



Shareholder Commentary
December 31, 2008



THE GABELLI
DIVIDEND &
INCOME TRUST

Our cover icon represents the underpinnings of Gabelli. The Teton mountains in Wyoming represent what we believe in in America – that creativity, ingenuity, hard work, and a global uniqueness provide enduring values. They also stand out in an increasingly complex, interconnected, and interdependent economic world.

Investment Objective:

The Gabelli Dividend & Income Trust is a non-diversified, closed-end management investment company. The Fund's investment objective is to seek a high level of total return with an emphasis on dividends and income. In making stock selections, the Fund's investment adviser looks for securities that have a superior yield, as well as capital gains potential.

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. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

This report is printed on recycled paper.

To Our Shareholders,

Investors everywhere were happy to close out the disastrous year of 2008 and especially happy to put the fourth quarter behind. In the fourth quarter, worldwide stock markets reacted violently to the events of the third quarter, which had included the government takeover of Fannie Mae and Freddie Mac, the sale of Merrill Lynch to Bank of America, the bankruptcy of Lehman Brothers (the largest bankruptcy in history), the takeover of AIG by the government, and the forced sale of Wachovia Bank. Investors continued to flee to Treasuries as the only safe place to park money in the fourth quarter and the yields on the benchmark 10 year note and the 30 year bond fell to record lows of 2.07% and 2.53%, respectively, in December (from 3.91% and 4.35% at the beginning of the year). The three month T-Bill yield that fell below zero in the third quarter hovered around zero in the fourth, indicating fear so strong that people were willing to give the government their money for a few months for free just to get their principal back.

The Standard & Poor's ("S&P") 500 index plunged 23% in price in the fourth quarter, its worst return since the fourth quarter of 1987 and the seventh worst quarter on record. For the year, the Dow Jones Industrial Average fell 33.8% in price, its worst year since 1931 and its third worst year ever. The S&P 500 index fell 38.6% in price, its worst performance since 1937 and also its third worst year ever.

A steady beat of dismal reports of economic activity showed the economy was solidly in recession in the fourth quarter, and finally the National Bureau of Economic Research announced that the recession had actually started in December of 2007, based upon its determination of the statistics. Consumer spending and confidence plunged, and so did corporate sentiment and spending. As a result, unemployment continued to climb, reaching 7.2% amid a growing consensus that the peak would be higher than 9% in 2009. New home sales slid to almost twenty year lows, the weakest level since the recession of the early 1990's. Sales of automobiles fell to an annual rate of ten million cars in December versus a long term average of thirteen million, a rate not experienced in the twenty-six years since October 1982. This compares with vehicle sales of 13.5 million in 2008 and 16.3 million sold in 2007.

Comparative Results

Average Annual Returns through December 31, 2008 (a)

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Since Inception (11/28/03)</u>
Gabelli Dividend & Income Trust					
NAV Total Return (b)	(24.86)%	(42.19)%	(8.84)%	(1.71)%	(1.48)%
Investment Total Return (c)	(22.66)	(45.63)	(9.29)	(5.59)	(5.48)
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(1.17)
Dow Jones Industrial Average	(18.41)	(31.88)	(4.10)	(1.09)	0.26
Nasdaq Composite Index	(24.61)	(40.54)	(10.58)	(4.67)	(4.18)

(a) **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are sold, 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. 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 Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.

(b) Total returns and average annual returns reflect changes in the net asset value ("NAV") per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$19.06.

(c) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.



Performance

The Gabelli Dividend & Income Trust's (the "Fund") net asset value ("NAV") total return was -24.9% during the fourth quarter of 2008, compared with declines of 22.0% and 18.4% for the Standard & Poor's ("S&P") 500 Index and the Dow Jones Industrial Average, respectively. The total return for the Fund's publicly traded shares was -22.7% during the fourth quarter. On December 31, 2008, the Fund's NAV per share was \$12.68, while the price of the publicly traded shares closed at \$10.30 on the New York Stock Exchange ("NYSE").

The Year in Review

The year started out with what seemed like huge write-offs and losses at all of the large U.S. banks and brokerage firms in the first quarter. The first few months of the year saw daily announcements of these losses along with weakening economic numbers, which turned out to be an unrelenting pattern for the year. The chief executive officers and chief financial officers of the banks and investment banks were as unknowledgeable about their holdings as any outsiders. All financial institutions made statements throughout the year about their income and capital levels that they had to retract or contradict more than once as the year wore on.

The history making events started in January, when the Federal Reserve took the extraordinary preemptive step of reacting to steep losses in overseas markets on a day when our markets were closed, to stem losses and panic in the U.S. On January 21st, as we celebrated Martin Luther King, Jr. Day, the European markets lost 3-4% and the Federal Reserve met to announce a rate cut before our markets re-opened the next morning. Within a day or two, a French bank, Societe Generale announced that it had been dumping stocks on that day, rushing to unwind a trader's huge bullish position of approximately \$75 billion worth of European stocks, a position that had been unauthorized and undetected. The bank estimated that it alone was responsible for 10% of the trading that day, causing people to panic, as it appeared that investors were broadly dumping stocks.

There was much debate then about whether or not our Federal Reserve should have reacted this way. The Federal Reserve's 75 basis point interest rate cut that day turned out to be the first drop in the bucket of fiscal and monetary stimulus. Following that, our own credit crisis worsened dramatically in the next few weeks.

The sudden demise of Bear Stearns in March, with its sale at \$2 a share (later revised to \$10) on the verge of its bankruptcy, was shocking as the culmination of solvency fears in the liquidity and credit markets. Bear Stearns was a 75 year old broker dealer that experienced a "run" or withdrawal of funds by its customers and business partners and found itself unable to meet the demand for funds so suddenly it made everyone's head spin. The Federal Reserve feared the effect of this collapse, with a potential cascading run on any bank or firm that did business with it. The Treasury Secretary, Henry Paulson, and the Federal Reserve offered JPMorgan Chase a financing package to take over and guarantee Bear Stearns' obligations, an offer that was too good to pass up. This was the first of many financing and rescue packages throughout the year, which have ballooned the Fed's balance sheet.

Piling on to the Fed's effort to stabilize the markets, Congress and the administration cobbled together programs to stimulate the economy in the second quarter. In April, key senators from both parties agreed on a \$15 billion plan to spur the housing market. This surprisingly fast bipartisan effort, especially in an election year, showed that momentum had begun to shift toward an aggressive response to the struggling economy. The plan included billions of dollars in tax breaks for homebuilders, tax credits for homebuyers who buy a house facing foreclosure, and money for communities to refinance homes facing foreclosures. In addition, the administration passed an accelerated depreciation bill to spur capital spending by businesses.

Rising oil prices and the fear of inflation from high raw material and commodity prices feeding through to finished goods dominated the second quarter news. There was little hint in June of the panics and credit crises that would hit in the third quarter.

At midyear, corporate earnings and outlooks were cleanly split into two camps, with those companies that sell directly to U.S. consumers grappling with the impact of falling home prices and rising energy expenditures. Banks, homebuilders, retailers, and all who depend on discretionary spending including airline, travel, hotel, and gaming

companies already were showing signs of a very difficult year. Companies that sold a large part of their goods overseas had exposure to the faster growing developing economies that were several months behind in their slowdown, and benefited from the weaker dollar.

It took the better part of a year for the downturn in housing, which started in the spring of 2007, to pull back consumer spending. With the consumer accounting for two-thirds of spending in the United States, the slowdown spread to all sectors in the U.S. as well as to economies outside of the United States.

The financial crises accelerated in September when Fannie Mae and Freddie Mac, two “government sponsored” but public companies, were taken over by the U.S. Treasury on September 7th, all but wiping out stock investment in both companies. The government’s assumption of responsibility for their debt was expected to calm the markets, but it had the opposite effect, contributing to growing fears that the entire banking, lending, and capital markets system was filled with unmarketable securities and that the actual creditworthiness of any financial institution was unknown. All market participants grew increasingly risk averse, and the attention turned to who would be the next to go bankrupt, not *if*.

On Sunday, September 14th, under pressure from the Treasury and the Federal Reserve to find a solution, Merrill Lynch announced it was being acquired by the Bank of America. Early the next morning, Lehman Brothers, having tried desperately to find a buyer over the weekend, declared bankruptcy. The Treasury and Federal Reserve had decided that they would allow Lehman to go under to show investors that equity investments are risky and are not protected by the government. However, this shocked equity investors, resulting in a decline of 500 points in the Dow Jones Industrial Average and swiftly accelerated the fear and panic in the credit markets, which fell into a deep freeze during the next two weeks.

Within twenty-four hours the Lehman bankruptcy began to have unforeseen and potentially disastrous consequences for the economy and credit markets. On September 15th, the share price of the oldest money market fund, the Reserve Fund Primary portfolio, established in 1971, fell below the \$1.00 mark, scaring investors and savers. This \$65 billion fund held \$785 million in short-term commercial paper issued by Lehman Brothers and wrote these down as worthless. Nervous investors redeemed a reported \$40 billion, or more than half of the fund’s asset base. This escalated the loss, turning a 1% loss into 3% because the managers had to sell other securities into a weak market to fund the withdrawals.

The third quarter thus included the largest bankruptcy ever, Lehman Brothers, which eclipsed the previous record of WorldCom in 2002, and the largest bank failure ever, Washington Mutual, which dwarfed the previous record set over twenty-four years ago in 1984 when Continental Illinois was shut down (Washington Mutual had \$307 billion in assets compared with Continental’s \$40 billion in 1984, or \$68 billion in 2008 dollars). The quarter also included the third largest bank failure in history, that of IndyMac, a California thrift, which fell on July 12th.

It was immediately clear that the possibility of a run on money market funds would lead to a breakdown in lending among investors and banks and companies and would be disastrous to our economy. Money market funds have been considered a completely safe type of fund for savers and investors for over thirty years and are viewed by most in the same way as bank checking accounts. Just as important to our system is the fact that money market funds are the primary purchaser of commercial paper, which are short term notes issued by corporations to fund their short term needs to conduct business, such as finance accounts receivable and inventories and meet payroll. Commercial paper is not collateralized and therefore is generally issued by companies with high quality debt.

The government announced on September 19th that it would guarantee any money market fund offered to the public that would pay a small fee to participate in the program. This was enough to stop the run on money market funds, although it had the unintended consequence of causing investors to pull their money out of hundreds of small banks and move it into money market funds. Partly in order to combat this, the FDIC raised the size of the bank account it insures from \$100,000 to \$250,000, but it also shows how the reactive steps our government and regulatory agencies are taking have unintended and unforeseen consequences.

In addition to inflicting losses on stockholders and scaring money market investors, the financial turmoil raised borrowing costs dramatically for businesses as investors fled to the safety of Treasuries and abandoned anyone else. Desperation drove investors into the most creditworthy bonds, U.S. Treasuries, to such an extent that during this tumultuous week, three month Treasury Bills were yielding a negative interest rate. Investors were so desperate to park funds safely that they were willing to lend and get less money back at the end of three months! This had never happened before in U.S. Treasuries.

Two days after the Lehman bankruptcy, the Treasury announced that it was taking over AIG with an \$85 billion loan, deciding that it could not risk this bankruptcy because of its exposure to “credit default swaps.” These swaps are insurance contracts between financial institutions requiring the insuring party to pay off the debt if another party defaults. The amount of this insurance bought and sold by all the major financial institutions who were most exposed to it was unknown, and it was feared that the settlement of these contracts, after so many large bankruptcies, would lead to more.

On September 18th, the SEC abruptly banned short sales on 800 financial stocks for a period and then extended the ban until the bailout plan was signed, ending October 9, 2008. In another extraordinary development for Wall Street, the Federal Reserve announced on September 21st that the last two investment banks, Goldman Sachs and Morgan Stanley, would become bank holding companies, subjecting them to stricter federal oversight.

During this period, companies with high grade debt, such as Caterpillar and AT&T, began to report that they were having trouble selling routine debt such as commercial paper used in the normal course of funding their businesses.

Over the next two weeks, the government took unprecedented steps to backstop financial institutions and to reassure investors and savers who became convinced that money was not safe anywhere and fled to U.S. Treasuries. Treasury Secretary Hank Paulson and Federal Reserve chairman Ben Bernanke rushed to propose the Troubled Asset Relief Program (“TARP”), a program designed to buy bad assets for which there is currently no market with a \$700 billion fund and sell them when the market improves. In two days of testimony, they implored Congress to pass this to alleviate the freeze in the credit markets.

The House voted the program down on Monday, September 29th, after the weekend papers had reported the passage as a foregone conclusion. The failure to pass this package immediately, along with obvious petty and self-interested party behavior shocked the nation and caused a monumental sell off. The broad U.S. stock market, as measured by the S&P 500 index, suffered an 8.8% free fall – its biggest percentage decline since the 1987 stock market crash. The 30 stocks in the Dow Jones Industrial Average suffered their worst one day point drop ever, plunging 777 points, or 7%, to 10,365. The Senate passed the TARP on October 1st and the House responded by passing the program on October 3rd.

Also on September 29th, the Federal Deposit Insurance Corporation announced that it had seized Wachovia Bank and sold its banking operations to Citigroup (a deal that was later trumped by Wells Fargo).

Over the next four weeks, the Dow Jones Industrial Average fell an additional 25% for a year to date decline of 40%. There is no question that our financial system and our economy were at risk. The flow of funds, the confidence required to purchase financial assets by investors to fund established businesses and startups and to pay for jobs, was greatly at risk of collapse. The liquidity of the system was blocked, with no one willing to buy or sell anything. Many signs of financial stress reached extremes not seen even in the Great Depression or World War II.

U.S. corporate profits fell for the sixth quarter in a row during the last few months of 2008, which is the longest declining streak in at least twenty years. The statistics that matter the most to individuals, the jobs figures, were the worst in decades. The U.S. finished the year with a loss of about 2.5 million jobs, the worst since 1945.

By the end of the year, it was clear that the credit crisis that had come first in the United States was now global with differences in the underlying economies’ regulatory and capital market structures but with the common theme that creditors froze and stopped providing funding, even to banks.

In fact, the U.S. stock market was not the worst performer, compared with similar or worse declines all over the world. For the year, Germany’s DAX Index declined 40%, Japan’s Nikkei Average declined 42%, France’s CAC Index

lost 43%, the composite Morgan Stanley Capital International Europe, Australia and the Far East Index fell 45%, the Hong Kong Hang Seng Index lost 48%, China's Shanghai Composite lost 65%, and Russia's RTS Index lost 72%.

Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. The share prices of the following holdings are stated in U.S. dollars or U.S. dollar equivalent terms as of December 31, 2008.

Energy holdings in the Fund include *Exxon Mobil Corp.* (*XOM* - \$79.83 - NYSE), *ConocoPhillips* (*COP* - \$51.80 - NYSE), *Chevron Corp.* (*CVX* - \$73.97 - NYSE), *Halliburton Co.* (*HAL* - \$18.18 - NYSE), *Weatherford International Ltd.* (*WFT* - \$10.82 - NYSE), and *Diamond Offshore Drilling Inc.* (*DO* - \$58.94 - NYSE). The price of oil and gas, which drive the revenues and earnings of Exxon and Conoco and the demand for the oil field services of Halliburton, had a wild ride in 2008. Oil started the year at \$60 per barrel, more than doubled to peak at \$147 mid year, and then came crashing down to end the year at \$45. Energy stocks had been widely perceived to have a secure future as China, India, and other emerging markets built out their industries and grew the demand for oil for transportation, heating, and powering factories. Their prices fell so much that this sector became the cheapest when valued on a price earnings ratio by year end, with large integrated oil and gas producers such as Exxon, ConocoPhillips, and Chevron selling for an average of 10 times 2009 estimated earnings; equipment and servicing companies such as Halliburton and Weatherford selling for an average multiple of 6.7 times 2009 estimated earnings, and drillers such as Diamond Offshore selling at an average multiple of estimated earnings of 4.2. As we enter the second year of the deep and potentially long recession, we believe that the big slowdown and drop in demand for oil and gas and commodities in general is priced into these stocks. We are hopeful that a recovery will emerge in 2010 and we expect these stocks to anticipate that resumption of demand before then.

General Mills Inc. (*GIS* - \$60.75 - NYSE) is a leading producer of packaged foods; its brands include Cheerios, Wheaties, and Total cereals, Yoplait yogurt, Green Giant vegetables, and Progresso soup. The company has been working to make its products healthier by actions such as incorporating whole grains into its cereals and launching probiotic versions of Yoplait. It also continues to develop its organic brands, including Muir Glen for organic tomato products and Cascadian Farm for organic cereals, granola bars, and vegetables. In the U.S., the company has recently been taking market share in both cereal and yogurt. The company is also benefiting from increasing prices for its products, which should eventually translate into higher margins as input costs are now easing.

Swedish Match AB (*SWMA SS* - \$14.13 - Stockholm Stock Exchange) produces tobacco products that include snuff, chewing tobacco, cigars, and pipe tobacco. The company's products are sold in more than 150 countries and it is a leader in its categories. The company has been benefiting from the growth of the smokeless tobacco market in both Scandinavia and the U.S., as public smoking bans and health concerns are driving consumers to seek alternative tobacco products to cigarettes. In response to excise tax increases in 2007 and 2008, the company raised prices in Sweden, demonstrating that it can utilize its pricing power to increase profits for its snuff division. In February 2009, Swedish Match created a joint venture with Philip Morris International in order to sell snus, or Swedish style snuff, in markets around the world, taking advantage of Swedish Match's brands and production capabilities and Philip Morris International's distribution network.

The DIRECTV Group Inc. (*DTV* - \$22.91 - Nasdaq) is the largest direct broadcast satellite television provider in the U.S., with approximately 17 million subscribers. News Corp. purchased a 34% interest in the company from General Motors in December 2003, an interest that has grown to 55% as DIRECTV used its abundant free cash flow to repurchase stock. In March 2008, News Corp. exchanged its stake in DIRECTV for Liberty Capital's 18% stake in News Corp. John Malone, Liberty's Chairman, created the world's largest cable company, TCI, before selling the company to AT&T. The DIRECTV swap is significant (and filled with irony) in that it puts Malone back in the video wars, this time on the side of satellite. We expect Malone to push to increase the leverage at DIRECTV through share repurchases. Eventually, we believe Liberty could explore the sale of DIRECTV to a telephone company or a merger with rival EchoStar Communications.

The Hershey Co. (HSY - \$34.74 - NYSE) is a leading U.S. confectioner, with brands such as Hershey's, Reese's, Kit Kat, Twizzlers, Jolly Rancher, and Ice Breakers. The company has also expanded into premium chocolate through acquisitions of Scharffen Berger, Dagoba and Joseph Schmidt Confections, as well as with new product offerings such as Hershey's Bliss under the Hershey's brand. In 2007 and 2008, the company was hurt by rapidly rising input costs, especially dairy, which it was slow to pass on to consumers, as well as from inventory obsolescence costs caused by the use of "limited edition" brands to drive growth that only had short term appeal with consumers. Management is now more focused on growing its core brands and on better execution in the convenience store channel, and is benefiting from consumers shifting back to mainstream confectionery products.

Verizon Communications Inc. (VZ - \$33.90 - NYSE) and *AT&T Inc. (T - \$28.50 - NYSE)* are both well positioned for the future with strong balance sheets and leading wireline and wireless businesses. AT&T in particular has benefited from growth in Apple iPhone sales and was one of the few stocks in our portfolio to end the year positively, with a gain of 3%. Verizon Wireless completed its acquisition of Alltel, the fifth largest mobile operator in the U.S. with 13.8 million customers, in January. Pro forma for the transaction, Verizon Wireless will become the largest mobile carrier in the United States. While Verizon's wireline business has lost 3.6 million switched access lines (9%) over the last twelve months, it has been successful in attracting customers with its FiOS (fiber optic) broadband and TV offerings. Both AT&T and Verizon have strong dividend yields of 6%, which we enjoy in a market where returns from appreciation could be some time off.

Wyeth (WYE - \$37.51 - NYSE) is one of our pharmaceutical positions. On January 26th, *Pfizer Inc. (PFE - \$17.71 - NYSE)* announced a merger agreement under which Pfizer will acquire Wyeth in a cash and stock transaction valued at \$68 billion. Each share of Wyeth will be converted into the right to receive \$33 in cash and 0.985 of a share of Pfizer common stock. The combined company will create one of the most diversified companies in the global healthcare industry. The transaction is expected to close during the fourth quarter of 2009. We have owned Wyeth for a long time, expecting out performance from the combination of solid, near term, single digit in-line earnings growth, incremental pipeline progress, continuing abatement of diet drug litigation overhang, and the relative absence of new negatives and uncertainties. This was true in 2008, when the total return of a negative 12.5% was good enough to make it one of our top performers. However, we believe that good absolute, not just relative, performance could accrue to Wyeth in the coming year. The company has strong cash flow and high profit margins, which it earns on a group of high volume drugs such as the antidepressant, Effexor (\$3.8 billion), a leading vaccine, Prevnar (\$2.4 billion), and the world's No. 1 biotech drug, Enbrel (\$5.3 billion), which is prescribed for rheumatoid arthritis and psoriasis. Wyeth also has \$3 billion in sales of consumer health brands like Centrum, Advil, Preparation H, Robitussin, and ChapStick. The company has a drug for Alzheimer's disease, now in a large Phase III trial, that has been promising enough for the FDA to fast track the study. *Johnson & Johnson (JNJ - \$59.83 - NYSE)* and *Genentech Inc. (DNA - \$82.91 - NYSE)* are two more healthcare stocks in our portfolio at year end that were relatively strong performers in a miserable year.

Looking Ahead

As the new year begins and we witness the historic inauguration of incoming President Barack Obama, the first African-American president in the United States, the economic and credit market news is terrible. We are fully in a bear market. The enthusiasm for this new president is both for what he represents, the American values of mobility, change, and hard work, and also for the pain of the current economy and the hope for a new plan. The headlines are full of new plans and speculation about what the government will do next to restore confidence to the banking system, large firms announcing new job and wage cuts every day, state and city tax revenues plummeting as the recession bears down, and the economies of Europe and Asia slowing down dramatically. At the same time, the Israeli-Palestinian conflict and Israeli military operation in Gaza continues to destroy infrastructure and homes across the territory, home to 1.5 million Palestinians, amid mounting international tension.

We are hopeful that the government, which has launched several initiatives to shore up the banks and financial institutions, will come up with a solution to separate the good assets from the bad, an approach we took in the 1980s with the Resolution Trust Corporation, although there are differences now. This would allow at least some institutions to continue their core operations while the complex mortgage and loan backed paper, for which there is no market and which taints all the credit organizations, is written down or eventually sold. This worked for the United States in the mid 1980s, and there is some comparison with today although some aspects are of course quite different.

As we write this, Citibank is announcing plans to split into two in order to achieve this end; it is quite possible that the government will back this and accelerate its plans to remove the bad assets by putting them into a separate agency where they can be bundled and improved with time to make them more attractive and saleable. Our new president has asked Congress to authorize the release of the second half of the TARP funds. It is most likely that he will try to gain goodwill by contrasting his specific plan to do this with the criticism now directed at the government for the spending of the first part of the TARP that it was plan-less and irresponsible, with no accountability from those that received funds.

It is likely that this is in the works, with the new administration studying mistakes we made in the 1930s, Japan made in the 1980s, and the successful rescue by Sweden of their collapsed banking industry in the mid 1990s. While all of these were limited to their own country and today we have a global crisis, the lessons of how to clean up the banks and what it takes to restore confidence and lending are similar.

At the same time, there is talk of this being a similar period to the terrible economy of the 1930s and to talk of the need for something similar to the New Deal. However, as we now know, these policies started from a distrust – a well earned distrust, just like now – of competition and free markets. As a result, the New Deal spent hugely on programs, imposed new taxes, and discouraged free trade, resulting in a crush of innovation, risk taking, growth plans and hiring plans by entrepreneurs, investors, and corporations that hugely deepened and lengthened the downturn brought on by the stock market excesses and crash. We have learned many lessons from that period and are hopeful we will use them now.

The consensus view of economists at the start of the new year is that the economy will continue to contract until the third quarter at least but at a slowing pace in the second quarter. This would then be the longest recession since the 1930s, outlasting the two record holders, the mid 1970's and the contraction starting in 1981, both of which were brought about by an awful combination of high oil prices, high inflation, high interest rates and each of which lasted sixteen months. The current recession, determined to have started in December 2007, would reach that milestone in April and will most likely go further.

We are not going to look right through the next year, which will be bad as the economy continues to deteriorate, hopefully at a slower rate by the second half. But we do want to remember that the stock market is an extremely anticipatory mechanism, with a better record for divining future answers than even Carnac the Magnificent, who never missed in this role on the Johnny Carson show and later on David Letterman. The market peaked in October of 2007 and, through this past year end, had declined 48.5% in price. The market will similarly start to discount a recovery in the financial and credit markets and in corporate earnings, six to twelve months before it is apparent. Assuming the economic downturn lasts into next year means that a stock market recovery could start this year, and if the current recovery is like past ones, there are big gains when this happens.

We are trying to make sure that we own the companies that will survive and then take part in an eventual recovery, hopefully to recoup returns for our investors and have a much better ten years ahead than we have had for the last ten. The market has been flat for ten years, but now is a good time to remind ourselves why we invest, which is to participate in the cash flow and earnings of corporations.

Sincerely,



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



Barbara G. Marcini, CFA
Portfolio Manager

February 2, 2009

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.

Portfolio Manager Compensation

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

As founder and portfolio manager of The Gabelli Dividend & Income Trust, Mr. Gabelli received \$7,426,190 in calendar year 2007. For the Fund's first twelve months of operation starting in November 2003, Mr. Gabelli received less than \$605,000. As beneficial owner, he had \$22,355,647 invested in The Gabelli Dividend & Income Trust as of December 31, 2008, which includes the holdings of GAMCO Investors, Inc. and Gabelli Funds, LLC, a GBL subsidiary.

Common Share Repurchase Plan – Share Repurchases Exceed One Million Shares

On May 12, 2004, the Board of Trustees of the Fund (the "Board") voted to authorize the repurchase of the Fund's common shares in the open market from time to time, when such shares are trading at a discount of 7.5% or more from NAV. Pursuant to this share repurchase plan, the Fund repurchased 253,400 common shares in the fourth quarter of 2008. In total through December 31, 2008, the Fund has repurchased 1,534,568 shares in the open market under this share repurchase plan at an average investment of \$17.17 per share and an average discount to NAV of 14.1%.

Monthly Distribution Policy for Common Shareholders

The Board has reaffirmed the continuation of the Fund's monthly distribution policy for the first quarter of 2009. Pursuant to its distribution policy, the Fund paid \$0.11 per share cash distributions on October 27, 2008, November 21, 2008, and December 17, 2008 to common shareholders of record on October 17, 2008, November 13, 2008, and December 12, 2008, respectively, for a total distribution of \$0.33 per share during the fourth quarter of 2008.

Under the Fund's distribution policy, the Fund pays a minimum annual distribution of 6% of the initial public offering price of \$20.00 per share. Pursuant to this policy, the Fund intends to pay a distribution of \$0.11 per share each month and, if necessary, an adjusting distribution in December which includes any additional income and net realized capital gains in excess of the monthly distributions for that year to satisfy the minimum distribution requirements of the Internal Revenue Code.

Each quarter, the Board reviews the amount of any potential distribution and the income, capital gain, or capital available. The Board will review the Fund's distribution level at the next regularly scheduled board meeting in February 2009, taking into consideration the Fund's net asset value and the financial market environment. The Fund's distribution policy is subject to modification by the Board at any time.

Monthly distributions were implemented to improve shareholder value with the objective of narrowing the discount to NAV of the publicly traded shares on the NYSE. We firmly believe that our shareholders prefer a monthly distribution to a quarterly payment, and that this will help to close the gap between NAV and market price over time. Of course, we are most directly responsible for the NAV because it reflects the performance of the investments that are in the Fund. However, we also know that we have a responsibility to improve shareholder value, and that means using shareholder initiatives such as the distribution policy to improve the market price when trading at a discount to NAV.

If the Fund does not generate earnings from dividends and interest received and net realized capital gains equal to or in excess of the aggregate distributions paid by the Fund in a given year, then the amount distributed in excess of the Fund's investment income and net realized capital gains would be deemed a non-taxable return of capital. Since this would be considered a return of a portion of a shareholder's original investment, it is not taxable and is treated as a reduction in the shareholder's cost basis. However, despite the challenges of the extra record keeping, a distribution that is occasionally supplemented with a return of capital serves as a smoothing mechanism resulting in a more stable and consistent cash flow available to shareholders. For a closed-end fund with a distribution policy, a return of capital becomes progressively less likely with the passage of time because in later years it is more likely that long-term capital gains can be realized and therefore become available for distribution. A portion of the distribution may be treated as long-term capital gain and qualified dividend income for individuals, each subject to the maximum federal income tax rate, which is currently 15% in taxable accounts for individuals. Long-term capital gains, qualified dividend income, ordinary income, and paid-in capital, if any, will be allocated on a pro-rata basis to all distributions to common shareholders for the year. Based on the distribution allocations of the Fund as of December 31, 2008, the total distributions paid in 2008 include approximately 21.8% from net investment income, 0.2% from net capital gains, and 78.0% from paid-in capital. The estimated components of each distribution are provided to shareholders of record in a notice accompanying the distribution and are available on our website (www.gabelli.com). All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2008 distributions in early 2009 via Form 1099-DIV.

5.875% Series A Cumulative Preferred Shares

The Fund's 5.875% Series A Cumulative Preferred Shares paid a \$0.3671875 per share cash distribution on December 26, 2008 to preferred shareholders of record on December 18, 2008. The Series A Preferred Shares, which trade on the NYSE under the symbol "GDV Pr A," are rated "Aaa" by Moody's Investors Service and have an annual dividend rate of \$1.46875 per share. The Series A Preferred Shares were issued on October 12, 2004 at \$25.00 per share and pay distributions quarterly. The Series A Preferred Shares will be callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five year call protection on October 12, 2009. The next distribution is scheduled for March 2009. The Fund is authorized to purchase its Series A Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00. During the year ended December 31, 2008, the Fund repurchased and retired 71,584 Series A Preferred Shares.

Series B Auction Market Preferred Shares

The dividend rates for the Series B Auction Market Preferred Shares ranged from 1.575% to 5.419% during the fourth quarter of 2008. Dividend rates for the Series B Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. If the number of Series B Preferred Shares subject to bid orders by potential holders is less than the number of Series B Preferred Shares subject to sell orders, then the auction is considered to be a failed auction, and the dividend rate will be the maximum rate. In that event, holders that have submitted sell orders may not be able to sell any or all of the Series B Preferred Shares for which they have submitted sell orders. The current maximum rate is 125 basis points greater than the seven day Telerate/British Bankers Association LIBOR on the day of such auction. The Series B Preferred Shares do not trade on an exchange. The Series B Preferred Shares are rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor's Ratings Services. The Fund issued 4,000 Series B Preferred Shares on October 12, 2004 at \$25,000 per share.

Series C Auction Market Preferred Shares

The dividend rates for the Series C Auction Market Preferred Shares ranged from 1.511% to 6.013% during the fourth quarter of 2008. Dividend rates for the Series C Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. If the number of Series C Preferred Shares subject to bid orders by potential holders is less than the number of Series C Preferred Shares subject to sell orders, then the auction is

considered to be a failed auction, and the dividend rate will be the maximum rate. In that event, holders that have submitted sell orders may not be able to sell any or all of the Series C Preferred Shares for which they have submitted sell orders. The current maximum rate is 125 basis points greater than the seven day Telerate/British Bankers Association LIBOR on the day of such auction. The Series C Preferred Shares do not trade on an exchange. The Series C Preferred Shares are rated “Aaa” by Moody’s Investors Service and “AAA” by Standard & Poor’s Ratings Services. The Fund issued 4,800 Series C Preferred Shares on October 12, 2004 at \$25,000 per share.

6.00% Series D Cumulative Preferred Shares

The Fund’s 6.00% Series D Cumulative Preferred Shares paid a \$0.375 per share cash distribution on December 26, 2008 to preferred shareholders of record on December 18, 2008. The Series D Preferred Shares, which trade on the NYSE under the symbol “GDV Pr D,” are rated “Aaa” by Moody’s Investors Service and have an annual dividend rate of \$1.50 per share. The Series D Preferred Shares were issued on November 3, 2005 at \$25.00 per share and pay distributions quarterly. The Series D Preferred Shares will be callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five year call protection on November 3, 2010. The next distribution is scheduled for March 2009. The Fund is authorized to purchase its Series D Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00. During the year ended December 31, 2008, the Fund repurchased and retired 23,466 Series D Preferred Shares.

Series E Auction Rate Preferred Shares

The dividend rates for the Series E Auction Rate Preferred Shares ranged from 1.770% to 6.778% during the fourth quarter of 2008. Dividend rates for the Series E Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. If the number of Series E Preferred Shares subject to bid orders by potential holders is less than the number of Series E Preferred Shares subject to sell orders, then the auction is considered to be a failed auction, and the dividend rate will be the maximum rate. In that event, holders that have submitted sell orders may not be able to sell any or all of the Series E Preferred Shares for which they have submitted sell orders. The current maximum rate is 150 basis points greater than the seven day Telerate/British Bankers Association LIBOR on the day of such auction. The Series E Preferred Shares do not trade on an exchange. The Series E Preferred Shares are rated “Aaa” by Moody’s Investors Service and “AAA” by Standard & Poor’s Ratings Services. The Fund issued 5,400 Series E Preferred Shares on November 3, 2005 at \$25,000 per share.

It should be noted that the Investment Adviser does not receive a management fee on the incremental assets attributable to the Preferred Shares unless the total return of the net asset value of the common shares during the year, including distributions and management fee subject to reduction, exceeds the stated dividend rate or corresponding swap rate of each particular series of Preferred Shares for the fiscal year. The Investment Adviser believes this fee arrangement is in the best interest of all shareholders.

The Board shares the Investment Adviser’s view that the issuance of the Preferred Shares is designed to benefit the common shareholders. To the extent that the Fund earns in excess of the dividend rate on the Preferred Shares, additional value will thereby be created for its common shareholders.

A portion of the distributions may be treated as long-term capital gain and qualified dividend income for individuals, each subject to the maximum federal income tax rate, which is currently 15% in taxable accounts for individuals. Long-term capital gains, qualified dividend income, and ordinary income, if any, will be allocated on a pro-rata basis to all distributions to preferred shareholders for the year. Based on the distribution allocations of the Fund as of December 31, 2008, the total distributions paid in 2008 include approximately 99.8% from net investment income and 0.2% from net capital gains. The estimated components of each distribution are provided to shareholders of record in a notice accompanying the distribution and are available on our website (www.gabelli.com). All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2008 distributions in early 2009 via Form 1099-DIV.

Series B, Series C, and Series E Auction Preferred Shares

The Fund redeemed and retired 10% of its outstanding Series B Preferred Shares, Series C Preferred Shares, and Series E Preferred Shares (together the “Auction Preferred Shares”) as authorized by the Board. The redemption dates are provided in the table below and the redemption price was \$25,000 per Auction Preferred Share, which was equal to the liquidation preference of the Auction Preferred Shares. Dividends on the redeemed Auction Preferred Shares ceased to accumulate on the redemption date. The Fund used currently available cash to fund these partial redemptions on a pro rata basis among these series.

	Series B Preferred Shares	Series C Preferred Shares	Series E Preferred Shares
Number of Shares to be Redeemed	400 shares	480 shares	540 shares
Redemption Date	November 12, 2008	November 14, 2008	November 13, 2008
CUSIP	36242H302	36242H401	36242H609

Depository Trust Company (“DTC”), the holder of record, determines the allocations of the partial series redemptions by lottery among each participant account. Each participant account, as nominee for underlying beneficial owners (street name shareholders), in turn determines the allocations of redeemed shares among underlying beneficial owners. The procedures used by various participant accounts to allocate redeemed shares among beneficial owners may differ from other participant accounts as well as from the procedures used by DTC.

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 closedend@gabelli.com.

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 Funds documents. Shareholders of our closed-end funds can now elect to receive e-mail announcements regarding available materials, including shareholder commentaries and fund reports. For more information or to register for e-delivery, please visit our website at www.gabelli.com.

Top Ten Holdings December 31, 2008

Verizon Communications Inc.	ConocoPhillips
NSTAR	Exxon Mobil Corp.
Pfizer Inc.	AT&T Inc.
Chevron Corp.	Wells Fargo & Co.
Occidental Petroleum Corp.	Groupe Danone

The Annual Meeting of The Gabelli Dividend & Income Trust’s shareholders will be held on Monday, May 18, 2009 at the Greenwich Library in Greenwich, Connecticut.

THE GABELLI DIVIDEND & INCOME TRUST AND YOUR PERSONAL PRIVACY

Who are we?

The Gabelli Dividend & Income Trust (the “Fund”) is a closed-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is 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 shareholder?

When you purchase shares of the Fund on the New York Stock Exchange, you have the option of registering directly with our transfer agent in order, for example, to participate in our dividend reinvestment plan.

- *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.* This would include information about the shares that you buy or sell; it may also include information about whether you sell or exercise rights that we have issued from time to time. 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.

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.

TRUSTEES AND OFFICERS
THE GABELLI DIVIDEND & INCOME TRUST
One Corporate Center, Rye, NY 10580-1422

Trustees

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

Anthony J. Colavita
Attorney-at-Law,
Anthony J. Colavita, P.C.

James P. Conn
Former Managing Director &
Chief Investment Officer,
Financial Security Assurance Holdings Ltd.

Mario d'Urso
Former Italian Senator

Frank J. Fahrenkopf, Jr.
President & Chief Executive Officer,
American Gaming Association

Michael J. Melarkey
Attorney-at-Law,
Avansino, Melarkey, Knobel & Mulligan

Salvatore M. Salibello
Certified Public Accountant,
Salibello & Broder, LLP

Edward T. Tokar
Senior Managing Director,
Beacon Trust Company

Anthonie C. van Ekris
Chairman, BALMAC International, Inc.

Salvatore J. Zizza
Chairman, Zizza & Co., Ltd.

Officers

Bruce N. Alpert
President

Carter W. Austin
Vice President

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
Treasurer and Secretary

Investment Adviser

Gabelli Funds, LLC
 One Corporate Center
 Rye, New York 10580-1422

Custodian

State Street Bank and Trust Company

Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Transfer Agent and Registrar

Computershare Trust Company, N.A.

Stock Exchange Listing

	<u>Common</u>	<u>Preferred</u>	<u>Preferred</u>
	5.875%	6.00%	
NYSE-Symbol:	GDV	GDV PrA	GDV PrD
Shares Outstanding:	83,528,637	3,128,416	2,576,534

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading "General Equity Funds," in Monday's The Wall Street Journal. It is also listed in Barron's Mutual Funds/Closed End Funds section under the heading "General Equity Funds."

The Net Asset Value per share may be obtained each day by calling (914) 921-5070 or visiting www.gabelli.com.

For general information about the Gabelli Funds, call **800-GABELLI** (800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: www.gabelli.com, or e-mail us at: closedend@gabelli.com

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may, from time to time, purchase its common shares in the open market when the Fund's shares are trading at a discount of 7.5% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

THE GABELLI DIVIDEND & INCOME TRUST

One Corporate Center, Rye, NY 10580-1422

Phone: 800-GABELLI (800-422-3554)

Fax: 914-921-5118 Internet: www.gabelli.com

e-mail: closedend@gabelli.com

GDV Dec/2008

The Gabelli Dividend & Income Trust

Annual Report
December 31, 2008

To Our Shareholders,

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

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

Enclosed are the audited financial statements and the investment portfolio as of December 31, 2008.

Comparative Results

Average Annual Returns through December 31, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	Since Inception (11/28/03)
Gabelli Dividend & Income Trust					
NAV Total Return (b)	(24.86)%	(42.19)%	(8.84)%	(1.71)%	(1.48)%
Investment Total Return (c)	(22.66)	(45.63)	(9.29)	(5.59)	(5.48)
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(1.17)
Dow Jones Industrial Average	(18.41)	(31.88)	(4.10)	(1.09)	0.26
Nasdaq Composite Index	(24.61)	(40.54)	(10.58)	(4.67)	(4.18)

- (a) **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are sold, 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. 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 Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.
- (b) Total returns and average annual returns reflect changes in the net asset value ("NAV") per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$19.06.
- (c) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.

Sincerely yours,



Bruce N. Alpert
President

THE GABELLI DIVIDEND & INCOME TRUST
Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments as of December 31, 2008:

Financial Services	12.9%	Environmental Services	0.9%
Energy and Utilities: Oil	11.4%	Energy and Utilities: Water	0.9%
Energy and Utilities: Integrated	11.3%	Communications Equipment	0.7%
Food and Beverage	9.7%	Transportation	0.6%
Telecommunications	6.7%	Business Services	0.5%
Energy and Utilities: Electric	6.3%	Metals and Mining	0.5%
U.S. Government Obligations	5.2%	Machinery	0.4%
Consumer Products	4.2%	Publishing	0.4%
Health Care	4.0%	Computer Software and Services	0.4%
Energy and Utilities: Natural Gas	3.7%	Wireless Communications	0.3%
Diversified Industrial	3.1%	Paper and Forest Products	0.3%
Energy and Utilities: Services	2.6%	Broadcasting	0.3%
Retail	2.3%	Agriculture	0.3%
Cable and Satellite	2.3%	Energy and Utilities	0.3%
Specialty Chemicals	1.6%	Hotels and Gaming	0.2%
Equipment and Supplies	1.2%	Automotive	0.1%
Aerospace	1.2%	Real Estate	0.0%
Electronics	1.2%	Building and Construction	0.0%
Automotive: Parts and Accessories	1.0%	Manufactured Housing and Recreational Vehicles ..	0.0%
Entertainment	1.0%	Computer Hardware	0.0%
			<u>100.0%</u>

The Gabelli Dividend & Income Trust (the "Fund") files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended September 30, 2008. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at www.sec.gov.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS
December 31, 2008

<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS — 92.8%				Consumer Products — 4.2%			
Aerospace — 1.2%				190,000	Alberto-Culver Co. \$	6,349,919	\$ 4,656,900
50,000	Boeing Co.	\$ 3,451,003	\$ 2,133,500	25,000	Altria Group Inc.	433,289	376,500
10,000	Goodrich Corp.	281,823	370,200	70,000	Avon Products Inc.	1,852,512	1,682,100
55,000	Kaman Corp.	1,006,361	997,150	350,000	Eastman Kodak Co.	4,886,784	2,303,000
150,000	Rockwell Automation Inc.	7,874,920	4,836,000	40,000	Fortune Brands Inc.	2,619,019	1,651,200
2,000,000	Rolls-Royce Group plc†	14,847,048	9,647,323	40,000	Hanesbrands Inc.†	955,063	510,000
114,400,000	Rolls-Royce Group plc, Cl. C†	178,374	164,479	90,000	Harman International Industries Inc.	4,313,101	1,505,700
		27,639,529	18,148,652	2,000	Heelys Inc.	10,972	4,540
Agriculture — 0.3%				170,000	Kimberly-Clark Corp.	11,362,349	8,965,800
130,000	Archer-Daniels-Midland Co.	3,723,763	3,747,900	55,000	Mattel Inc.	925,688	880,000
Automotive — 0.1%				25,000	Philip Morris International Inc.	1,011,008	1,087,750
4,000	Copart Inc.†	113,367	108,760	160,000	Procter & Gamble Co.	8,942,017	9,891,200
440,000	General Motors Corp.	9,860,271	1,408,000	1,020,000	Swedish Match AB	12,706,962	14,413,976
10,000	Navistar International Corp.†	228,717	213,800	224,300	UST Inc.	15,237,820	15,561,934
		10,202,355	1,730,560			71,606,503	63,490,600
Automotive: Parts and Accessories — 1.0%				Diversified Industrial — 3.1%			
386,000	Genuine Parts Co.	13,063,243	14,613,960	148,000	Bouygues SA	5,149,282	6,212,955
Building and Construction — 0.0%				208,000	Cooper Industries Ltd., Cl. A	6,808,802	6,079,840
15,000	Layne Christensen Co.†	449,560	360,150	550,000	General Electric Co.	17,008,504	8,910,000
Business Services — 0.5%				280,000	Honeywell International Inc.	9,789,754	9,192,400
165,000	Diebold Inc.	6,244,363	4,634,850	95,000	ITT Corp.	4,299,475	4,369,050
120,000	Intermec Inc.†	2,409,540	1,593,600	130,000	Owens-Illinois Inc.†	4,551,363	3,552,900
40,000	Lender Processing Services Inc.	1,342,861	1,178,000	2,000	Pentair Inc.	63,318	47,340
30,000	PHH Corp.†	634,184	381,900	40,000	Textron Inc.	790,818	554,800
270,000	Trans-Lux Corp.† (a)	1,933,866	207,900	1,000,000	Tomkins plc	4,838,471	1,768,436
		12,564,814	7,996,250	210,000	Tyco International Ltd.	10,146,742	4,536,000
Cable and Satellite — 2.3%				222,000	WHX Corp.†	4,115,409	1,776,000
670,000	Cablevision Systems Corp., Cl. A	19,165,209	11,282,800			67,561,938	46,999,721
14,200	Cogeco Inc.	276,997	286,416	Electronics — 1.2%			
230,000	DISH Network Corp., Cl. A†	5,597,764	2,550,700	1,000,000	Intel Corp.	20,787,583	14,660,000
46,000	EchoStar Corp., Cl. A†	1,228,777	684,020	190,000	Tyco Electronics Ltd.	7,149,331	3,079,900
81,734	Liberty Global Inc., Cl. A†	1,686,985	1,301,205			27,936,914	17,739,900
34,318	Liberty Global Inc., Cl. C†	760,276	520,947	Energy and Utilities: Electric — 6.3%			
180,000	Rogers Communications Inc., Cl. B	2,310,816	5,414,400	30,000	Allegheny Energy Inc.	438,040	1,015,800
550,000	The DIRECTV Group Inc.†	13,163,570	12,600,500	85,000	ALLETE Inc.	2,788,153	2,742,950
30,000	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA	294,900	154,712	250,000	American Electric Power Co. Inc.	7,904,906	8,320,000
7,042	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA, ADR	101,053	36,316	720	Brookfield Infrastructure Partners LP	15,120	8,064
		44,586,347	34,832,016	15,000	CMS Energy Corp.	204,900	151,650
Communications Equipment — 0.0%				410,000	DPL Inc.	8,260,319	9,364,400
20,000	Thomas & Betts Corp.†	576,247	480,400	20,000	Edison International	977,494	642,400
Computer Hardware — 0.0%				270,000	Electric Power Development Co. Ltd.	6,584,683	10,454,495
30,000	SanDisk Corp.†	287,056	288,000	220,000	FPL Group Inc.	7,596,481	11,072,600
Computer Software and Services — 0.4%				804,698	Great Plains Energy Inc.	23,254,977	15,554,812
2,000	i2 Technologies Inc.†	23,260	12,780	370,000	Integrus Energy Group Inc.	17,973,625	15,902,600
170,000	Metavante Technologies Inc.†	4,099,177	2,738,700	120,000	Pepco Holdings Inc.	2,291,425	2,131,200
30,000	Microsoft Corp.	843,187	583,200	240,000	Pinnacle West Capital Corp.	9,369,027	7,711,200
14,000	NDS Group plc, ADR†	847,267	802,760	100,000	Southern Co.	2,893,572	3,700,000
100,000	Yahoo! Inc.†	2,796,559	1,220,000	225,000	Unisource Energy Corp.	5,702,134	6,606,000
		8,609,450	5,357,440			96,254,856	95,378,171
				Energy and Utilities: Integrated — 11.3%			
				12,000	Alliant Energy Corp.	305,115	350,160
				140,000	Ameren Corp.	6,365,276	4,656,400
				50,000	Avista Corp.	926,534	969,000
				20,000	Black Hills Corp.	612,441	539,200
				40,000	CH Energy Group Inc.	1,728,883	2,055,600

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2008

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)			220,000	ONEOK Inc. \$	5,480,182 \$ 6,406,400
Energy and Utilities: Integrated (Continued)			190,000	Sempra Energy	5,675,668 8,099,700
108,000	Chubu Electric		35,000	South Jersey Industries Inc.	839,202 1,394,750
	Power Co. Inc. \$	2,458,019 \$ 3,258,467	140,000	Southern Union Co.	2,996,933 1,825,600
150,000	CONSOL Energy Inc.	6,316,307 4,287,000	190,000	Southwest Gas Corp.	4,719,351 4,791,800
205,000	Consolidated Edison Inc.	8,393,772 7,980,650	620,000	Spectra Energy Corp.	13,685,181 9,758,800
60,000	Dominion Resources Inc.	2,638,481 2,150,400	60,000	The Laclede Group Inc.	1,690,312 2,810,400
200,000	Duke Energy Corp.	2,816,130 3,002,000			54,685,837 56,598,836
430,000	Edison SpA	1,002,090 534,960	Energy and Utilities: Oil — 11.4%		
600,000	El Paso Corp.	7,674,489 4,698,000	42,000	Anadarko Petroleum Corp.	1,870,013 1,619,100
105,000	Endesa SA	4,502,405 4,174,312	39,000	Apache Corp.	1,861,319 2,906,670
300,000	Enel SpA	2,324,318 1,885,947	45,000	BG Group plc, ADR	1,819,092 3,201,750
22,000	Exelon Corp.	1,717,261 1,223,420	160,000	BP plc, ADR	7,479,063 7,478,400
162,000	FirstEnergy Corp.	5,730,248 7,869,960	85,000	Chesapeake Energy Corp.	1,519,622 1,374,450
140,000	Hawaiian Electric		243,000	Chevron Corp.	14,531,853 17,974,710
	Industries Inc.	3,353,889 3,099,600	1,000	Cimarex Energy Co.	28,300 26,780
250,000	Hera SpA	552,073 531,693	330,000	ConocoPhillips	17,735,510 17,094,000
121,500	Hokkaido Electric		78,000	Devon Energy Corp.	3,448,499 5,125,380
	Power Co. Inc.	2,282,208 3,049,228	170,000	Eni SpA, ADR	6,249,080 8,129,400
121,500	Hokuriku Electric Power Co.	2,131,359 3,417,816	210,000	Exxon Mobil Corp.	9,845,136 16,764,300
10,000	Iberdrola SA	156,751 90,909	30,000	Hess Corp.	830,468 1,609,200
100,000	Iberdrola SA, ADR	4,987,500 3,600,000	475,000	Marathon Oil Corp.	16,752,703 12,996,000
85,000	Korea Electric		140,000	Murphy Oil Corp.	7,080,005 6,209,000
	Power Corp., ADR	1,253,867 986,850	1,000	Niko Resources Ltd.	57,456 34,419
121,500	Kyushu Electric		295,000	Occidental Petroleum Corp.	11,115,782 17,697,050
	Power Co. Inc.	2,374,466 3,203,365	20,000	PetroChina Co. Ltd., ADR	1,480,813 1,779,600
22,000	Maine & Maritimes Corp.	626,971 854,700	90,000	Petroleo Brasileiro SA, ADR	3,861,611 2,204,100
80,000	MGE Energy Inc.	2,605,047 2,640,000	270,000	Repsol YPF SA, ADR	5,719,267 5,807,700
35,102	National Grid plc, ADR	1,588,562 1,771,247	200,000	Royal Dutch Shell plc, Cl. A, ADR	9,567,840 10,588,000
255,000	NiSource Inc.	5,329,541 2,797,350	845,000	StatoilHydro ASA, ADR	12,183,860 14,077,700
600,000	NSTAR	14,329,143 21,894,000	180,000	Sunoco Inc.	9,558,099 7,822,800
440,000	OGE Energy Corp.	10,589,559 11,343,200	190,000	Total SA, ADR	8,319,782 10,507,000
30,000	Ormat Technologies Inc.	484,088 956,100			152,915,173 173,027,509
320,000	Progress Energy Inc.	14,361,775 12,752,000	Energy and Utilities: Services — 2.6%		
300,000	Public Service Enterprise		220,000	ABB Ltd., ADR	2,399,710 3,302,200
	Group Inc.	9,183,315 8,751,000	20,000	Baker Hughes Inc.	759,763 641,400
121,500	Shikoku Electric		80,000	Cameron International Corp.†	1,103,787 1,640,000
	Power Co. Inc.	2,264,565 4,061,169	110,000	Diamond Offshore	
15,000	TECO Energy Inc.	255,758 185,250		Drilling Inc.	6,139,336 6,483,400
121,500	The Chugoku Electric		10,000	Exterran Holdings Inc.†	353,410 213,000
	Power Co. Inc.	2,194,052 3,176,558	620,000	Halliburton Co.	16,900,706 11,271,600
45,000	The Empire District		4,000	Nabors Industries Ltd.†	97,350 47,880
	Electric Co.	998,787 792,000	10,000	Noble Corp.	254,820 220,900
121,500	The Kansai Electric		30,000	Oceaneering	
	Power Co. Inc.	2,333,021 3,484,832		International Inc.†	1,368,819 874,200
108,000	The Tokyo Electric		220,000	Rowan Companies Inc.	7,903,181 3,498,000
	Power Co. Inc.	2,545,172 3,574,186	120,000	Schlumberger Ltd.	3,977,835 5,079,600
121,500	Tohoku Electric		45,000	Transocean Ltd.†	3,943,035 2,126,250
	Power Co. Inc.	2,112,763 3,263,679	430,000	Weatherford	
205,000	Vectren Corp.	5,572,873 5,127,050		International Ltd.†	9,321,786 4,652,600
470,000	Westar Energy Inc.	9,309,271 9,639,700			54,523,538 40,051,030
85,000	Wisconsin Energy Corp.	2,690,561 3,568,300	Energy and Utilities: Water — 0.9%		
200,000	Xcel Energy Inc.	3,389,999 3,710,000	11,000	American States Water Co.	273,608 362,780
		165,368,705 171,957,258	340,000	American Water	
	Energy and Utilities: Natural Gas — 3.7%			Works Co. Inc.	7,310,000 7,099,200
8,000	AGL Resources Inc.	217,299 250,800	63,333	Aqua America Inc.	1,056,640 1,304,026
50,000	Atmos Energy Corp.	1,251,665 1,185,000	6,000	Artesian Resources Corp.,	
20,000	Delta Natural Gas Co. Inc.	504,315 485,000		Cl. A	113,635 94,920
6,000	Energen Corp.	124,550 175,980	3,000	California Water	
4,767	GDF Suez†	156,718 238,483		Service Group	94,710 139,290
160,356	GDF Suez, Strips†	0 223	11,500	Connecticut Water	
20,000	Kinder Morgan Energy			Service Inc.	276,036 271,515
	Partners LP	824,553 915,000	2,000	Consolidated Water Co. Ltd.	38,961 25,000
350,000	National Fuel Gas Co.	9,372,113 10,965,500			
210,000	Nicor Inc.	7,147,795 7,295,400			

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2008

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)			70,000	Nationwide Financial Services Inc., Cl. A \$	3,577,797 \$ 3,654,700
Energy and Utilities: Water (Continued)			300,000	New York Community Bancorp Inc.	5,422,652 3,588,000
6,000	Middlesex Water Co. \$ 111,082	\$ 103,380	270,000	NewAlliance Bancshares Inc.	3,899,679 3,555,900
60,000	Pennichuck Corp.	1,362,461 1,231,800	220,000	PNC Financial Services Group Inc.	11,891,734 10,780,000
82,000	SJW Corp.	1,384,964 2,455,080	285,000	SLM Corp.†	9,144,554 2,536,500
16,800	Southwest Water Co.	192,169 54,096	160,000	State Street Corp.	9,738,790 6,292,800
27,818	United Utilities Group plc, ADR	733,071 517,415	95,050	Sterling Bancorp	1,542,455 1,333,552
9,000	York Water Co.	115,031 109,260	120,000	T. Rowe Price Group Inc. . .	4,290,139 4,252,800
		<u>13,062,368</u>	105,000	The Allstate Corp.	5,231,929 3,439,800
		<u>13,767,762</u>	420,000	The Bank of New York Mellon Corp.	14,495,591 11,898,600
Entertainment — 1.0%			50,000	The Blackstone Group LP . .	1,072,290 326,500
8,000	Grupo Televisa SA, ADR . . .	79,516 119,520	290,000	The Travelers Companies Inc.	10,913,064 13,108,000
340,000	Take-Two Interactive Software Inc.	8,700,928 2,570,400	72,522	Valley National Bancorp . .	1,512,495 1,468,570
550,000	Time Warner Inc.	8,614,238 5,533,000	250,000	Wachovia Corp.	5,048,024 1,385,000
200,000	Vivendi	6,351,618 6,467,890	450,000	Waddell & Reed Financial Inc., Cl. A	9,462,271 6,957,000
		<u>23,746,300</u>	60,000	Webster Financial Corp. . . .	1,530,915 826,800
		<u>14,690,810</u>	560,000	Wells Fargo & Co.	16,614,113 16,508,800
Environmental Services — 0.9%			19,260	Willis Group Holdings Ltd. . .	556,229 479,189
1,000	Hyflux Ltd.	1,686 1,242	180,000	Wilmington Trust Corp.	5,831,895 4,003,200
1,250	Suez Environnement SA† . .	0 21,372			<u>311,934,541</u>
12,375	Veolia Environnement	395,937 381,881			<u>193,230,970</u>
420,000	Waste Management Inc.	14,809,006 13,918,800			
		<u>15,206,629</u>			
		<u>14,323,295</u>			
Equipment and Supplies — 1.2%			Food and Beverage — 9.7%		
99,000	CIRCOR International Inc. . .	1,804,425 2,722,500	210,000	Cadbury plc, ADR	11,018,481 7,490,700
30,000	Lufkin Industries Inc.	513,283 1,035,000	80,000	Campbell Soup Co.	2,470,209 2,400,800
60,000	Mueller Industries Inc.	2,463,788 1,504,800	200,000	China Mengniu Dairy Co. Ltd.	498,054 260,122
420,000	RPC Inc.	1,866,263 4,099,200	230,000	ConAgra Foods Inc.	5,620,877 3,795,000
240,000	Tenaris SA, ADR	11,262,456 5,035,200	960,000	Davide Campari-Milano SpA	9,710,824 6,405,338
500,000	Xerox Corp.	6,810,505 3,985,000	220,000	Dr. Pepper Snapple Group Inc.†	5,848,174 3,575,000
		<u>24,720,720</u>	250,000	General Mills Inc.	12,280,223 15,187,500
		<u>18,381,700</u>	270,000	Groupe Danone	14,818,114 16,206,005
Financial Services — 12.7%			90,000	H.J. Heinz Co.	3,150,879 3,384,000
170,000	Aflac Inc.	9,031,497 7,792,800	210,000	ITO EN Ltd.	4,917,151 3,062,548
300,000	AllianceBernstein Holding LP	13,696,527 6,237,000	50,000	ITO EN Ltd., Preference . .	1,116,348 496,966
440,000	American Express Co.	19,643,120 8,162,000	1,000	Kellogg Co.	35,550 43,850
80,000	Astoria Financial Corp.	2,005,945 1,318,400	220,000	Kikkoman Corp.	2,923,199 2,550,689
200,000	Bank of America Corp.	7,532,173 2,816,000	400,000	Kraft Foods Inc., Cl. A	12,241,858 10,740,000
6,000	BlackRock Inc.	535,154 804,900	150,000	Morinaga Milk Industry Co. Ltd.	588,860 577,496
130,000	Capital One Financial Corp.	6,927,309 4,145,700	250,000	Nissin Foods Holdings Co. Ltd.	8,607,187 8,604,523
200,000	CIT Group Inc.	2,693,386 908,000	500,000	Parmalat SpA	1,885,518 809,703
325,000	Citigroup Inc.	11,667,871 2,180,750	339,450	Parmalat SpA, GDR (b)(c) . .	981,615 549,705
25,000	CME Group Inc.	9,302,911 5,202,750	320,000	PepsiAmericas Inc.	6,616,558 6,515,200
100,000	Deutsche Bank AG	9,711,821 4,069,000	61,000	Pernod-Ricard SA	6,480,669 4,491,479
595,000	Discover Financial Services	11,324,000 5,670,350	14,000	Remy Cointreau SA	757,474 576,619
300,400	Federal National Mortgage Association	1,196,518 228,304	1,300,000	Sara Lee Corp.	20,942,627 12,727,000
78,909	Fidelity National Financial Inc., Cl. A	1,529,570 1,400,635	300,000	The Coca-Cola Co.	13,301,591 13,581,000
86,496	Fidelity National Information Services Inc.	1,785,246 1,407,290	404,000	The Hershey Co.	17,978,510 14,034,960
70,000	Flushing Financial Corp. . . .	1,253,654 837,200	465,000	YAKULT HONSHA Co. Ltd.	12,519,548 9,792,443
175,000	HSBC Holdings plc, ADR	14,471,463 8,517,250			<u>177,310,098</u>
90,000	Hudson City Bancorp Inc. . . .	1,409,172 1,436,400			<u>147,858,646</u>
125,000	Invesco Ltd.	3,131,339 1,805,000			
420,000	JPMorgan Chase & Co.	15,189,246 13,242,600			
180,000	Legg Mason Inc.	8,276,521 3,943,800			
28,000	M&T Bank Corp.	2,046,584 1,607,480			
180,000	Marshall & Ilsley Corp.	6,151,668 2,455,200			
480,000	Merrill Lynch & Co., Inc. . . .	20,705,480 5,587,200			
175,000	Moody's Corp.	6,431,663 3,515,750			
105,000	National Australia Bank Ltd., ADR	2,508,087 1,543,500			
			25,649	Health Care — 4.0% Advanced Medical Optics Inc.†	328,943 169,540
			220,000	Boston Scientific Corp.† . . .	2,874,341 1,702,800
			115,000	Bristol-Myers Squibb Co. . . .	2,789,992 2,673,750
			45,000	Covidien Ltd.	1,971,821 1,630,800
			500	Datascope Corp.	25,760 26,120
			150,000	Eli Lilly & Co.	8,318,465 6,040,500

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2008

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares/ Units</u>	<u>Cost</u>	<u>Market Value</u>	
COMMON STOCKS (Continued)			380,000	Walgreen Co. \$	14,707,879 \$	9,374,600
Health Care (Continued)			85,000	Whole Foods Market Inc. ..	2,774,041	802,400
6,000	Fresenius Kabi Pharmaceuticals Holding Inc., CVR†	0 \$			45,635,976	32,642,915
75,000	Genentech Inc.†	6,820,529	5,000	Arkema, ADR	269,656	85,400
100,000	IMS Health Inc.	2,416,169	129,550	Ashland Inc.	5,505,570	1,361,570
50,000	Johnson & Johnson	3,244,276	170,000	E.I. du Pont de Nemours & Co.	7,402,747	4,301,000
8,000	Mentor Corp.	244,858		Ferro Corp.	4,980,743	1,833,000
200,000	Merck & Co. Inc.	7,533,281	260,000	Olin Corp.	1,826,861	1,808,000
110,000	Owens & Minor Inc.	3,312,937	100,000	Rohm and Haas Co.	12,964,559	10,813,250
1,050,000	Pfizer Inc.	27,940,141	175,000	The Dow Chemical Co.	9,203,870	3,470,700
26,000	Schiff Nutrition International Inc.†	145,435	230,000		42,154,006	23,672,920
25,000	St. Jude Medical Inc.†	1,044,606		Telecommunications — 6.4%		
130,000	Wyeth	6,096,113	585,000	AT&T Inc.	16,008,654	16,672,500
75,000	Zimmer Holdings Inc.†	4,911,937	220,000	BCE Inc.	5,564,597	4,507,800
		80,019,604	45,000	Bell Aliant Regional Communications Income Fund (b)(d)		858,445
		60,922,820		BT Group plc, ADR	1,219,425	1,418,580
Hotels and Gaming — 0.2%				CenturyTel Inc.	1,018,424	819,900
110,000	Boyd Gaming Corp.	1,650,177	520,300	Deutsche Telekom AG, ADR	12,129,448	9,945,000
690,000	Ladbrokes plc	9,056,911	1,835,292	France Telecom SA, ADR ..	1,338,443	1,543,850
60,000	Las Vegas Sands Corp.†	350,218	355,800	Hellenic Telecommunications Organization SA	699,575	524,368
130,000	Pinnacle Entertainment Inc.†	2,077,726	998,400	Hellenic Telecommunications Organization SA, ADR ..	1,748,090	1,826,538
		13,135,032	3,709,792	Portugal Telecom SGPS SA	2,574,406	1,814,081
Machinery — 0.4%				Qwest Communications International Inc.	1,360,992	910,000
200,000	CNH Global NV	5,348,172	3,120,000	Sprint Nextel Corp.†	17,800,677	2,562,000
70,000	Deere & Co.	3,746,042	2,682,400	Telecom Corp. of New Zealand Ltd., ADR	312,271	134,000
		9,094,214	5,802,400	Telecom Italia SpA, ADR ..	4,229,850	2,437,500
Manufactured Housing and Recreational Vehicles — 0.0%				Telefonica SA, ADR	683,716	1,078,240
17,000	Skyline Corp.	481,446	339,830	Telefonos de Mexico SAB de CV, Cl. L, ADR	1,903,750	4,104,240
Metals and Mining — 0.5%				Telephone & Data Systems Inc., Special	2,988,359	2,248,000
260,000	Alcoa Inc.	7,820,817	2,927,600	Telmex Internacional SAB de CV, ADR	1,322,945	2,226,560
10,000	Alliance Holdings GP LP ..	230,523	148,000	Telstra Corp. Ltd., ADR	2,392,135	1,774,500
13,000	Alpha Natural Resources Inc.†	713,100	210,470	TELUS Corp., Non-Voting ..	1,574,712	2,162,762
17,000	Arch Coal Inc.	265,374	276,930	Verizon Communications Inc.	36,248,381	33,900,000
8,000	BHP Billiton Ltd., ADR ..	217,549	343,200	Vodafone Group plc, ADR ..	4,757,006	3,474,800
120,000	Freeport-McMoRan Copper & Gold Inc.	3,863,124	2,932,800		120,097,491	96,943,664
10,000	Massey Energy Co.	235,475	137,900	Transportation — 0.6%		
20,000	Peabody Energy Corp.	274,124	455,000	Frontline Ltd.	105,687	88,830
4,200	Rio Tinto plc, ADR	816,504	373,422	GATX Corp.	7,479,103	7,742,500
245	Teck Cominco Ltd., Cl. B ..	18,255	1,205	Golden Ocean Group Ltd. ..	14,400	15,355
3,000	Westmoreland Coal Co.† ..	52,605	33,300	Kansas City Southern†	453,321	514,350
		14,507,450	7,839,827	Ship Finance International Ltd.	66,356	33,150
Paper and Forest Products — 0.3%				Teekay Corp.	794,715	432,300
415,000	International Paper Co.	12,809,318	4,897,000		8,913,582	8,826,485
Publishing — 0.4%				Wireless Communications — 0.3%		
35,000	Idearc Inc.	138,481	2,975	Crown Castle International Corp.†	80,650	87,900
1,715,000	Il Sole 24 Ore	14,333,005	5,411,523	United States Cellular Corp.†	5,129,256	4,800,937
		14,471,486	5,414,498	Vimpel-Communications, ADR	85,375	100,240
Real Estate — 0.0%				Wayfinder System AB†	4,226	4,477
18,000	Brookfield Asset Management Inc., Cl. A ..	186,196	274,860		5,299,507	4,993,554
Retail — 2.1%				TOTAL COMMON STOCKS ...	1,745,341,792	1,411,332,101
210,000	CVS Caremark Corp.	7,892,649	6,035,400			
142,000	Ingles Markets Inc., Cl. A ..	1,615,209	2,497,780			
12,700	Macy's Inc.	126,301	131,445			
410,000	Safeway Inc.	8,674,488	9,745,700			
18,000	Saks Inc.†	261,932	78,840			
310,000	Sally Beauty Holdings Inc.†	3,837,420	1,763,900			
85,000	SUPERVALU Inc.	2,526,712	1,241,000			
155,000	The Great Atlantic & Pacific Tea Co. Inc.†	3,219,345	971,850			

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2008

Assets:	
Investments, at value (cost \$1,867,957,629)	\$1,521,081,294
Investments in affiliates, at value (cost \$1,933,866) ..	207,900
Cash	3,680,210
Receivable for investments sold	1,722,781
Dividends and interest receivable	3,183,414
Unrealized appreciation on swap contracts	70,517
Deferred offering expense	73,650
Prepaid expense	61,872
Total Assets	<u>1,530,081,638</u>
Liabilities:	
Payable for investments purchased	3,020,504
Distributions payable	214,827
Payable for Preferred shares repurchased	56,026
Payable for investment advisory fees	862,241
Payable for payroll expenses	52,508
Payable for accounting fees	7,501
Unrealized depreciation on swap contracts	3,292,381
Payable for auction agent fees	762,791
Other accrued expenses	413,252
Total Liabilities	<u>8,682,031</u>
Preferred Shares, all at \$0.001 per value:	
Series A Cumulative Preferred Shares (5.875%, \$25 liquidation value, 3,200,000 shares authorized with 3,128,416 shares issued and outstanding)	78,210,400
Series B Cumulative Preferred Shares (Auction Market, \$25,000 liquidation value, 4,000 shares authorized with 3,600 shares issued and outstanding)	90,000,000
Series C Cumulative Preferred Shares (Auction Market, \$25,000 liquidation value, 4,800 shares authorized with 4,320 shares issued and outstanding)	108,000,000
Series D Cumulative Preferred Shares (6.00%, \$25 liquidation value, 2,600,000 shares authorized with 2,576,534 shares issued and outstanding)	64,413,350
Series E Cumulative Preferred Shares (Auction Rate, \$25,000 liquidation value, 5,400 shares authorized with 4,860 shares issued and outstanding)	121,500,000
Total Preferred Shares	<u>462,123,750</u>
Net Assets Attributable to Common Shareholders	<u>\$1,059,275,857</u>
Net Assets Attributable to Common Shareholders	
Consist of:	
Paid-in capital, at \$0.001 par value	\$1,454,931,955
Accumulated net investment income	1,356,853
Accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions	(45,191,905)
Net unrealized depreciation on investments	(348,602,301)
Net unrealized depreciation on swap contracts	(3,221,864)
Net unrealized appreciation on foreign currency translations	3,119
Net Assets	<u>\$1,059,275,857</u>
Net Asset Value per Common Share	
(\$1,059,275,857 ÷ 83,528,637 shares outstanding; unlimited number of shares authorized)	<u>\$12.68</u>

STATEMENT OF OPERATIONS

For the Year Ended December 31, 2008

Investment Income:	
Dividends (net of foreign taxes of \$1,504,922)	\$ 60,620,848
Interest	4,129,032
Total Investment Income	<u>64,749,880</u>
Expenses:	
Investment advisory fees	20,662,372
Auction agent fees	895,527
Shareholder communications expenses	550,980
Custodian fees	270,664
Payroll expenses	215,342
Trustees' fees	179,560
Legal and audit fees	131,352
Shareholder services fees	45,006
Accounting fees	45,000
Interest expense	2,332
Miscellaneous expenses	352,697
Total Expenses	<u>23,350,832</u>
Less:	
Advisory fee reduction	(4,948,148)
Custodian fee credits	(11,519)
Net Expenses	<u>18,391,165</u>
Net Investment Income	<u>46,358,715</u>
Net Realized and Unrealized Loss on Investments, Swap Contracts, and Foreign Currency:	
Net realized loss on investments – unaffiliated	(40,001,828)
Net realized loss on investments – affiliated	(110,507)
Net realized loss on swap contracts	(3,022,871)
Net realized loss on foreign currency transactions	(25,678)
Net realized loss on investments, swap contracts, and foreign currency transactions	<u>(43,160,884)</u>
Net change in unrealized appreciation/(depreciation):	
on investments	(784,994,302)
on swap contracts	(1,974,267)
on foreign currency translations	(1,296)
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations	<u>(786,969,865)</u>
Net Realized and Unrealized Loss on Investments, Swap Contracts, and Foreign Currency	
	<u>(830,130,749)</u>
Net Decrease in Net Assets Resulting from Operations	
	<u>(783,772,034)</u>
Total Distributions to Preferred Shareholders	(22,653,237)
Net Decrease in Net Assets Attributable to Common Shareholders Resulting from Operations	<u>\$(806,425,271)</u>

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Operations:		
Net investment income	\$ 46,358,715	\$ 44,287,243
Net realized gain/(loss) on investments, swap contracts, and foreign currency transactions	(43,160,884)	111,203,897
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations	<u>(786,969,865)</u>	<u>4,134,547</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>(783,772,034)</u>	<u>159,625,687</u>
Distributions to Preferred Shareholders:		
Net investment income	(22,608,188)	(8,447,993)
Net realized short-term gain	—	(3,890,830)
Net realized long-term gain	<u>(45,049)</u>	<u>(15,176,885)</u>
Total Distributions to Preferred Shareholders	<u>(22,653,237)</u>	<u>(27,515,708)</u>
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	<u>(806,425,271)</u>	<u>132,109,979</u>
Distributions to Common Shareholders:		
Net investment income	(23,970,465)	(42,713,304)
Net realized short-term gain	—	(19,699,634)
Net realized long-term gain	(214,542)	(76,860,455)
Return of capital	<u>(83,014,490)</u>	<u>—</u>
Total Distributions to Common Shareholders	<u>(107,199,497)</u>	<u>(139,273,393)</u>
Fund Share Transactions:		
Net decrease from repurchase of common shares	(3,449,357)	(3,091,222)
Recapture of gain on sale of Fund shares by an affiliate	—	4,338
Net increase in net assets from repurchase of preferred shares	<u>519,154</u>	<u>—</u>
Net Decrease in Net Assets from Fund Share Transactions	<u>(2,930,203)</u>	<u>(3,086,884)</u>
Net Decrease in Net Assets Attributable to Common Shareholders	<u>(916,554,971)</u>	<u>(10,250,298)</u>
Net Assets Attributable to Common Shareholders:		
Beginning of period	<u>1,975,830,828</u>	<u>1,986,081,126</u>
End of period (including undistributed net investment income of \$1,356,853 and \$1,741,110, respectively)	<u>\$1,059,275,857</u>	<u>\$1,975,830,828</u>

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

FINANCIAL HIGHLIGHTS

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

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Operating Performance:					
Net asset value, beginning of period	\$ 23.57	\$ 23.65	\$ 20.62	\$ 20.12	\$ 19.26
Net investment income	0.55	0.53	0.87	0.55	0.40
Net realized and unrealized gain/(loss) on investments, swap contracts, and foreign currency transactions	(9.92)	1.37	4.00	1.33	1.80
Total from investment operations	(9.37)	1.90	4.87	1.88	2.20
Distributions to Preferred Shareholders: (a)					
Net investment income	(0.27)	(0.10)	(0.12)	(0.06)	(0.01)
Net realized gain	(0.00)(e)	(0.23)	(0.19)	(0.10)	(0.01)
Total distributions to preferred shareholders	(0.27)	(0.33)	(0.31)	(0.16)	(0.02)
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations					
	(9.64)	1.57	4.56	1.72	2.18
Distributions to Common Shareholders:					
Net investment income	(0.29)	(0.51)	(0.61)	(0.48)	(0.39)
Net realized gain on investments	(0.00)(e)	(1.15)	(0.93)	(0.72)	(0.24)
Return of capital	(0.99)	—	—	—	(0.57)
Total distributions to common shareholders	(1.28)	(1.66)	(1.54)	(1.20)	(1.20)
Fund Share Transactions:					
Decrease in net asset value from common share transactions	—	—	—	—	(0.05)
Increase in net asset value from repurchase of common shares	0.01	0.01	0.01	0.02	—
Increase in net asset value from repurchase of preferred shares	0.02	—	—	—	—
Offering costs for common shares charged to paid-in capital	—	—	—	—	(0.01)
Offering costs for preferred shares charged to paid-in capital	—	—	(0.00)(e)	(0.04)	(0.06)
Total from fund share transactions	0.03	0.01	0.01	(0.02)	(0.12)
Net Asset Value Attributable to Common Shareholders,					
End of Period	<u>\$ 12.68</u>	<u>\$ 23.57</u>	<u>\$ 23.65</u>	<u>\$ 20.62</u>	<u>\$ 20.12</u>
NAV total return †	<u>(41.27)%</u>	<u>7.75%</u>	<u>24.09%</u>	<u>9.47%</u>	<u>11.56%</u>
Market value, end of period	<u>\$ 10.30</u>	<u>\$ 20.68</u>	<u>\$ 21.47</u>	<u>\$ 17.62</u>	<u>\$ 17.95</u>
Investment total return ††	<u>(45.63)%</u>	<u>4.14%</u>	<u>31.82%</u>	<u>4.85%</u>	<u>(4.15)%</u>

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

FINANCIAL HIGHLIGHTS (Continued)

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

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Ratios and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of period (in 000's)	\$1,521,400	\$2,475,831	\$2,486,081	\$2,238,155	\$2,006,703
Net assets attributable to common shares, end of period (in 000's) . . .	\$1,059,276	\$1,975,831	\$1,986,081	\$1,738,155	\$1,706,703
Ratio of net investment income to average net assets attributable to common shares before preferred share distributions	2.94%	2.17%	3.91%	2.75%	2.17%
Ratio of operating expenses to average net assets attributable to common shares before fees waived	1.48%	—	—	—	—
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any (b)	1.17%	1.38%	1.41%	1.33%	1.12%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived	1.13%	—	—	—	—
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any (b)	0.89%	1.11%	1.11%	1.12%	1.07%
Portfolio turnover rate †††	32.0%	33.8%	28.8%	25.6%	33.3%
5.875% Series A Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 78,211	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Total shares outstanding (in 000's)	3,128	3,200	3,200	3,200	3,200
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (c)	\$ 22.25	\$ 23.52	\$ 23.86	\$ 24.82	\$ 24.68
Asset coverage per share	\$ 82.30	\$ 123.79	\$ 124.30	\$ 111.91	\$ 167.23
Series B Auction Market Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 90,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Total shares outstanding (in 000's)	4	4	4	4	4
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (c)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share	\$ 82,305	\$ 123,792	\$ 124,304	\$ 111,908	\$ 167,225
Series C Auction Market Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 108,000	\$ 120,000	\$ 120,000	\$ 120,000	\$ 120,000
Total shares outstanding (in 000's)	4	5	5	5	5
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Average market value (c)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share	\$ 82,305	\$ 123,792	\$ 124,304	\$ 111,908	\$ 167,225
6.000% Series D Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 64,413	\$ 65,000	\$ 65,000	\$ 65,000	—
Total shares outstanding (in 000's)	2,577	2,600	2,600	2,600	—
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	—
Average market value (c)	\$ 23.99	\$ 24.41	\$ 24.37	\$ 24.72	—
Asset coverage per share	\$ 82.30	\$ 123.79	\$ 124.30	\$ 111.91	—
Series E Auction Rate Cumulative Preferred Shares					
Liquidation value, end of period (in 000's)	\$ 121,500	\$ 135,000	\$ 135,000	\$ 135,000	—
Total shares outstanding (in 000's)	5	5	5	5	—
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	—
Average market value (c)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	—
Asset coverage per share	\$ 82,305	\$ 123,792	\$ 124,304	\$ 111,908	—
Asset Coverage (d)	329%	495%	497%	448%	669%

† Based on net asset value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan.

†† Based on market value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan.

††† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007, 2006, 2005, and 2004 would have been 58.0%, 30.8%, 39.5%, and 48.7%, respectively.

(a) Calculated based upon average common shares outstanding on the record dates throughout the period.

(b) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the year ended December 31, 2007, the ratios of operating expenses to average net assets attributable to common shares net of fee reduction would have been 1.37% and the ratios of operating expenses to average net assets including liquidation value of preferred shares net of fee reduction would have been 1.10%. For the years ended December 31, 2008, 2006, and 2005, the effect of the custodian fee credits was minimal.

(c) Based on weekly prices.

(d) Asset coverage is calculated by combining all series of preferred shares.

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

See accompanying notes to financial statements.

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS

1. Organization. The Gabelli Dividend & Income Trust (the “Fund”) is a non-diversified closed-end management investment company organized as a Delaware statutory trust on November 18, 2003 and registered under the Investment Company Act of 1940, as amended (the “1940 Act”). Investment operations commenced on November 28, 2003.

The Fund’s investment objective is to provide a high level of total return on its assets with an emphasis on dividends and income. The Fund will attempt to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in dividend paying securities (such as common and preferred stock) or other income producing securities (such as fixed income debt securities and securities that are convertible into equity securities).

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

Security Valuation. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market’s official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Trustees (the “Board”) so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the “Adviser”).

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 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 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

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

Statement of Financial Accounting Standard No. 157, “Fair Value Measurements” (“SFAS 157”) clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 – significant unobservable inputs (including the Fund’s determinations as to the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund’s investments and other financial instruments, by inputs used to value the Fund’s investments as of December 31, 2008 is, as follows:

Valuation Inputs	Investments in Securities (Market Value) Assets	Other Financial Instruments (Unrealized Appreciation)* Assets	Other Financial Instruments (Unrealized Depreciation)* Liabilities
Level 1 – Quoted Prices	\$1,422,722,388	—	—
Level 2 – Other Significant Observable Inputs	98,566,806	\$70,517	\$(3,292,381)
Total	<u>\$1,521,289,194</u>	<u>\$70,517</u>	<u>\$(3,292,381)</u>

There were no Level 3 investments held at December 31, 2007 or 2008.

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

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

In March 2008, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standard No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”) that is effective for fiscal years beginning after November 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity’s results of operations and financial position. Management is currently evaluating the implications of SFAS 161 on the Fund’s financial statement disclosures.

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund’s holding period. It is the policy of the Fund to always receive and maintain securities as collateral whose market value, including accrued interest, are at least equal to 102% of the dollar amount invested by the Fund in each agreement. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At December 31, 2008, there were no open repurchase agreements.

Options. The Fund may purchase or write call or put options on securities or indices. 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) covered 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. At December 31, 2008, the Fund had no investments in options.

Swap Agreements. The Fund may enter into equity, contract for difference, and interest rate swap or cap transactions. The use of swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio transactions. Swap agreements may involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the “counterparty”) periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund’s variable rate payment obligation on Series B Preferred Shares. In an interest rate cap, the Fund would pay a premium to the counterparty and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from that counterparty payments of the difference based on the notional amount of such cap. In a swap, a set of future cash flows are exchanged between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. Swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred share dividends when due in accordance with the Statement of Preferences even if the counterparty defaulted. If there is a default by the counterparty to a swap contract, the Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to a swap contract or that, in the event of default, the Fund will succeed in

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to a swap contract. The creditworthiness of the swap contract counterparties is closely monitored in order to minimize this risk. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments. In addition, at the time a swap or a cap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments.

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

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

The Fund has entered into an interest rate swap agreement with Citibank N.A. Under the agreement the Fund receives a variable rate of interest and pays a respective fixed rate of interest on the nominal value of the swap. Details of the swap at December 31, 2008 are as follows:

<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Floating Rate* (rate reset monthly)</u>	<u>Termination Date</u>	<u>Net Unrealized Depreciation</u>
\$100,000,000	4.01%	1.90125%	06/02/10	\$(3,292,381)

* Based on LIBOR (London Interbank Offered Rate).

Effective March 16, 2008, Bear, Stearns International Limited entered into a Guaranty Agreement with JPMorgan Chase & Co., whereby JPMorgan Chase & Co. unconditionally guarantees the due and punctual payment of certain liabilities of Bear, Stearns International Limited, including the current liabilities of Bear, Stearns International Limited to the Fund. As of December 31, 2008, the Fund held a contract for difference swap with Bear, Stearns International Limited which is covered by the JPMorgan Chase & Co. Guaranty Agreement as of the date of the report. Details of the swap at December 31, 2008 are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation</u>
\$1,711,933 (204,800 Shares)	Market Value Appreciation on: Cadbury plc	Overnight LIBOR plus 40 bps plus Market Value Depreciation on: Cadbury plc	02/16/09	\$70,517

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

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2008, there were no open futures contracts.

Securities Sold Short. The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The Fund did not hold any short positions as of December 31, 2008.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for 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 GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. At December 31, 2008, there were no open 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 the current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/loss on investments.

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

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

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

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

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

Distributions to Shareholders. Distributions to common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2008, reclassifications were made to decrease accumulated net investment income by \$164,319 and to decrease accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions by \$164,319.

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

Distributions to shareholders of the Fund's 5.875% Series A Cumulative Preferred Shares, Series B Auction Market Cumulative Preferred Shares, Series C Auction Market Cumulative Preferred Shares, 6.00% Series D Cumulative Preferred Shares, and Series E Auction Rate Cumulative Preferred Shares ("Cumulative Preferred Shares") are recorded on a daily basis and are determined as described in Note 5.

The tax character of distributions paid during the years ended December 31, 2008 and December 31, 2007 was as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Common	Preferred	Common	Preferred
Distributions paid from:				
Ordinary income				
(inclusive of short-term capital gains)	\$ 23,970,465	\$22,608,188	\$ 62,419,734	\$12,332,027
Net long-term capital gains	214,542	45,049	76,853,659	15,183,681
Return of capital	83,014,490	—	—	—
Total distributions paid	<u>\$107,199,497</u>	<u>\$22,653,237</u>	<u>\$139,273,393</u>	<u>\$27,515,708</u>

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

At December 31, 2008, the Fund had net capital loss carryforwards for federal income tax purposes of \$22,445,283, which are available to reduce future required distributions of net capital gains to shareholders through 2016.

Under the current tax law, capital losses related to securities and foreign currency realized after October 31 and prior to the Fund's fiscal year end may be treated as occurring on the first day of the following year. For the year ended December 31, 2008, the Fund deferred capital losses of \$2,960,639.

At December 31, 2008, the difference between book basis and tax basis unrealized depreciation was primarily due to deferral of losses from wash sales for tax purposes and basis adjustments for investments in partnerships.

As of December 31, 2008, the components of accumulated earnings/losses on a tax basis were as follows:

Accumulated capital loss carryforward	\$ (22,445,283)
Net unrealized appreciation on investments and swap contracts ...	(369,727,798)
Net unrealized appreciation on foreign currency translations	3,119
Post-October capital loss deferral	(2,960,639)
Other temporary differences*	(525,497)
Total	<u>\$(395,656,098)</u>

* Other temporary differences are primarily due to basis adjustments due to investments in hybrid securities and publicly traded partnerships.

The following summarizes the tax cost of investments, swap contracts, and the related unrealized appreciation/depreciation at December 31, 2008:

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Depreciation
Investments	\$1,887,906,198	\$106,497,288	\$(476,225,086)	\$(369,727,798)

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current year. In accordance with FIN 48, management has analyzed the Fund's tax positions taken on the federal and state income tax returns for all open tax years (the current and prior three tax years) and has concluded that no provision for income tax is required in the Fund's financial statements. Management's determination regarding FIN 48 may be subject to review and adjustment at a later date based on factors including, but not limited to, an on-going analysis of tax laws, regulations, and interpretations thereof.

3. Agreements and Transactions with Affiliates. The Fund has an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Fund will pay the Adviser a fee, computed weekly and paid monthly, equal on an annual basis to 1.00% of the value of the Fund's average weekly net assets including the liquidation value of preferred shares. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio and oversees the administration of all aspects of the Fund's business and affairs. The Adviser has agreed to reduce the management fee on the incremental assets attributable to the Preferred Shares if the total return of the NAV of the common shares of the Fund, including

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

distributions and advisory fee subject to reduction, does not exceed the stated dividend rate or corresponding swap rate of each particular series of the Preferred Shares for the year.

The Fund's total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of Preferred Shares for the period. For the year ended December 31, 2008, the Fund's total return on the NAV of the common shares did not exceed the stated dividend rate or corresponding swap rate on any of the outstanding Preferred Shares. Thus, management fees with respect to the liquidation value of the preferred share assets were reduced by \$4,948,148.

During the year ended December 31, 2008, the Fund paid brokerage commissions on security trades of \$737,066 to Gabelli & Company, Inc. ("Gabelli & Company"), an affiliate of the Adviser.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the year ended December 31, 2008, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

As per the approval of the Board, the Fund compensates officers of the Fund, who are employed by the Fund and are not employed by the Adviser (although the officers may receive incentive based variable compensation from affiliates of the Adviser) and pays its allocated portion of the cost of the Fund's Chief Compliance Officer. For the year ended December 31, 2008, the Fund paid or accrued \$215,342, which is included in payroll expenses in the Statement of Operations.

The Fund pays each Trustee who is not considered to be an affiliated person an annual retainer of \$12,000 plus \$1,500 for each Board meeting attended in person and \$500 per telephonic meeting, and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$1,000 per meeting attended. In addition, the Audit Committee Chairman receives an annual fee of \$3,000, the Proxy Voting Committee Chairman receives an annual fee of \$1,500, the Nominating Committee Chairman receives an annual fee of \$2,000, and the Lead Trustee receives an annual fee of \$1,000. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

4. Portfolio Securities. Purchases and proceeds from the sales of securities for the year ended December 31, 2008, other than short-term securities and U.S Government obligations, aggregated \$625,053,238 and \$679,411,774, respectively.

Purchases and sales of U.S. Government obligations for the year ended December 31, 2008, other than short-term obligations, aggregated \$11,516,200 and \$11,360,000, respectively.

5. Capital. The Fund is authorized to issue an unlimited number of common shares of beneficial interest (par value \$0.001). The Board has authorized the repurchase and retirement of its shares on the open market when the shares are trading at a discount of 7.5% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the year ended December 31, 2008, the Fund repurchased 300,433 shares of beneficial interest in the open market at a cost of \$3,449,357 and an average discount of approximately 19.07% from its NAV. All shares of beneficial interest repurchased have been retired.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
Net decrease from repurchase of common shares	(300,433)	\$(3,449,357)	(144,100)	\$(3,091,222)

The Fund's Declaration of Trust, as amended, authorizes the issuance of an unlimited number of shares of \$0.001 par value Cumulative Preferred Shares. The Cumulative Preferred Shares is senior to the common shares and results in the financial leveraging of the common shares. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Shares are cumulative. The Fund is required by the 1940 Act and by the Statements of Preferences to meet certain asset coverage tests with respect to the Cumulative Preferred Shares. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the 5.875% Series A, Series B Auction Market, Series C Auction Market, 6.00% Series D, and Series E Auction Rate Cumulative Preferred Shares at redemption prices of \$25, \$25,000, \$25,000, \$25, and \$25,000, respectively, per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Fund's assets may vary in a manner unrelated to the fixed and variable rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

At the Fund's August 15, 2007 Board meeting, the Board approved the filing of a shelf registration with the SEC which will give the Fund the ability to offer additional preferred shares. The shelf registration was declared effective by the SEC on June 17, 2008.

On October 12, 2004, the Fund received net proceeds of \$77,280,971 (after underwriting discounts of \$2,520,000 and offering expenses of \$199,029) from the public offering of 3,200,000 shares of 5.875% Series A Cumulative Preferred Shares. Commencing

THE GABELLI DIVIDEND & INCOME TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

October 12, 2009 and thereafter, the Fund, at its option, may redeem the 5.875% Series A Cumulative Preferred Shares in whole or in part at the redemption price at any time. The Board has authorized the repurchase of Series A Cumulative Preferred Shares in the open market at prices less than the \$25 liquidation value per share. During the year ended December 31, 2008, the Fund repurchased and retired 71,584 shares of 5.875% Series A Cumulative Preferred Shares in the open market at a cost of \$1,386,077 and an average discount of approximately 30.39% from its liquidation preference. At December 31, 2008, 3,128,416 shares of 5.875% Series A Cumulative Preferred Shares were outstanding and accrued dividends amounted to \$76,581.

On October 12, 2004, the Fund received net proceeds of \$217,488,958 (after underwriting discounts of \$2,200,000 and offering expenses of \$311,042) from the public offering of 4,000 shares of Series B and 4,800 shares of Series C Auction Market Cumulative Preferred Shares ("Series B and Series C Shares"), respectively. The dividend rate, as set by the auction process, which is generally held every seven days, is expected to vary with short-term interest rates. Since February 2008, the number of Series B and Series C Shares subject to bid orders by potential holders has been less than the number of Series B and Series C Shares subject to sell orders. Therefore, the weekly auctions have failed, and the dividend rate since then has been the maximum rate. Holders that have submitted sell orders have not been able to sell any or all of the Series B or Series C Shares for which they have submitted sell orders. The current maximum rate for both Series B and Series C Shares is 125 basis points greater than the seven day Telerate/British Bankers Association LIBOR rate on the day of such auction. The dividend rates of Series B Shares ranged from 1.575% to 5.500% during the year ended December 31, 2008. The dividend rates of Series C Shares ranged from 1.511% to 6.013% during the year ended December 31, 2008. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Series B and C Shares shareholders may also trade their shares in the secondary market. The Fund, at its option, may redeem the Series B and C Shares in whole or in part at the redemption price at any time. During the year ended December 31, 2008, the Fund redeemed and retired 400 shares of Series B and 480 shares of Series C Shares. Shareholders received the redemption price of \$25,000 per share, which was equal to the liquidation preference, together with any accumulated and unpaid dividends, for each share redeemed. At December 31, 2008, 3,600 and 4,320 shares of the Series B and C Shares were outstanding with an annualized dividend rate of 1.651% and 1.690% per share and accrued dividends amounted to \$4,128 and \$30,420, respectively.

On November 3, 2005, the Fund received net proceeds of \$62,617,239 (after underwriting discounts of \$2,047,500 and offering expenses of \$335,261) from the public offering of 2,600,000 shares of 6.00% Series D Cumulative Preferred Shares. Commencing November 3, 2010 and thereafter, the Fund, at its option, may redeem the 6.00% Series D Cumulative Preferred Shares in whole or in part at the redemption price at any time. The Board has authorized the repurchase of Series D Cumulative Preferred Shares in the open market at prices less than the \$25 liquidation value per share. During the year ended December 31, 2008, the Fund repurchased and retired 23,466 shares of 6.00% Series D Cumulative Preferred Shares in the open market at a cost of \$471,019 and an average discount of approximately 19.76% from its liquidation preference. At December 31, 2008, 2,576,534 shares of 6.00% Series D Cumulative Preferred Shares were outstanding and accrued dividends amounted to \$64,413.

On November 3, 2005, the Fund received net proceeds of \$133,379,387 (after underwriting discounts of \$1,350,000 and offering expenses of \$270,613) from the public offering of 5,400 shares of Series E Auction Rate Cumulative Preferred Shares ("Series E Shares"). The dividend rate, as set by the auction process, which is generally held every seven days, is expected to vary with short-term interest rates. Since February 2008 the number of Series E Shares subject to bid orders by potential holders has been less than the number of Series E Shares subject to sell orders. Therefore the weekly auctions have failed, and the dividend rate since then has been the maximum rate. Holders that have submitted sell orders have not been able to sell any or all of the Series E Shares for which they have submitted sell orders. The current maximum rate is 150 basis points greater than the seven day Telerate/British Bankers Association LIBOR rate on the day of such auction. The dividend rates of Series E Shares ranged from 1.770% to 6.778% during the year ended December 31, 2008. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Shareholders of the Series E Shares may also trade their shares in the secondary market. The Fund, at its option, may redeem the Series E Shares in whole or in part at the redemption price at any time. During the year ended December 31, 2008, the Fund redeemed and retired 540 shares of Series E Shares. Shareholders received the redemption price of \$25,000 per share, which was equal to the liquidation preference together, with any accumulated and unpaid dividends, for each share redeemed. At December 31, 2008, 4,860 shares of Series E Shares were outstanding with an annualized dividend rate of 1.940% and accrued dividends amounted to \$39,285.

The holders of Cumulative Preferred Shares generally are entitled to one vote per share held on each matter submitted to a vote of shareholders of the Fund and will vote together with holders of common shares as a single class. The holders of Cumulative Preferred Shares voting together as a single class also have the right currently to elect two Trustees and under certain circumstances are entitled to elect a majority of the Board of Trustees. In addition, the affirmative vote of a majority of the votes entitled to be cast by holders of all outstanding shares of the Preferred Shares, voting as a single class, will be required to approve any plan of

THE GABELLI DIVIDEND & INCOME TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

reorganization adversely affecting the Preferred Shares, and the approval of two-thirds of each class, voting separately, of the Fund's outstanding voting stock must approve the conversion of the Fund from a closed-end to an open-end investment company. The approval of a majority (as defined in the 1940 Act) of the outstanding Preferred Shares and a majority (as defined in the 1940 Act) of the Fund's outstanding voting securities are required to approve certain other actions, including changes in the Fund's investment objectives or fundamental investment policies.

6. Transactions in Securities of Affiliated Issuers. The 1940 Act defines affiliated issuers as those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of this issuer during the year ended December 31, 2008 is set forth below:

	<u>Beginning Shares</u>	<u>Shares Sold</u>	<u>Ending Shares</u>	<u>Net Change in Unrealized Depreciation</u>	<u>Realized Loss</u>	<u>Value at December 31, 2008</u>	<u>Percent Owned of Shares Outstanding</u>
Trans-Lux Corp.	293,900	(23,900)	270,000	\$(1,498,827)	\$(110,507)	\$207,900	13.37%

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

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

In a separate matter, on January 12, 2009, the SEC issued an administrative action approving a final settlement of a previously disclosed matter with the Adviser involving compliance with Section 19(a) of the Investment Company Act of 1940 and Rule 19a-1 thereunder by two closed-end funds. These provisions require registered investment companies when making a distribution in the nature of a dividend from sources other than net investment income to contemporaneously provide written statements to shareholders, which adequately disclose the source or sources of such distribution. While the two funds sent annual statements and provided other materials containing this information, the shareholders did not receive the notices required by Rule 19a-1 with any of the distributions that were made for 2002 and 2003. The Adviser believes that the funds have been in compliance with Section 19(a) and Rule 19a-1 since the beginning of 2004. As part of the settlement, in which the Adviser neither admits nor denies the findings by the SEC, the Adviser agreed to pay a civil monetary penalty of \$450,000 and to cease and desist from causing violations of Section 19(a) and Rule 19a-1. In connection with the settlement, the SEC noted the remedial actions previously undertaken by the Adviser. The staff's notice to the Adviser did not relate to the Fund.

THE GABELLI DIVIDEND & INCOME TRUST
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
The Gabelli Dividend & Income Trust:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Dividend & Income Trust (hereafter referred to as the "Trust") at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2008 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 27, 2009

THE GABELLI DIVIDEND & INCOME TRUST ADDITIONAL FUND INFORMATION (Unaudited)

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

Name, Position(s) Address ¹ and Age	Term of Office and Length of Time Served ²	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee ⁴
<u>INTERESTED TRUSTEES³:</u>				
Mario J. Gabelli Trustee and Chief Investment Officer Age: 66	Since 2003**	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chairman and Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board of LICT Corp. (multimedia and communication services company)
Salvatore M. Salibello Trustee Age: 63	Since 2003*	3	Certified Public Accountant and Managing Partner of the public accounting firm Salibello & Broder LLP since 1978	—
Edward T. Tokar Trustee Age: 61	Since 2003*	2	Senior Managing Director of Beacon Trust Company (trust services) since 2004; Chief Executive Officer of Allied Capital Management LLC (1977-2004); Vice President of Honeywell International Inc. (1977-2004); Director of Teton Advisors, Inc. (financial services) (2008-present)	—
<u>INDEPENDENT TRUSTEES⁵:</u>				
Anthony J. Colavita Trustee Age: 73	Since 2003****	36	Partner in the law firm of Anthony J. Colavita, P.C.	—
James P. Conn Trustee Age: 70	Since 2003*	18	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	—
Mario d'Urso Trustee Age: 68	Since 2003**	5	Chairman of Mittel Capital Markets S.p.A. since 2001; Senator in the Italian Parliament (1996-2001)	—
Frank J. Fahrenkopf, Jr. Trustee Age: 69	Since 2003****	6	President and Chief Executive Officer of the American Gaming Association; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee (1983-1989)	—
Michael J. Melarkey Trustee Age: 59	Since 2003**	5	Partner in the law firm of Avansino, Melarkey, Knobel & Mulligan	Director of Southwest Gas Corporation (natural gas utility)
Anthonie C. van Ekris Trustee Age: 74	Since 2003****	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
Salvatore J. Zizza Trustee Age: 63	Since 2003****	28	Chairman of Zizza & Co., Ltd. (consulting)	Director of Hollis-Eden Pharmaceuticals (biotechnology) and Earl Scheib, Inc. (automotive services)

THE GABELLI DIVIDEND & INCOME TRUST
ADDITIONAL FUND INFORMATION (Continued) (Unaudited)

Name, Position(s) Address¹ and Age	Term of Office and Length of Time Served²	Principal Occupation(s) During Past Five Years
OFFICERS:		
Bruce N. Alpert President Age: 57	Since 2003	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex. Director and President of Teton Advisors, Inc. (formerly Gabelli Advisers, Inc.) since 1998
Carter W. Austin Vice President Age: 42	Since 2003	Vice President of The Gabelli Equity Trust since 2000, The Gabelli Global Gold, Natural Resources & Income Trust since 2005, The Gabelli Global Deal Fund since 2006, and The Gabelli Healthcare & Wellness [®] Trust since 2007; Vice President of Gabelli Funds, LLC since 1996
Peter D. Goldstein Chief Compliance Officer Age: 55	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Vice President of Goldman Sachs Asset Management from 2000 through 2004
Agnes Mullady Treasurer and Secretary Age: 50	Since 2006	Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005; Chief Financial Officer of AMIC Distribution Partners from 2002 through 2004

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

² The Fund's Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:

* – Term expires at the Fund's 2009 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

** – Term expires at the Fund's 2010 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

*** – Term expires at the Fund's 2011 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

³ "Interested person" of the Fund, as defined in the 1940 Act. Mr. Gabelli is an "interested person" of the Fund as a result of his employment as an officer of the Adviser. Mr. Gabelli is also a registered representative of an affiliated broker-dealer. Mr. Tokar is an "interested person" as a result of his son's employment by an affiliate of the Adviser. Mr. Salibello may be considered an "interested person" of the Fund as a result of being a partner in an accounting firm that provides professional services to affiliates of the Adviser.

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

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

Certifications

The Fund's Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that, as of June 17, 2008, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund reports to the SEC on Form N-CSR which contains certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's disclosure in such reports and that are required by Rule 30a-2(a) under the 1940 Act.

THE GABELLI DIVIDEND & INCOME TRUST
INCOME TAX INFORMATION (Unaudited)
December 31, 2008

Cash Dividends and Distributions

	<u>Payable Date</u>	<u>Record Date</u>	<u>Total Amount Paid Per Share (a)</u>	<u>Ordinary Investment Income (a)</u>	<u>Long-Term Capital Gains (a)</u>	<u>Return of Capital (c)</u>	<u>Dividend Reinvestment Price</u>
Common Shares							
	01/25/08	01/16/08	\$0.10000	\$0.02080	\$0.00120	\$0.07800	\$18.5075
	02/25/08	02/14/08	0.10000	0.02080	0.00120	0.07800	18.9636
	03/25/08	03/17/08	0.11000	0.02410	0.00010	0.08580	18.1676
	04/24/08	04/16/08	0.10000	0.02200	0.00000	0.07800	18.9272
	05/23/08	05/15/08	0.10000	0.02200	0.00000	0.07800	19.4711
	06/24/08	06/16/08	0.11000	0.02420	0.00000	0.08580	18.2657
	07/25/08	07/17/08	0.11000	0.02420	0.00000	0.08580	16.9319
	08/25/08	08/15/08	0.11000	0.02420	0.00000	0.08580	16.8740
	09/24/08	09/16/08	0.11000	0.02420	0.00000	0.08580	14.6840
	10/27/08	10/17/08	0.11000	0.02420	0.00000	0.08580	9.9741
	11/21/08	11/13/08	0.11000	0.02420	0.00000	0.08580	8.9659
	12/17/08	12/12/08	0.11000	0.02420	0.00000	0.08580	9.9470
			<u>\$1.28000</u>	<u>\$0.27910</u>	<u>\$0.00250</u>	<u>\$0.99840</u>	
5.875% Series A Cumulative Preferred Shares							
	03/26/28	03/18/08	\$0.36719	\$0.36426	\$0.00293		
	06/26/08	06/19/08	0.36719	0.36719	0.00000		
	09/26/08	09/19/08	0.36719	0.36719	0.00000		
	12/26/08	12/18/08	0.36719	0.36719	0.00000		
			<u>\$1.46876</u>	<u>\$1.46583</u>	<u>\$0.00293</u>		
6.000% Series D Cumulative Preferred Shares							
	03/26/28	03/18/08	\$0.37500	\$0.37200	\$0.00300		
	06/26/08	06/19/08	0.37500	0.37500	0.00000		
	09/26/08	09/19/08	0.37500	0.37500	0.00000		
	12/26/08	12/18/08	0.37500	0.37500	0.00000		
			<u>\$1.50000</u>	<u>\$1.49700</u>	<u>\$0.00300</u>		

Series B and C Auction Market Cumulative and Series E Auction Rate Cumulative Preferred Shares

The Series B Auction Market Cumulative Preferred Shares, Series C Auction Market Cumulative Preferred Shares, and Series E Auction Rate Cumulative Preferred Shares pay dividends weekly based on a rate set at auction, usually held every seven days. The percentage of 2008 distributions derived from long-term capital gains for the Series B Auction Market Cumulative Preferred Shares, Series C Auction Market Cumulative Preferred Shares, and Series E Auction Rate Cumulative Preferred Shares was 0.198%, 0.199%, and 0.198%, respectively.

A Form 1099-DIV has been mailed to all shareholders of record for the distributions mentioned above, setting forth specific amounts to be included in the 2008 tax returns. Ordinary income distributions include net investment income and realized net short-term capital gains. Ordinary income is reported in box 1a of Form 1099-DIV. Capital gain distributions are reported in box 2 of Form 1099-DIV. The long-term gain distribution for the year ended December 31, 2008 is \$254,423, or the maximum allowable.

THE GABELLI DIVIDEND & INCOME TRUST
INCOME TAX INFORMATION (Continued) (Unaudited)

December 31, 2008

Corporate Dividends Received Deduction, Qualified Dividend Income, and U.S. Government Securities Income

In 2008, the Fund paid to common, 5.875% Series A, and 6.00% Series D Cumulative Preferred shareholders ordinary income dividends of \$0.27910, \$1.4658255, and \$1.49700 per share, respectively. The Fund paid weekly distributions to Series B, C, and E preferred shareholders at varying rates throughout the year, including ordinary income dividends totaling \$944.35220, \$966.50741, and \$1,044.21367 per share, respectively. For the year ended December 31, 2008, 76.0% of the ordinary dividend qualified for the dividends received deduction available to corporations, and 100.00% of the ordinary income distribution was qualified dividend income. The percentage of ordinary income dividends paid by the Fund during 2008 derived from U.S. Treasury securities was 1.03%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Fund did not meet this strict requirement in 2008. The percentage of net assets of U.S. Treasury securities held as of December 31, 2008 was 7.5%.

Historical Distribution Summary

	<u>Investment Income (b)</u>	<u>Short-Term Capital Gains (b)</u>	<u>Long-Term Capital Gains</u>	<u>Return of Capital (c)</u>	<u>Total Distributions (a)</u>	<u>Adjustment to Cost Basis (d)</u>
Common Shares						
2008	\$0.27910	—	\$0.00250	\$0.99840	\$1.28000	\$0.99840
2007	0.50910	\$0.23480	0.91610	—	1.66000	—
2006	0.60798	0.24082	0.69120	—	1.54000	—
2005	0.45996	0.08568	0.65436	—	1.20000	—
2004	0.40005	0.10023	0.13893	0.56079	1.20000	0.56079
5.875% Series A Cumulative Preferred Shares						
2008	\$1.46583	—	\$0.00292	—	\$1.46875	—
2007	0.45059	\$0.20776	0.81040	—	1.46875	—
2006	0.57983	0.22967	0.65925	—	1.46875	—
2005	0.56290	0.10493	0.80092	—	1.46875	—
2004	0.19150	0.04798	0.06651	—	0.30599	—
6.000% Series D Cumulative Preferred Shares						
2008	\$1.49700	—	\$0.00300	—	\$1.50000	—
2007	0.46020	\$0.21220	0.82760	—	1.50000	—
2006	0.59215	0.23457	0.67328	—	1.50000	—
2005	0.08620	0.01610	0.12270	—	0.22500	—
Auction Market/Rate Cumulative Preferred Shares						
2008 Class B Shares	\$ 944.35220	—	\$ 1.87780	—	\$ 946.23000	—
2008 Class C Shares	966.50741	—	1.92259	—	968.43000	—
2008 Class E Shares	1,044.21367	—	2.07633	—	1,046.29000	—
2007 Class B Shares	414.02782	190.66719	743.74499	—	1,348.44000	—
2007 Class C Shares	409.97064	188.64406	735.87530	—	1,334.49000	—
2007 Class E Shares	407.63287	187.65002	731.97711	—	1,327.26000	—
2006 Class B Shares	484.90820	192.07260	551.32920	—	1,228.31000	—
2006 Class C Shares	484.32800	191.84250	550.66950	—	1,226.84000	—
2006 Class E Shares	483.94880	191.69260	550.23860	—	1,225.88000	—
2005 Class B Shares	320.22640	59.69220	455.63150	—	835.55000	—
2005 Class C Shares	324.19300	60.43160	461.27540	—	845.90000	—
2005 Class E Shares	67.54440	12.59070	96.10490	—	176.24000	—
2004 Class B Shares	68.71140	17.21520	23.86340	—	109.80000	—
2004 Class C Shares	70.77030	17.73100	24.57840	—	113.10000	—

- (a) Total amounts may differ due to rounding.
(b) Taxable as ordinary income for federal tax purposes.
(c) Non-taxable.
(d) Decrease in cost basis.

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

THE GABELLI DIVIDEND & INCOME TRUST

ANNUAL APPROVAL OF CONTINUANCE OF INVESTMENT ADVISORY AGREEMENT (Unaudited)

During the six months ended December 31, 2008, the Board of Trustees of the Trust approved the continuation of the investment advisory agreement with the Adviser for the Trust on the basis of the recommendation by the trustees (the “Independent Board Members”) who are not “interested persons” of the Trust. The following paragraphs summarize the material information and factors considered by the Independent Board Members as well as their conclusions relative to such factors.

1) The nature, extent and quality of services provided by the Adviser.

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

2) The performance of the Fund, the Adviser.

The Independent Board Members reviewed the performance of the Fund over one, two, and three year periods against a peer group of equity closed-end funds prepared by Lipper. The Board Members noted the Fund’s below average relative performance for the one year period, average relative performance for the two year period, and above average performance for the three year period. The Board Members also noted that the Fund has not achieved its initial goal of earning at least 9% per year.

3) The cost of the advisory services and the profits to the Adviser and its affiliates from the relationship with the Fund.

The Independent Board Members reviewed summary data regarding the profitability of the Fund to the Adviser.

4) The extent to which economies of scale will be realized as the Fund grows and whether fee levels reflect those economies of scale.

The Independent Board Members noted that the Fund was a closed-end fund trading at a discount to net asset value and accordingly unlikely to achieve growth of the type that might lead to economies of scale that the shareholders would not participate in. The Independent Board Members noted that the investment management fee schedule for the Fund does not take into account any potential economies of scale that may develop.

5) Other Factors.

The Independent Board Members compared the expense ratios of the investment management fee, other expenses, and total expenses of the Fund with similar expense ratios of the Lipper peer group of equity closed-end value funds and noted that the Adviser’s management fee includes substantially all administrative services of the Fund as well as investment advisory services. The Board noted that the Fund was larger than average within the peer group and that its expense ratios were slightly below average. The Board Members also noted that the management fee structure was the same as that in effect for most of the Gabelli funds. The Board Members were presented with, but did not attach significance to, information comparing the management fee to the fee for other types of accounts managed by an affiliate of the Adviser.

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

The Annual Meeting of The Gabelli Dividend & Income Trust’s shareholders will be held on Monday, May 18, 2009 at the Greenwich Library in Greenwich, Connecticut.

THE GABELLI DIVIDEND & INCOME TRUST AND YOUR PERSONAL PRIVACY

Who are we?

The Gabelli Dividend & Income Trust (the “Fund”) is a closed-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is 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 shareholder?

When you purchase shares of the Fund on the New York Stock Exchange, you have the option of registering directly with our transfer agent in order, for example, to participate in our dividend reinvestment plan.

- *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.* This would include information about the shares that you buy or sell; it may also include information about whether you sell or exercise rights that we have issued from time to time. 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.

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.

TRUSTEES AND OFFICERS
THE GABELLI DIVIDEND & INCOME TRUST
One Corporate Center, Rye, NY 10580-1422

Trustees

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

Anthony J. Colavita
Attorney-at-Law,
Anthony J. Colavita, P.C.

James P. Conn
Former Managing Director &
Chief Investment Officer,
Financial Security Assurance Holdings Ltd.

Mario d'Urso
Former Italian Senator

Frank J. Fahrenkopf, Jr.
President & Chief Executive Officer,
American Gaming Association

Michael J. Melarkey
Attorney-at-Law,
Avansino, Melarkey, Knobel & Mulligan

Salvatore M. Salibello
Certified Public Accountant,
Salibello & Broder, LLP

Edward T. Tokar
Senior Managing Director,
Beacon Trust Company

Anthonie C. van Ekris
Chairman, BALMAC International, Inc.

Salvatore J. Zizza
Chairman, Zizza & Co., Ltd.

Officers

Bruce N. Alpert
President

Carter W. Austin
Vice President

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
Treasurer and Secretary

Investment Adviser

Gabelli Funds, LLC
 One Corporate Center
 Rye, New York 10580-1422

Custodian

State Street Bank and Trust Company

Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

Transfer Agent and Registrar

Computershare Trust Company, N.A.

Stock Exchange Listing

	<u>Common</u>	<u>Preferred</u>	<u>Preferred</u>
		5.875%	6.00%
NYSE-Symbol:	GDV	GDV PrA	GDV PrD
Shares Outstanding:	83,528,637	3,128,416	2,576,534

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading "General Equity Funds," in Monday's The Wall Street Journal. It is also listed in Barron's Mutual Funds/Closed End Funds section under the heading "General Equity Funds."

The Net Asset Value per share may be obtained each day by calling (914) 921-5070 or visiting www.gabelli.com.

For general information about the Gabelli Funds, call **800-GABELLI** (800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: www.gabelli.com, or e-mail us at: closedend@gabelli.com

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may, from time to time, purchase its common shares in the open market when the Fund's shares are trading at a discount of 7.5% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

THE GABELLI DIVIDEND & INCOME TRUST

One Corporate Center, Rye, NY 10580-1422

Phone: 800-GABELLI (800-422-3554)

Fax: 914-921-5118 Internet: www.gabelli.com

e-mail: closedend@gabelli.com

GDV Q4/2008