

# The Gabelli Blue Chip Value Fund

## Shareholder Commentary December 31, 2010



Barbara G. Marcini, CFA

### To Our Shareholders,

The stock market gained strongly in the fourth quarter; with both the S&P 500 and the Dow Jones Industrial Average posting double digit gains to close out the year with returns of approximately 14%. The Congressional mid-term elections resulted in a large turnover as voters' dissatisfaction with the economy and other issues worked against incumbents. Republicans gained 63 seats in the House of Representatives, the most since 1948, making for a divided Congress, which was nevertheless able to come together before the new session to agree upon a compromise to continue current income tax rates, as well as to extend the current 15% tax rate on capital gains and qualified dividends for two years. In December, these tax cuts, along with the renewed commitment by the Federal Reserve to ease and to hold rates low, buoyed investors' and shoppers' spirits.

### Comparative Results

#### Average Annual Returns through December 31, 2010 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (8/26/99)
Gabelli Blue Chip Value Fund Class AAA . . . . .	8.73%	12.82%	(0.78)%	2.82%	1.81%	4.02%
S&P 500 Index . . . . .	10.76	15.08	(2.84)	2.29	1.42	1.39(b)
Lipper Large Cap Value Fund Average . . . . .	10.34	13.02	(3.82)	1.52	1.89	1.96

***In the current prospectus, the gross expense ratio is 2.13%. The net expense ratio is 2.01%, after the contractual reimbursement by Gabelli Funds, LLC (the "Adviser"), in place through April 30, 2011. Class AAA Shares do not have a sales charge.***

(a) ***Returns represent past performance and do not guarantee future results.*** Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Performance returns for periods of less than one year are not annualized. Performance results have been enhanced by expense reimbursements from the Adviser. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund carefully before investing. The prospectus contains information about this and other matters and should be read carefully before investing.*** Other shares classes are available and have different performance characteristics. See page 7 for performance of other classes of shares. Investing in foreign securities involves risks not ordinarily associated with investments in domestic issues, including currency fluctuations, economic, and political risks. The S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper Large Cap Value Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

(b) S&P 500 Index since inception performance is as of August 31, 1999.

## **Performance**

The Gabelli Blue Chip Value Fund's (the "Fund") net asset value ("NAV") per Class AAA Share gained 8.7% in the fourth quarter for a full year return of 12.8%, versus total returns for the full year of 13.0% and 15.1% for the Lipper Large Cap Value Fund Average and the S&P 500 Index, respectively. For the five and ten year periods the Fund has returned an annualized 2.8% and 1.8%, compared with returns for the S&P 500 of 2.3% and 1.4% for the same periods.

The S&P 500 is divided into 10 industry sectors. For the fourth quarter and the full year the best performing sectors were those that benefited from a stronger economic outlook, the consumer discretionary, industrial and material sectors. Investors revalued these stocks with an eye to a stronger economy and higher spending levels than had been assumed at the start of the year. Larger positions that performed strongly for both the fourth quarter and the year included DuPont (DD, 2.5% of net assets as of December 31, 2010), Halliburton (HAL, 2.6%), ConocoPhillips (COP, 2.7%), and Honeywell (HON, 2.3%). We added to our position in Air Products and Chemicals (APD, 2.2%) in the fourth quarter and initiated a new position in Tupperware (TUP, 1.2%).

## **The Year in Review**

Global stock markets generally posted higher returns in 2010, despite mediocre growth in developed countries and broad concerns over sovereign debt levels. Investors could thank the coordinated efforts by governments and central banks around the world for those good returns, as they continued to work to stimulate their economies and keep rates low. The most direct support came in the form that the United States offered, supporting government bonds to keep this risk-free interest rate artificially low and pushing each level of investor out on the risk curve. This money helped to inflate all asset prices but also found its way into commodities and emerging markets, causing them to surge. The seemingly important issue of the first quarter, how and when the government should reverse the massive quantitative easing measures it had taken over the previous year, had become a distant memory.

Sovereign debt became a crisis issue in Europe early in the year, with the markets making the sudden decision that Greece was insolvent long term, able perhaps to refinance to pay interest but, on its current path, never actually able to repay its principal. This served as a shocking illustration and reminder that the stock and bond markets, made up of countless investors, who price in all knowledge of events, can make a sudden and emotional decision as to how to price those events, changing dramatically the price of stocks or bonds in a very short period of time. Between March and June, European bond yields rose, spreads skyrocketed and stock markets plunged as investors tried to price in the similarities and differences between various countries such as the United Kingdom, Greece, Ireland, and Spain. Greece narrowly avoided default with the help of a bailout from the International Monetary Fund and the European Union, contingent upon the imposition of economic reform, along with austerity measures, which were widely protested. The issues remain, however, and will likely resurface in 2011.

Another notable event in 2010 which has not been resolved was the May 6th "flash crash", which drove the Dow Jones Industrial Average down 1,000 points before recovering to a loss of 347. This event was analyzed in a report by the Securities and Exchange Commission and the Commodities Future Trading Commission, released in October. The crash was attributed to a liquidity crisis that caught everyone by surprise when bids evaporated due to market participants, particularly high frequency traders, who have come to account for a large part of volume, withdrawing from the market, exacerbating the decline and disorder in the

market. The report described changes over the last several years including the lack of transparency, the dominance of exchange traded funds, and the wider use of algorithmic trading strategies. It concluded by trying to figure out rules to provide incentives or to give obligations to keep all market makers and participants involved if this should recur. A decision was made to break only trades of that day that were more than 60% away from a “reference” or recent price, and this decision was made in a process that was not transparent, which did not help to reassure investors. Circuit breakers were implemented that would pause trading in a security for five minutes if that security has experienced a 10% price change over the preceding five minutes. While the report did identify some of the events of the day, it is clear from the report that the trading exchanges and participants have changed dramatically, and that these issues will likely resurface.

Two immense and dramatic sets of regulations were passed in 2010 in the biggest expansion of government power since the Great Depression, in healthcare, officially called the Affordable Care Act and in financial services, the Dodd-Frank Wall Street Reform and Consumer Protection Act. Despite good intentions behind these bills passed earlier this year, these programs are costly and difficult to understand for businesses and individuals, paralyzing plans to spend and invest. As the new year begins there is a concerted effort underway to revoke the healthcare bill, and, assuming that effort fails in the Senate, there will likely be smaller bills put forward to change at least some of the more expensive and cumbersome rules.

Investors got another boost in December with the extension of what are called the “Bush-era tax cuts”, along with new tax breaks, and a one year cut in the payroll tax rate to increase employee take home pay.

In the fourth quarter the government sold the last of its Citigroup common shares, capping the largest bank bailout of the financial crisis, and floated the initial public offering of General Motors after a quick forty days in bankruptcy.

In what is for a Federal Reserve Chairman a rare interview on CBS’s 60 Minutes television news journalism show, Chairman Ben Bernanke defended his easing policies to the public. He declared that he is “100%” confident that he can control inflation because “we can raise interest rates in 15 minutes if we have to”, addressing his ability to affect one of the determinants of higher interest rates, while leaving the other, creditworthiness, open.

As the year ended, a wide-ranging investigation, centered on industry experts providing insider information to hedge fund managers, began to result in wider charges and to cast a cloud that will continue in 2011.

## **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, 2010.

*Citigroup (2.5%) (C - \$4.73 - NYSE)* The government completed its exit from its investment in Citigroup’s common stock in the fourth quarter, cheering investors. While we expect slow growth ahead in the bank’s developed markets, this will be offset by good growth ahead in the emerging markets where Citigroup has the best broad franchises of the major U.S. banks. Credit quality continues to improve, leading to reserve releases.

*CME Group (2.3%) (CME - \$321.75 - NYSE)* Through its three subsidiaries (CME, CBOT and NYMEX), CME Group is the largest futures exchange group in the United States. CME’s products include Eurodollar contracts,

Treasury products and derivatives based on major U.S. stock indices, including the S&P 500, DJIA and the Nasdaq-100. CME also offers contracts on foreign currencies and for a number of commodity and energy products. We believe CME is well positioned to benefit from the growing popularity of derivative products and the ongoing global economic recovery, and that the company is a likely beneficiary of mandatory over the counter clearing with its presence in the OTC market through ClearPort, acquired along with the purchase of NYMEX in 2008.

*DuPont (2.7%) (DD - \$49.88 - NYSE)* DuPont outperformed the market as well as the strongly performing diversified chemicals group (up 37%) in 2010, with the stock up a solid 48%. The strong performance was driven by faster than expected recovery in many of DuPont's cyclical end markets. In addition, CEO Ellen Kullman's focus on accountability paid off with benefits from cost cutting, which led to better than expected earnings growth

*General Motors (2.7%) (GM - \$36.86 - NYSE)* General Motors returned to public equity ownership in the fourth quarter, emerging from bankruptcy with one of the industry's strongest balance sheets and lowest cost structure. We believe the stock offers considerable value with desirable new vehicles; a stabilized market share in its profitable U.S. pickup trucks; and a number one market position in both the fastest growing emerging markets (including China) and in the United States; and management's goals to delever significantly further by 2013 as they build a sustainably profitable U.S. passenger car franchise after the turmoil and problems of the past two years.

*Honeywell (2.3%) (HON - \$53.16 - NYSE)* A diversified industrial company operating in the industrial automation, aerospace, transportation, and materials markets. Honeywell has exposure to attractive end markets such as commercial aerospace and energy efficiency which will more than balance out slower growth in defense. We expect continued operating margin improvement in 2011.

*Tupperware (1.2%) (TUP - 47.67 - NYSE)* Tupperware is positioned to achieve solid top line growth over the longer term with its tremendous exposure to the relatively under-penetrated emerging markets, with 85% of its sales coming from outside the United States. The kitchen and beauty products businesses are very global and diverse. The company generates ample free cash flow, providing it with significant flexibility to increase cash returns to shareholders, which we expect in the form of higher dividends and share repurchase activity over the next few years.

## **Looking Ahead**

At first the comprehensive report of the Deficit Commission in the fourth quarter, appeared to be big news, with a bi-partisan committee laying out almost every option to cut spending. However as the quarter wore on it became clear that it will be impossible for our Congress to take steps in this direction until forced to by a crisis. This recovery has been fueled by tremendous global monetary policy that forced the risk free rate or cost of money to nearly zero, with the objective of pushing investors out on the risk curve to find a return and reflating assets, including stocks and real estates. It has had the associated result of fueling commodity prices with metals, industrial inputs and agricultural prices posting strong year over year increases.

With the U.S. federal debt level at \$14.0 trillion, approaching the level of our Gross Domestic Product, questions of the long term ability to pay are not without merit – the only question is whether or not we can address them without being forced to by a crisis. The only time in American history when federal debt topped GDP was during World War II; when we had the excuse that we were providing arms and munitions to national armies engaged in global conflict. While there is no question of our long term ability to generate growth and

pay interest and principal and low interest rates could persist for a while longer, long term interest rate increases can arise with unexpected suddenness. We don't need to compare our situation with that of Greece this past year in order to feel pressure to address these issues now; in four months between the fall of 1979 and early 1980, our own U.S. 10-year Treasury yield rose nearly four percentage points.

However, our huge deficits are currently having no current effect on inflation or long-term interest rates, nor the dollar, which is the least worst of the major currencies. In contrast, the continued rise in the price of gold over the past year is evidence of a large number of investors seeking a safe haven from the future effect of these problems. The highly anticipated plan by the Federal Reserve to again buy treasuries in the fourth quarter appears to have found the limits of its effectiveness as the yields rose, with the yield on the ten year U.S. Treasury starting out the quarter at 2.5% and ending close to 3.5%. The coming year could see the cost of money returning to normal while we try to keep the recovery going. At the same time, an urgency to reduce budget deficits seems to be gaining some traction among lawmakers.

Corporate earnings continued to increase strongly and remain on track to reach a record high in 2011, beating the peak of 2006. However, corporations have achieved this through disciplined cost management as the top line remains below its peak as the economy itself, having made some recovery, remains below the operating level of 2007. Without top line growth, profits will be harder to improve in the coming year with so many expense cuts already having been made.

Despite the tremendous increase in earnings and their recovery to pre-crisis levels, dividends remain well behind the peak. Dividends lag earnings, and reflect the fortunes of companies a year or two in the past. So while earnings fell dramatically in 2008, bottomed out in 2009 and are almost back to their peak, dividends were cut most dramatically in 2009 and will play catch up most strongly in the next two years. Financial companies are the most glaring examples of this lag, on track to post tremendous earnings but still paying miniscule dividends. This sector is waiting for the Federal Reserve to allow them, on an individual basis, to boost their dividends for the first time since the financial crisis. JP Morgan could serve as the best example of this, having cut the dividend to a miniscule \$.20 annually in the second quarter of 2009, and now having recovered earnings almost fully to peak 2007 levels. This record low payout ratio for JP Morgan of only 6% of earnings versus a long term average of 40%, results in a current yield of only 0.5%, versus a long-term average of 3%.

Notwithstanding the challenges to our economy, we find a number of stocks of companies that we believe will be able to grow both the top and bottom line and help us to capture a return even in a flat economy. Certainly strong earnings and growing cash positions for companies, combined with low interest rates, make stocks look relatively more attractive than bonds or cash now. However, for The Gabelli Blue Chip Value Fund we are looking not just for relative but absolute returns. We will continue to invest in those companies that we believe can earn and grow in this environment, and return earnings to shareholders in the form of dividends, share repurchases and higher prices.

Sincerely,



**Barbara G. Marcin, CFA**  
Portfolio Manager

January 10, 2011

**Note:** The views expressed in this Shareholder Commentary reflect those of the Portfolio Manager only through the end of the period stated in this Shareholder Commentary. The Portfolio Manager's views are subject to change at any time based on market and other conditions. The information in this Portfolio Manager's Shareholder Commentary represents the opinions of the individual Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Manager and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

### **Minimum Initial Investment – \$1,000**

The Fund's minimum initial investment for regular accounts is \$1,000. There are no subsequent investment minimums. No initial minimum is required for those establishing an Automatic Investment Plan. Additionally, the Fund and other Gabelli/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold within seven days of a purchase. See the prospectus for more details.

### **www.gabelli.com**

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

The Fund's daily net asset value is available in the financial press and each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). The Fund's Nasdaq symbol is GABBX for Class AAA Shares. Please call us during the business day, between 8:00 AM – 7:00 PM (Eastern Time), for further information.

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

### **e-delivery**

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our open end mutual funds can elect to receive their Annual, Semiannual, and Quarterly Fund Reports, Manager Commentaries, and Prospectuses via e-delivery. For more information or to sign up for e-delivery, please visit our website at [www.gabelli.com](http://www.gabelli.com).

#### **Top Ten Holdings (Percent of Net Assets) December 31, 2010**

General Motors Co. 2.70%	E.I. du Pont de Nemours & Co. 2.46%
ConocoPhillips 2.65%	NII Holdings Inc. 2.36%
Halliburton Co. 2.59%	International Business Machines Corp. 2.33%
Kraft Foods Inc. 2.57%	CME Group Inc. 2.27%
Citigroup Inc. 2.50%	Honeywell International Inc. 2.25%

## Multi-Class Shares

Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions which initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

### The Gabelli Blue Chip Value Fund Average Annual Returns through December 31, 2010 (a)

	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year .....	12.82%	12.82%	11.95%	11.97%	13.13%
		6.33(b)	6.95(c)	10.97(d)	
3 Year .....	(0.78)	(0.76)	(1.50)	(1.52)	(0.52)
		(2.70)(b)	(2.49)(c)	(1.52)	
5 Year .....	2.82	2.82	2.07	2.04	3.06
		1.61(b)	1.70(c)	2.04	
10 Year .....	1.81	1.84	1.30	1.29	1.98
		1.24(b)	1.30	1.29	
Life of Fund .....	4.02	4.05	3.57	3.56	4.18
		3.51(b)	3.57	3.56	
<b>Gross Expense Ratio .....</b>	<b>2.13</b>	<b>2.13</b>	<b>2.88</b>	<b>2.88</b>	<b>1.88</b>
<b>Current Expense Ratio after</b>					
<b>Adviser Reimbursement</b>	<b>2.01</b>	<b>2.01</b>	<b>2.76</b>	<b>2.76</b>	<b>1.76</b>
<b>Maximum Sales Charge ..</b>	<b>NONE</b>	<b>5.75</b>	<b>5.00</b>	<b>1.00</b>	<b>NONE</b>
<b>Ticker Symbols .....</b>	<b>GABBX</b>	<b>GBCAX</b>	<b>GBCBX</b>	<b>GBCCX</b>	<b>GBCIX</b>

- (a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Dividends are considered reinvested. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains information about this and other matters and should be read carefully before investing.** Dividends are considered reinvested. The Class AAA Shares net asset values ("NAV") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003, and the Class I Shares on June 30, 2004. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance for the Class I Shares would have been higher due to the lower expenses related to this class of shares.
- (b) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (c) Assuming payment of the maximum contingent deferred sales charge (CDSC). The maximum CDSC for Class B Shares is 5% and is reduced to 0% after six years.
- (d) Assuming payment of the maximum CDSC. A CDSC of 1% is imposed on redemptions made within one year of purchase.

We have separated the portfolio manager's commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio manager's commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com/funds](http://www.gabelli.com/funds).

## The Gabelli Blue Chip Value Fund

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

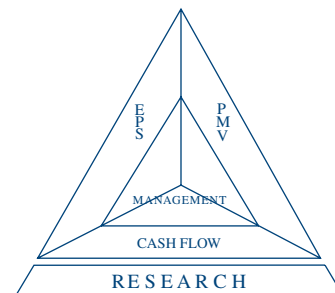
**800-422-3554**

**fax: 914-921-5118**

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

**e-mail: [info@gabelli.com](mailto:info@gabelli.com)**

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



### Board of Trustees

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

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

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

Kuni Nakamura  
*President*  
Advanced Polymer, Inc.

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

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

### Officers and Portfolio Manager

Barbara G. Marcin, CFA  
*Portfolio Manager*

Bruce N. Alpert  
*President*

Peter D. Goldstein  
*Chief Compliance Officer*

Agnes Mullady  
*Secretary and Treasurer*

### Distributor

Gabelli & Company, Inc.

### Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

# The Gabelli Blue Chip Value Fund

---

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

---

GAB402Q410SC

SHAREHOLDER COMMENTARY  
DECEMBER 31, 2010

# The Gabelli Blue Chip Value Fund

Annual Report  
December 31, 2010



Barbara Marcin, CFA

## To Our Shareholders,

The Sarbanes-Oxley Act requires a fund's principal executive and financial officers to certify the entire contents of the semi-annual and annual shareholder reports in a filing with the Securities and Exchange Commission ("SEC") 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.

Enclosed are the audited financial statements including the investment portfolio as of December 31, 2010 with a description of factors that affected the performance during the past year.

## Performance Discussion (Unaudited)

The Gabelli Blue Chip Value Fund (the "Fund") (Class AAA) net asset value ("NAV") per share rose 12.8% in 2010, compared with the Standard & Poor's ("S&P") 500 Index of 15.1%.

The first quarter of 2010 started the year off on relatively good footing with the S&P 500 Index up over 5%. By year end, the S&P 500 was up over 15%. Throughout the year, investors were rightfully concerned about sovereign debt issues in various European countries. The size and trend of our federal deficit led many investors to consider whether our country might eventually face these same debt issues.

During 2010, another concern causing some volatility in the stock market was the pace at which the U.S. economy was emerging from the Great Recession. As a reminder, the National Bureau of Economic Research, which is charged with deciding when recessions begin and end, stated in September 2010 that the Great Recession actually ended in June 2009, eighteen months after it began. Although the economy did begin to rebuild inventories in the second half of 2009 and corporate profits grew throughout 2010, the pace of recovery was still of concern. The unemployment rate, which is a lagging indicator, stayed stubbornly high, hovering between 9%-10% for most of the year.

A selected holding that contributed positively to the Fund's performance in 2010 was Freeport-McMoRan Copper & Gold Inc. (2.1% of net assets as of December 31, 2010). Freeport-McMoRan is the world's largest publicly traded copper company. Other selected holdings that contributed positively to the Fund's performance were Apple Inc. (1.4%) and Diamond Foods Inc. (1.1%). Some of the Fund's weaker performing stocks during the year were Transocean Ltd. (2.0%), Hewlett-Packard Co. (1.8%), and Gilead Sciences Inc. (1.7%).

We appreciate your confidence and trust.

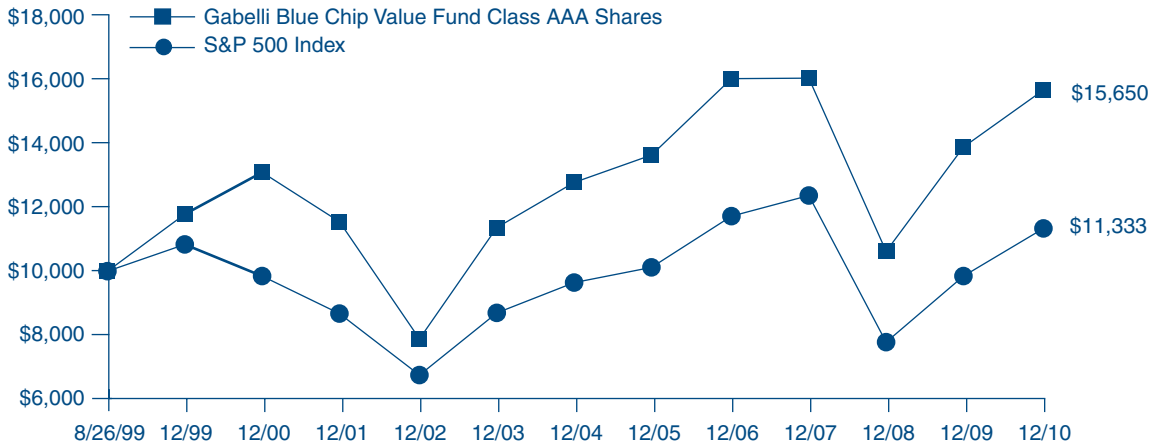
Sincerely yours,



Bruce N. Alpert  
President

February 24, 2011

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



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

## Comparative Results

### Average Annual Returns through December 31, 2010 (a) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (8/26/99)
<b>Gabelli Blue Chip Value Fund Class AAA</b> . . . . .	8.73%	12.82%	(0.78)%	2.82%	1.81%	4.02%
S&P 500 Index . . . . .	10.76	15.08	(2.84)	2.29	1.42	1.39(e)
Lipper Large Cap Value Fund Average . . . . .	10.34	13.02	(3.82)	1.52	1.89	1.96
Class A . . . . .	8.65	12.82	(0.76)	2.82	1.84	4.05
With sales charge (b) . . . . .	2.40	6.33	(2.70)	1.61	1.24	3.51
Class B . . . . .	8.48	11.95	(1.50)	2.07	1.30	3.57
With contingent deferred sales charge (c) . . . . .	3.48	6.95	(2.49)	1.70	1.30	3.57
Class C . . . . .	8.50	11.97	(1.52)	2.04	1.29	3.56
With contingent deferred sales charge (d) . . . . .	7.50	10.97	(1.52)	2.04	1.29	3.56
Class I . . . . .	8.78	13.13	(0.52)	3.06	1.98	4.18

**In the current prospectus the gross expense ratios for Class AAA, A, B, C, and I Shares are 2.13%, 2.13%, 2.88%, 2.88%, and 1.88%, respectively. The net expense ratios in the current prospectus for these share classes are 2.01%, 2.01%, 2.76%, 2.76%, and 1.76%, respectively. See page 10 for the expense ratios for the year ended December 31, 2010. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.**

- (a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price, reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. Performance returns for periods of less than one year are not annualized. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains information about this and other matters and should be read carefully before investing.** The S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper Large Cap Value Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index. The Class AAA Shares NAVs per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003, and the Class I Shares on June 30, 2004. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance for the Class I Shares would have been higher due to the lower expenses related to this class of shares.
- (b) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (c) Assuming payment of the maximum contingent deferred sales charge (CDSC). The maximum CDSC for Class B Shares is 5% and is reduced to 0% after six years.
- (d) Assuming payment of the maximum CDSC. A CDSC of 1% is imposed on redemptions made within one year of purchase.
- (e) S&P 500 Index since inception performance is as of August 31, 1999.

# The Gabelli Blue Chip Value Fund

## Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from July 1, 2010 through December 31, 2010

## Expense Table

We believe it is important for you to understand the impact of fees and expenses regarding your investment. All mutual funds have operating expenses. As a shareholder of a fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of a fund. When a fund's expenses are expressed as a percentage of its average net assets, this figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The Expense Table below illustrates your Fund's costs in two ways:

**Actual Fund Return:** This section provides information about actual account values and actual expenses. You may use this section to help you to estimate the actual expenses that you paid over the period after any fee waivers and expense reimbursements. The "Ending Account Value" shown is derived from the Fund's **actual** return during the past six months, and the "Expenses Paid During Period" shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your Fund under the heading "Expenses Paid During Period" to estimate the expenses you paid during this period.

**Hypothetical 5% Return:** This section provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio. It assumes a hypothetical annualized return of 5% before expenses during the period shown. In this case – because the hypothetical return used is **not** the Fund's actual return – the results do not apply to your investment and you cannot use the hypothetical account value and expense to estimate the actual ending account balance or expenses you paid for the period. This example is useful in making comparisons of the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The Annualized Expense Ratio represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended December 31, 2010.

	Beginning Account Value 07/01/10	Ending Account Value 12/31/10	Annualized Expense Ratio	Expenses Paid During Period*
<b>The Gabelli Blue Chip Value Fund</b>				
<b>Actual Fund Return</b>				
Class AAA	\$1,000.00	\$1,194.50	2.00%	\$11.06
Class A	\$1,000.00	\$1,194.50	2.00%	\$11.06
Class B	\$1,000.00	\$1,189.60	2.75%	\$15.18
Class C	\$1,000.00	\$1,190.00	2.75%	\$15.18
Class I	\$1,000.00	\$1,195.70	1.75%	\$ 9.69
<b>Hypothetical 5% Return</b>				
Class AAA	\$1,000.00	\$1,015.12	2.00%	\$10.16
Class A	\$1,000.00	\$1,015.12	2.00%	\$10.16
Class B	\$1,000.00	\$1,011.34	2.75%	\$13.94
Class C	\$1,000.00	\$1,011.34	2.75%	\$13.94
Class I	\$1,000.00	\$1,016.38	1.75%	\$ 8.89

\* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184 days), then divided by 365.

## Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total net assets as of December 31, 2010:

### Gabelli Blue Chip Value Fund

Health Care .....	14.4%	Financial Services .....	3.0%
Energy .....	10.6%	Automotive .....	2.7%
U.S. Government Obligations .....	9.4%	Exchange Traded Funds .....	2.6%
Computer Hardware .....	6.7%	Agriculture .....	2.5%
Telecommunications .....	6.0%	Computer Software and Services .....	2.1%
Banking .....	5.0%	Water .....	1.6%
Specialty Chemicals .....	4.7%	Satellite .....	1.5%
Energy Services .....	4.6%	Paper and Forest Products .....	1.4%
Food and Beverage .....	4.4%	Aerospace .....	1.4%
Diversified Industrial .....	3.6%	Retail .....	1.3%
Entertainment .....	3.3%	Consumer Products .....	1.2%
Electronics .....	3.2%	Other Assets and Liabilities (Net) .....	(0.4)%
Metals and Mining .....	3.2%		<u>100.0%</u>

*The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended September 30, 2010. Shareholders may obtain this information at [www.gabelli.com](http://www.gabelli.com) or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.*

### Proxy Voting

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

# The Gabelli Blue Chip Value Fund

## Schedule of Investments — December 31, 2010

Shares	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS — 91.0%</b>			<b>Energy Services — 4.6%</b>		
<b>Aerospace — 1.4%</b>			<b>Entertainment — 3.3%</b>		
6,000	The Boeing Co. . . . . \$ 314,149	\$ 391,560	18,000	Halliburton Co. . . . . \$ 506,840	\$ 734,940
			8,000	Transocean Ltd.† . . . . . 520,861	556,080
				<u>1,027,701</u>	<u>1,291,020</u>
<b>Agriculture — 2.5%</b>			<b>Exchange Traded Funds — 2.6%</b>		
10,000	Archer-Daniels-Midland Co. . . . . 290,959	300,800	10,000	ProShares UltraShort 20+ Year Treasury† . . . . . 468,379	370,500
6,000	Monsanto Co. . . . . 353,291	417,840	9,000	ProShares UltraShort Lehman 7-10 Year Treasury† . . . . . 458,460	381,060
	<u>644,250</u>	<u>718,640</u>		<u>926,839</u>	<u>751,560</u>
<b>Automotive — 2.7%</b>			<b>Financial Services — 3.0%</b>		
20,800	General Motors Co.† . . . . . 686,400	766,688	5,000	American Express Co. . . . . 143,968	214,600
<b>Banking — 5.0%</b>			2,000	CME Group Inc. . . . . 466,486	643,500
20,876	Bank of America Corp. . . . . 88,103	278,486		<u>610,454</u>	<u>858,100</u>
150,000	Citigroup Inc.† . . . . . 502,725	709,500	<b>Food and Beverage — 4.4%</b>		
10,000	JPMorgan Chase & Co. . . . . 312,214	424,200	6,000	Diamond Foods Inc. . . . . 259,758	319,080
	<u>903,042</u>	<u>1,412,186</u>	23,200	Kraft Foods Inc., Cl. A . . . . . 671,259	731,032
<b>Computer Hardware — 6.7%</b>			3,000	PepsiCo Inc. . . . . 172,890	195,990
1,200	Apple Inc.† . . . . . 153,205	387,072		<u>1,103,907</u>	<u>1,246,102</u>
17,000	Cisco Systems Inc.† . . . . . 317,561	343,910	<b>Health Care — 14.4%</b>		
12,000	Hewlett-Packard Co. . . . . 479,790	505,200	17,987	Bristol-Myers Squibb Co. . . . . 413,460	476,296
4,500	International Business Machines Corp. . . . . 504,009	660,420	5,000	Cephalon Inc.† . . . . . 281,238	308,600
	<u>1,454,565</u>	<u>1,896,602</u>	8,000	Covidien plc . . . . . 257,472	365,280
<b>Computer Software and Services — 2.1%</b>			8,000	Genzyme Corp.† . . . . . 430,541	569,600
26,000	EMC Corp.† . . . . . 446,409	595,400	13,000	Gilead Sciences Inc.† . . . . . 519,918	471,120
<b>Consumer Products — 1.2%</b>			10,000	Johnson & Johnson . . . . . 625,229	618,500
7,000	Tupperware Brands Corp. . . . . 303,047	333,690	6,846	Mead Johnson Nutrition Co. . . . . 273,325	426,164
<b>Diversified Industrial — 3.6%</b>			11,650	Merck & Co. Inc. . . . . 256,741	419,866
12,000	Honeywell International Inc. . . . . 363,727	637,920	24,790	Pfizer Inc. . . . . 431,548	434,073
9,000	Tyco International Ltd. . . . . 335,865	372,960		<u>3,489,472</u>	<u>4,089,499</u>
	<u>699,592</u>	<u>1,010,880</u>	<b>Metals and Mining — 3.2%</b>		
<b>Electronics — 3.2%</b>			5,000	Freeport-McMoRan Copper & Gold Inc. . . . . 329,255	600,450
25,000	Intel Corp. . . . . 555,465	525,750	5,000	Newmont Mining Corp. . . . . 179,620	307,150
12,000	Texas Instruments Inc. . . . . 226,620	390,000		<u>508,875</u>	<u>907,600</u>
	<u>782,085</u>	<u>915,750</u>	<b>Paper and Forest Products — 1.4%</b>		
<b>Energy — 10.6%</b>			15,000	International Paper Co. . . . . 391,354	408,600
3,000	Chevron Corp. . . . . 204,751	273,750	<b>Retail — 1.3%</b>		
11,050	ConocoPhillips . . . . . 465,509	752,505	7,000	Wal-Mart Stores Inc. . . . . 370,593	377,510
7,000	Devon Energy Corp. . . . . 447,145	549,570			
3,000	EOG Resources Inc. . . . . 264,505	274,230			
8,000	Exxon Mobil Corp. . . . . 493,058	584,960			
11,000	NextEra Energy Inc. . . . . 616,327	571,890			
	<u>2,491,295</u>	<u>3,006,905</u>			

See accompanying notes to financial statements.

# The Gabelli Blue Chip Value Fund

## Schedule of Investments (Continued) — December 31, 2010

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
<b>COMMON STOCKS (Continued)</b>		
<b>Satellite — 1.5%</b>		
11,000	DIRECTV, Cl. A† \$ 297,510	\$ 439,230
<b>Specialty Chemicals — 4.7%</b>		
7,000	Air Products and Chemicals Inc. .... 499,074	636,650
14,000	E. I. du Pont de Nemours and Co. .... 510,397	698,320
	<u>1,009,471</u>	<u>1,334,970</u>
<b>Telecommunications — 6.0%</b>		
15,000	NII Holdings Inc.† ..... 614,548	669,900
14,200	Verizon Communications Inc. 413,245	508,076
20,000	Vodafone Group plc, ADR .. 477,268	528,600
	<u>1,505,061</u>	<u>1,706,576</u>
<b>Water — 1.6%</b>		
18,000	American Water Works Co. Inc. .... 321,677	455,220
	<b>TOTAL COMMON STOCKS ..</b>	<b><u>25,836,278</u></b>
	<u>21,079,218</u>	
<b>Principal Amount</b>		
<b>U.S. GOVERNMENT OBLIGATIONS — 9.4%</b>		
\$2,655,000	U.S. Treasury Bills, 0.105% to 0.180%††, 01/20/11 to 06/09/11 ... 2,654,463	2,654,563
	<b>TOTAL</b>	
	<b>INVESTMENTS — 100.4%</b>	<b>28,490,841</b>
	<b>Other Assets and Liabilities (Net) — (0.4)%</b>	<b>(108,623)</b>
	<b>NET ASSETS — 100.0%</b>	<b><u>\$28,382,218</u></b>

† Non-income producing security.

†† Represents annualized yield at date of purchase.

ADR American Depositary Receipt

See accompanying notes to financial statements.

## The Gabelli Blue Chip Value Fund

### Statement of Assets and Liabilities December 31, 2010

<b>Assets:</b>	
Investments, at value (cost \$23,733,681) . . . . .	\$28,490,841
Receivable for Fund shares issued . . . . .	6,574
Dividends receivable . . . . .	35,059
Prepaid expenses . . . . .	<u>32,850</u>
<b>Total Assets</b> . . . . .	<u>28,565,324</u>
<b>Liabilities:</b>	
Payable to custodian . . . . .	55,500
Payable for Fund shares redeemed . . . . .	39,590
Payable for investment advisory fees . . . . .	8,443
Payable for distribution fees . . . . .	5,952
Payable for legal and audit fees . . . . .	33,271
Payable for shareholder communications expenses . . . . .	28,218
Other accrued expenses . . . . .	<u>12,132</u>
<b>Total Liabilities</b> . . . . .	<u>183,106</u>
<b>Net Assets</b> (applicable to 2,055,087 shares outstanding) . . . . .	<u>\$28,382,218</u>
<b>Net Assets Consist of:</b>	
Paid-in capital . . . . .	\$26,539,333
Accumulated net realized loss on investments . . . . .	(2,914,275)
Net unrealized appreciation on investments . . . . .	<u>4,757,160</u>
<b>Net Assets</b> . . . . .	<u>\$28,382,218</u>
<b>Shares of Beneficial Interest each at \$0.001 par value; unlimited number of shares authorized:</b>	
<b>Class AAA:</b>	
Net Asset Value, offering, and redemption price per share (\$25,152,440 ÷ 1,820,350 shares outstanding) . . . . .	<u>\$13.82</u>
<b>Class A:</b>	
Net Asset Value and redemption price per share (\$1,152,555 ÷ 83,388 shares outstanding) . . . . .	<u>\$13.82</u>
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price) . . . . .	<u>\$14.66</u>
<b>Class B:</b>	
Net Asset Value and offering price per share (\$78,476 ÷ 5,902 shares outstanding) . . . . .	<u>\$13.30(a)</u>
<b>Class C:</b>	
Net Asset Value and offering price per share (\$424,051 ÷ 31,924 shares outstanding) . . . . .	<u>\$13.28(a)</u>
<b>Class I:</b>	
Net Asset Value, offering, and redemption price per share (\$1,574,696 ÷ 113,523 shares outstanding) . . . . .	<u>\$13.87</u>

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

### Statement of Operations For the Year Ended December 31, 2010

<b>Investment Income:</b>	
Dividends (net of foreign withholding taxes of \$185) . . . . .	\$ 507,684
Interest . . . . .	<u>4,922</u>
<b>Total Investment Income</b> . . . . .	<u>512,606</u>
<b>Expenses:</b>	
Investment advisory fees . . . . .	275,684
Distribution fees – Class AAA . . . . .	62,094
Distribution fees – Class A . . . . .	2,994
Distribution fees – Class B . . . . .	717
Distribution fees – Class C . . . . .	3,799
Registration expenses . . . . .	52,471
Shareholder communications expenses . . . . .	50,839
Shareholder services fees . . . . .	45,822
Legal and audit fees . . . . .	32,135
Trustees' fees . . . . .	30,399
Custodian fees . . . . .	10,066
Interest expense . . . . .	262
Miscellaneous expenses . . . . .	<u>16,875</u>
<b>Total Expenses</b> . . . . .	<u>584,157</u>
Less:	
Expenses reimbursed by Adviser (See Note 3) . . . . .	<u>(31,843)</u>
<b>Net Expenses</b> . . . . .	<u>552,314</u>
<b>Net Investment Loss</b> . . . . .	<u>(39,708)</u>
<b>Net Realized and Unrealized Gain on Investments:</b>	
Net realized gain on investments . . . . .	990,269
Net change in unrealized appreciation on investments . . . . .	<u>2,302,940</u>
<b>Net Realized and Unrealized Gain on Investments</b> . . . . .	<u>3,293,209</u>
<b>Net Increase in Net Assets Resulting from Operations</b> . . . . .	<u>\$3,253,501</u>

See accompanying notes to financial statements.

# The Gabelli Blue Chip Value Fund

## Statement of Changes in Net Assets

	<u>Year Ended</u> <u>December 31, 2010</u>	<u>Year Ended</u> <u>December 31, 2009</u>
<b>Operations:</b>		
Net investment income/(loss) .....	\$ (39,708)	\$ 7,601
Net realized gain/(loss) on investments .....	990,269	(2,071,450)
Net change in unrealized appreciation on investments .....	<u>2,302,940</u>	<u>8,291,540</u>
<b>Net Increase in Net Assets Resulting from Operations</b> .....	<u>3,253,501</u>	<u>6,227,691</u>
<b>Distributions to Shareholders:</b>		
Net investment income		
Class AAA .....	—	(58,964)
Class A .....	—	(4,013)
Class I .....	<u>—</u>	<u>(3,485)</u>
	<u>—</u>	<u>(66,462)</u>
Return of capital		
Class AAA .....	—	(2,706)
Class A .....	—	(184)
Class I .....	<u>—</u>	<u>(160)</u>
	<u>—</u>	<u>(3,050)</u>
<b>Total Distributions to Shareholders</b> .....	<u>—</u>	<u>(69,512)</u>
<b>Shares of Beneficial Interest Transactions:</b>		
Class AAA .....	(3,777,472)	2,250,290
Class A .....	(399,533)	1,075,527
Class C .....	80,765	199,834
Class I .....	<u>562,340</u>	<u>(51,458)</u>
<b>Net Increase/(Decrease) in Net Assets from Shares of Beneficial Interest Transactions</b> .....	<u>(3,533,900)</u>	<u>3,474,193</u>
<b>Redemption Fees</b> .....	<u>—</u>	<u>3</u>
<b>Net Increase/(Decrease) in Net Assets</b> .....	(280,399)	9,632,375
<b>Net Assets:</b>		
Beginning of period .....	<u>28,662,617</u>	<u>19,030,242</u>
End of period (including undistributed net investment income of \$0 and \$0, respectively) .....	<u>\$28,382,218</u>	<u>\$28,662,617</u>

See accompanying notes to financial statements.

# The Gabelli Blue Chip Value Fund

## Financial Highlights

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

Period Ended December 31 of	Income (Loss) from Investment Operations					Distributions				Ratios to Average Net Assets/ Supplemental Data					
	Net Asset Value, Beginning of Period	Net Investment Income (Loss) (a)	Net Unrealized Gain (Loss) on Investments	Total Investment Operations	Net Realized Gain on Investments	Return of Capital	Total Distributions	Redemption Fees (a)	Net Asset Value, End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income (Loss)	Operating Expenses Before Reimbursement (b)	Operating Expenses Net of Reimbursement (b)	Portfolio Turnover Rate
<b>Class AAA</b>															
2010	\$12.25	\$(0.02)	\$ 1.59	\$ 1.57	—	—	—	—	\$13.82	12.8%	\$25,152	(0.14)%	2.12%	2.00%	42%
2009	9.40	(0.00)(c)	2.88	2.88	—	—	—	—	12.25	30.6	26,045	0.04	2.13	2.01	76
2008	14.21	0.03	(4.82)	(4.79)	\$(0.00)(c)	—	—	—	9.40	(33.7)	18,136	0.23	2.02	2.00	90
2007	14.77	0.05	(0.03)	0.02	(0.54)	(0.58)	0.00(c)	0.00(c)	14.21	0.1	32,011	0.33	1.78	1.78	41
2006	12.60	0.03	2.18	2.21	—	(0.04)	0.00(c)	0.00(c)	14.77	17.5	36,754	0.23	1.82	1.82	44
<b>Class A</b>															
2010	\$12.25	\$(0.02)	\$ 1.59	\$ 1.57	—	—	—	—	\$13.82	12.8%	\$ 1,153	(0.14)%	2.12%	2.00%	42%
2009	9.41	(0.01)	2.89	2.88	\$(0.04)	—	—	—	12.25	30.6	1,404	(0.07)	2.13	2.01	76
2008	14.23	0.03	(4.82)	(4.79)	\$(0.00)(c)	—	—	—	9.41	(33.7)	111	0.24	2.02	2.00	90
2007	14.80	0.05	(0.04)	0.01	(0.54)	(0.58)	0.00(c)	0.00(c)	14.23	0.1	103	0.32	1.78	1.78	41
2006	12.63	0.04	2.17	2.21	—	(0.04)	0.00(c)	0.00(c)	14.80	17.5	88	0.27	1.82	1.82	44
<b>Class B</b>															
2010	\$11.88	\$(0.11)	\$ 1.53	\$ 1.42	—	—	—	—	\$13.30	12.0%	\$ 78	(0.89)%	2.87%	2.75%	42%
2009	9.16	(0.07)	2.79	2.72	—	—	—	—	11.88	29.7	70	(0.70)	2.88	2.76	76
2008	13.92	(0.06)	(4.70)	(4.76)	\$(0.00)(c)	—	—	—	9.16	(34.2)	54	(0.51)	2.77	2.75	90
2007	14.55	(0.06)	(0.03)	(0.09)	(0.54)	(0.54)	0.00(c)	0.00(c)	13.92	(0.7)	9	(0.42)	2.53	2.53	41
2006	12.47	(0.07)	2.15	2.08	—	—	—	—	14.55	16.7	10	0.53	2.57	2.57	44
<b>Class C</b>															
2010	\$11.86	\$(0.11)	\$ 1.53	\$ 1.42	—	—	—	—	\$13.28	12.0%	\$ 424	(0.90)%	2.87%	2.75%	42%
2009	9.15	(0.09)	2.80	2.71	—	—	—	—	11.86	29.6	300	(0.82)	2.88	2.76	76
2008	13.91	(0.06)	(4.70)	(4.76)	\$(0.00)(c)	—	—	—	9.15	(34.2)	64	(0.50)	2.77	2.75	90
2007	14.54	(0.05)	(0.04)	(0.09)	(0.54)	(0.54)	0.00(c)	0.00(c)	13.91	(0.7)	63	(0.37)	2.53	2.53	41
2006	12.47	(0.06)	2.13	2.07	—	—	—	—	14.54	16.6	5	(0.48)	2.57	2.57	44
<b>Class I</b>															
2010	\$12.26	\$0.01	\$ 1.60	\$ 1.61	—	—	—	—	\$13.87	13.1%	\$ 1,575	0.11%	1.87%	1.75%	42%
2009	9.41	0.03	2.87	2.90	\$(0.05)	—	—	—	12.26	30.9	844	0.28	1.88	1.76	76
2008	14.23	0.06	(4.83)	(4.77)	\$(0.00)(c)	(0.05)	0.00(c)	0.00(c)	9.41	(33.5)	665	0.52	1.77	1.75	90
2007	14.80	0.09	(0.04)	0.05	(0.54)	(0.62)	0.00(c)	0.00(c)	14.23	0.3	1	0.59	1.53	1.53	41
2006	12.63	0.06	2.18	2.24	—	(0.07)	0.00(c)	0.00(c)	14.80	17.7	1	0.46	1.57	1.57	44

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the period and sold at the end of the period including reinvestment of distributions and does not reflect applicable sales charges.

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

(b) The Fund incurred interest expense during the years ended December 31, 2007 and 2006. If interest expense had not been incurred, the ratio of operating expenses to average net assets would have been 1.77% and 1.81% (Class AAA and Class A), 2.52%, and 2.56% (Class B and Class C), and 1.52% and 1.56% (Class I), respectively. For the years ended December 31, 2010, 2009, and 2008, the effect of interest expense was minimal. The Fund also incurred tax expense during the year ended December 31, 2009. If tax expense had not been incurred, the ratios of operating expenses to average net assets would have been 2.00% (Class AAA and Class A), 2.75% (Class B and Class C), and 1.75% (Class I), respectively.

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

See accompanying notes to financial statements.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements

---

**1. Organization.** The Gabelli Blue Chip Value Fund (the “Fund”) was organized on May 13, 1999 as a Delaware statutory trust. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund commenced operations on August 26, 1999. The Fund’s primary objective is long-term growth of capital.

**2. Significant Accounting Policies.** The Fund’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which may require the use of management estimates and assumptions. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

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

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities’ fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than sixty days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

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

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

---

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities by inputs used to value the Fund's investments as of December 31, 2010 is as follows:

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value) Assets</u>
Level 1 – Quoted Prices*	\$25,836,278
Level 2 – Other Significant Observable Inputs*	2,654,563
Total	<u>\$28,490,841</u>

\* Portfolio holdings designated in Level 1 and Level 2 are disclosed individually in the Schedule of Investments ("SOI"). Level 2 consists of U.S. Government Obligations. Please refer to the SOI for the industry classifications of these portfolio holdings.

The Fund did not have significant transfers between Level 1 and Level 2 during the year ended December 31, 2010.

There were no Level 3 investments held at December 31, 2010 or December 31, 2009.

In January 2010, the Financial Accounting Standards Board ("FASB") issued amended guidance to improve disclosure about fair value measurements which requires additional disclosures about transfers between Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). FASB also clarified existing disclosure requirements relating to the levels of disaggregation of fair value measurement and inputs and valuation techniques used to measure fair value. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2009 and interim periods within those fiscal years. Management has adopted the amended guidance and determined that there was no material impact to the Fund's financial statements except for additional disclosures made in the notes. Disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact of the additional disclosure requirements on the Fund's financial statements.

**Repurchase Agreements.** The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

---

by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. It is the policy of the Fund to receive and maintain securities as collateral whose market value is not less than their repurchase price. 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, 2010, the Fund held no investments in repurchase agreements.

**Investments in Other Investment Companies.** The Fund may invest, from time to time, in shares of other investment companies (or entities that would be considered investment companies but are excluded from the definition pursuant to certain exceptions under the 1940 Act) (the "Acquired Funds") in accordance with the 1940 Act and related rules. Shareholders in the Fund bear the pro rata portion of the periodic expenses of the Acquired Funds in addition to the Fund's expenses. At December 31, 2010, the Fund's pro rata portion of the periodic expenses charged by the Acquired Funds was 0.03%.

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

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

**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 from foreign securities that are recorded as soon after the ex-dividend date as the Fund becomes aware of such dividends.

**Determination of Net Asset Value and Calculation of Expenses.** Certain administrative expenses are common to, and allocated among, various affiliated funds. Such allocations are made on the basis of each fund's average net assets or other criteria directly affecting the expenses as determined by the Adviser pursuant to procedures established by the Board.

In calculating the net asset value ("NAV") per share of each class, investment income, realized and unrealized gains and losses, redemption fees, and expenses other than class specific expenses are allocated daily to each class of shares based upon the proportion of net assets of each class at the beginning of each day. Distribution expenses are borne solely by the class incurring the expense.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

**Custodian Fee Credits and Interest Expense.** When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as “Custodian fee credits.” When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in “interest expense” in the Statement of Operations. There were no custodian fee credits earned during the year ended December 31, 2010.

**Distributions to Shareholders.** Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to a write-off of the current year net operating loss. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2010, reclassifications were made to decrease accumulated net investment loss by \$39,708 and increase accumulated net realized loss on investments by \$5, with an offsetting adjustment to additional paid-in capital.

No distributions were made during the year ended December 31, 2010.

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

	<u>Year Ended</u> <u>December 31, 2009</u>
<b>Distributions paid from:</b>	
Ordinary income .....	\$66,462
Return of capital .....	3,050
Total distributions paid .....	<u>\$69,512</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, 2010, the components of accumulated earnings/losses on a tax basis were as follows:

Accumulated capital loss carryforwards .....	\$(2,647,807)
Net unrealized appreciation on investments .....	<u>4,490,692</u>
Total .....	<u>\$ 1,842,885</u>

At December 31, 2010, the Fund had net capital loss carryforwards for federal income tax purposes of \$2,647,807 which are available to reduce future required distributions of net capital gains to shareholders. \$207,654 of the loss carryforward is available through 2016; and \$2,440,153 is available through 2017.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

During the year ended December 31, 2010, the Fund utilized capital loss carryforwards of \$1,045,637.

At December 31, 2010, the temporary difference between book basis and tax basis net unrealized appreciation was primarily due to deferral of losses from wash sales for tax purposes.

The following summarizes the tax cost of investments and the related net unrealized appreciation at December 31, 2010:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Investments . . . . .	\$24,000,149	\$5,062,119	\$(571,427)	\$4,490,692

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2010, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2010, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund's net assets or results of operations. Tax years ended December 31, 2007 through December 31, 2010 remain subject to examination by the Internal Revenue Service and state taxing authorities. On an ongoing basis, the Adviser will monitor the Fund's tax positions to determine if adjustments to this conclusion are necessary.

**3. Investment Advisory Agreement and Other Transactions.** The Fund has entered into an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Fund will pay the Adviser a fee, computed daily and paid monthly, at the annual rate of 1.00% of the value of its average daily net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio, oversees the administration of all aspects of the Fund's business and affairs, and pays the compensation of all Officers and Trustees of the Fund who are affiliated persons of the Adviser.

The Adviser has contractually agreed to waive its advisory fee and/or reimburse expenses of the Fund to the extent necessary to maintain the annualized total operating expenses of the Fund (exclusive of brokerage fees, interest, taxes, and extraordinary expenses) at 2.00%, 2.00%, 2.75%, 2.75%, and 1.75%, respectively, of Class AAA, Class A, Class B, Class C, and Class I Shares' average daily net assets. For the year ended December 31, 2010, the Adviser reimbursed the Fund in the amount of \$31,843. In addition, the Fund has agreed, during the two year period following any waiver or reimbursement by the Adviser, to repay such amount to the extent, that after giving the effect to the repayment, such adjusted annualized total operating expenses of the Fund would not exceed 2.00%, 2.00%, 2.75%, 2.75%, and 1.75% of the value of the Fund's average daily net assets for Class AAA, Class A, Class B, Class C, and Class I, respectively. At December 31, 2010, the cumulative amount which the Fund may repay the Adviser is \$60,105:

For the year ended December 31, 2009, expiring December 31, 2011 . . . . .	\$28,262
For the year ended December 31, 2010, expiring December 31, 2012 . . . . .	<u>31,843</u>
	<u>\$60,105</u>

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

---

The Fund pays each Trustee who is not considered an affiliated person an annual retainer of \$3,000 plus \$500 for each Board meeting attended. Each Trustee is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended and the Chairman of the Audit Committee and the Lead Trustee each receive a \$1,000 annual fee. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**4. Distribution Plan.** The Fund's Board has adopted a distribution plan (the "Plan") for each class of shares, except for Class I Shares, pursuant to Rule 12b-1 under the 1940 Act. Gabelli & Company, Inc. ("Gabelli & Co."), an affiliate of the Adviser, serves as Distributor of the Fund. Under the Class AAA, Class A, Class B, and Class C Share Plans, payments are authorized to Gabelli & Co. at annual rates of 0.25%, 0.25%, 1.00%, and 1.00%, respectively, of the average daily net assets of those classes, the annual limitations under each Plan. Such payments are accrued daily and paid monthly.

**5. Portfolio Securities.** Purchases and sales of securities for the year ended December 31, 2010, other than short-term securities and U.S. Government obligations, aggregated \$9,913,425 and \$11,203,479, respectively.

**6. Transactions with Affiliates.** During the year ended December 31, 2010, the Fund paid brokerage commissions on security trades of \$17,579 to Gabelli & Co. Additionally, Gabelli & Co. informed the Fund that it retained \$1,597 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. A reimbursement was not sought by the Adviser during the years ended December 31, 2010 or December 31, 2009.

**7. Line of Credit.** The Fund participates in an unsecured line of credit of up to \$75,000,000 under which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bear interest at the higher of the sum of the overnight LIBOR plus 125 basis points or the sum of the federal funds rate plus 125 basis points at the time of borrowing. This amount, if any, would be included in "interest expense" in the Statement of Operations. During the year ended December 31, 2010, there were no borrowings under the line of credit.

**8. Shares of Beneficial Interest.** The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares are offered without a sale charge only to investors who acquire them directly from Gabelli & Co., through selected broker/dealers, or transfer agent. Class I Shares are offered through Gabelli & Co. and selected broker/dealers to foundations, endowments, institutions, and employee benefit plans without a sale charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%. Class B Shares are subject to a contingent deferred sales charge ("CDSC") upon redemption within six years of purchase and automatically convert to Class A Shares approximately eight years after the original purchase. The applicable Class B CDSC is equal to a percentage declining from 5% of the lesser of the NAV per share at the date of the original purchase or at the date of redemption, based on the length of time held. Class C Shares are subject to a 1.00% CDSC for one year after purchase. Class B Shares are available only through exchange of Class B Shares of other funds distributed by Gabelli & Co.

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund as an increase in paid-in capital. The Fund did not retain any redemption fees during the year ended December 31, 2010. The redemption fees retained by the Fund during the year ended December 31, 2009 amounted to \$3. The redemption fee does not apply to redemptions of shares where (i) the shares were purchased through automatic reinvestment of distributions, (ii) the redemption was initiated by the Fund, (iii) the shares were purchased through programs that collect the redemption fee at the program level and remit them to the Fund, or (iv) the shares were purchased through programs that the Adviser determines to have appropriate anti-short-term trading policies in place or as to which the Adviser has received assurances that look-through redemption fee procedures or effective anti-short-term trading policies and procedures are in place.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Shares	Amount	Shares	Amount
<b>Class AAA</b>				
Shares sold	128,411	\$ 1,616,550	566,520	\$ 6,084,422
Shares issued upon reinvestment of distributions	—	—	4,819	59,373
Shares redeemed	(434,314)	(5,394,022)	(374,356)	(3,893,505)
Net increase/(decrease)	<u>(305,903)</u>	<u>\$(3,777,472)</u>	<u>196,983</u>	<u>\$ 2,250,290</u>
<b>Class A</b>				
Shares sold	29,416	\$ 365,430	127,606	\$ 1,345,833
Shares issued upon reinvestment of distributions	—	—	320	3,948
Shares redeemed	(60,603)	(764,963)	(25,125)	(274,254)
Net increase/(decrease)	<u>(31,187)</u>	<u>\$(399,533)</u>	<u>102,801</u>	<u>\$ 1,075,527</u>
<b>Class C</b>				
Shares sold	11,223	\$ 135,225	20,653	\$ 222,799
Shares redeemed	(4,570)	(54,460)	(2,441)	(22,965)
Net increase	<u>6,653</u>	<u>\$ 80,765</u>	<u>18,212</u>	<u>\$ 199,834</u>
<b>Class I</b>				
Shares sold	50,581	\$ 639,380	15,854	\$ 152,383
Shares issued upon reinvestment of distributions	—	—	295	3,645
Shares redeemed	(5,850)	(77,040)	(18,064)	(207,486)
Net increase/(decrease)	<u>44,731</u>	<u>\$ 562,340</u>	<u>(1,915)</u>	<u>\$ (51,458)</u>

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

## The Gabelli Blue Chip Value Fund

### Notes to Financial Statements (Continued)

---

**10. Other Matters.** On April 24, 2008, the Adviser entered into a settlement with the SEC to resolve an 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 administrative settlement order, the SEC found that the Adviser had willfully violated Section 206(2) of the 1940 Act, Section 17(d) of the 1940 Act and Rule 17d-1 thereunder, and had willfully 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, paid \$16 million (which included a \$5 million civil monetary penalty), approximately \$12.8 million of which is in the process of being paid to shareholders of the Global Growth Fund in accordance with a plan developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and acceptable to the staff of the SEC, and agreed to cease and desist from future violations of the above referenced federal securities laws and rule. The SEC order also noted the cooperation that the Adviser had given the staff of the SEC during its inquiry. The settlement did 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 Fund, the Global Growth Fund, and other funds in the Gabelli/GAMCO fund complex. The officer denied the allegations and is continuing in his positions with the Adviser and the funds. The court dismissed certain claims and found that the SEC was not entitled to pursue various remedies against the officer while leaving one remedy in the event the SEC were able to prove violations of law. The court subsequently dismissed without prejudice the remaining remedy against the officer, which would allow the SEC to appeal the court’s rulings. On October 29, 2010 the SEC filed its appeal with the U.S. Court of Appeals for the Second Circuit regarding the lower court’s orders. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Fund or the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

**11. Subsequent Events.** Management has evaluated the impact on the Fund of all subsequent events occurring through the date the financial statements were issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

## The Gabelli Blue Chip Value Fund

### Report of Independent Registered Public Accounting Firm

---

To the Shareholders and Board of Trustees of  
The Gabelli Blue Chip Value Fund

We have audited the accompanying statement of assets and liabilities of The Gabelli Blue Chip Value Fund (the "Fund"), including the schedule of investments, as of December 31, 2010, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2010, by correspondence with the Fund's custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Gabelli Blue Chip Value Fund at December 31, 2010, 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 U.S. generally accepted accounting principles.

Philadelphia, Pennsylvania  
February 28, 2011

*Ernst & Young LLP*

## The Gabelli Blue Chip Value Fund

### Additional Fund Information (Unaudited)

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

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Number of Funds in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Trustee<sup>4</sup></u>
<b><u>INTERESTED TRUSTEES<sup>3</sup>:</u></b>				
<b>Mario J. Gabelli</b> Trustee Age: 68	Since 1999	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications)
<b><u>INDEPENDENT TRUSTEES<sup>5</sup>:</u></b>				
<b>Anthony J. Colavita</b> Trustee Age: 75	Since 1999	34	President of the law firm of Anthony J. Colavita, P.C.	—
<b>Vincent D. Enright</b> Trustee Age: 67	Since 1999	16	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics) and until September 2006, Director of Apton Corporation (pharmaceuticals)
<b>Mary E. Hauck</b> Trustee Age: 68	Since 2000	3	Retired Senior Manager of the Gabelli O'Connor Fixed Income Mutual Funds Management Company	—
<b>Kuni Nakamura</b> Trustee Age: 42	Since 2009	9	President of Advanced Polymer, Inc. (chemical wholesale company)	—
<b>Werner J. Roeder, MD</b> Trustee Age: 70	Since 1999	22	Medical Director of Lawrence Hospital and practicing private physician	—

# The Gabelli Blue Chip Value Fund

## Additional Fund Information (Continued) (Unaudited)

Name, Position(s) Address <sup>1</sup> and Age	Term of Office and Length of Time Served <sup>2</sup>	Principal Occupation(s) During Past Five Years
<b>OFFICERS:</b>		
<b>Bruce N. Alpert</b> President Age: 59	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 of Teton Advisors, Inc. since 1998; Chairman of Teton Advisors, Inc. 2008 to 2010; President of Teton Advisors, Inc. 1998 through 2008; Senior Vice President of GAMCO Investors, Inc. since 2008
<b>Agnes Mullady</b> Treasurer Age: 52	Since 2006	Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005
<b>Peter D. Goldstein</b> Chief Compliance Officer Age: 57	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

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

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

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

<sup>4</sup> 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.

<sup>5</sup> Trustees who are not interested persons are considered "Independent" Trustees.

## Gabelli/GAMCO Funds and Your Personal Privacy

---

### Who are we?

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, 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?

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

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

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

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

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

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

# GABELLI FAMILY OF FUNDS

## VALUE

### **Gabelli Asset Fund**

Seeks to invest primarily in a diversified portfolio of common stocks selling at significant discounts to their private market value. The Fund's primary objective is growth of capital. (Multiclass)

*Team Managed*

### **Gabelli Blue Chip Value Fund**

Seeks long term growth of capital through investment primarily in the common stocks of established companies which are temporarily out of favor. The fund's objective is to identify a catalyst or sequence of events that will return the company to a higher value. (Multiclass)

*Portfolio Manager: Barbara G. Marcin, CFA*

### **GAMCO Westwood Equity Fund**

Seeks to invest primarily in the common stock of well seasoned companies that have recently reported positive earnings surprises and are trading below Westwood's proprietary growth rate estimates. The Fund's primary objective is capital appreciation. (Multiclass)

*Portfolio Manager: Susan M. Byrne*

## FOCUSED VALUE

### **Gabelli Value Fund**

Seeks to invest in securities of companies believed to be undervalued. The Fund's primary objective is long-term capital appreciation. (Multiclass)

*Team Managed*

## SMALL CAP VALUE

### **Gabelli Small Cap Fund**

Seeks to invest primarily in common stock of smaller companies (market capitalizations at the time of investment of \$2 billion or less) believed to have rapid revenue and earnings growth potential. The Fund's primary objective is capital appreciation. (Multiclass)

*Portfolio Manager: Mario J. Gabelli, CFA*

### **GAMCO Westwood SmallCap Equity Fund**

Seeks to invest primarily in smaller capitalization equity securities – market caps of \$2.5 billion or less. The Fund's primary objective is long-term capital appreciation. (Multiclass)

*Portfolio Manager: Nicholas F. Galluccio*

### **Gabelli Woodland Small Cap Value Fund**

Seeks to invest primarily in the common stocks of smaller companies (market capitalizations generally less than \$3.0 billion) believed to be undervalued with shareholder oriented management teams that are employing strategies to grow the company's value. The Fund's primary objective is capital appreciation. (Multiclass)

*Portfolio Manager: Elizabeth M. Lilly, CFA*

## GROWTH

### **GAMCO Growth Fund**

Seeks to invest primarily in large cap stocks believed to have favorable, yet undervalued, prospects for earnings growth. The Fund's primary objective is capital appreciation. (Multiclass)

*Portfolio Manager: Howard F. Ward, CFA*

### **GAMCO International Growth Fund**

Seeks to invest in the equity securities of foreign issuers with long-term capital appreciation potential. The Fund offers investors global diversification. (Multiclass)

*Portfolio Manager: Caesar Bryan*

## AGGRESSIVE GROWTH

### **GAMCO Global Growth Fund**

Seeks capital appreciation through a disciplined investment program focusing on the globalization and interactivity of the world's marketplace. The Fund invests in companies at the forefront of accelerated growth. The Fund's primary objective is capital appreciation. (Multiclass)

*Team Managed*

## MICRO-CAP

### **GAMCO Westwood Mighty Mites<sup>SM</sup> Fund**

Seeks to invest in micro-cap companies that have market capitalizations of \$300 million or less. The Fund's primary objective is long-term capital appreciation. (Multiclass)

*Team Managed*

## EQUITY INCOME

### **Gabelli Equity Income Fund**

Seeks to invest primarily in equity securities with above average market yields. The Fund pays monthly dividends and seeks a high level of total return with an emphasis on income. (Multiclass)

*Portfolio Manager: Mario J. Gabelli, CFA*

### **GAMCO Westwood Balanced Fund**

Seeks to invest in a balanced and diversified portfolio of stocks and bonds. The Fund's primary objective is both capital appreciation and current income. (Multiclass)

*Co-Portfolio Managers: Susan M. Byrne  
Mark R. Freeman, CFA*

### **GAMCO Westwood Income Fund**

Seeks to provide a high level of current income as well as long-term capital appreciation by investing in income producing equity and fixed income securities. (Multiclass)

*Portfolio Manager: Barbara G. Marcin, CFA*

## SPECIALTY EQUITY

### **GAMCO Vertumnus Fund (formerly GAMCO Global Convertible Securities Fund)**

Seeks to invest principally in bonds and preferred stocks which are convertible into common stock of foreign and domestic companies. The Fund's primary objective is total return through a combination of current income and capital appreciation. (Multiclass)

*Portfolio Manager: Mario J. Gabelli, CFA*

### **GAMCO Global Opportunity Fund**

Seeks to invest in common stock of companies which have rapid growth in revenues and earnings and potential for above average capital appreciation or are undervalued. The Fund's primary objective is capital appreciation. (Multiclass)

*Team Managed*

### **Gabelli SRI Green Fund**

Seeks to invest in common and preferred stocks meeting guidelines for social responsibility (avoiding defense contractors and manufacturers of alcohol, abortifacients, gaming, and tobacco products) and sustainability (companies engaged in climate change, energy security and independence, natural resource shortages, organic living, and urbanization). The Fund's primary objective is capital appreciation. (Multiclass)

*Co-Portfolio Managers: Christopher C. Desmarais  
John M. Segrich, CFA*

## SECTOR

### **GAMCO Global Telecommunications Fund**

Seeks to invest in telecommunications companies throughout the world – targeting undervalued companies with strong earnings and cash flow dynamics. The Fund's primary objective is capital appreciation. (Multiclass)

*Team Managed*

## GAMCO Gold Fund

Seeks to invest in a global portfolio of equity securities of gold mining and related companies. The Fund's objective is long-term capital appreciation. Investment in gold stocks is considered speculative and is affected by a variety of worldwide economic, financial, and political factors. (Multiclass)

*Portfolio Manager: Caesar Bryan*

## Gabelli Utilities Fund

Seeks to provide a high level of total return through a combination of capital appreciation and current income. (Multiclass)

*Portfolio Manager: Mario J. Gabelli, CFA*

## MERGER AND ARBITRAGE

### **Gabelli ABC Fund**

Seeks to invest in securities with attractive opportunities for appreciation or investment income. The Fund's primary objective is total return in various market conditions without excessive risk of capital loss. (No-load)

*Portfolio Manager: Mario J. Gabelli, CFA*

### **Gabelli Enterprise Mergers and Acquisitions Fund**

Seeks to invest in securities believed to be likely acquisition targets within 12–18 months or in arbitrage transactions of publicly announced mergers or other corporate reorganizations. The Fund's primary objective is capital appreciation. (Multiclass)

*Portfolio Manager: Mario J. Gabelli, CFA*

## CONTRARIAN

### **GAMCO Mathers Fund**

Seeks long-term capital appreciation in various market conditions without excessive risk of capital loss. (No-load)

*Portfolio Manager: Henry Van der Eb, CFA*

### **Comstock Capital Value Fund**

Seeks capital appreciation and current income. The Fund may use either long or short positions to achieve its objective. (Multiclass)

*Portfolio Managers: Charles L. Minter  
Martin Weiner, CFA*

## FIXED INCOME

### **GAMCO Westwood Intermediate Bond Fund**

Seeks to invest in a diversified portfolio of bonds with various maturities. The Fund's primary objective is total return. (Multiclass)

*Portfolio Manager: Mark R. Freeman, CFA*

## CASH MANAGEMENT-MONEY MARKET

### **Gabelli U.S. Treasury Money Market Fund**

Seeks to invest exclusively in short-term U.S. Treasury securities. The Fund's primary objective is to provide high current income consistent with the preservation of principal and liquidity. (No-load)

*Co-Portfolio Managers: Judith A. Raneri  
Ronald S. Eaker*

*An investment in the above Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.*

*The Funds may invest in foreign securities which involve risks not ordinarily associated with investments in domestic issues, including currency fluctuation, economic, and political risks.*

*To receive a prospectus, call **800-GABELLI** (422-3554). Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.*

## The Gabelli Blue Chip Value Fund

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

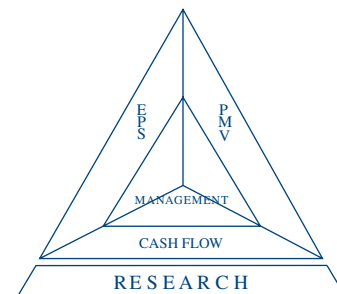
**800-422-3554**

**fax: 914-921-5118**

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

**e-mail: [info@gabelli.com](mailto:info@gabelli.com)**

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



### Board of Trustees

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

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

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

Kuni Nakamura  
*President  
Advanced Polymer, Inc.*

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

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

### Officers and Portfolio Manager

Barbara G. Marcini, CFA  
*Portfolio Manager*

Bruce N. Alpert  
*President*

Peter D. Goldstein  
*Chief Compliance Officer*

Agnes Mullady  
*Secretary and Treasurer*

### Distributor

Gabelli & Company, Inc.

### Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

# The Gabelli Blue Chip Value Fund

---

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

---

GAB402Q410SR

**ANNUAL REPORT  
DECEMBER 31, 2010**