

The Gabelli Asset Fund

Shareholder Commentary December 31, 2008

To Our Shareholders,

For the fourth quarter of 2008 and the full year 2008, the Gabelli Asset Fund fell largely in line with the declines of 22% and 37% for the Standard & Poor's (S&P) 500 Index over the same periods, respectively. The Fund's annualized total returns for the since inception, twenty year, fifteen year, ten year, five year, and three year periods were 11.20%, 9.87%, 8.32%, 3.89%, 0.81%, and (5.06)%, which compares favorably to the S&P 500 performance of 8.74%, 8.42%, 6.46%, (1.38)%, (2.19)%, and (8.36)%, respectively.

COMMENTARY

The Economy

The fourth quarter of 2008 was among the most challenging for the economy since the Great Depression. Markets around the world ended the year down 30 to 60%, credit spreads spiked to unprecedented levels, and extreme volatility became the norm. For the last five quarters we have chronicled a deteriorating situation in the U.S. and abroad. Chapters in our narrative have included a peak in the real estate bubble in 2006, rising energy prices, an overextended consumer in late 2007, and the failure of large financial institutions and forced liquidations by asset holders, including leveraged hedge funds in 2008.

Credit – or rather the destruction of credit – appears to have been the transmission mechanism for financial distress. Without readily available credit, it becomes difficult for consumers to purchase homes and cars and for businesses to invest and acquire. Hence the Treasury and Federal Reserve's initial focus on providing liquidity to the system and on bolstering the balance sheets of insolvent banks via the TARP (Troubled Asset Relief Program) and TALF (Term Asset-Backed Securities Loan Facility). Normally the creation of so much money could be expected to stoke inflation (more dollars chasing the same amount of goods); it is quite evident that in the short term, the deflationary forces from macro-economic dynamics, asset price devaluation, and job losses have trumped monetary dynamics and inflation is in check. Indeed, we sit at the fulcrum of a deflationary spiral and an inflationary spike. Inflation may be a problem for tomorrow and it is one we try to monitor closely.

Comparative Results

Average Annual Returns through December 31, 2008*

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	Since Inception (3/3/86)
Gabelli Asset Fund AAA Shares . . .	(21.74)%	(37.20)%	(5.06)%	0.81%	3.89%	8.32%	9.87%	11.20%
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(1.38)	6.46	8.42	8.74
Dow Jones Industrial Average	(18.41)	(31.88)	(4.10)	(1.09)	1.70	8.15	9.93	10.27
Nasdaq Composite Index	(24.61)	(40.54)	(10.58)	(4.67)	(3.24)	4.83	7.36	6.69

The expense ratio is 1.36% for the Fund's Class AAA Shares. Class AAA Shares do not have a sales charge.
* **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share prices and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** See page 11 for performance of other classes of shares. The Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 Index and the Nasdaq Composite Index are unmanaged indicators of stock market performance. Dividends are reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.

THE GABELLI ASSET FUND INVESTMENT RESULTS (CLASS AAA SHARES) (a)

		Quarter				
		1st	2nd	3rd	4th	Year
2008:	Net Asset Value	\$44.95	\$44.35	\$39.97	\$31.01	\$31.01
	Total Return	(9.8)%	(1.3)%	(9.9)%	(21.7)%	(37.2)%
2007:	Net Asset Value	\$49.29	\$52.86	\$54.01	\$49.81	\$49.81
	Total Return	4.0%	7.2%	2.2%	(1.9)%	11.8%
2006:	Net Asset Value	\$44.13	\$44.54	\$45.85	\$47.38	\$47.38
	Total Return	7.3%	0.9%	2.9%	9.3%	21.8%
2005:	Net Asset Value	\$41.22	\$42.05	\$43.43	\$41.13	\$41.13
	Total Return	(0.6)%	2.0%	3.3%	(0.3)%	4.4%
2004:	Net Asset Value	\$37.37	\$38.06	\$37.42	\$41.45	\$41.45
	Total Return	3.1%	1.8%	(1.7)%	12.9%	16.5%
2003:	Net Asset Value	\$26.82	\$31.49	\$32.25	\$36.26	\$36.26
	Total Return	(5.1)%	17.4%	2.4%	14.4%	30.6%
2002:	Net Asset Value	\$34.21	\$30.77	\$26.04	\$28.25	\$28.25
	Total Return	3.8%	(10.1)%	(15.4)%	8.6%	(14.3)%
2001:	Net Asset Value	\$33.03	\$35.45	\$30.70	\$32.97	\$32.97
	Total Return	(2.6)%	7.3%	(13.4)%	10.6%	0.2%
2000:	Net Asset Value	\$40.93	\$40.18	\$40.14	\$33.90	\$33.90
	Total Return	0.2%	(1.8)%	(0.1)%	(0.7)%	(2.4)%
1999:	Net Asset Value	\$37.18	\$41.38	\$39.52	\$40.84	\$40.84
	Total Return	4.8%	11.3%	(4.5)%	15.3%	28.5%
1998:	Net Asset Value	\$36.00	\$36.41	\$31.24	\$35.47	\$35.47
	Total Return	13.0%	1.1%	(14.2)%	18.2%	15.9%
1997:	Net Asset Value	\$27.00	\$31.45	\$34.99	\$31.85	\$31.85
	Total Return	2.2%	16.5%	11.3%	4.3%	38.1%
1996:	Net Asset Value	\$27.44	\$28.09	\$27.92	\$26.42	\$26.42
	Total Return	6.6%	2.4%	(0.6)%	4.5%	13.4%
1995:	Net Asset Value	\$23.84	\$25.10	\$26.76	\$25.75	\$25.75
	Total Return	7.3%	5.3%	6.6%	3.7%	24.9%
1994:	Net Asset Value	\$22.63	\$22.36	\$23.56	\$22.21	\$22.21
	Total Return	(2.9)%	(1.2)%	5.4%	(1.2)%	(0.1)%
1993:	Net Asset Value	\$21.10	\$22.10	\$23.63	\$23.30	\$23.30
	Total Return	6.1%	4.7%	6.9%	2.5%	21.8%
1992:	Net Asset Value	\$19.04	\$18.91	\$19.02	\$19.88	\$19.88
	Total Return	6.0%	(0.7)%	0.6%	8.5%	14.9%
1991:	Net Asset Value	\$17.36	\$17.36	\$17.90	\$17.96	\$17.96
	Total Return	11.1%	0.0%	3.1%	3.2%	18.1%
1990:	Net Asset Value	\$16.48	\$16.81	\$15.21	\$15.63	\$15.63
	Total Return	(4.5)%	2.0%	(9.5)%	7.8%	(5.0)%
1989:	Net Asset Value	\$16.46	\$18.01	\$18.73	\$17.26	\$17.26
	Total Return	12.0%	9.4%	4.0%	(1.0)%	26.2%
1988:	Net Asset Value	\$13.49	\$14.62	\$14.94	\$14.69	\$14.69
	Total Return	14.4%	8.4%	2.2%	3.5%	31.1%
1987:	Net Asset Value	\$12.97	\$13.93	\$14.66	\$12.61	\$12.61
	Total Return	19.6%	7.4%	5.2%	(14.0)%	16.2%
1986:	Net Asset Value	\$10.44	\$11.21	\$11.29	\$11.28	\$11.28
	Total Return	4.4%(b)	7.4%	0.7%	(0.1)%	12.8%(b)

Average Annual Returns – December 31, 2008 (a)

1 Year	(37.20)%
5 Year	0.81
10 Year	3.89
Since Inception (b)	11.20
Current Expense Ratio	1.36

(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. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** See page 11 for performance of other classes of shares.

(b) From commencement of investment operations on March 3, 1986.

Barron's 2009 Roundtable

Mario Gabelli, our Chief Investment Officer, has appeared in the prestigious Barron's Roundtable discussion annually since 1980. Many of our readers enjoyed the inclusion of selected and edited comments from Barron's Roundtable in previous reports to shareholders. As is our custom, we are including selected comments of Mario Gabelli from Barron's 2009 Roundtable, published on January 26, 2009.



Good Thoughts

Our third installment: four wise guys, 40 stocks, seven funds and the short of the century

By Lauren R. Rublin

Barron's: Mario, care to say something?

Gabelli: In fifteen days we will have a new leader who is going to re-brand America. His first priority as CEO of the country is to create jobs and insure that no adult is left behind in this economic system.

The consumer is getting an enormous cash flow benefit from lower oil prices. There are 240 million cars in the U.S. and 800 million in the world that are saving around \$2.50 a gallon on gasoline. People with high credit scores and equity in their homes are saving money. The missing element is confidence. New tax laws are going to help with that. The working person is going to get a financial stimulus, and even under the most bearish scenarios, 91% of those who can will be working in December 2009. You're going to see an investment tax credit and a

change in depreciation, encouraging small businesses to make capital investments. On September 15, somebody shut off the lights for the business person. It has been hell since. We need to go from this hell for businesses to a kind of purgatory. More spending on investments and the possibility of a lower tax rate for corporations would send an interesting message to the business world.

Barron's: That's nice, but what happens now?

Gabelli: Come April or May, the numbers will be a lot better than in the fourth quarter. Car dealers tell us they are starting to sell cars, but the buyers still need financing. Yes, unemployment is going to rise. But once a new president comes in and enacts fiscal stimulus and promises tax cuts, things will start changing. Once businesses see some stability, they can start planning and looking at cost efficiencies.

As far as corporate earnings go, an enormous tsunami hit the economic world. It is no different from labor strikes in the 1960s. When the steelworkers struck, did you base stock multiples on the absence of earnings, or step back and ask what normalized earnings would be over an economic cycle? And shouldn't the P/E multiple expand to account for depressed earnings?

Barron's: Is this a good year to buy stocks?

Gabelli: I'm going back to what I think will work: POSP. Plain Old Stock Picking. It will be a good trading market. The markets won't do much more than 5% up or 5% down, but there are plenty of opportunities for financial engineering and value enhancement – buying and selling, spinning off companies, selling divisions.

Barron's: Mario, you're on.

Gabelli: Barack Obama will be president in two weeks. He will articulate how he is going to create jobs. Government spending will go to workers and business. Infrastructure spending will mean not only bridges but broadband and a smart grid. The uptick rule [regulating short sales of stocks] should be reinstated. Hedge funds should be regulated and transparent about their leverage. Under current regulations, companies can be taken over by entities that buy their debt without reporting ownership. There should be transparency about this to eliminate backdoor raids.

There are 240 million cars on the road in the U.S. The average age per vehicle is roughly 9.5 years. The sweet spot for repairs is six to nine years. Last year I talked about **Genuine Parts** [GPC]. Now I'm recommending **O'Reilly Automotive** [ORLY], an auto parts distributor that sells to the do-it-for-me market. It has 135 million shares, trading at about \$30. Debt is \$650 million. It closed a deal in July to buy CSK Auto, which gives it a presence in the West. Combined revenue is \$5 billion.

Barron's: What about earnings?

Gabelli: They could go from \$1.50 a share in 2008 to \$1.80 in '09. Annual earnings growth is 14% or 15%. They'll have no debt in four years, when they'll earn \$3.25 a share. There is a 6.75% note convertible into common with a 2010 put date that sells around par. It is an intriguing investment.

Telephone & Data Systems [TDS] sells for \$32 a share. There are about 115 million shares outstanding – 53 million common, 55 million special common, six million that get 10 votes apiece. It is believed TDS got a fully financed bid at a 50% premium to its then-price of \$65. Only two companies could do it: **AT&T** [T] and **Verizon Communications**

[VZ]. On January 9 Verizon closes on its purchase of Alltel for seven or eight times EBITDA. AT&T recently announced the purchase of **Centennial Communications** [CYCL] for 7.5 times EBITDA. TDS owns 70 million of **U.S. Cellular's** [USM] 87 million shares, equal to \$26 per TDS share. TDS may be a double, or a triple.

Today I brought you chocolate bars and gum [distributes around room]. Since we met last, Cadbury has spun off **Dr Pepper Snapple** [DPS]. Mars teamed up with Warren Buffett to buy Wrigley. The global confectionary market is \$140 billion – \$78 billion is chocolate, \$44 billion candy, and \$20 billion chewing gum. Cadbury has 10% of the non-U.S. chocolate market, and through Dentyne, 27% of the global gum market. There are 337 million American depository receipts, trading for \$36. They have \$2.4 billion of debt and \$15.8 billion, or 10 billion pounds, of enterprise value. Earnings this year will be 36 pence, and next year, 42. The stock sells at a modest multiple of earnings. As Cadbury focuses on revenue and margin expansion, earnings could grow by 15% a year.

Barron's: Why did the the stock lose 33% after you recommended it here last year?

Gabelli: There was no buyout deal. The confectionary business is in flux. They could merge with **Hershey** [HSY] or do something with **Kraft Foods** [KFT]. Cadbury has excellent global distribution. It isn't going to stand on its own. You could make 40% or 50% on Cadbury.

Gabelli: We like Dr Pepper Snapple, too. It sells for \$16. There are 253 million shares, about \$3.6 billion of debt, and \$8 billion in enterprise value. They

could earn \$1.75 a share for 2008. Results will be flat this year. The company sells concentrate and is a bottler. It could get bought out, and even if it doesn't, the business generates cash.

Ascent Media [ASCMA] has 13.4 million A shares, 660,000 B shares, and a \$320 million market value. There is \$356 million in cash, so you're getting the company at a discount to cash. Ascent specializes in platforms and techniques for enhancing digital technology and media. It has about \$50 million of EBITDA. Apply a multiple of four and you get \$200 million, or \$15 a share, on top of \$25 of cash, for a total price of \$40. John Malone controls 31%. The company, spun out of Discovery Holding in September, could be an acquisition vehicle. **Liberty Entertainment** [LMDIA] is another Malone company, with 517 million shares. Debt is \$2 billion, and they have \$700 million in cash. Liberty was a tracking stock. Malone is spinning off its assets, including **DIRECTV** [DTV], into a new company. Liberty trades for \$18, but you're getting \$22 a share in net assets, plus \$10 from a spinoff, plus indirect control of DIRECTV.

Schafer: Have Malone's stocks done well?

MacAllaster: They've been awful.

Gabelli: Discovery Communications [DISCA] and **DIRECTV** have done well. Like Oscar, I like Time Warner. As he noted, you get a quarter of a share of Cable for every share of Time, and the Cable dividend will help Time reduce debt. Time Warner's earnings will be down this year, but the company is a terrific cash generator. Its businesses generate about \$7 billion to \$8 billion of EBITDA. In three years it will have no debt, \$1.5 billion of cash, and earnings of close to \$1.20 a share. At \$10 a share, plus the cable stub, it is an interesting buy.

Mario Gabelli's Picks

Company	Ticker	1/2/09 Price
O'Reilly Automotive	ORLY	\$31.43
Telephone & Data Systems	TDS	32.92
Cadbury	CBY	36.09
Dr Pepper Snapple	DPS	16.55
Ascent Media	ASCSA	22.62
Liberty Entertainment	LMDIA	18.86
Time Warner	TWX	10.63
Maine & Maritimes	MAM	37.65
Alberto-Culver	ACV	25.41
Energizer Holdings	ENR	58.11

Source: Bloomberg

Maine & Maritimes [MAM] is a utility. On the border of Maine and Canada, there is a lot of wind, but it's landlocked. The company is working on approvals to construct a transmission line. Rates of return are about 13%. MAM will be able to distribute wind power through independent service operators in New England, plus there's the basic utility. The wind business will be unlocked by Obama's investment in the grid and green power. The stock is \$37. There are 1.7 million shares. The

existing business earns around \$2 a share, but the interesting play is their partnership with Central Maine Power, another utility, to build a 345 kilovolt transmission line. This will connect the power from where it is generated to the New England grid. Maine & Maritime's share of the cost is \$180 million. It will add significantly to the company's earnings power, bringing earnings to \$4 per share.

Alberto-Culver [ACV], the hair-care company, spun off **Sally Beauty Holdings** [SBH] about two years ago. Alberto holders got \$25 a share in cash and a share of Sally. Alberto trades at \$25. There are 98 million shares. They have \$438 million in cash and no debt. They just spent \$81 million to buy Noxzema from **Procter & Gamble** [PG]. They have 14.5% of the facial cleanser market. Today people aren't replenishing products until they get to the end of the bottle. Like everything else, business stopped in the past three months. Revenue should be \$1.5 billion for the

September 30 year. EBITDA is about \$210 million, and earnings per share, \$1.35. Earnings can grow 10% or 12%, but the product line fits with a larger company.

Energizer Holdings [ENR] makes batteries. The price of zinc collapsed to 54 cents a pound late last year from \$1.95. They consume about 70 million pounds of zinc. It bought Schick and then Playtex about a year ago. For the September '09 year they'll have \$4 billion of revenue, growing 3% or 4%. EBITDA will be about \$750 million, down from \$850 million. Consumers are running down their inventories, even of consumables, and earnings will drop to about \$5 a share from \$6.12. From the lower base, they'll grow 20% a year for the next five years. The company will pay down \$2.8 billion of net debt. The stock trades for \$58. Three years from now it may be \$130 or \$140.

Barron's: Thank you, Mario, and everyone. ■

Mario J. Gabelli is the Chairman and Chief Investment Officer – Value Portfolios of GAMCO Investors, Inc. and Portfolio Manager of various investment products at the Firm. The securities mentioned in the article are not representative of any portfolio, and the views expressed are subject to change at any time. As of December 31, 2008, the Gabelli Asset Fund held, as a percentage of its net assets, the following companies mentioned in this article: Genuine Parts 1.1%, O'Reilly Automotive 0.4%, Telephone & Data Systems 1.9%, U.S. Cellular 0.5%, Dr Pepper Snapple 0.2%, Hershey 0.2%, Ascent Media 0.1%, Liberty Entertainment 1.1%, Discovery Communications 0.6%, Sally Beauty Holdings 0.04%, Energizer Holdings 0.8%, AT&T 0.2%, Verizon Communications 0.5%, Kraft Foods 0.2%, DIRECTV 0.8%, Alberto-Culver 0.1%, Time Warner 0.9%, Procter & Gamble 1.8%, and Cadbury 0.2%.

A complete listing of the Fund's portfolio holdings as of December 31, 2008 is available by calling the Fund at 800-GABELLI (800-422-3554) or by visiting our website at www.gabelli.com. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.** Investors acquire shares at the market price on the New York Stock Exchange, and may pay brokerage commissions upon the purchase and sale of shares of the Fund.

The views expressed in this article reflect those of the Portfolio Manager only through the date of the interview. Minor edits were made. The Portfolio Manager's views are subject to change at any time based on market and other conditions. Favorable earnings or EBITDA (earnings before interest, taxes, depreciation and amortization) growth prospects do not necessarily translate into higher stock prices, but they do express a positive trend which we believe will develop over time. The information contained in this article is not an offer to sell or a solicitation to buy any security. No security or other product is offered or will be sold in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other laws of the jurisdiction.

The Economy (continued)

Monetary policy needs to be coupled with fiscal stimulus. A useful analytical framework is to break gross domestic product (GDP) into its four components: consumption (C) + investment (I) + government spending (G) + net exports (NX). In the fourth quarter of 2008, consumption is likely to have been deeply negative with investment and net exports relatively flat, leaving government spending as the sole growth driver of the economy. Fiscal policy can directly address “G”, but it can also influence “C” and “I” through changes in tax policy. It should not be forgotten that “NX” can also be influenced, in the case of the Great Depression severely diminished, by flawed protectionist policies. Today some countries appear to be using currency as a protectionist tool (e.g. China). The President and Congress appear well aware of these policy prescriptions and, at this writing, are contemplating a stimulus of \$825 of spending and tax incentives totaling over 5% of GDP.

The economy and the markets will heal. Credit and functioning capital markets need to be restored while consumers and businesses need to regain the confidence to spend and invest, albeit more wisely. We fear that this process may take time, but we remain cautiously optimistic that the entrepreneurial spirit that got us this far will see us out of this crisis.

Deals... Deals... And More Deals

As anticipated, anticipated global M&A volume was predictably weak in the fourth quarter, declining 38% to \$588 billion. U.S. volume fell 53% to \$115 billion. Notwithstanding ongoing constraints in the credit markets, this is not a trend we necessarily expect to continue, however. Strategic buyers with the financial wherewithal will continue to improve their market positions through acquisition activity. We also expect to see an increase in financial engineering – spins and split-offs – as companies reposition themselves and seek to maximize value.

Investment Scorecard

Two large positive contributors to performance in the quarter were gold miners Newmont Mining (1.3% of net assets as of December 31, 2008) and Barrick Gold (0.9%). The price of gold increased throughout the year as the metal played its historical role of safe haven and inflation hedge. Vivendi SA (1.0%), Archer-Daniels-Midland (1.1%), and Genuine Parts (1.1%), each of which possess several recession resistant characteristics, were also top contributors.

Cablevision (1.9%), one of the third quarter’s largest positive contributors, fell over worries about its liquidity situation. The stock rebounded strongly in January 2009 after issuing bonds to address debt maturities this year. American Express (0.5%), a premier credit card issuer, showed that even its customers were not immune to consumer stress. Finally, Liberty Entertainment (1.1%) was another large detractor from performance as the spread between its price and the price of its primary asset, shares of DirecTV (0.8%), widened. Liberty expects to split-off its 53% stake in DirecTV in 2009.

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. For the following holdings, the percentage of net assets and their share prices stated in U.S. dollar equivalent terms are presented as of December 31, 2008.

AMETEK Inc. (1.2% of net assets as of December 31, 2008) (AME - \$30.21 - NYSE) is a leading global manufacturer of analytical instruments for the process, aerospace, and industrial markets, and a leading producer of electric motors and blowers for the floor care and outdoor power equipment markets. AME has two operating groups. In Electronic Instruments Group, the company continues to make acquisitions to augment growth. AME expects one-half to two-thirds of its revenue growth to come from acquisitions. The company is focused on acquiring differentiated businesses with revenues of \$30 million to \$100 million. Differentiated businesses compete on the basis of product capability, have higher growth rates, and offer superior returns. They currently account for 75% of AME's revenues and over time they should account for an even greater portion of sales. At the Electromechanical Group, AMETEK's key strategy is to reduce costs by increasing efficiency and moving non-core operations to low cost countries such as Mexico, the Czech Republic, and China. The execution of these two strategies and the company's strong cash flow should enable AMETEK to show steady earnings growth.

Cablevision Systems Corp. (1.9%) (CVC - \$16.84 - NYSE) is one of the nation's leading communications and entertainment companies. Headquartered in Bethpage, N.Y., Cablevision serves over 3 million cable customers in the attractive New York market. Cablevision also owns sports related assets, including Madison Square Garden, the N.Y. Knicks, the N.Y. Rangers, and the MSG network and high growth cable networks AMC, Women's Entertainment, and IFC. The company recently purchased the Sundance Channel and Newsday, the dominant local newspaper on Long Island. Over the last several years, Cablevision has posted strong free cash flow growth as it markets its triple play of services (video, voice, and data) to residential customers. That growth should be supplemented as the company has begun marketing its services to small businesses within its footprint.

Dean Foods Co. (0.2%) (DF - \$17.97 - NYSE) is a leading food and beverage company in the United States. The Company's DSD Dairy segment is the largest processor and distributor of milk and other dairy products in the country, with products sold under more than 50 familiar local and regional brands and a wide array of private labels. The Company's WhiteWave-Morningstar segment markets and sells a variety of nationally branded dairy and dairy related products, such as Silk® soymilk and cultured soy products, Horizon Organic® milk and other dairy products, International Delight® coffee creamers, Land O'Lakes® creamers, and other fluid dairy products. DF posted higher third quarter earnings but missed analysts' estimates due to higher ingredient costs. Investors also seemed concerned about the timing of a joint venture the company announced along with its earnings, which will mean increased expenses in 2009. The company operates in a defensive industry with a management, which executes well and should be able to weather the current economic turmoil.

Discovery Communications Inc. (0.6%) (DISCA - \$14.16 - Nasdaq) is the world's leading nonfiction media company with 1.5 billion subscribers to a roster of cable channels including Discovery, TLC, and Animal Planet. Since arriving in January 2007, CEO David Zaslav has refocused the networks and rationalized costs. The company re-branded two networks – Investigation Discovery and Planet Green – and is set to launch the Oprah Winfrey Network in partnership with Ms. Winfrey in June 2009. In September 2008, Advance/Newhouse merged its one third interest in Discovery with the two thirds interest held by public shareholders. As a result of the merger, we expect greater transparency and flexibility to pursue strategic transactions.

Honeywell International Inc. (0.8%) (HON - \$32.83 - NYSE) is a leading producer of avionics, power, and electronic systems for the aerospace market, process automation, and security products for the industrial, residential, and commercial building markets. The company also makes turbochargers for the automotive industry and nylon, advanced fibers, and electronics for specialty chemicals. HON has excellent products, a strong balance sheet, and generates substantial free cash flow that could be used for internal growth, acquisitions, and stock repurchases. During the downturn, management closed plants, consolidated facilities,

reduced headcount, and lowered costs. The company is benefiting from the upturn in the aerospace market driven by increased air travel and concern for safer travel. HON's aerospace strategy is to grow and expand the core business, integrate its products and services to provide more value to the customer, extend the service capabilities to increase market penetration with low cost carriers, and offering products that enhance safety and ease of use. The company is also actively making acquisitions in other parts of their business. In April 2008, HON announced the acquisition of Norcross, a manufacturer of safety and protective clothing and equipment. The acquisition complements the company's gas detection operation. Many of HON's customers buy protective clothing when they purchase gas detection devices. These strategies should position HON for bigger profitability gains.

ITT Corporation (1.5%) (ITT - \$45.99 - NYSE) is a manufacturer of submersible pumps, defense electronics, connectors, and specialty products such as friction material and leisure marine equipment. ITT's pumps and advance water treatment products are in a growth market driven by the demand for clean water. This industry has had a history of consolidation. A few years ago, ITT purchased WEDECO, a manufacturer of ultraviolet and ozone oxidation water treatment systems, for about 236 million Euros (\$270 million) or 11.2 times EBITDA. This deal was followed by Danaher's acquisition of Trojan Technologies, another manufacturer of ultraviolet water treatment systems for about 239 million Canadian dollars (\$185 million) or 13.3 times EBITDA. Then, General Electric completed the purchase of Ionics, a leader in water purification and desalination for about \$1.2 billion or 15.4 times EBITDA. As the multiples for water treatment companies escalate, they are increasing ITT's private market value. Additionally, the company is also active in making acquisitions in other parts of its businesses. In December 2007, ITT acquired EDO Corporation, a leader in the design and development of advanced systems at the center of the military's transformation to lighter, faster, and smarter defense capabilities. EDO products include bomb racks, electronic jamming systems, sonars, antennas, and communication systems. The company is most known for its counter-IED devices that are used in Iraq. The acquisition of EDO and ITT's mix of businesses, strong balance sheet, and substantial cash flow make this an attractive investment.

Kikkoman (0.2%) (2801 - \$11.59 - Tokyo Stock Exchange) is the largest maker of soy sauce in Japan, holding a 30% share in a highly fragmented market. Price hikes averaging 11% in March 2008 (the first increase in 18 years) are helping margins improve. The company was a pioneer in expanding overseas, setting up a plant in Wisconsin in 1973; it now derives 24% of its sales and 48% of its earnings from North America. The current focus is Europe and China, and the total overseas sales ratio could top 40% in five years. This leaves earnings vulnerable to U.S. dollar and Euro exchange rates in the medium term; in the long term, flexible raw material procurement and production in the cheapest currency will partially hedge the risks. Kikkoman owns one of fifteen Coca-Cola bottling franchises in Japan, covering the eastern Tokyo suburbs. Vitamins and other food supplements are being targeted for future growth, with the acquisitions of Country Life in 2005 and Allergy Research in August 2008, both in the U.S.

Newmont Mining Corp. (1.3%) (NEM - \$40.70 - NYSE) engages in the production of gold from its properties in the United States, Australia, Peru, Indonesia, Ghana, Canada, Bolivia, New Zealand, and Mexico. NEM had 2008 equity gold sales of approximately 5.2 million ounces at costs applicable to sales of \$440 per ounce. With the start-up of the Boddington project in Australia in mid 2009, the Company expects continued operating performance improvements in 2009, with an equity gold sales outlook of between 5.2 and 5.5 million ounces at costs applicable to sales of between \$400 and \$440 per ounce. The 2009 expectations assume ownership of 100% of the Boddington project, reflecting the expected completion of the acquisition of the remaining 33.33% interest from AngloGold Ashanti Ltd., announced recently. The Company reported year end 2008 proven and probable gold reserves of 85.0 million equity ounces, compared with 86.5 million equity ounces at

the end of 2007. Year end 2008 reserves would have been 91.6 million ounces, an increase of approximately 6% over year end 2007, if the expected acquisition of the remaining 33.33% interest in the Boddington project had occurred at the end of 2008.

News Corp. (1.9%) (NWS - \$9.58 - NYSE) is a leading global media firm with interests in broadcast television, cable networks, filmed entertainment, publishing, magazine inserts, global satellite distribution, and British and Australian newspapers. The company recently acquired Dow Jones and has begun expanding the reach of the flagship Wall Street Journal brand over the web and, we expect at some point, on television. Founder Rupert Murdoch and his family control a 38% voting stake in News.

Procter & Gamble Co. (1.8%) (PG - \$61.82 - NYSE) is a leading global consumer goods company which generates over \$80 billion of annual revenue through its three global business units: Beauty, Health & Well Being, and Household Care. P&G has 23 brands that have over \$1 billion of revenue and sells its products in over 180 countries. Its brands include *Tide, Pantene, Crest, Olay, Charmin, Pampers*, and many more. The company has expanded and diversified its product offering over the last several years through acquisitions, including Gillette, which P&G acquired in October 2005. In November 2008, the company divested the slower-growing \$1.6 billion *Folgers* coffee business into the J. M. Smucker Company for approximately \$3.3 billion.

Conclusion

Through the turmoil of the last year, our investment principles have remained our touchstone. Our process is to seek opportunities through in-depth, bottom-up research. We buy good businesses with an adequate margin of safety and remain patient as intrinsic value is surfaced.

A recovery in stocks will likely come long before a recovery in the economy as the market catches a glimpse of light at the end of the tunnel. It is difficult to see that light at the moment. But, we do not call bottoms – we pick stocks. We see unprecedented values today that should result in profitable investments tomorrow.

Sincerely,



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

January 20, 2009

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

Portfolio Manager Compensation

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

As founder and portfolio manager of The Gabelli Asset Fund, Mr. Gabelli received \$9,014,194 in calendar 2007. In 1986, the Fund's first year of operation starting in March, Mr. Gabelli received less than \$60,000. As beneficial owner, he had \$1,039,369 invested in The Gabelli Asset Fund as of December 31, 2008, which includes the holdings of GAMCO Asset Management, Inc. and GGCP, Inc., GBL's parent holding company.

Minimum Initial Investment – \$1,000

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

www.gabelli.com

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

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

The Fund's daily net asset value is available in the financial press and each evening after 6:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). The Fund's NASDAQ symbol is GABAX for Class AAA Shares. Please call us during the business day for further information.

e-delivery

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

Multi-Class Shares

The Gabelli Asset Fund began offering additional classes of Fund shares on December 31, 2003. Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions which invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

Gabelli Asset Fund Average Annual Returns – December 31, 2008 (a)

	<u>Class AAA Shares</u>	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Class C Shares</u>	<u>Class I Shares</u>
1 Year	(37.20)%	(37.20)% (40.81)(c)	(37.70)% (40.81)(d)	(37.67)% (38.29)(e)	(37.04)%
5 Year	0.81	0.81 (0.38)(c)	0.04 (0.36)(d)	0.05	0.86
10 Year	3.89	3.89 3.27(c)	3.49 3.49	3.50 3.50	3.91
Life of Fund (b)	11.20	11.20 10.90(c)	11.02 11.02	11.02 11.02	11.22
Current expense ratio ...	1.36	1.36	2.11	2.11	1.11
Maximum sales charge ..	None	5.75	5.00	1.00	None

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.**

The Class AAA Share NAVs per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares.

(b) Performance is calculated from inception of Class AAA shares on March 3, 1986.

(c) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.

(d) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the one year and five year periods of 5% and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.

(e) Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the one year period of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.

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

The Gabelli Asset Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

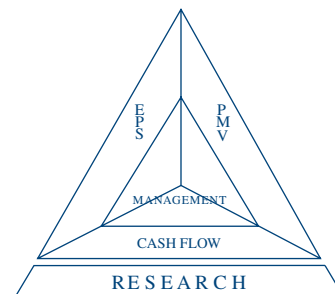
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

Net Asset Value per share available daily by calling
800-GABELLI after 6:00 P.M.



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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 Asset Fund

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

GAB405Q408SC

SHAREHOLDER COMMENTARY
DECEMBER 31, 2008

The Gabelli Asset Fund

Annual Report December 31, 2008

To Our Shareholders,

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

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

Enclosed are the audited financial statements and the investment portfolio as of December 31, 2008 with a description of factors that affected the performance during the past year.

Performance Discussion (Unaudited)

In 2008, The Gabelli Asset Fund (the "Fund") (Class AAA) posted a return of (37.20)% versus (36.99)% for the S&P 500 Index.

The collapse in economic activity in the fourth quarter was extraordinary and weighed heavily on our performance for the quarter, and hence the year, as the fourth quarter was the worst quarter for stocks in many years. This was such a miserable year, with the Dow's decline of 31.9%, its worst showing since 1931, and the S&P 500's decline of 37.0%, its poorest performance since 1937. All ten industry sectors in the S&P 500 posted declines, which might be a first. The three best performing sectors were consumer staples, down 15%, health care, down 23%, and utilities, with a decline of 29%.

Cereal maker General Mills (1.2% of net assets as of December 31, 2008) and trash collector Waste Management (1.0%) were major positive contributors to performance. Church & Dwight (0.9%), the household and personal care products maker, was also up in the year and outperformed.

The Fund benefited from mergers and acquisitions, albeit muted, during the year. Holdings ChoicePoint, Wm. Wrigley Jr. Co., and Rohm and Haas (0.4%) were all the subjects of strategic buyouts during the year.

Several of the Fund's long-time media holdings were negatively impacted by the severe downturn in advertising with News Corp (1.9%) Viacom (0.6%), Liberty Media (0.1%), and CBS Corp. (0.2%) among the biggest detractors from performance. One of the Fund's largest financial holdings, American Express (0.5%) suffered from its exposure to strained consumers and more costly funding, despite its premium positioning.

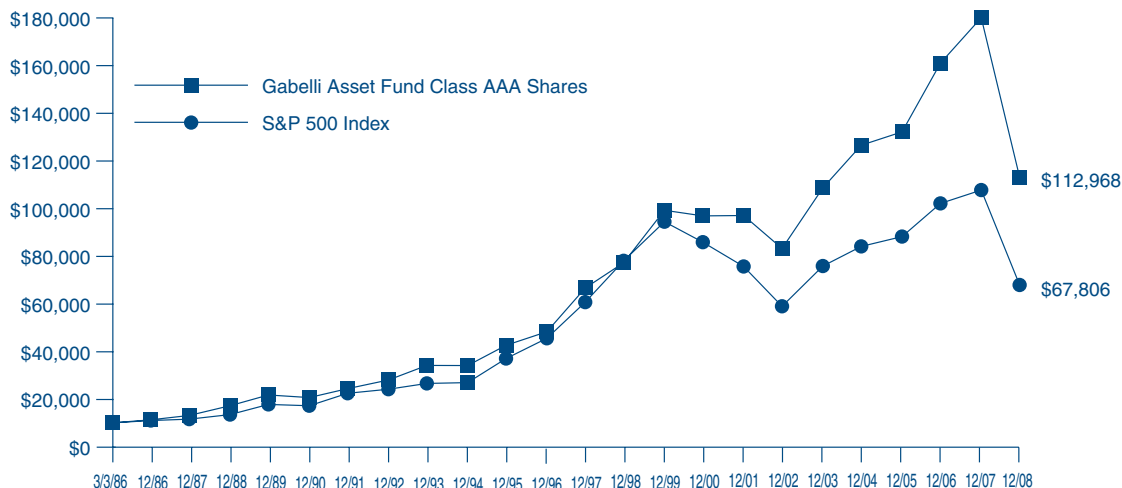
Sincerely yours,



Bruce N. Alpert
President

February 24, 2009

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



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, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	Since Inception (3/3/86)
Gabelli Asset Fund Class AAA	(21.74)%	(37.20)%	(5.06)%	0.81%	3.89%	8.32%	9.87%	11.20%
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(1.38)	6.46	8.42	8.74
Dow Jones Industrial Average	(18.41)	(31.88)	(4.10)	(1.09)	1.70	8.15	9.93	10.27
Nasdaq Composite Index	(24.61)	(40.54)	(10.58)	(4.67)	(3.24)	4.83	7.36	6.69
Class A	(21.73)	(37.20)	(5.06)	0.81	3.89	8.32	9.87	11.20
Class B	(26.23)(b)	(40.81)(b)	(6.91)(b)	(0.38)(b)	3.27(b)	7.89(b)	9.55(b)	10.90(b)
Class C	(21.90)	(37.70)	(5.80)	0.04	3.49	8.04	9.66	11.02
Class I	(25.81)(c)	(40.81)(c)	(6.76)(c)	(0.36)(c)	3.49	8.04	9.66	11.02
Class B	(21.90)	(37.67)	(5.77)	0.05	3.50	8.05	9.67	11.02
Class C	(22.68)(d)	(38.29)(d)	(5.77)	0.05	3.50	8.05	9.67	11.02
Class I	(21.70)	(37.04)	(4.98)	0.86	3.91	8.33	9.89	11.22

In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.36%, 1.36%, 2.11%, 2.11%, and 1.11%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** The Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 Index and the Nasdaq Composite Index are unmanaged indicators of stock market performance. Dividends are considered reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.

The Class AAA Shares net asset values ("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 Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares.

(b) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.

(c) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the quarter, one year, three year, and five year periods of 5%, 5%, 3%, and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.

(d) Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the quarter and one year periods of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.

The Gabelli Asset Fund

Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from July 1, 2008 through December 31, 2008

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, 2008.

	Beginning Account Value 07/01/08	Ending Account Value 12/31/08	Annualized Expense Ratio	Expenses Paid During Period*
The Gabelli Asset Fund				
Actual Fund Return				
Class AAA	\$1,000.00	\$ 705.30	1.40%	\$ 6.00
Class A	\$1,000.00	\$ 705.40	1.39%	\$ 5.96
Class B	\$1,000.00	\$ 702.60	2.14%	\$ 9.16
Class C	\$1,000.00	\$ 702.50	2.14%	\$ 9.16
Class I	\$1,000.00	\$ 706.10	1.14%	\$ 4.89
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,018.10	1.40%	\$ 7.10
Class A	\$1,000.00	\$1,018.15	1.39%	\$ 7.05
Class B	\$1,000.00	\$1,014.38	2.14%	\$10.84
Class C	\$1,000.00	\$1,014.38	2.14%	\$10.84
Class I	\$1,000.00	\$1,019.41	1.14%	\$ 5.79

* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year, then divided by 366.

Summary of Portfolio Holdings (Unaudited)

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

The Gabelli Asset Fund

Food and Beverage	15.0%	Hotels and Gaming	1.4%
Energy and Utilities	9.3%	Business Services	1.2%
Financial Services	6.4%	Communications Equipment	1.1%
Cable and Satellite	6.3%	Electronics	1.1%
Equipment and Supplies	6.2%	Aerospace	1.1%
Consumer Products	5.7%	Wireless Communications	1.0%
Diversified Industrial	5.1%	Consumer Services	0.9%
Entertainment	5.1%	Automotive	0.8%
Telecommunications	4.9%	Computer Software and Services	0.8%
Health Care	4.2%	Broadcasting	0.7%
Automotive: Parts and Accessories	3.0%	Real Estate	0.6%
Publishing	2.8%	Transportation	0.6%
Machinery	2.5%	Manufactured Housing and Recreational Vehicles	0.2%
Metals and Mining	2.5%	Closed-End Funds	0.0%
Aviation: Parts and Services	2.2%	Computer Hardware	0.0%
Retail	2.0%	U.S. Government Obligations	0.0%
Environmental Services	1.8%	Other Assets and Liabilities (Net)	0.3%
Specialty Chemicals	1.7%		
Agriculture	1.5%		
			<u>100.0%</u>

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

Proxy Voting

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

The Gabelli Asset Fund

Schedule of Investments (Continued) — December 31, 2008

Shares		Cost	Market Value	Shares		Cost	Market Value
COMMON STOCKS (Continued)							
Electronics (Continued)							
46,000	Samsung Electronics Co. Ltd., GDR (a)	\$ 8,616,601	\$ 8,235,481	260,000	Southwest Gas Corp.	\$ 4,582,147	\$ 6,557,200
4,000	Samsung Electronics Co. Ltd., OTC, GDR (a)	1,439,399	700,000	340,000	Spectra Energy Corp.	7,413,470	5,351,600
50,000	Sony Corp., ADR	1,556,873	1,093,500	110,000	The AES Corp.†	434,151	906,400
205,000	Texas Instruments Inc.	5,187,155	3,181,600	45,000	Transocean Ltd.†	3,506,531	2,126,250
72,500	Tyco Electronics Ltd.	2,392,538	1,175,225	16,666	UIL Holdings Corp.	426,371	500,480
		<u>25,873,013</u>	<u>19,099,183</u>	148,000	Weatherford International Ltd.†	3,301,490	1,601,360
Energy and Utilities — 9.3%						<u>110,235,998</u>	<u>161,704,948</u>
27,000	AGL Resources Inc.	454,725	846,450	Entertainment — 5.1%			
140,000	Allegheny Energy Inc.	1,418,678	4,740,400	8,010	Chestnut Hill Ventures† (b)	218,000	269,777
245,000	BP plc, ADR	6,984,075	11,451,300	374,500	Discovery Communications Inc., Cl. A†	3,435,078	5,302,920
4,000	Cameron International Corp.†	69,450	82,000	374,500	Discovery Communications Inc., Cl. C†	2,398,074	5,014,555
25,000	CH Energy Group Inc.	1,040,745	1,284,750	45,000	DreamWorks Animation SKG Inc., Cl. A†	1,084,168	1,136,700
352,000	Chevron Corp.	13,515,000	26,037,440	740,000	Grupo Televisa SA, ADR ..	7,693,671	11,055,600
355,000	ConocoPhillips	10,144,011	18,389,000	1,052,300	Liberty Media Corp. - Entertainment, Cl. A† ..	7,400,205	18,394,204
18,000	Constellation Energy Group Inc.	436,827	451,620	65,276	Macrovision Solutions Corp.†	1,086,844	825,741
122,000	Devon Energy Corp.	1,673,036	8,016,620	2,000	Nintendo Co. Ltd.	620,613	744,622
6,000	Diamond Offshore Drilling Inc.	683,413	353,640	265,000	Rank Group plc†	1,730,126	258,131
120,000	DPL Inc.	2,716,196	2,740,800	20,000	Regal Entertainment Group, Cl. A	283,108	204,200
20,000	DTE Energy Co.	832,127	713,400	25,000	Six Flags Inc.†	102,162	7,750
170,000	Duke Energy Corp.	1,922,357	2,551,700	65,000	The Walt Disney Co.	1,246,750	1,474,850
25,000	Edison International	425,000	803,000	1,536,000	Time Warner Inc.	18,836,131	15,452,160
337,000	El Paso Corp.	2,835,176	2,638,710	150,000	Triple Crown Media Inc.† ..	649,973	300
250,000	El Paso Electric Co.†	3,092,863	4,522,500	498,100	Viacom Inc., Cl. A†	14,642,525	10,021,772
105,000	EOG Resources Inc.	480,874	6,990,900	550,000	Vivendi	11,538,712	17,786,697
330,000	Exxon Mobil Corp.	8,011,545	26,343,900	50,000	World Wrestling Entertainment Inc., Cl. A	488,064	554,000
15,000	FPL Group Inc.	689,035	754,950			<u>73,454,204</u>	<u>88,503,979</u>
154,080	Great Plains Energy Inc. ..	3,993,754	2,978,366	Environmental Services — 1.8%			
210,000	Halliburton Co.	6,487,444	3,817,800	585,000	Republic Services Inc.	6,365,051	14,502,150
130,000	Mirant Corp., Escrow† (b) .	0	0	500,000	Waste Management Inc. ...	10,415,537	16,570,000
1,000	Niko Resources Ltd.	57,456	34,419			<u>16,780,588</u>	<u>31,072,150</u>
22,086	NiSource Inc.	475,953	242,283	Equipment and Supplies — 6.2%			
180,000	Northeast Utilities	3,429,763	4,330,800	699,000	AMETEK Inc.	2,714,419	21,116,790
30,000	NSTAR	936,244	1,094,700	6,000	Amphenol Corp., Cl. A	23,162	143,880
45,000	Oceaneering International Inc.†	1,944,964	1,311,300	95,000	CIRCOR International Inc. ..	844,451	2,612,500
500	PetroChina Co. Ltd., ADR ..	30,266	44,490	150,000	Crown Holdings Inc.†	676,245	2,880,000
50,000	Petroleo Brasileiro SA, ADR	2,169,905	1,224,500	170,000	CTS Corp.	979,008	936,700
100,000	Progress Energy Inc., CVO† (b)	52,000	33,000	4,000	Danaher Corp.	70,641	226,440
230,000	Rowan Companies Inc.	8,715,947	3,657,000	405,000	Donaldson Co. Inc.	2,295,315	13,628,250
50,000	Royal Dutch Shell plc, Cl. A, ADR	2,980,580	2,647,000	20,000	Fedders Corp.† (b)	32,624	0
118,000	SJW Corp.	1,872,429	3,532,920	400,000	Flowserve Corp.	6,320,445	20,600,000
				197,000	Gerber Scientific Inc.†	1,928,400	1,006,670

See accompanying notes to financial statements.

The Gabelli Asset Fund

Schedule of Investments (Continued) — December 31, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS (Continued)			150,000	Bristol-Myers Squibb Co. . . . \$	4,060,053 \$ 3,487,500
Food and Beverage (Continued)			2,000	Cephalon Inc.†	139,084 154,080
70,000	Fomento Economico		5,000	Cepheid Inc.†	63,663 51,900
	Mexicano SAB de		70,000	Chemed Corp.	1,121,991 2,783,900
	CV, ADR \$	2,335,118 \$ 2,109,100	48,000	CONMED Corp.†	982,781 1,149,120
355,000	General Mills Inc.	12,735,260 21,566,250	10,000	DENTSPLY International Inc.	190,509 282,400
368,000	Groupe Danone	18,595,938 22,088,185	75,000	Eli Lilly & Co.	4,183,664 3,020,250
145,000	Groupe Danone, ADR	1,504,329 1,751,600	40,000	Exactech Inc.†	612,866 673,600
1,250,000	Grupo Bimbo SAB de CV,		16,000	Genentech Inc.†	1,422,729 1,326,560
	Cl. A	2,563,679 5,262,303	130,000	Greatbatch Inc.†	2,883,852 3,439,800
160,000	H.J. Heinz Co.	5,749,685 6,016,000	40,000	Henry Schein Inc.†	1,091,829 1,467,600
10,000	Hain Celestial Group Inc.†	141,134 190,900	10,000	Hospira Inc.†	372,817 268,200
77,000	Heineken NV	3,882,254 2,344,037	20,000	IMS Health Inc.	526,733 303,200
240,000	ITO EN Ltd.	5,639,275 3,500,055	15,000	Inverness Medical	
76,000	ITO EN Ltd., Preference	1,623,911 755,389		Innovations Inc.†	255,011 283,650
80,000	Kellogg Co.	2,149,750 3,508,000	140,000	Johnson & Johnson	5,840,162 8,376,200
95,000	Kerry Group plc, Cl. A	1,122,284 1,749,728	11,000	Laboratory Corp. of	
230,000	Kikkoman Corp.	2,771,026 2,666,630		America Holdings†	816,043 708,510
130,000	Kraft Foods Inc., Cl. A	4,073,533 3,490,500	90,000	Life Technologies Corp.†	2,307,565 2,097,900
33,000	LVMH Moët Hennessy		110,000	Medco Health	
	Louis Vuitton SA	1,150,670 2,191,284		Solutions Inc.†	1,892,084 4,610,100
100,000	Meiji Seika Kaisha Ltd.	505,816 472,146	140,000	Merck & Co. Inc.	4,318,176 4,256,000
210,000	Morinaga Milk		10,000	Nobel Biocare Holding AG	285,863 201,250
	Industry Co. Ltd.	769,502 808,494	35,000	Orthofix International NV†	988,490 536,550
90,000	Nestlé SA	1,868,526 3,517,640	4,000	OrthoLogic Corp.†	13,880 1,680
350,000	Nissin Foods		120,000	Pain Therapeutics Inc.†	978,626 710,400
	Holdings Co. Ltd.	12,497,802 12,046,332	50,000	Patterson Companies Inc.†	1,242,490 937,500
850,000	PepsiAmericas Inc.	13,438,079 17,306,000	630,000	Pfizer Inc.	11,673,424 11,157,300
280,000	PepsiCo Inc.	7,820,623 15,335,600	130,000	Schering-Plough Corp.	2,409,430 2,213,900
88,000	Pernod-Ricard SA	9,038,484 6,479,511	2,000	Stryker Corp.	65,440 79,900
155,000	Ralcorp Holdings Inc.†	2,450,803 9,052,000	250,000	Tenet Healthcare Corp.†	1,398,580 287,500
85,000	Remy Cointreau SA	5,276,009 3,500,904	13,000	Thoratec Corp.†	199,738 422,370
320,000	The Coca-Cola Co.	13,144,705 14,486,400	80,000	UnitedHealth Group Inc.	2,630,889 2,128,000
100,000	The Hershey Co.	2,682,099 3,474,000	35,000	William Demant Holding A/S†	1,644,239 1,428,198
20,000	The J.M. Smucker Co.	547,733 867,200	5,000	Wright Medical Group Inc.†	92,660 102,150
167,745	Tootsie Roll Industries Inc.	2,005,293 4,295,949	55,000	Wyeth	2,169,854 2,063,050
310,000	Tyson Foods Inc., Cl. A	4,618,692 2,715,600	4,000	Young Innovations Inc.	108,887 61,600
415,000	YAKULT HONSHA Co. Ltd.	11,126,329 8,739,493	5,000	Zimmer Holdings Inc.†	314,314 202,100
		<u>204,622,011</u>			<u>72,094,595</u>
		<u>260,725,623</u>			<u>73,451,554</u>
Health Care — 4.2%			Hotels and Gaming — 1.4%		
141,400	Advanced Medical		7,000	Accor SA	509,323 341,632
	Optics Inc.†	3,907,372 934,654	125,000	Aruze Corp.	3,849,610 1,238,279
52,444	Allergan Inc.	2,458,117 2,114,542	18,000	Churchill Downs Inc.	689,751 727,560
44,000	Amgen Inc.†	203,194 2,541,000	360,000	Gaylord Entertainment Co.†	9,254,975 3,902,400
95,000	AngioDynamics Inc.†	1,421,575 1,300,550	40,000	Home Inns & Hotels	
10,000	ArthroCare Corp.†	276,624 47,700		Management Inc., ADR†	855,005 343,200
30,000	Baxter International Inc.	1,794,110 1,607,700	22,000	Host Hotels & Resorts Inc.	449,790 166,540
4,000	Becton Dickinson & Co.	343,620 273,560	196,500	International Game	
51,000	Biogen Idec Inc.†	818,643 2,429,130		Technology	6,151,011 2,336,385
120,000	Boston Scientific Corp.†	1,572,924 928,800	70,000	Interval Leisure Group Inc.†	606,983 377,300
			1,552,576	Ladbrokes plc	14,701,582 4,129,608

See accompanying notes to financial statements.

The Gabelli Asset Fund

Schedule of Investments (Continued) — December 31, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value		
COMMON STOCKS (Continued)			1,926,500	Il Sole 24 Ore \$	16,153,798 \$	6,078,892	
Hotels and Gaming (Continued)			220,000	Independent News & Media plc	674,635	128,440	
92,000	Las Vegas Sands Corp.† . . . \$	2,380,734 \$	545,560				
4,120,000	Mandarin Oriental International Ltd.	8,271,460	4,058,200				
144,000	MGM Mirage†	4,052,786	1,981,440				
24,000	Orient-Express Hotels Ltd., Cl. A	986,766	183,840				
160,000	Pinnacle Entertainment Inc.†	2,251,154	1,228,800				
90,000	Starwood Hotels & Resorts Worldwide Inc.	1,823,635	1,611,000				
250,000	The Hongkong & Shanghai Hotels Ltd.	208,584	189,027				
20,000	Wyndham Worldwide Corp.	518,059	131,000				
5,000	Wynn Resorts Ltd.†	226,918	211,300				
		<u>57,788,126</u>	<u>23,703,071</u>				
Machinery — 2.5%			Real Estate — 0.6%				
160,000	Baldor Electric Co.	5,404,630	2,856,000	7,000	Brookfield Asset Management Inc., Cl. A	226,840	106,890
140,000	Caterpillar Inc.	927,858	6,253,800	103,000	Griffin Land & Nurseries Inc.	1,479,146	3,796,580
402,200	CNH Global NV	17,227,327	6,274,320	36,000	ProLogis	983,331	500,040
756,000	Deere & Co.	6,205,077	28,969,920	257,000	The St. Joe Co.†	1,964,571	6,250,240
		<u>29,764,892</u>	<u>44,354,040</u>			<u>4,653,888</u>	<u>10,653,750</u>
Manufactured Housing and Recreational Vehicles — 0.2%			Retail — 2.0%				
265,000	Cavalier Homes Inc.†	960,214	275,600	10,000	Aaron Rents Inc.	34,505	266,200
32,000	Cavco Industries Inc.†	605,460	860,480	60,750	Aaron Rents Inc., Cl. A	287,231	1,333,463
150,000	Champion Enterprises Inc.†	1,194,832	84,000	258,000	AutoNation Inc.†	2,471,084	2,549,040
110,000	Coachmen Industries Inc.†	683,803	202,400	17,000	AutoZone Inc.†	1,437,897	2,370,990
100,000	Fleetwood Enterprises Inc.†	511,056	10,000	210,000	Coldwater Creek Inc.†	1,334,139	598,500
72,000	Huttig Building Products Inc.†	222,780	32,400	114,000	Costco Wholesale Corp.	5,860,595	5,985,000
24,000	Nobility Homes Inc.	507,596	189,840	170,000	CVS Caremark Corp.	6,429,681	4,885,800
26,000	Palm Harbor Homes Inc.†	410,317	129,480	60,000	HSN Inc.†	486,663	436,200
81,200	Skyline Corp.	3,025,654	1,623,188	99,000	Macy's Inc.	2,283,917	1,024,650
		<u>8,121,712</u>	<u>3,407,388</u>	60,000	Safeway Inc.	1,818,353	1,426,200
				40,000	SUPERVALU Inc.	1,155,671	584,000
				191,400	The Great Atlantic & Pacific Tea Co. Inc.†	4,495,119	1,200,078
Metals and Mining — 2.5%				118,000	The Kroger Co.	693,975	3,116,380
85,000	Alcoa Inc.	2,278,587	957,100	70,000	Ticketmaster Entertainment Inc.†	971,173	449,400
403,580	Barrick Gold Corp.	7,594,595	14,839,637	40,000	Wal-Mart Stores Inc.	1,834,244	2,242,400
94,025	Freeport-McMoRan Copper & Gold Inc.	3,257,695	2,297,971	130,000	Walgreen Co.	4,929,165	3,207,100
100,000	Ivanhoe Mines Ltd.†	775,931	270,000	80,000	Whole Foods Market Inc.	2,200,773	755,200
8,000	James River Coal Co.†	58,140	122,640	200,000	Winn-Dixie Stores Inc.†	3,285,961	3,220,000
50,000	Kinross Gold Corp.	359,224	921,000			<u>42,010,146</u>	<u>35,650,601</u>
52,000	New Hope Corp. Ltd.	70,252	125,078				
560,000	Newmont Mining Corp.	11,743,667	22,792,000				
30,000	Peabody Energy Corp.	1,235,976	682,500				
		<u>27,374,067</u>	<u>43,007,926</u>				
Publishing — 2.8%			18,600	Ashland Inc.	311,364	195,486	
35,000	AH Belo Corp., Cl. A	617,499	76,300	334,652	Chemtura Corp.	3,043,255	468,513
210,000	Belo Corp., Cl. A	2,964,454	327,600	470,000	Ferro Corp.	7,636,237	3,313,500
				2,000	FMC Corp.	64,790	89,460

See accompanying notes to financial statements.

The Gabelli Asset Fund
Schedule of Investments (Continued) — December 31, 2008

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)			40,000	Telmex Internacional	
				SAB de CV, ADR	\$ 70,416 \$ 454,400
130,000	General Chemical		30,000	tw telecom inc.†	533,467 254,100
	Group Inc.†	\$ 502,184 \$ 1,300	237,584	Verizon	
140,000	H.B. Fuller Co.	1,281,180 2,255,400		Communications Inc. ..	7,559,264 8,054,098
180,000	International Flavors &		35,000	Windstream Corp.	249,129 322,000
	Fragrances Inc.	7,255,378 5,349,600			68,559,837 86,263,652
100,000	Material Sciences Corp.† ..	934,841 155,000	Transportation — 0.6%		
628,000	Omnova Solutions Inc.† ..	1,865,016 408,200	85,000	AMR Corp.†	1,245,603 906,950
122,000	Rohm and Haas Co.	7,033,578 7,538,380	280,000	GATX Corp.	6,764,603 8,671,600
335,000	Sensient Technologies Corp.	6,512,584 7,999,800	63,000	Grupo TMM SA, Cl. A, ADR†	411,039 44,730
70,000	Zep Inc.	732,324 1,351,700	4,000	Kansas City Southern† ...	7,317 76,200
		37,172,731 29,126,339	28,000	Providence and Worcester	
				Railroad Co.	477,235 335,720
Telecommunications — 4.9%					8,905,797 10,035,200
150,000	AT&T Inc.	3,658,467 4,275,000	Wireless Communications — 1.0%		
14,000	Brasil Telecom Participacoes		95,000	America Movil SAB de CV,	
	SA, ADR	810,959 540,820		Cl. L, ADR	593,308 2,944,050
200,000	BT Group plc	753,355 388,768	3,200	NTT DoCoMo Inc.	4,601,636 6,227,027
15,000	BT Group plc, ADR	475,132 299,700	72,000	Price Communications Corp.,	
64,000	CenturyTel Inc.	918,720 1,749,120		Escrow† (b)	0 0
705,000	Cincinnati Bell Inc.†	3,929,022 1,360,650	2,056	Telemig Celular Participacoes	
33,000	Clearwire Corp., Cl. A† ...	503,412 162,690		SA, ADR	59,420 61,659
350,000	Deutsche Telekom AG, ADR	6,327,169 5,355,000	13,001	Tim Participacoes SA, ADR	157,722 162,382
36,000	Embarq Corp.	882,719 1,294,560	182,700	United States Cellular Corp.†	8,836,302 7,899,948
4,480	FairPoint		47	Vivo Participacoes SA† ...	656 570
	Communications Inc. ..	37,986 14,694	16,876	Vivo Participacoes SA, ADR	648,081 211,625
35,000	France Telecom SA, ADR ..	683,990 982,450	1,043	Vivo Participacoes SA,	
190,000	Frontier			Preference†	65,964 12,630
	Communications Corp. ...	2,789,200 1,660,600	4,375	Vodafone Group plc, ADR ..	43,962 89,425
31,800	Hellenic Telecommunications				15,007,051 17,609,316
	Organization SA	701,785 526,022	TOTAL COMMON STOCKS ..		
8,500	Hellenic Telecommunications				1,371,247,801 1,734,500,326
	Organization SA, ADR ..	90,649 70,635	Principal Amount		
1,600,000	Qwest Communications				
	International Inc.	4,828,119 5,824,000	CONVERTIBLE CORPORATE BONDS — 0.2%		
467,500	Sprint Nextel Corp.†	1,694,744 855,525	Automotive: Parts and Accessories — 0.1%		
75,403	Tele Norte Leste		\$1,000,000	Standard Motor Products Inc.,	
	Participacoes SA, ADR ..	1,001,480 1,049,610		Sub. Deb. Cv.,	
4,100,935	Telecom Italia SpA	2,347,867 6,555,567		6.750%, 07/15/09	987,742 915,000
250,000	Telecom Italia SpA, ADR ..	1,722,896 4,062,500	Communications Equipment — 0.1%		
94,000	Telefonica SA, ADR	3,341,710 6,334,660	2,000,000	Agere Systems Inc.,	
10,400	Telefonica SA, BDR	119,280 196,383		Sub. Deb. Cv.,	
40,000	Telefonos de Mexico			6.500%, 12/15/09	1,951,879 1,972,500
	SAB de CV, Cl. L, ADR ..	101,330 837,600	TOTAL CONVERTIBLE CORPORATE BONDS ...		
590,000	Telephone &				2,939,621 2,887,500
	Data Systems Inc.	12,260,483 18,732,500			
500,000	Telephone & Data				
	Systems Inc., Special ..	10,167,087 14,050,000			

See accompanying notes to financial statements.

The Gabelli Asset Fund

Schedule of Investments (Continued) — December 31, 2008

<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>
	WARRANTS — 0.0%		
	Automotive: Parts and Accessories — 0.0%		
14,727	Federal-Mogul Corp., expire 12/27/14†	\$ 411,720	\$ 2,209
	Broadcasting — 0.0%		
2,109	Granite Broadcasting Corp., Ser. A, expire 06/04/12†	0	21
2,109	Granite Broadcasting Corp., Ser. B, expire 06/04/12†	0	21
		<u>0</u>	<u>42</u>
	Energy and Utilities — 0.0%		
11,313	Mirant Corp., Ser. A, expire 01/03/11†	149,058	39,596
	Hotels and Gaming — 0.0%		
200,000	Indian Hotels Co., expire 12/27/10† (a)	646,829	185,104
	TOTAL WARRANTS	<u>1,207,607</u>	<u>226,951</u>
	Principal Amount		
	U.S. GOVERNMENT OBLIGATIONS — 0.0%		
\$ 50,000	U.S. Treasury Bill, 1.129%††, 01/29/09	49,957	49,957
	TOTAL INVESTMENTS — 99.7%	<u>\$1,375,444,986</u>	1,737,664,734
	Other Assets and Liabilities (Net) — 0.3%		<u>5,730,327</u>
	NET ASSETS — 100.0%		<u>\$1,743,395,061</u>

(a) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2008, the market value of Rule 144A securities amounted to \$9,120,585 or 0.52% of net assets.

(b) Security fair valued under procedures established by the Board of Trustees. The procedures may include reviewing available financial information about the company and reviewing valuation of comparable securities and other factors on a regular basis. At December 31, 2008, the market value of fair valued securities amounted to \$302,777 or 0.02% of net assets.

† Non-income producing security.

†† Represents annualized yield at date of purchase.

ADR American Depositary Receipt

BDR Brazilian Depositary Receipt

CVO Contingent Value Obligation

GDR Global Depositary Receipt

See accompanying notes to financial statements.

The Gabelli Asset Fund

Statement of Assets and Liabilities December 31, 2008

Assets:

Investments, at value (cost \$1,375,444,986) ..	\$1,737,664,734
Foreign currency, at value (cost \$5,967)	5,967
Cash	2,656
Receivable for investments sold	15,933,818
Receivable for Fund shares sold	2,072,300
Unrealized appreciation on swap contracts ..	37,028
Dividends and interest receivable	2,893,802
Prepaid expenses	116,547
Total Assets	<u>1,758,726,852</u>

Liabilities:

Payable for investments purchased	2,111,691
Payable for Fund shares redeemed	2,491,648
Payable for investment advisory fees	1,421,407
Payable for distribution fees	358,373
Payable for accounting fees	7,500
Line of credit payable	8,064,000
Other accrued expenses	877,172
Total Liabilities	<u>15,331,791</u>

Net Assets applicable to 56,226,071 shares outstanding

	<u>\$1,743,395,061</u>
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Net Assets Consist of:

Paid-in capital each Class at \$0.01 par value ..	\$1,397,669,545
Accumulated net investment income	13,149
Accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions	(16,545,652)
Net unrealized appreciation on investments ..	362,219,748
Net unrealized appreciation on swap contracts ..	37,028
Net unrealized appreciation on foreign currency translations	1,243
Net Assets	<u>\$1,743,395,061</u>

Shares of Beneficial Interest:
Class AAA:

Net Asset Value, offering, and redemption price per share (\$1,721,697,175 ÷ 55,519,526 shares outstanding; unlimited number of shares authorized)

	<u>\$31.01</u>
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Class A:

Net Asset Value and redemption price per share (\$11,521,588 ÷ 373,488 shares outstanding; unlimited number of shares authorized)

	<u>\$30.85</u>
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Maximum offering price per share (NAV ÷ .9425, based on maximum sales charge of 5.75% of the offering price)

	<u>\$32.73</u>
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Class B:

Net Asset Value and offering price per share (\$3,818 ÷ 126.67 shares outstanding; unlimited number of shares authorized)

	<u>\$30.14(a)</u>
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Class C:

Net Asset Value and offering price per share (\$6,419,101 ÷ 211,747 shares outstanding; unlimited number of shares authorized)

	<u>\$30.31(a)</u>
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Class I:

Net Asset Value, offering, and redemption price per share (\$3,753,379 ÷ 121,183 shares outstanding; unlimited number of shares authorized)

	<u>\$30.97</u>
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(a) Redemption price varies based on the length of time held.

Statement of Operations For the Year Ended December 31, 2008

Investment Income:

Dividends (net of foreign taxes of \$1,287,948) \$	45,874,862
Interest	1,401,864
Total Investment Income	<u>47,276,726</u>

Expenses:

Investment advisory fees	24,957,890
Distribution fees – Class AAA	6,177,491
Distribution fees – Class A	34,010
Distribution fees – Class B	15
Distribution fees – Class C	78,598
Shareholder services fees	1,789,096
Shareholder communications expenses	454,384
Custodian fees	391,293
Registration expenses	95,962
Legal and audit fees	94,417
Trustees' fees	69,077
Accounting fees	45,000
Interest expense	14,209
Miscellaneous expenses	221,100
Total Expenses	<u>34,422,542</u>

Less: Custodian fee credits

	<u>(11,533)</u>
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Net Expenses

	<u>34,411,009</u>
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Net Investment Income

	<u>12,865,717</u>
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Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:

Net realized loss on investments	(8,607,980)
Net realized loss on swap contracts	(519,790)
Net realized loss on foreign currency transactions	(69,211)
Net realized loss on investments, swap contracts, and foreign currency transactions	<u>(9,196,981)</u>
Net change in unrealized appreciation/ (depreciation) on investments	(1,114,797,555)
Net change in unrealized appreciation/ (depreciation) on swap contracts	38,295
Net change in unrealized appreciation/ (depreciation) on foreign currency translations	(1,957)
Net change in unrealized appreciation/ (depreciation) on investments, swap contracts, and foreign currency translations	<u>(1,114,761,217)</u>

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

	<u>(1,123,958,198)</u>
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Net Decrease in Net Assets Resulting from Operations

	<u>\$(1,111,092,481)</u>
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See accompanying notes to financial statements.

The Gabelli Asset Fund

Statement of Changes in Net Assets

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Operations:		
Net investment income	\$ 12,865,717	\$ 8,713,664
Net realized gain/(loss) on investments, swap contracts, and foreign currency transactions	(9,196,981)	172,857,469
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations	<u>(1,114,761,217)</u>	<u>125,889,737</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>(1,111,092,481)</u>	<u>307,460,870</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(12,624,952)	(8,561,538)
Class A	(93,361)	(42,720)
Class B	(28)	—
Class I	<u>(40,731)</u>	<u>—</u>
	<u>(12,759,072)</u>	<u>(8,604,258)</u>
Net realized gain		
Class AAA	(1,719,559)	(169,880,744)
Class A	(11,588)	(708,973)
Class B	(4)	(94)
Class C	(6,547)	(471,343)
Class I	<u>(3,722)</u>	<u>—</u>
	<u>(1,741,420)</u>	<u>(171,061,154)</u>
Total Distributions to Shareholders	<u>(14,500,492)</u>	<u>(179,665,412)</u>
Shares of Beneficial Interest Transactions:		
Class AAA	(118,093,644)	309,490,566
Class A	5,429,555	7,687,239
Class B	2,680	94
Class C	1,995,872	4,805,662
Class I	<u>5,560,927</u>	<u>—</u>
Net increase/(decrease) in net assets from shares of beneficial interest transactions . . .	<u>(105,104,610)</u>	<u>321,983,561</u>
Redemption Fees	<u>49,931</u>	<u>21,167</u>
Net Increase/(Decrease) in Net Assets	<u>(1,230,647,652)</u>	<u>449,800,186</u>
Net Assets:		
Beginning of period	<u>2,974,042,713</u>	<u>2,524,242,527</u>
End of period (including undistributed net investment income of \$13,149 and \$0, respectively)	<u>\$ 1,743,395,061</u>	<u>\$2,974,042,713</u>

See accompanying notes to financial statements.

The Gabelli Asset Fund

Financial Highlights

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

Period Ended December 31	Income from Investment Operations					Distributions			Ratios to Average Net Assets/ Supplemental Data					
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)(a)	Net Realized and Unrealized Gain (Loss) on Investments	Total Investment from Operations	Net Investment Income	Net Realized Gain on Investments	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	Portfolio Turnover Rate††
Class AAA														
2008	\$49.81	\$ 0.22	\$(18.76)	\$(18.54)	\$(0.23)	\$(0.03)	\$(0.26)	\$0.00(b)	\$31.01	(37.2)%	\$1,721,697	0.52%	1.38%	14%
2007	47.38	0.16	5.46	5.62	(0.15)	(3.04)	(3.19)	0.00(b)	49.81	11.8	2,953,454	0.31	1.36	9
2006	41.13	0.30	8.70	9.00	(0.31)	(2.44)	(2.75)	0.00(b)	47.38	21.8	2,516,088	0.67	1.36	7
2005	41.45	0.12	1.73	1.85	(0.12)	(2.05)	(2.17)	0.00(b)	41.13	4.4	2,246,439	0.29	1.37	6
2004	36.26	0.02	5.96	5.98	(0.03)	(0.76)	(0.79)	0.00(b)	41.45	16.5	2,216,050	0.06	1.38	7
Class A														
2008	\$49.59	\$ 0.23	\$(18.69)	\$(18.46)	\$(0.25)	\$(0.03)	\$(0.28)	\$0.00(b)	\$30.85	(37.2)%	\$ 11,522	0.55%	1.38%	14%
2007	47.21	0.16	5.44	5.60	(0.18)	(3.04)	(3.22)	0.00(b)	49.59	11.8	12,497	0.30	1.36	9
2006	41.01	0.32	8.66	8.98	(0.34)	(2.44)	(2.78)	0.00(b)	47.21	21.9	4,806	0.71	1.35	7
2005	41.39	0.10	1.74	1.84	(0.17)	(2.05)	(2.22)	0.00(b)	41.01	4.4	1,991	0.23	1.38	6
2004	36.26	0.03	5.94	5.97	(0.08)	(0.76)	(0.84)	0.00(b)	41.39	16.5	351	0.07	1.40	7
Class B														
2008	\$48.80	\$(0.12)	\$(18.29)	\$(18.41)	\$(0.22)	\$(0.03)	\$(0.25)	\$0.00(b)	\$30.14	(37.7)%	\$ 4	(0.32)%	2.13%	14%
2007	46.72	(0.26)	5.38	5.12	—	(3.04)	(3.04)	0.00(b)	48.80	10.9	2	(0.52)	2.11	9
2006	40.64	0.18	8.34	8.52	—	(2.44)	(2.44)	0.00(b)	46.72	20.9	1	0.41	2.11	7
2005	41.16	(0.17)	1.70	1.53	—	(2.05)	(2.05)	0.00(b)	40.64	3.7	1	(0.41)	2.02	6
2004	36.26	(0.25)	5.91	5.66	—	(0.76)	(0.76)	0.00(b)	41.16	15.6	1	(0.67)	2.07	7
Class C														
2008	\$48.68	\$(0.09)	\$(18.25)	\$(18.34)	—	\$(0.03)	\$(0.03)	\$0.00(b)	\$30.31	(37.7)%	\$ 6,419	(0.21)%	2.13%	14%
2007	46.58	(0.24)	5.38	5.14	—	(3.04)	(3.04)	0.00(b)	48.68	11.0	8,090	(0.47)	2.11	9
2006	40.54	(0.03)	8.54	8.51	\$(0.03)	(2.44)	(2.47)	0.00(b)	46.58	20.9	3,348	(0.07)	2.11	7
2005	41.14	(0.20)	1.71	1.51	(0.06)	(2.05)	(2.11)	0.00(b)	40.54	3.6	2,261	(0.49)	2.13	6
2004	36.26	(0.26)	5.92	5.66	(0.02)	(0.76)	(0.78)	0.00(b)	41.14	15.6	349	(0.68)	2.15	7
Class I														
2008 (c)	\$47.26	\$ 0.33	\$(16.25)	\$(15.92)	\$(0.34)	\$(0.03)	\$(0.37)	\$0.00(b)	\$30.97	(33.6)%	\$ 3,753	0.84%(d)	1.13%(d)	14%

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

†† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the year ended December 31, 2005 would have been 9%. The portfolio turnover rate for the years ended 2007, 2006, and 2004 would have been as shown.

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

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

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

(d) Annualized.

See accompanying notes to financial statements.

The Gabelli Asset Fund

Notes to Financial Statements

1. Organization. The Gabelli Asset Fund (the “Fund”) was organized on November 25, 1985 as a Massachusetts business 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’s primary objective is growth of capital. The Fund commenced investment operations on March 3, 1986.

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

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

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities’ fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

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

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

- Level 1 – quoted prices in active markets for identical securities;

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

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

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

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value) Assets</u>	<u>Other Financial Instruments (Unrealized Appreciation)* Assets</u>
Level 1 – Quoted Prices	\$1,734,070,805	—
Level 2 – Other Significant Observable Inputs	3,291,152	\$37,028
Level 3 – Significant Unobservable Inputs	302,777	—
Total	<u>\$1,737,664,734</u>	<u>\$37,028</u>

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

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value:

	<u>Investments in Securities (Market Value)</u>
Balance as of 12/31/07	\$258,482
Accrued discounts/(premiums)	—
Realized gain/(loss)	—
Change in unrealized appreciation/(depreciation)†	44,295
Net purchases/(sales)	—
Transfers in and/or out of Level 3	0
Balance as of 12/31/08	<u>\$302,777</u>
Net change in unrealized appreciation/(depreciation) during the period on Level 3 investments held at 12/31/08†	<u>\$ 11,671</u>

† Net change in unrealized appreciation/(depreciation) is included in the related amounts on investments in the Statement of Operations.

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

Swap Agreements. The Fund may enter into equity and contract for difference swap transactions. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In a swap, a set of future cash flows are exchanged

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to the swap contracts, or that, in the event of default, the Fund will succeed in pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to the swap contracts. The creditworthiness of the swap contract counterparties is closely monitored in order to minimize the risk. Depending on the general state of short-term interest rates and the returns of the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments. In addition, at the time a swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments.

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

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

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

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation</u>
	Market Value	Overnight LIBOR plus 40 bps plus		
	Appreciation on:	Market Value Depreciation on:		
\$219,536 (50,000 Shares)	Rolls-Royce Group	Rolls-Royce Group	06/01/09	\$21,592
179,334 (200,000 Shares)	Rank Group plc	Rank Group plc	11/17/09	<u>15,436</u>
				<u>\$37,028</u>

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on investments and foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. At December 31, 2008, there were no open forward foreign exchange contracts.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/loss on investments.

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

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

Restricted and Illiquid Securities. The Fund may invest up to 10% of its net assets in securities for which the markets are illiquid. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity.

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

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

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

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

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as "custodian fee credits." When cash balances are overdrawn, the Fund is charged an overdraft fee 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.

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on the NAV of the Fund, including the Fund's use of the tax accounting practice known as equalization, the utilization of earnings and profits distributed to shareholders on redemption of shares as part of the dividends paid deduction for federal income tax purposes. For the year ended December 31, 2008, reclassifications were made to increase accumulated net investment income by \$28,535 and increase accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions by \$618,031, with an offsetting adjustment to paid-in capital.

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

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Distributions paid from:		
Ordinary income		
(inclusive of short-term capital gains) . . .	\$12,047,652	\$ 12,547,077
Net long-term capital gains	2,452,840	167,118,335
Total distributions paid	<u>\$14,500,492</u>	<u>\$179,665,412</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

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

distribute substantially all of its net investment company taxable income and net capital gains. Therefore, no provision for federal income taxes is required.

At December 31, 2008, the difference between book basis and tax basis unrealized appreciation was primarily due to deferral of losses from wash sales for tax purposes, and basis adjustments on investments in real estate investment trusts, passive foreign investment companies, and partnerships.

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

Net unrealized appreciation on investments and swap contracts	\$345,725,310
Net unrealized appreciation on foreign currency translations	1,243
Other temporary differences*	(1,037)
Total	<u>\$345,725,516</u>

* Other temporary differences are primarily due to adjustments on dividend payables.

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

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Investments	\$1,391,939,424	\$644,729,968	\$(299,004,658)	\$345,725,310

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

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

The Fund pays each Trustee who is not considered to be an affiliated person an annual retainer of \$9,000 plus \$500 for each Board meeting attended and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended and the Chairman of each committee and the Lead Trustee each receives an annual fee of \$1,000. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

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

5. Portfolio Securities. Purchases and proceeds from the sales of securities during 2008, other than short-term securities and U.S. Government obligations, aggregated \$344,148,900 and \$386,721,917, respectively.

Purchases and proceeds from the sales of U.S. Government obligations during 2008, other than short-term obligations, aggregated \$1,783,936 and \$26,763,000, respectively.

6. Transactions with Affiliates. During 2008, the Fund paid brokerage commissions on security trades of \$513,903 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$39,019 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

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

7. Line of Credit. The Fund participates in an unsecured line of credit of up to \$75,000,000 from 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 0.75% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations. At December 31, 2008, borrowings outstanding under the line of credit amounted to \$8,064,000.

The average daily amount of borrowings outstanding under the line of credit in 2008, was \$669,648 with a weighted average interest rate of 2.25%. The maximum amount borrowed at any time during 2008 was \$31,396,000.

8. Shares of Beneficial Interest. The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares are offered without a sales charge only to investors who acquire them directly from Gabelli & Company, or through selected broker/dealers, or the transfer agent. Class I Shares are offered to foundations, endowments, institutions, and employee benefit plans without a sales charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%. Class B Shares are subject to a contingent deferred sales charge ("CDSC") upon redemption within six years of purchase and automatically convert to Class A Shares approximately eight years after the original purchase. The applicable CDSC is equal to a declining percentage of the lesser of the NAV per share at the date of the original purchase or at the date of redemption, based on the length of time held. Class C Shares are subject to a 1.00% CDSC for one year after purchase. Class B Shares are available only through exchange of Class B Shares of other funds distributed by Gabelli & Company. Class I Shares were first issued on January 11, 2008.

The Gabelli Asset 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. The redemption fees retained by the Fund during the years ended December 31, 2008 and December 31, 2007 amounted to \$49,931 and \$21,167, respectively.

The redemption fee does not apply to redemptions of shares where (i) the shares were purchased through automatic reinvestment of distributions, (ii) the redemption was initiated by the Fund, (iii) the shares were purchased through programs that collect the redemption fee at the program level and remit them to the Fund, or (iv) the shares were purchased through programs that the Adviser determines to have appropriate anti-short-term trading policies in place or as to which the Adviser has received assurances that look-through redemption fee procedures or effective anti-short-term trading policies and procedures are in place.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
	Class AAA		Class AAA	
Shares sold	8,396,760	\$ 359,692,511	10,018,775	\$ 514,184,963
Shares issued upon reinvestment of distributions	453,871	13,467,980	3,400,747	169,969,027
Shares redeemed	(12,625,050)	(491,254,135)	(7,231,506)	(374,663,424)
Net increase/(decrease)	(3,774,419)	\$(118,093,644)	6,188,016	\$ 309,490,566
	Class A		Class A	
Shares sold	251,525	\$ 10,434,722	171,292	\$ 8,808,825
Shares issued upon reinvestment of distributions	3,306	97,291	14,283	710,716
Shares redeemed	(133,361)	(5,102,458)	(35,361)	(1,832,302)
Net increase	121,470	\$ 5,429,555	150,214	\$ 7,687,239
	Class B		Class B	
Shares sold	94	\$ 2,672	—	—
Shares issued upon reinvestment of distributions	0*	8	2	\$ 94
Net increase	94	\$ 2,680	2	\$ 94
	Class C		Class C	
Shares sold	96,862	\$ 3,893,254	98,259	\$ 5,011,883
Shares issued upon reinvestment of distributions	217	6,275	9,491	463,736
Shares redeemed	(51,513)	(1,903,657)	(13,440)	(669,957)
Net increase	45,566	\$ 1,995,872	94,310	\$ 4,805,662
	Class I**			
Shares sold	129,107	\$ 5,914,864		
Shares issued upon reinvestment of distributions	1,501	44,454		
Shares redeemed	(9,425)	(398,391)		
Net increase	121,183	\$ 5,560,927		

* Share rounded to less than 1.0 shares.

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

The Gabelli Asset Fund

Notes to Financial Statements (Continued)

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 and expects the risk of loss to be remote.

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

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

The Gabelli Asset Fund

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of
The Gabelli Asset Fund:

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

PricewaterhouseCoopers LLP
New York, New York
February 27, 2009

The Gabelli Asset 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 Asset Fund at One Corporate Center, Rye, NY 10580-1422.

Name, Position(s) Address¹ and Age	Term of Office and Length of Time Served²	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee⁴
<u>INTERESTED TRUSTEES³:</u>				
Mario J. Gabelli Trustee and Chairman Age: 66	Since 1986	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chairman and Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board of LICT Corp. (multimedia and communication services company)
John D. Gabelli Trustee Age: 64	Since 1999	10	Senior Vice President of Gabelli & Company, Inc.	Director of GAMCO Investors, Inc.
<u>INDEPENDENT TRUSTEES⁵:</u>				
Anthony J. Colavita Trustee Age: 73	Since 1989	36	Partner in the law firm of Anthony J. Colavita P.C.	—
James P. Conn Trustee Age: 70	Since 1992	18	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (1992-1998) (insurance holding company)	—
Anthony R. Pustorino Trustee Age: 83	Since 1986	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing)
Werner J. Roeder, MD Trustee Age: 68	Since 2001	22	Medical Director of Lawrence Hospital and practicing private physician	—
Anthonie C. van Ekris Trustee Age: 74	1986-1989 1992-present	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
Salvatore J. Zizza Trustee Age: 63	1986-1996 2000-present	28	Chairman of Zizza & Co., Ltd. (consulting)	Director of Hollis-Eden Pharmaceuticals (biotechnology); Director of Earl Scheib, Inc. (automotive services)

The Gabelli Asset Fund

Additional Fund Information (Continued) (Unaudited)

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Principal Occupation(s) During Past Five Years</u>
OFFICERS:		
Bruce N. Alpert President and Secretary Age: 57	Since 1994	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex. Director and President of Teton Advisors, Inc. (formerly Gabelli Advisers, Inc.) since 1998
Agnes Mullady Treasurer Age: 50	Since 2006	Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005; Chief Financial Officer of AMIC Distribution Partners from 2002 through 2004
Peter D. Goldstein Chief Compliance Officer Age: 55	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Vice President of Goldman Sachs Asset Management from 2000 through 2004

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

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

³ "Interested person" of the Fund as defined in the 1940 Act. Messrs. Gabelli are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser. Mario J. Gabelli and John D. Gabelli are brothers.

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

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

2008 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2008, the Fund paid to shareholders ordinary income distributions (comprised of net investment income and short-term capital gains) totaling \$0.216, \$0.237, \$0.209, \$0.001, and \$0.321 per share for Class AAA, Class A, Class B, Class C, and Class I, respectively and long-term capital gains totaling \$3,042,336. The distributions of long-term capital gains have been designated as a capital gain dividend by the Fund's Board of Directors. For the year ended December 31, 2008, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 5.87% of the ordinary income distribution as qualified interest income, and 0.36% of the ordinary income distribution as qualified short-term gain, pursuant to the American Jobs Creation Act of 2004.

U.S. Government Income:

The percentage of the ordinary income distribution paid by the Fund during 2008 which was derived from U.S. Treasury securities was 2.39%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli Asset Fund did not meet this strict requirement in 2008. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

The Gabelli Asset Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

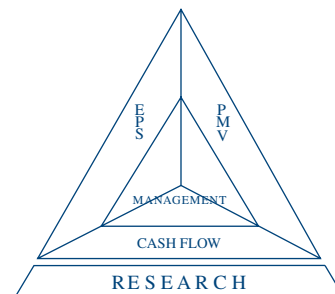
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

Net Asset Value per share available daily by calling
800-GABELLI after 6:00 P.M.



Board of Trustees

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

Anthony R. Pustorino
*Certified Public Accountant,
Professor Emeritus
Pace University*

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

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

James P. Conn
*Former Chief Investment Officer
Financial Security Assurance
Holdings Ltd.*

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

John D. Gabelli
*Senior Vice President
Gabelli & Company, Inc.*

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

Officers

Bruce N. Alpert
President and Secretary

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
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 Asset Fund

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

GAB405Q408SR

**ANNUAL REPORT
DECEMBER 31, 2008**