, NY 10580-1422**

**Portfolio Management Team Biographies**

**Mario J. Gabelli, CFA**, is Chairman and Chief Executive Officer of GAMCO Investors, Inc. that he founded in 1977 and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

**Kevin V. Dreyer** joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA from Columbia Business School.

**Jeffrey J. Jonas, CFA**, joined Gabelli in 2003 as a research analyst. He focuses on companies in the cardiovascular, healthcare services, and pharmacy benefits management sectors, among others. He also serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Jonas was a Presidential Scholar at Boston College, where he received a BS in Finance and Management Information Systems.

**Christopher J. Marangi** joined Gabelli in 2003 as a research analyst. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a BA in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

## THE GABELLI ASSET FUND

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

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



Overall Morningstar Rating™ ★★★★★

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GABELLI  
FUNDS

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*Shareholder Commentary*  
*September 30, 2014*

Overall Morningstar Rating™



Morningstar Rating™ is based  
on risk-adjusted returns.

# The Gabelli Asset Fund

## Third Quarter Report — September 30, 2014

### (Y)our Portfolio Management Team



Mario J. Gabelli, CFA   Christopher J. Marangi   Jeffrey J. Jonas, CFA   Kevin V. Dreyer



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

## Comparative Results

### Average Annual Returns through September 30, 2014 (a) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	Since Inception (3/3/86)
<b>Class AAA (GABAX)</b> .....	(4.22)%	10.10%	14.94%	9.59%	12.36%
S&P 500 Index .....	1.13	19.73	15.70	8.11	10.37(d)
Dow Jones Industrial Average .....	1.86	15.20	14.78	8.14	11.26(d)
Nasdaq Composite Index .....	2.24	20.62	17.59	10.27	9.10(d)
<b>Class A (GATAX)</b> .....	(4.22)	10.09	14.93	9.59	12.36
With sales charge (b) .....	(9.73)	3.76	13.58	8.94	12.12
<b>Class C (GATCX)</b> .....	(4.39)	9.28	14.08	8.78	12.05
With contingent deferred sales charge (c) .....	(5.35)	8.28	14.08	8.78	12.05
<b>Class I (GABIX)</b> .....	(4.16)	10.36	15.22	9.77	12.43

In the current prospectuses dated April 30, 2014, the expense ratios for Class AAA, A, C, and I Shares are 1.35%, 1.35%, 2.10%, and 1.10%, respectively. Class AAA and Class I Shares do not have a 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](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC (the "Adviser") not reimbursed certain expenses of the Fund for periods prior to December 31, 1988. 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](http://www.gabelli.com). 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. The Dow Jones Industrial Average and the Nasdaq Composite Index are unmanaged indicators of stock market performance. Dividends are considered reinvested, except for the Nasdaq Composite Index. You cannot invest directly in an index. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance of the Class A Shares and Class C Shares would have been lower due to the additional fees and 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 results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (c) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.
- (d) The S&P 500 Index, Dow Jones Industrial Average, and Nasdaq Composite Index since inception performance results are as of February 28, 1986.

## The Gabelli Asset Fund

### Schedule of Investments — September 30, 2014 (Unaudited)

Shares		Market Value	Shares		Market Value
<b>COMMON STOCKS — 99.1%</b>			<b>Broadcasting — 1.5%</b>		
<b>Aerospace — 1.6%</b>			<b>Building and Construction — 0.2%</b>		
660,000	Exelis Inc. ....	\$ 10,916,400	11,000	Assa Abloy AB, Cl. B .....	567,988
5,000	Lockheed Martin Corp. ....	913,900	180,700	Fortune Brands Home & Security Inc. ....	7,428,577
7,000	Northrop Grumman Corp. ....	922,320	65,000	Layne Christensen Co.† .....	631,150
2,175,000	Rolls-Royce Holdings plc .....	34,008,072			<u>8,627,715</u>
96,000	The Boeing Co. ....	12,228,480	<b>Business Services — 2.6%</b>		
		<u>58,989,172</u>	17,000	ACCO Brands Corp.† .....	117,300
<b>Agriculture — 0.8%</b>			54,561	Aramark .....	1,434,954
400,000	Archer Daniels Midland Co. ....	20,440,000	42,000	Ascent Capital Group Inc., Cl. A† .....	2,528,400
59,000	Monsanto Co. ....	6,638,090	700	Blackhawk Network Holdings Inc.† .....	22,680
9,000	Potash Corp of Saskatchewan Inc. ....	311,040	7,393	Blackhawk Network Holdings Inc., Cl. B† .....	238,794
27,200	The Mosaic Co. ....	1,207,952	98,100	Blucora Inc.† .....	1,495,044
		<u>28,597,082</u>	215,000	Clear Channel Outdoor Holdings Inc., Cl. A .....	1,449,100
<b>Airlines — 0.1%</b>			161,100	Ecolab Inc. ....	18,499,113
60,000	American Airlines Group Inc. ....	2,128,800	15,000	Edenred .....	370,107
100,000	American Airlines Group Inc., Escrow† .....	150,000	140,000	Fly Leasing Ltd., ADR .....	1,793,400
		<u>2,278,800</u>	60,000	Landauer Inc. ....	1,980,600
<b>Automotive — 0.9%</b>			335,000	Live Nation Entertainment Inc.† .....	8,046,700
50,000	Ford Motor Co. ....	739,500	80,000	Macquarie Infrastructure Co. LLC .....	5,336,000
225,000	Hertz Global Holdings Inc.† .....	5,712,750	247,000	MasterCard Inc., Cl. A .....	18,258,240
663,000	Navistar International Corp.† .....	21,819,330	20,000	MOCON Inc. ....	298,600
93,000	PACCAR Inc. ....	5,289,375	20,000	Monster Worldwide Inc.† .....	110,000
3,000	Volkswagen AG .....	622,561	2,000	MSC Industrial Direct Co. Inc., Cl. A .....	170,920
		<u>34,183,516</u>	258,752	The Brink's Co. ....	6,220,398
<b>Automotive: Parts and Accessories — 4.1%</b>			1,089,000	The Interpublic Group of Companies Inc. ....	19,950,480
226,400	BorgWarner Inc. ....	11,910,904	36,667	Vertrus Inc.† .....	716,100
315,000	Brembo SpA .....	10,312,607	16,000	Visa Inc., Cl. A .....	3,413,920
94,000	CLARCOR Inc. ....	5,929,520			<u>92,450,850</u>
550,600	Dana Holding Corp. ....	10,555,002	<b>Cable and Satellite — 7.6%</b>		
145,677	Federal-Mogul Holdings Corp.† .....	2,166,217	340,400	AMC Networks Inc., Cl. A† .....	19,886,168
546,500	Genuine Parts Co. ....	47,933,515	1,825,600	Cablevision Systems Corp., Cl. A .....	31,966,256
430,500	Johnson Controls Inc. ....	18,942,000	5,000	Charter Communications Inc., Cl. A† .....	756,850
115,000	Modine Manufacturing Co.† .....	1,365,050	160,000	Comcast Corp., Cl. A .....	8,604,800
179,000	O'Reilly Automotive Inc.† .....	26,914,440	328,000	Comcast Corp., Cl. A, Special .....	17,548,000
85,000	Standard Motor Products Inc. ....	2,926,550	45,000	DigitalGlobe Inc.† .....	1,282,500
185,000	Superior Industries International Inc. ....	3,243,050			
86,400	Tenneco Inc.† .....	4,519,584			
4,000	Visteon Corp.† .....	389,000			
		<u>147,107,439</u>			
<b>Aviation: Parts and Services — 2.8%</b>					
1,075,000	BBA Aviation plc .....	5,663,858			
429,500	Curtiss-Wright Corp. ....	28,312,640			
580,000	GenCorp Inc.† .....	9,262,600			
121,100	Kaman Corp. ....	4,759,230			
219,000	Precision Castparts Corp. ....	51,876,720			
12,000	Woodward Inc. ....	571,440			
		<u>100,446,488</u>			

See accompanying notes to schedule of investments.





## The Gabelli Asset Fund

### Schedule of Investments (Continued) — September 30, 2014 (Unaudited)

Shares	Market Value	Shares	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Diversified Industrial (Continued)</b>			
178,000	\$ 6,406,220	41,000	Wartsila OYJ Abp .....
240,000	1,586,506	870,000	Weatherford International plc† .....
222,000	10,371,840		<u>18,096,000</u>
336,800	15,011,176		227,414,057
4,000	396,480		
	<u>160,002,041</u>		
<b>Electronics — 1.2%</b>			
170,000	1,678,750	<b>Entertainment — 7.1%</b>	
30,000	1,253,700	195,500	Discovery Communications Inc., Cl. A† .....
50,000	1,741,000	568,500	Discovery Communications Inc., Cl. C† .....
12,800	597,632	28,000	DreamWorks Animation SKG Inc., Cl. A† .....
1,500	384,195	65,000	Electronic Arts Inc.† .....
4,800	2,690,400	772,400	Grupo Televisa SAB, ADR .....
865,000	15,604,600	2,500	Nintendo Co. Ltd. ....
45,000	2,488,050	208,400	Starz, Cl. A† .....
266,000	12,685,540	444,300	The Madison Square Garden Co., Cl. A† .....
25,000	3,042,500	281,001	Time Warner Inc. ....
	<u>42,166,367</u>	2,231,100	Twenty-First Century Fox Inc., Cl. A .....
		181,000	Twenty-First Century Fox Inc., Cl. B .....
11,000	1,115,840	485,534	Viacom Inc., Cl. A .....
178,400	7,840,680	25,000	Viacom Inc., Cl. B .....
10,000	663,800	725,000	Vivendi SA .....
258,000	30,784,560		<u>254,864,211</u>
287,000	21,961,240	<b>Environmental Services — 1.3%</b>	
218,400	8,268,624	65,000	Progressive Waste Solutions Ltd. ....
113,000	7,704,340	649,300	Republic Services Inc. ....
9,000	308,430	20,000	Waste Connections Inc. ....
20,000	1,118,400	405,000	Waste Management Inc. ....
219,000	8,004,450		<u>19,249,650</u>
158,400	15,684,768		47,230,786
281,200	26,446,860	<b>Equipment and Supplies — 7.1%</b>	
45,000	1,510,650	1,228,800	AMETEK Inc. ....
130,000	0	6,000	Amphenol Corp., Cl. A .....
178,700	11,527,937	10,000	AZZ Inc. ....
125,000	4,792,500	94,000	CIRCOR International Inc. ....
277,900	19,450,221	121,000	Crown Holdings Inc.† .....
30,000	2,816,400	170,000	CTS Corp. ....
44,000	1,949,200	8,000	Danaher Corp. ....
56,400	3,675,588	792,900	Donaldson Co. Inc. ....
30,000	975,900	613,000	Flowserve Corp. ....
5,000	406,550	53,200	Graco Inc. ....
212,000	5,365,720	224,000	GrafTech International Ltd.† .....
36,000	2,740,680	706,400	IDEX Corp. ....
128,000	3,439,360	135,000	Interpump Group SpA. ....
172,500	8,380,050	10,000	Lawson Products Inc.† .....
189,000	7,420,140	136,000	Mueller Industries Inc. ....
71,500	618,475	212,300	Sealed Air Corp. ....
105,000	1,488,900	2,000	SL Industries Inc.† .....
32,000	1,023,040	46,000	Tenaris SA, ADR .....
		93,000	The Manitowoc Co. Inc. ....
		65,000	The Timken Co. ....
		17,000	The Toro Co. ....
		88,200	The Weir Group plc .....
		26,700	Valmont Industries Inc. ....

See accompanying notes to schedule of investments.

**The Gabelli Asset Fund  
Schedule of Investments (Continued) — September 30, 2014 (Unaudited)**

<u>Shares</u>	<u>Market Value</u>	<u>Shares</u>	<u>Market Value</u>
<b>COMMON STOCKS (Continued)</b>			
<b>Equipment and Supplies (Continued)</b>			
293,200	Watts Water Technologies Inc., Cl. A. .... \$ 17,078,900	60,000	Campbell Soup Co. .... \$ 2,563,800
		400,000	China Mengniu Dairy Co. Ltd. .... 1,648,454
	<u>254,813,360</u>	22,000	Chr Hansen Holding A/S ..... 850,353
		26,000	Coca-Cola Enterprises Inc. .... 1,153,360
	<b>Financial Services — 8.9%</b>	16,500	Coca-Cola HBC AG ..... 356,562
15,400	Alleghany Corp.† ..... 6,439,510	330,000	ConAgra Foods Inc. .... 10,903,200
78,000	AllianceBernstein Holding LP ..... 2,028,780	86,000	Constellation Brands Inc., Cl. A† ..... 7,495,760
652,600	American Express Co. .... 57,128,604	12,000	Core-Mark Holding Co. Inc. .... 636,480
7,000	Ameriprise Financial Inc. .... 863,660	30,000	Crimson Wine Group Ltd.† ..... 275,100
29,700	Argo Group International Holdings Ltd. .... 1,494,207	286,000	Danone SA ..... 19,145,416
52,000	Bank of America Corp. .... 886,600	846,200	Daive Campari-Milano SpA ..... 6,108,185
209	Berkshire Hathaway Inc., Cl. A† ..... 43,242,100	309,400	Diageo plc, ADR ..... 35,704,760
75,000	BKF Capital Group Inc.† ..... 106,125	84,000	Diamond Foods Inc.† ..... 2,403,240
45,000	Calamos Asset Management Inc., Cl. A ..... 507,150	210,000	Dr Pepper Snapple Group Inc. .... 13,505,100
65,000	Citigroup Inc. .... 3,368,300	80,000	Farmer Brothers Co.† ..... 2,316,000
30,000	Cullen/Frost Bankers Inc. .... 2,295,300	389,950	Flowers Foods Inc. .... 7,159,482
86,000	First Niagara Financial Group Inc. .... 716,380	41,000	Fomento Economico Mexicano SAB de CV, ADR ..... 3,774,050
170,000	Fortress Investment Group LLC, Cl. A ..... 1,169,600	575,000	General Mills Inc. .... 29,008,750
134,000	GAM Holding AG ..... 2,315,911	2,400,000	Grupo Bimbo SAB de CV, Cl. A ..... 6,958,490
200,400	H&R Block Inc. .... 6,214,404	10,000	Heineken Holding NV ..... 661,463
17,000	HSBC Holdings plc, ADR ..... 864,960	118,000	Heineken NV ..... 8,829,172
53,000	Interactive Brokers Group Inc., Cl. A ..... 1,322,350	20,000	Heineken NV, ADR ..... 747,600
430,000	Janus Capital Group Inc. .... 6,252,200	107,000	Ingredion Inc. .... 8,109,530
262,000	JPMorgan Chase & Co. .... 15,782,880	193,900	ITO EN Ltd. .... 4,092,806
95,900	Kinnevik Investment AB, Cl. A ..... 3,463,351	23,200	John Bean Technologies Corp. .... 652,616
153,000	Kinnevik Investment AB, Cl. B ..... 5,527,591	43,000	Kellogg Co. .... 2,648,800
245,750	KKR & Co. LP ..... 5,480,225	81,300	Kerry Group plc, Cl. A ..... 5,763,794
352,900	Legg Mason Inc. .... 18,054,364	32,000	Keurig Green Mountain Inc. .... 4,164,160
39,000	Leucadia National Corp. .... 929,760	502,800	Kikkoman Corp. .... 10,686,362
87,000	Loews Corp. .... 3,624,420	57,000	Kraft Foods Group Inc. .... 3,214,800
43,000	M&T Bank Corp. .... 5,301,470	19,800	LVMH Moët Hennessy Louis Vuitton SA ..... 3,218,597
138,000	Marsh & McLennan Companies Inc. .... 7,222,920	132,000	Maple Leaf Foods Inc. .... 2,253,529
10,000	Morgan Stanley ..... 345,700	15,000	MEIJI Holdings Co. Ltd. .... 1,185,776
99,800	Northern Trust Corp. .... 6,789,394	429,000	Mondelēz International Inc., Cl. A ..... 14,699,685
30,000	Popular Inc.† ..... 883,050	245,000	Morinaga Milk Industry Co. Ltd. .... 788,557
138,600	State Street Corp. .... 10,202,346	143,400	Nestlé SA ..... 10,551,849
20,000	SunTrust Banks Inc. .... 760,600	187,800	NISSIN FOODS HOLDINGS CO. LTD. .... 9,760,292
52,000	T. Rowe Price Group Inc. .... 4,076,800	200,000	Parmalat SpA ..... 631,528
666,900	The Bank of New York Mellon Corp. .... 25,829,037	273,000	PepsiCo Inc. .... 25,413,570
48,000	The Blackstone Group LP ..... 1,511,040	68,900	Pernod Ricard SA ..... 7,800,887
13,500	The Goldman Sachs Group Inc. .... 2,478,195	145,000	Post Holdings Inc.† ..... 4,811,100
218,000	The Hartford Financial Services Group Inc. .... 8,120,500	87,000	Remy Cointreau SA ..... 6,263,499
147,000	The PNC Financial Services Group Inc. .... 12,580,260	10,000	SABMiller plc ..... 555,727
10,000	Value Line Inc. .... 159,700	95,000	Snyder's-Lance Inc. .... 2,517,500
40,000	W. R. Berkley Corp. .... 1,912,000	45,000	Suntory Beverage & Food Ltd. .... 1,596,079
155,000	Waddell & Reed Financial Inc., Cl. A ..... 8,011,950	513,100	The Coca-Cola Co. .... 21,888,846
670,000	Wells Fargo & Co. .... 34,752,900	17,000	The Hain Celestial Group Inc.† ..... 1,739,950
	<u>321,016,594</u>	21,000	The J.M. Smucker Co. .... 2,078,790
		45,000	The WhiteWave Foods Co.† ..... 1,634,850
	<b>Food and Beverage — 11.2%</b>	600,000	Tingyi (Cayman Islands) Holding Corp. .... 1,576,334
510,300	Brown-Forman Corp., Cl. A ..... 45,513,657	166,860	Tootsie Roll Industries Inc. .... 4,670,411
133,200	Brown-Forman Corp., Cl. B ..... 12,017,304		

See accompanying notes to schedule of investments.

# The Gabelli Asset Fund

## Schedule of Investments (Continued) — September 30, 2014 (Unaudited)

Shares	Market Value	Shares	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Food and Beverage (Continued)</b>			
40,000	Tyson Foods Inc., Cl. A. . . . . \$ 1,574,800	35,000	St. Jude Medical Inc. . . . . \$ 2,104,550
328,600	Yakult Honsha Co. Ltd. . . . . 17,257,680	32,000	Stryker Corp. . . . . 2,584,000
	<u>403,538,442</u>	156,000	Tenet Healthcare Corp.† . . . . . 9,264,840
		76,000	UnitedHealth Group Inc. . . . . 6,555,000
		15,000	WellPoint Inc. . . . . 1,794,300
		29,000	William Demant Holding A/S† . . . . . 2,224,618
		93,800	Wright Medical Group Inc.† . . . . . 2,842,140
		14,000	Zimmer Holdings Inc. . . . . 1,407,700
			<u>194,477,035</u>
			<b>Home Furnishings — 0.1%</b>
		30,000	Bed Bath & Beyond Inc.† . . . . . 1,974,900
		120,000	Blyth Inc. . . . . 974,400
			<u>2,949,300</u>
			<b>Hotels and Gaming — 1.5%</b>
80,500	Actavis plc† . . . . . 19,423,040	17,000	Accor SA . . . . . 753,988
30,000	Aetna Inc. . . . . 2,430,000	56,000	Belmond Ltd., Cl. A† . . . . . 652,960
200,000	Alere Inc.† . . . . . 7,756,000	26,800	Churchill Downs Inc. . . . . 2,613,000
32,000	Allergan Inc. . . . . 5,702,080	760,000	Genting Singapore plc . . . . . 679,157
48,584	AmerisourceBergen Corp. . . . . 3,755,543	10,000	Home Inns & Hotels Management Inc., ADR† . . . . . 289,900
64,000	Amgen Inc. . . . . 8,989,440	47,000	Hyatt Hotels Corp., Cl. A† . . . . . 2,844,440
50,000	AngioDynamics Inc.† . . . . . 686,000	125,000	International Game Technology . . . . . 2,108,750
5,000	AstraZeneca plc, ADR . . . . . 357,200	56,000	Interval Leisure Group Inc. . . . . 1,066,800
80,000	Baxter International Inc. . . . . 5,741,600	1,820,000	Ladbrokes plc . . . . . 3,817,914
40,700	Becton, Dickinson and Co. . . . . 4,632,067	82,000	Las Vegas Sands Corp. . . . . 5,101,220
22,100	Biogen Idec Inc.† . . . . . 7,310,901	4,304,100	Mandarin Oriental International Ltd. . . . . 7,553,696
11,500	Bio-Rad Laboratories Inc., Cl. A† . . . . . 1,304,100	410,000	MGM Resorts International† . . . . . 9,339,800
425,000	BioScrip Inc.† . . . . . 2,936,750	85,000	Pinnacle Entertainment Inc.† . . . . . 2,132,650
260,000	Boston Scientific Corp.† . . . . . 3,070,600	35,000	Ryman Hospitality Properties Inc. . . . . 1,655,500
130,000	Bristol-Myers Squibb Co. . . . . 6,653,400	92,000	Starwood Hotels & Resorts Worldwide Inc. . . . . 7,655,320
17,500	Cepheid Inc.† . . . . . 770,525	2,000,000	The Hongkong & Shanghai Hotels Ltd. . . . . 2,920,855
96,000	Chemed Corp. . . . . 9,878,400	100,000	Universal Entertainment Corp. . . . . 1,638,477
35,000	Cigna Corp. . . . . 3,174,150	10,000	Wyndham Worldwide Corp. . . . . 812,600
31,000	CONMED Corp. . . . . 1,142,040	11,000	Wynn Resorts Ltd. . . . . 2,057,880
48,000	Covidien plc . . . . . 4,152,480		<u>55,694,907</u>
53,000	DaVita HealthCare Partners Inc.† . . . . . 3,876,420		
10,000	DENTSPLY International Inc. . . . . 456,000		<b>Machinery — 3.0%</b>
30,000	Eli Lilly & Co. . . . . 1,945,500	121,500	Caterpillar Inc. . . . . 12,032,145
45,000	Endo International plc† . . . . . 3,075,300	280,000	CNH Industrial NV, Brsaltaliana . . . . . 2,228,032
44,000	Exactech Inc.† . . . . . 1,007,160	1,531,200	CNH Industrial NV, New York . . . . . 12,142,416
80,000	Express Scripts Holding Co.† . . . . . 5,650,400	649,000	Deere & Co. . . . . 53,211,510
20,000	Gerresheimer AG . . . . . 1,298,928	33,000	Kennametal Inc. . . . . 1,363,230
20,000	HCA Holdings Inc.† . . . . . 1,410,400	26,000	Mueller Water Products Inc., Cl. A . . . . . 215,280
31,600	Henry Schein Inc.† . . . . . 3,680,452	750,000	Xylem Inc. . . . . 26,617,500
10,000	Humana Inc. . . . . 1,302,900	35,000	Zebra Technologies Corp., Cl. A† . . . . . 2,483,950
105,000	Johnson & Johnson . . . . . 11,191,950		<u>110,294,063</u>
12,000	Laboratory Corp. of America Holdings† . . . . . 1,221,000		
150,000	Lexicon Pharmaceuticals Inc.† . . . . . 211,500		<b>Manufactured Housing and Recreational Vehicles — 0.1%</b>
20,000	McKesson Corp. . . . . 3,893,400	32,000	Cavco Industries Inc.† . . . . . 2,176,000
12,500	Mead Johnson Nutrition Co. . . . . 1,202,750	32,000	Nobility Homes Inc.† . . . . . 336,000
145,000	Merck & Co. Inc. . . . . 8,595,600	44,000	Skyline Corp.† . . . . . 181,720
50,000	Mylan Inc.† . . . . . 2,274,500		<u>2,693,720</u>
25,000	Nobel Biocare Holding AG . . . . . 443,857		
20,000	Orthofix International NV† . . . . . 619,200		
28,000	Owens & Minor Inc. . . . . 916,720		
62,000	Patterson Companies Inc. . . . . 2,568,660		
145,000	Pfizer Inc. . . . . 4,287,650		
40,000	Quality Systems Inc. . . . . 550,800		
44,000	Quidel Corp.† . . . . . 1,182,280		
400	Regeneron Pharmaceuticals Inc.† . . . . . 144,208		
76,400	Roche Holding AG, ADR . . . . . 2,826,036		

See accompanying notes to schedule of investments.

# The Gabelli Asset Fund

## Schedule of Investments (Continued) — September 30, 2014 (Unaudited)

Shares	Market Value	Shares	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Metals and Mining — 1.6%</b>			
68,000	Agnico Eagle Mines Ltd. .... \$ 1,974,040	310,000	J.C. Penney Co. Inc.† ..... \$ 3,112,400
400,000	Alcoa Inc. .... 6,436,000	50,000	Krispy Kreme Doughnuts Inc.† ..... 858,000
311,600	Barrick Gold Corp. .... 4,568,056	1,200,000	Lianhua Supermarket Holdings Ltd., Cl. H† ..... 642,897
75,000	Cliffs Natural Resources Inc. .... 778,500	198,000	Macy's Inc. .... 11,519,640
95,000	Franco-Nevada Corp. .... 4,643,600	50,000	Murphy USA Inc.† ..... 2,653,000
221,000	Freeport-McMoRan Inc. .... 7,215,650	50,000	Outerwall Inc.† ..... 2,805,000
85,000	Global Brass & Copper Holdings Inc. .... 1,246,950	14,857	Rush Enterprises Inc., Cl. B† ..... 444,373
50,000	Kinross Gold Corp.† ..... 165,000	54,400	The Cheesecake Factory Inc. .... 2,475,200
14,000	Labrador Iron Ore Royalty Corp. .... 273,137	36,600	The Home Depot Inc. .... 3,357,684
52,000	New Hope Corp. Ltd. .... 118,830	65,600	The Kroger Co. .... 3,411,200
627,000	Newmont Mining Corp. .... 14,452,350	50,000	Walgreen Co. .... 2,963,500
160,000	Peabody Energy Corp. .... 1,980,800	35,000	Wal-Mart Stores Inc. .... 2,676,450
136,000	Royal Gold Inc. .... 8,831,840	116,000	Whole Foods Market Inc. .... 4,420,760
160,000	Silver Wheaton Corp. .... 3,188,800		<u>104,297,618</u>
20,000	TimkenSteel Corp. .... 929,800		
235,000	Turquoise Hill Resources Ltd.† ..... 878,900		
	<u>57,682,253</u>		
<b>Publishing — 1.0%</b>			
3,000	Graham Holdings Co., Cl. B ..... 2,098,770	27,000	Airgas Inc. .... 2,987,550
190,000	Il Sole 24 Ore SpA† ..... 167,627	20,500	Ashland Inc. .... 2,134,050
154,000	McGraw Hill Financial Inc. .... 13,005,300	205,000	Chemtura Corp.† ..... 4,782,650
430,000	Media General Inc.† ..... 5,637,300	615,000	Ferro Corp.† ..... 8,911,350
66,000	Meredith Corp. .... 2,824,800	20,000	FMC Corp. .... 1,143,800
505,000	News Corp., Cl. A† ..... 8,256,750	110,000	General Chemical Group Inc.† ..... 2,200
200,000	News Corp., Cl. B† ..... 3,226,000	58,000	H.B. Fuller Co. .... 2,302,600
20,000	Nielsen NV ..... 886,600	130,000	International Flavors & Fragrances Inc. .... 12,464,400
92,000	The E.W. Scripps Co., Cl. A† ..... 1,500,520	1,400	NewMarket Corp. .... 533,428
25,000	The New York Times Co., Cl. A ..... 280,500	400,000	OMNOVA Solutions Inc.† ..... 2,148,000
	<u>37,884,167</u>	11,000	Praxair Inc. .... 1,419,000
		247,800	Sensient Technologies Corp. .... 12,972,330
		20,000	SGL Carbon SE† ..... 413,651
		65,000	Zep Inc. .... 911,300
			<u>53,126,309</u>
<b>Real Estate — 0.3%</b>			
11,000	Brookfield Asset Management Inc., Cl. A ..... 494,560	15,000	AT&T Inc. .... 528,600
75,000	Forest City Enterprises Inc., Cl. A† ..... 1,467,000	40,000	CenturyLink Inc. .... 1,635,600
104,000	Griffin Land & Nurseries Inc. .... 2,984,800	1,400,000	Cincinnati Bell Inc.† ..... 4,718,000
5,000	QTS Realty Trust Inc., Cl. A ..... 151,750	285,000	Deutsche Telekom AG, ADR ..... 4,309,200
234,600	The St. Joe Co.† ..... 4,675,578	30,000	Hellenic Telecommunications Organization SA† ..... 394,074
	<u>9,773,688</u>	25,000	Hellenic Telecommunications Organization SA, ADR† ..... 161,250
<b>Real Estate Investment Trusts — 0.1%</b>			
14,422	Host Hotels & Resorts Inc. .... 307,621	67,000	Intelsat SA† ..... 1,148,380
200	Vornado Realty Trust ..... 19,992	15,000	Level 3 Communications Inc.† ..... 685,950
145,000	Weyerhaeuser Co. .... 4,619,700	57,000	Loral Space & Communications Inc.† ..... 4,093,170
	<u>4,947,313</u>	212,000	NII Holdings Inc.† ..... 11,660
<b>Retail — 2.9%</b>			
103,200	Aaron's Inc.† ..... 2,509,824	150,000	Oi SA, ADR ..... 105,000
126,600	AutoNation Inc.† ..... 6,369,246	12,000	Orange SA, ADR ..... 176,880
108,000	Costco Wholesale Corp. .... 13,534,560	250,000	Portugal Telecom SGPS SA ..... 526,063
235,000	CST Brands Inc. .... 8,448,250	147,415	Sprint Corp.† ..... 934,611
351,600	CVS Health Corp. .... 27,983,844	3,007,800	Telecom Italia SpA† ..... 3,447,613
67,000	HSN Inc. .... 4,111,790	175,000	Telecom Italia SpA, ADR† ..... 2,002,000
		46,500	Telefonica Brasil SA, ADR ..... 915,120
		267,401	Telefonica SA, ADR ..... 4,109,953
		1,085,510	Telephone & Data Systems Inc. .... 26,008,820

See accompanying notes to schedule of investments.



## The Gabelli Asset Fund

### Notes to Schedule of Investments (Unaudited)

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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 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. 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).

## The Gabelli Asset Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

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 by inputs used to value the Fund's investments as of September 30, 2014 is as follows:

	Valuation Inputs			Total Market Value at 9/30/14
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Common Stocks:				
Airlines	\$ 2,128,800	\$ 150,000	—	\$ 2,278,800
Consumer Products	171,612,816	—	\$ 30	171,612,846
Energy and Utilities	227,414,057	—	0	227,414,057
Other Industries (a)	3,175,135,361	—	—	3,175,135,361
Total Common Stocks	3,576,291,034	150,000	30	3,576,441,064
Preferred Stocks (a)	780,026	—	—	780,026
Rights (a)	20,360	—	200	20,560
Warrants (a)	1,092,019	342,000	—	1,434,019
U.S. Government Obligations	—	29,366,165	—	29,366,165
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$3,578,183,439</b>	<b>\$29,858,165</b>	<b>\$230</b>	<b>\$3,608,041,834</b>

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

The Fund did not have material transfers among Level 1, Level 2, and Level 3 during the period ended September 30, 2014. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

#### 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. A significant change in the unobservable inputs could result in a lower or higher value in

## The Gabelli Asset Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

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Level 3 securities. 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 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 Fund's derivative contracts held at September 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.

**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. At September 30, 2014, the Fund held no investments in forward foreign exchange contracts.

**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



## The Gabelli Asset Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

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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.

**Restricted Securities.** The Fund may invest up to 10% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted 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. For the restricted securities the Fund held as of September 30, 2014, refer to the Schedule of Investments.

**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.

**THE GABELLI ASSET FUND**  
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**Portfolio Management Team Biographies**

**Mario J. Gabelli, CFA**, is Chairman and Chief Executive Officer of GAMCO Investors, Inc. that he founded in 1977 and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

**Christopher J. Marangi** joined Gabelli in 2003 as a research analyst. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a BA in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

**Jeffrey J. Jonas, CFA**, joined Gabelli in 2003 as a research analyst. He focuses on companies in the cardiovascular, healthcare services, and pharmacy benefits management sectors, among others. He also serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Jonas was a Presidential Scholar at Boston College, where he received a BS in Finance and Management Information Systems.

**Kevin V. Dreyer** joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA from Columbia Business School.

We have separated the portfolio managers' 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 managers' 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](http://www.gabelli.com).

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

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Skadden, Arps, Slate, Meagher &  
Flom LLP

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



Overall Morningstar Rating <sup>TM</sup> ★★★★★

Morningstar<sup>®</sup> rated The Gabelli Asset Fund Class AAA Shares 4 stars overall, 2 stars for the three year period, 3 stars for the five period, and 5 stars for the ten year period ended September 30, 2014 among 1,343, 1,343, 1,204, and 804 Large Blend funds, respectively. Morningstar Rating<sup>TM</sup> is based on risk-adjusted returns.

[GAB405Q314QR](http://GAB405Q314QR)



# THE GABELLI ASSET FUND

*Third Quarter Report  
September 30, 2014*

Overall Morningstar Rating<sup>TM</sup>



Morningstar Rating<sup>TM</sup> is  
based on risk-adjusted returns.