

# The GAMCO Growth Fund

## Shareholder Commentary December 31, 2008



**Howard F. Ward, CFA**

### **To Our Shareholders,**

After one of the worst quarters, years, and decades in stock market history, risk aversion has spread like a plague. The fourth quarter meltdown in stocks, triggered by the bankruptcy of Lehman Brothers on September 15th (and subsequent credit freeze) was unprecedented. Never before had the stock market fallen so far so fast. The negative feedback loop of falling asset prices, margin calls, and redemptions was enough to scare anyone and was unrelenting until November 20th, at which point the Standard & Poor's 500 Stock Index (S&P 500) had fallen 52% from its October 2007 peak. In fact, it had fallen 40% from its level of Friday, September 12th, just over two months prior. The 20% rise in prices off the November low through year's end may or may not ultimately prove to be the start of a new bull market, but does little to comfort the soul or offset the loss of savings.

Comparisons with the thirties are understandable but for the most part, extreme. During the Great Depression, we did not have unemployment insurance. We did not have Social Security. We did not have Medicare or Medicaid. We did not have immediate and aggressive monetary and fiscal stimulus on a global scale. We did have 20% to 25% unemployment for nearly ten years. President Obama has assembled an outstanding team of economic advisors, and they are acutely aware of the gravity of the situation. It is likely that the largest stimulus package in history – a package of tax cuts and spending programs totaling \$1 trillion, possibly more – will become law by mid February.

The magnificent decline in the price of oil (a decline in excess of \$100 per barrel from the \$147 peak, as of this writing) will provide additional stimulus. The average price of a barrel of West Texas Intermediate (WTI) crude oil in 2008 was \$99.55, according to the Energy Information Administration. Oil is currently selling for about \$38 per barrel, a decline of about \$61 per barrel (or 62%) from last year's average. Since the U.S. consumes about 20 million barrels a day, this means our oil bill has been reduced by roughly \$445 billion on an annualized basis, if oil were to remain at \$38 per barrel.

Although the economic news will remain downbeat for a period of months and investors have been shocked by the suddenness of this serious financial trauma – not to mention the Madoff scandal – there will be an economic recovery and stocks historically rise before the data turns substantially positive. The Growth Fund is positioned for a recovery, believing we will be rewarded as the credit markets thaw and the risk aversion plague recedes. There is no assurance that the recovery in share prices that began on November 21, 2008 will carry uninterrupted into the first quarter of 2009 and thereafter. Simply put, I believe being positioned for recovery will provide the best return over the course of the year, acknowledging that there will be rough spots when this strategy will be tested. Implicit is the confession that we cannot pretend to time the market with precision.

**THE GAMCO GROWTH FUND INVESTMENT RESULTS (CLASS AAA SHARES) (a)**

		Quarter					Year
		1st	2nd	3rd	4th		
2008:	Net Asset Value	\$32.13	\$32.83	\$26.99	\$19.56	\$19.56	
	Total Return	(11.2)%	2.2%	(17.8)%	(27.5)%	(45.9)%	
2007:	Net Asset Value	\$30.99	\$33.21	\$35.41	\$36.17	\$36.17	
	Total Return	1.2%	7.2%	6.6%	2.1%	18.1%	
2006:	Net Asset Value	\$29.85	\$28.67	\$28.96	\$30.62	\$30.62	
	Total Return	3.6%	(4.0)%	1.0%	5.7%	6.3%	
2005:	Net Asset Value	\$25.47	\$26.06	\$27.81	\$28.81	\$28.81	
	Total Return	(2.5)%	2.3%	6.7%	3.6%	10.3%	
2004:	Net Asset Value	\$24.93	\$24.91	\$24.02	\$26.12	\$26.12	
	Total Return	(0.1)%	(0.1)%	(3.6)%	8.7%	4.7%	
2003:	Net Asset Value	\$17.86	\$21.14	\$22.02	\$24.95	\$24.95	
	Total Return	(6.0)%	18.4%	4.2%	13.3%	31.4%	
2002:	Net Asset Value	\$27.82	\$21.23	\$17.98	\$18.99	\$18.99	
	Total Return	(3.0)%	(23.7)%	(15.3)%	5.6%	(33.8)%	
2001:	Net Asset Value	\$30.16	\$31.18	\$24.24	\$28.68	\$28.68	
	Total Return	(20.2)%	3.4%	(22.3)%	18.3%	(24.1)%	
2000:	Net Asset Value	\$50.10	\$49.73	\$46.88	\$37.79	\$37.79	
	Total Return	7.7%	(0.7)%	(5.7)%	(11.3)%	(10.6)%	
1999:	Net Asset Value	\$38.53	\$41.38	\$41.07	\$46.51	\$46.51	
	Total Return	8.8%	7.4%	(0.8)%	26.1%	46.3%	
1998:	Net Asset Value	\$32.32	\$33.37	\$28.54	\$35.40	\$35.40	
	Total Return	12.9%	3.2%	(14.5)%	30.2%	29.8%	
1997:	Net Asset Value	\$24.50	\$29.25	\$33.41	\$28.63	\$28.63	
	Total Return	1.5%	19.4%	14.2%	3.1%	42.6%	
1996:	Net Asset Value	\$23.75	\$24.34	\$25.35	\$24.14	\$24.14	
	Total Return	7.2%	2.5%	4.1%	4.4%	19.4%	
1995:	Net Asset Value	\$20.86	\$22.99	\$24.91	\$22.16	\$22.16	
	Total Return	6.0%	10.2%	8.4%	4.9%	32.7%	
1994:	Net Asset Value	\$21.90	\$21.23	\$22.58	\$19.68	\$19.68	
	Total Return	(5.8)%	(3.1)%	6.4%	(0.5)%	(3.4)%	
1993:	Net Asset Value	\$21.71	\$21.84	\$23.43	\$23.26	\$23.26	
	Total Return	0.6%	0.6%	7.3%	2.5%	11.3%	
1992:	Net Asset Value	\$20.27	\$19.72	\$20.50	\$21.59	\$21.59	
	Total Return	(4.7)%	(2.7)%	4.0%	8.5%	4.5%	
1991:	Net Asset Value	\$18.18	\$18.02	\$19.51	\$21.28	\$21.28	
	Total Return	11.7%	(0.9)%	8.3%	12.0%	34.3%	
1990:	Net Asset Value	\$16.74	\$17.80	\$15.75	\$16.27	\$16.27	
	Total Return	(1.9)%	6.3%	(11.5)%	6.2%	(2.0)%	
1989:	Net Asset Value	\$13.99	\$15.73	\$17.46	\$17.07	\$17.07	
	Total Return	10.6%	12.4%	11.0%	1.5%	40.1%	
1988:	Net Asset Value	\$10.87	\$12.40	\$12.71	\$12.65	\$12.65	
	Total Return	16.1%	14.1%	2.5%	2.5%	39.2%	
1987:	Net Asset Value	—	\$10.84	\$11.28	\$9.51	\$9.51	
	Total Return	—	8.4%(b)	4.1%	(15.7)%	(4.9%(b))	

**Average Annual Returns through December 31, 2008 (a)**

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	Since Inception (4/10/87)
<b>GAMCO Growth Fund Class AAA</b> . . . . .	<b>(27.53)%</b>	<b>(45.92)%</b>	<b>(12.11)%</b>	<b>(4.75)%</b>	<b>(3.82)%</b>	<b>4.44%</b>	<b>7.33%</b>	<b>8.11%</b>
S&P 500 Index . . . . .	(21.95)	(36.99)	(8.36)	(2.19)	(1.38)	6.46	8.42	7.64
Russell 1000 Growth Index . . . . .	(22.79)	(38.44)	(9.11)	(3.42)	(4.27)	4.82	7.43	6.65(b)

(a) **The expense ratio in the current prospectus is 1.45% 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 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. 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](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** The S&P 500 Index and the Russell 1000 Growth Index are unmanaged indicators of stock market performance. Dividends are considered reinvested. See page 11 for performance of other classes of shares.

(b) From commencement of investment operations on April 10, 1987.

## **The Economy**

So we are now told the recession officially started in December of 2007. As recessions go, this one is destined to make a name for itself. Before it is over, it will be one of the longest and deepest on record. Few will escape its tentacles, which extend around the globe and into virtually every wallet, purse, money belt, and mattress. According to The Leuthold Group, the average length of a U.S. recession has been fifteen months (data to 1892). We are now at fourteen months and counting. If the recession lasts another six months, which is likely, it will be the longest since the forty-three-month recession that ended in March of 1933. There exists a soft consensus that the economy (GDP) will turn up at some point in the second half of 2009. This is material to our positioning of the Fund for recovery.

We currently believe the fourth quarter of 2008 will mark the recession's greatest decline in quarter-to-quarter GDP, with a reading of something on the order of  $-6.0\%$ . The first quarter of 2009 will not be much prettier, at about  $-4.0\%$ . The second quarter is still likely to be negative, but less so, at roughly  $-1.0\%$ . While conviction levels are tepid, we could see positive growth in the third quarter, with expectations running at a  $1.0\%$  rate with a chance of  $2.0\%$  growth in the fourth quarter. The Blue Chip Economic Indicators poll of fifty-two economists is using a single point figure of  $-1.6\%$  GDP for the year and a majority does expect the recovery to begin in the third quarter. It goes without saying that economic forecasting is not a hard science and the current forecasting environment can only be described as hostile.

Inflation is officially off the worry list, at least for the moment. More seem worried about the risk of deflation. The Obama Administration, in concert with Fed Chairman Bernanke, wants to change that and is going to work hard to revive inflationary fears. They want nothing more than for us to spend our money now. With the unemployment rate at  $7.2\%$  (near sixteen year high) and the number of Americans collecting unemployment benefits at a twenty-six year high, Uncle Sam wants you to spend. According to the First Call mean estimate, S&P 500 profits are expected to fall  $20\%$  in 2008 to \$68.78, before sliding another  $9\%$  in 2009, to \$62.73. Some forecasters think profits could be worse than this with more than a few thinking low to mid \$50s for both 2008 and 2009. The contribution to earnings from the financial service sector is the biggest swing factor and it is awfully hard to peg financial service earnings at this point.

The Congressional Budget Office is forecasting a budget deficit of \$1.2 trillion for fiscal year 2009 before factoring in the soon to be passed stimulus package. So the deficit could be somewhere between \$1.5 and \$2.0 trillion at final count. This is Keynesian fiscal stimulus on steroids. If it does not work, a lot of economics textbooks will have to be revised. Of course the Monetarists will be happy to take a victory lap too, what with the zero percent interest rate policy, expanding Fed balance sheet, record growth in the money supply, and inflation targeting. There was a time not that long ago when talk of a deficit like this would have obliterated Treasury bond prices and the dollar. Instead, risk aversion is so appealing to so many that the Treasury market has never been so robust and the dollar has rallied against a basket of currencies (except the yen). Incidentally, consensus expectations for the economy will have to be revised lower if the forthcoming stimulus package is not enacted by mid February.

## **The Stock Market**

The plunge in shares that began in earnest on September 15th, the day Lehman failed, continued into the fourth quarter. If only we could give Paulson and Bernanke a mulligan on the decision to let Lehman fail. It was a brutal quarter in a breathtakingly bad year for investors in stocks. The Standard & Poor's 500 Index fell  $21.9\%$  for the quarter and  $37.0\%$  for the year, hitting an eleven year low on November 20. As measured by the Dow Jones Wilshire 5000 Composite Index, investors in U.S. stocks alone lost \$6.9 trillion in stock market wealth.

The average price of a share listed on the New York Stock Exchange fell 45%. General Motors fell 87%. American International Group declined 97%. Both of these American icons would be in bankruptcy were it not for government bailouts. It was the worst year for the Dow Jones Industrial Average since 1931. Four of the Dow's twenty largest daily percentage declines in history occurred in the last four months of 2008. It was the worst year for the Nasdaq composite in history. It was a global collapse with every stock market in the world declining, except for Tunisia, which rose 10%. Go figure. Maybe the friendly subprime mortgage salesperson, after leaving Iceland, never got to North Africa. Stocks in Iceland fell 94%.

At the risk of being overly simplistic, stock prices are greatly influenced by earnings and interest rates. Earnings for the Standard & Poor's 500 Index were \$86.20 in 2007. A 25% reduction for 2008, which probably is not a terrible ballpark guess, puts earnings at roughly \$65. A further 8% cut for 2009 suggests \$60 in earnings for 2009. So with the S&P at 840, it is selling at 14 times our guesstimate of 2009 earnings. This means current share prices are selling at a discount to the historical average price to earnings multiple of 15, using trough earnings estimates.

While it is too early to attach much credence to 2010 earnings estimates, the current First Call mean estimate is \$80, which equates to a multiple of 10.5 times. Using the historical average multiple of 15 would push the S&P up over 40% within the next two years. Some might argue the lack of inflation and historically low risk free interest rates should command a higher multiple of earnings, but you do not need to accept that to make a case for stocks.

Dividend yields provide another important valuation metric. The S&P 500 currently has a dividend yield of 3.4%, up from 2.9% last quarter. This compares with 0.1% for 3 month Treasury Bills, 1.5% for 5 year Treasuries, 2.4% for 10 year Treasuries, and 2.9% for 30 year Treasuries. It is extraordinary for the dividend yield to exceed the yields on 10 and 30 year Treasuries. Add to this an expectation for growth in dividends and the preferred tax treatment for dividends and stocks appear attractively priced. Of course stocks may decline even when they are statistically attractive. Nevertheless, investors seeking current income and a growing income stream should be drawn to stocks. While the Growth Fund is not an income vehicle, it would generally benefit from a rising stock market environment.

## **Portfolio Observations**

In theory, stock prices are supposed to reflect the present value of years of future earnings. This is difficult to accept when stock prices fall 40% in little over two months, as they did this past year from September 12 to November 20. Is it possible for a company's long-term cash flow prospects to vary by 40% in the span of two months? What seems to happen during times of fear is that investor time horizons are chopped and chopped well. A market in panic mode is not an efficient market.

Should we, as professional investors, sell into a panic when we believe in the long-term prospects for our companies? We are not managing for quarterly returns. We are not running a money market fund. I would no more want to sell into a panic, as I would like to ski into an avalanche. You are simply not in control. Short-term market volatility should not be dictating long-term portfolio decisions regarding asset allocation. This is not as easy or obvious as it seems because remaining committed to stocks with a higher beta portfolio like ours will result in short-term underperformance during a sharp market decline. We expect to make that up when the market rebounds, whenever that happens.

This is not to suggest a do nothing approach to market declines. Bear markets with more than a twist of panic, like this one, offer opportunities to upgrade the longer-term growth prospects of the portfolio by taking advantage of some of the biggest price declines. In some cases, we targeted stocks that we had sold at much

higher prices and now wanted to repurchase. This was the case with Qualcomm (1.4% of net assets as of December 31, 2008), Varian Medical (0.6%), Ralph Lauren (0.4%), and a number of financial service companies, such as Goldman Sachs (1.7%), Charles Schwab (1.6%), State Street Corp. (2.0%), Northern Trust (2.1%), Bank of New York Mellon (1.3%), and T. Rowe Price (1.0%). BlackRock (0.6%) is a first time purchase, and at \$116, the shares were selling at book value (rare for a quality asset manager) and well below their \$249 high.

Goldman Sachs was purchased at about a 70% discount to its 52 week high and well below book value. Goldman stands to gain share from all of its competitors when the economy rebounds. We continue to avoid the banks with large pools of dubious assets, like Citigroup, Bank of America, and Wells Fargo (now that it “won” the bidding for Wachovia) and others with large exposure to consumer credit, like American Express. While those stocks may be attractively priced at this point, their dim growth prospects and balance sheet issues are a concern.

We added Cummins Engine (0.7%), Joy Global (0.9%), and Caterpillar (0.9%) to our portfolio. All three stocks had been beaten down and all have strong capital goods franchises that should benefit from global fiscal stimulus measures aimed at infrastructure. We paid \$28 for Cummins, after shares of this maker of power generation equipment fell 63% from a high of \$75. We arranged to purchase shares of Joy Global at \$24, having fallen 74% from \$90. Joy is a leading provider of mining equipment, especially for the coal industry. At \$44, shares of Caterpillar had declined 49%. Caterpillar’s earth moving equipment business stands to be a primary beneficiary of spending on roads and bridges and eventually a broader economic recovery.

Population growth, rising standards of living, and demand for bio-fuels are pressuring farmers to increase crop yields to meet our grain needs. We continue to have exposure to the agriculture sector with Monsanto (2.6%) and Syngenta (1.8%). We have increased our agriculture exposure by establishing positions in Potash (1.2%) and Mosaic (1.0%), leader providers of fertilizers (nitrogen, phosphates, and potash). Potash of Saskatchewan was purchased at \$76, down 68% from a peak of \$241. Mosaic, partially owned by Cargill, was purchased at \$33, down 80% from \$163.

Purchases were funded with sales of drug store chains Walgreen and CVS Caremark, as well as insulin leader Novo-Nordisk. Other less economically sensitive issues that were sold include defense contractors General Dynamics and L3 Communications. Foreign telecom positions of American Movil, Rogers Communications, and China Mobile were eliminated. Finally, we reduced our Consumer Discretionary holdings such as Starbucks, Whole Foods, J. Crew Group, Nordstrom, and Viacom.

We are overweight Information Technology, Energy, Materials, Producer Durables, and Financial Services. These are most of the worst hit areas in the last six months of 2008. We are underweight Healthcare, Consumer Staples, Consumer Discretionary, and Utilities. I believe being positioned for recovery will enhance returns over the course of the year. I am accepting the risk of being early in a recovery stance, as we know the record market volatility of the past year can cut both ways.

## **Performance Commentary**

The collapse in economic activity in the fourth quarter was extraordinary and weighed heavily on our performance, as economically sensitive issues in materials, energy, and technology plunged, as did our investments in solar and wind power. The credit markets essentially shut down after the September 15th bankruptcy of Lehman Brothers, touching off a downward spiral in economic activity, which led to still more credit losses and a stampede into U.S. Treasury securities (at one point the shortest dated Treasury Bills had negative yield). Prices of virtually all assets, save Treasury obligations, collapsed.

Our performance was hurt by our investments in Information Technology, Energy, and Materials. For the quarter, 13 of our 14 most negative contributors to performance were in one of these three industry sectors, led on the downside by Rio Tinto (1.1%), Chesapeake Energy (1.2%), Transocean (0.8%), SunPower Corp. (1.7%), Google (3.7%), Freeport-McMoRan Copper and Gold (1.1%), IBM (2.7%), and Monsanto (2.6%). The Energy and Materials stocks can trace their weakness to a historic plunge in commodity prices, in part a function of the deleveraging of financial players and in part related to the swift slowdown in economic activity.

I believe a number of commodity prices will rebound off of depressed lows soon, as demand reacts to a gradual thawing in credit markets, increased global fiscal stimulus, and low prices. There is also a supply response, with output cuts being implemented for oil, natural gas, metals, and fertilizers. Pricing for most commodities should bottom in the first half of 2009. The reductions in planned supply suggests the upturn, when it happens, could be rapid. The futures market for oil is already in sharp contango, which means the spot price is priced at a discount to oil bought for future delivery. You cannot buy oil for future delivery at the depressed spot price. Oil (WTI) for delivery in August of 2010 is priced at about \$60 per barrel, or roughly 50% above the spot price. Sharp contangos tend to accompany market bottoms.

Performance for the quarter was also negatively impacted by having below market weightings in more defensive sectors like Consumer Staples, Healthcare, and Utilities. On a more positive note, a number of stocks purchased during the quarter, after they had tumbled a fair amount, made a positive contribution to performance. These included Goldman Sachs, BlackRock, Qualcomm (1.4%), Mosaic, U.S. Steel (0.8%), Caterpillar, and Northern Trust Company (2.1%).

The composition of performance for the year mimics that of the fourth quarter, with the Fund's heavier than market weight in Technology, Energy, and Materials weighing on results. Apple (2.7%) and Google, two of our largest holdings, each declined about 55%, despite having superior growth prospects and rock solid balance sheets. They were our biggest negative contributors to performance. We continue to hold them and believe they offer exceptional value. Other large technology holdings, like Cisco Systems (2.5%), Microsoft (3.0%), and SunPower (1.7%), were among the year's most damaging holdings. We continue to hold them and believe in them.

For our holdings in natural resource stocks, 2008 was the best of times and the worst of times, ending on a sharply negative note. Among holdings that had the most negative impact on our annual return were Rio Tinto, Chesapeake Energy, Transocean, Freeport-McMoRan Copper & Gold, and National-Oilwell Varco (1.1%). We believe the goods and services these companies sell will be in strong demand in the years ahead, so we are not abandoning them at this time. Of course, five minutes is a long time when your head is underwater, too. With hindsight, we should have had more exposure to Consumer Staples and Healthcare last year and less exposure to Technology, Energy, and Materials. But I believe the portfolio's current structure will prove most rewarding during a recovery that is expected to begin in 2009.

## **Looking Ahead**

While some important credit market benchmarks have improved markedly (LIBOR, Treasury/Eurodollar Spread), most corporate credit spreads remain highly elevated. Real estate prices continue to decline and banks need to raise more capital, as they are still writing down the value of their mortgages. The Obama administration and the Congress must act quickly to facilitate capital formation for the banking industry or the recovery that we are desperately thirsting for will be pushed out further. We have seen a cascading of share prices since September and the level of bearishness is now approaching that of the November low on the S&P 500. Bank indices have fallen to new lows, underscoring the market's perception of capital inadequacy for the banking sector. It is fair to ask why we continue to position the Fund for recovery when the news is so bleak.

First, we need to emphasize that the stock market is most likely to turn higher before the data shows much, if any, improvement. It is not unusual for stocks to rally about six months before the economy turns higher. The consensus economic forecast is calling for an upturn in the economy at some point in the second half of the year. We see no compelling reason to dismiss the consensus forecast and feel there is merit in having some sort of economic roadmap, however flawed. If the economy turns up at some point in 2009, then stocks will rally this year and the Fund should be positioned to maximize your return in a recovery environment.

While earnings forecasts for individual companies tend to be overly optimistic and have a tough time keeping pace with rapidly changing fundamentals, we do continue to see a number of our companies reporting higher earnings in 2008 and 2009. Look at Google, one of our largest holdings, as an example. Although its stock fell 55% in 2008, earnings increased and are expected to rise in 2009 as well. Examples of other holdings expected to report higher earnings in both years are Microsoft, MasterCard (2.2%), Visa (1.0%), Research in Motion (1.1%), First Solar (1.9%), SunPower, Amazon (1.1%), Monsanto, Syngenta, Potash, XTO Energy (1.5%), Transocean, Noble (0.3%), FLIR (0.7%), Harris (2.4%), PepsiCo (1.5%), Procter & Gamble (1.5%), Abbott Labs (1.0%), Varian Medical, Stryker (1.3%), St. Jude Medical (1.5%), Gilead Sciences (1.1%), Celgene (1.1%), Alcon (0.4%), Medtronic (0.6%), and Nike (0.9%). At the end of the day, nothing is more important than earnings in setting a stock price. In my opinion, the relative earnings prospects of our companies are superior to that of the overall market, although we do have a number of holdings that will join the “market” in reporting lower earnings in 2008 and (or) 2009.

As mentioned earlier, stock valuations are attractive in an historical context and in relation to the level of interest rates. The market (S&P 500) is selling at about 14 times expected earnings for 2009 and closer to 10 times the early estimates of 2010 earnings. This compares with the long-term average P/E ratio of about 15. The last time the one year forward P/E was at this level was around 1991. The dividend yield on stocks (3.4%) has never been this high relative to yields on Treasury Bills (3 month Bill at 0.11%). The dividend yield on the overall market is a full percentage point higher than the yield on 10 year Treasury Bonds. I do not recall ever seeing this in my 30 years on Wall Street and do not forget that dividends get preferential tax treatment. Further, dividends will grow, making your yield on cost higher over time. Recall that the Growth Fund is not managed as an income vehicle, but its holdings will benefit from a general rise in stock prices that may be in part driven by the income opportunity stocks currently offer.

Asset allocation shifts by institutional investors may lead this charge out of cash and fixed income instruments and into stocks. They cannot meet their actuarial return assumptions by investing in short-term fixed income instruments or Treasuries of any maturity. They also may be returning cash to stocks that had been previously targeted for alternative investments, as they have soured of late, including real estate, hedge funds, and private equity. Alternatively, individual investors may draw down the \$4 trillion now invested in money market funds, yielding close to 0%, to buy stocks. This amount is about 40% of the value of the Dow Jones Wilshire 5000 Stock Index. So money market funds have a record amount of money despite record low returns. Stock prices, meanwhile, are at a level they first reached in early 1997 and you could in theory buy 40% of all public companies in the U.S. with money sitting in money funds earning close to nothing. This cash will power the next bull market.

Unlike in 2000, when the public loved stocks and put \$260 billion (net) in stock funds, they pulled a record \$168 billion (net) out of stock funds in 2008. Record moves like these on the part of the public have a history of marking inflection points in the opposite direction for stocks. People hate stocks now and I guess I cannot blame them. I shake my head with disgust when I look at returns over the past ten years. Stock market returns over the past ten years are modestly negative, making this one of the worst decades in stock market history. The Leuthold Group has studied ten year returns for stocks and discovered that when you have a ten year return that is 1% or less, the next ten years produce an average return of 183%, with a range of 101% to 325%. There were 15 ten year periods returning 1% or less in the study.

We expect a major stimulus package of at least \$800 billion to be passed into law before the mid February Congressional recess. The final bill could exceed \$1 trillion and will include a variety of spending programs and targeted tax cuts. This unprecedented fiscal stimulus, combined with an expansionary monetary policy, is designed to jump start the economy, restore confidence, create jobs, and diffuse all talk of deflation. By hook or crook, we do believe an economic recovery commences in 2009. But should investors fret over the possibility of deflation?

I once again thank and commend The Leuthold Group for their study of deflation and stock market returns. In looking at quarterly data going back to 1926 they found forty-seven periods when the rate of inflation was zero or negative. For the sixteen periods that registered deflation of more than 2.5%, the stock market fell 6.2%, on average, in the ensuing twelve months. Of these sixteen periods, thirteen happened during the Great Depression. Surprisingly, for the thirty-one periods that had deflation of between 0% and -2.5%, stocks performed well, advancing 22.3% on average, over the next twelve months. In fact, this mild deflation environment provided the best returns for stocks, even surpassing returns during periods of mild inflation. There is a risk of headline CPI deflation this year but it should be mild and does not appear to preclude stocks from rising.

## **In Conclusion**

Bear markets have a way of wearing on you until you want to cry uncle and throw in the towel. This one is particularly stressful. This one can make you ill. This one can make you swear off stocks (and for some people that might be appropriate). Look at the historical evidence and reach your own conclusion. In my opinion, stocks are attractive for a variety of reasons as outlined above. The stock market has never been more volatile. Few mortals have the skill and luck to be able to get out at the top and back in at the bottom. As a nation we are confronting a number of headwinds, yet bull markets do have a tendency to “climb a wall of worry”. This time will be no exception.

## **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 percentages of net assets and their share prices are stated as of December 31, 2008.

*Apple (2.7% of net assets as of December 31, 2008) (AAPL - \$85.35 - Nasdaq)* ignited the personal computer revolution in the 1970s with the Apple II and reinvented the personal computer in the 1980s with the Macintosh. Today, Apple continues to lead the industry in innovation with its award winning computers, OS X operating system, and iLife and professional applications. Apple is also spearheading the digital media revolution with its iPod portable music and video players and iTunes online store and has entered the mobile phone market with its revolutionary iPhone.

*Cisco Systems (2.5%) (CSCO - \$16.30 - Nasdaq)* is the worldwide leader in networking equipment that transforms how people connect, communicate, and collaborate. Today, networks are an essential part of business, education, government, and home communications, and Cisco's Internet Protocol based (IP) networking solutions are the foundation of these networks. With more than 67,000 employees worldwide, the tradition of innovation continues with industry leading products and solutions in the company's core areas of routing and switching, as well as in advanced technologies. We expect Cisco to continue to dominate the networking industry and to capitalize on the growing infrastructure demands from the estimated fourteen billion devices that will be connected to the Internet by 2010.

*Google (3.7%) (GOOG - \$307.65 - Nasdaq)* is widely recognized as the world's largest search engine. Google's stated mission is to organize the world's information and make it universally accessible and useful. Google generates revenue by providing advertisers with the opportunity to deliver measurable, cost effective online advertising that is relevant to the information displayed on any given webpage. This makes the advertising useful to consumers as well as to the advertiser placing it. We believe this highly innovative and fast growing company is uniquely positioned to create new market opportunities while maintaining its lead in online search.

*Harris (2.4%) (HRS - \$38.05 - NYSE)* is an international communications and information technology company serving government and commercial markets in more than 150 countries. Headquartered in Melbourne, Florida, the company has annual revenue of \$5.3 billion and 16,500 employees – including nearly 7,000 engineers and scientists. Harris is dedicated to developing best-in-class products, systems, and services.

*IBM (2.7%) (IBM - \$84.16 - NYSE)* is a globally integrated enterprise that targets the intersection of technology and effective business. The company's major operations comprise a Global Technology Services segment; a Global Business Services segment; a Systems and Technology segment; a Software segment; and a Global Financing segment. We feel IBM is a growth company that also exhibits defensive characteristics, including a large services business that provides more stable recurring revenues and a broad geographic diversification with operations in 170 countries.

*MasterCard Incorporated (2.2%) (MA - \$142.93 - NYSE)* advances global commerce by providing a critical economic link among financial institutions, businesses, cardholders, and merchants worldwide. As a franchisor, processor, and advisor, MasterCard develops and markets payment solutions, processes over 18 billion transactions each year, and provides industry leading analysis and consulting services to financial institution customers and merchants. Through its family of brands, including MasterCard®, Maestro®, and Cirrus®, MasterCard serves consumers and businesses in more than 210 countries and territories. We view MasterCard as a unique way to capture the secular growth in global commerce without taking on the credit risk of traditional card issuers.

*Microsoft (3.0%) (MSFT - \$19.44 - Nasdaq)*, the world's leading software company, develops, manufactures, and licenses a range of software products for a variety of computing devices from PCs to servers to its Xbox game console. While the company's core desktop operating system and applications software franchise (Windows/MS Office) is maturing, Microsoft is gaining share in the enterprise market and, with its Internet and Xbox efforts, in the consumer markets also. With gross margins near 80%, Microsoft is one of the most profitable companies in history. The company's newest operating system for PCs, Vista, was introduced in 2007.

*Monsanto (2.6%) (MON - \$70.35 - NYSE)* is a leading global provider of technology based solutions and agricultural products that improve farm productivity and food quality. Monsanto produces leading seed brands in large-acre crops like corn, cotton, and oilseeds (soybeans and canola), as well as small-acre crops like vegetables. The company also produces leading in-the-seed trait technologies for farmers that are aimed at protecting their yield, supporting their on-farm efficiency, and reducing their on-farm costs. In addition to seeds and traits business, the company also manufactures the world's best selling herbicide, Roundup®, and other herbicides used by farmers, consumers, and lawn and garden professionals. We believe Monsanto is a key beneficiary of the increasing world demand for food as farmers look to boost crop yields using the unique products the company provides.

*Northern Trust (2.1%) (NTRS - \$52.14 - Nasdaq)* is a leading provider of investment management, asset and fund administration, fiduciary and banking solutions for corporations, institutions, and affluent individuals worldwide. Northern Trust, a financial holding company based in Chicago, has a growing network of eighty-five offices in eighteen U.S. states and has international offices in fifteen locations in North America, Europe, the Middle East,

and the Asia-Pacific region. As of September 30, 2008, Northern Trust had assets under custody of \$3.5 trillion and assets under investment management of \$652.4 billion. Northern Trust, founded in 1889, has earned distinction as an industry leader in combining exceptional service and expertise with innovative products and technology.

*Rockwell Collins (2.0%) (COL - \$39.09 - NYSE)* is a pioneer in the development and deployment of innovative communication and aviation electronic solutions for both commercial and government applications. The company's expertise in flight deck avionics, cabin electronics, mission communications, information management, and simulation and training is delivered by 20,000 employees, and a global service and support network that crosses twenty-seven countries.

Sincerely,



**Howard F. Ward, CFA**  
Portfolio Manager  
The GAMCO Growth Fund

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.

### **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](http://www.gabelli.com)**

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

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

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 GABGX 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](http://www.gabelli.com).

## Multi-Class Shares

The GAMCO Growth 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 initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options would enhance the ability of the Fund to attract additional investors.

### GAMCO Growth 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 .....	(45.92)%	(45.91)% (49.02)(c)	(46.32)% (49.01)(d)	(46.32)% (46.86)(e)	(45.81)%
5 Year .....	(4.75)	(4.74) (5.86)(c)	(5.46) (5.84)(d)	(5.46) (5.46)	(4.71)
10 Year .....	(3.82)	(3.82) (4.39)(c)	(4.18) (4.18)	(4.18) (4.18)	(3.80)
Life of Fund (b) .....	8.11	8.12 7.82(c)	7.93 7.93	7.93 7.93	8.12
<b>Current Expense Ratio ..</b>	<b>1.45</b>	<b>1.45</b>	<b>2.20</b>	<b>2.20</b>	<b>1.20</b>
<b>Maximum Sales Charge ..</b>	<b>None</b>	<b>5.75</b>	<b>5.00</b>	<b>1.00</b>	<b>None</b>

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. **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 net asset values ("NAV") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and 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 April 10, 1987.

(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](http://www.gabelli.com/funds).

## The GAMCO Growth Fund

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

**800-422-3554**

**fax: 914-921-5118**

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

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

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

# GAMCO

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Agnes Mullady  
*Treasurer*

Peter D. Goldstein  
*Chief Compliance Officer*

### 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 GAMCO Growth Fund

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

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GAB406Q408SC

SHAREHOLDER COMMENTARY  
DECEMBER 31, 2008

# The GAMCO Growth 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](http://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)

For the 12 months ended December 31, 2008, the Fund (Class AAA) returned -45.92%, compared to -38.44% for the Russell 1000 Growth Index and -36.99% for the Standard & Poor's 500 Stock Index. Unlike 2007, Large Cap Growth underperformed Large Cap Value, based on a review of Russell Indices, although the returns were fairly close. 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. Our above market weightings in Information Technology, Energy, and Materials drove our underperformance. The Energy and Materials stocks can trace their weakness to a historic decline in commodity prices, in part a function of the deleveraging of financial players and in part related to the swift slowdown in economic activity. While our investments in Consumer Staples and Healthcare generally outperformed the overall market for the year, our underweighting in those sectors negatively impacted performance.

Measured by position size and return, the issues that hurt performance the most were Google (3.6% of net assets as of December 31, 2008) and Apple (2.7%), two companies that were less impacted than most by the deteriorating economy, but their valuations contracted significantly. In 2007, these two holdings had the most positive impact on the Fund's return. Other holdings weighing on performance the most in 2008 were Rio Tinto plc (1.1%), Chesapeake Energy (1.2%), SunPower Corp. (1.7%), and Microsoft (3.0%). The most positive impact on results for the year came from establishing positions in Goldman Sachs (1.7%), BlackRock (0.6%), Polo Ralph Lauren (0.4%), Qualcomm (1.4%), and Mosaic (1.0%) during the fourth quarter, near the market's low point in November.

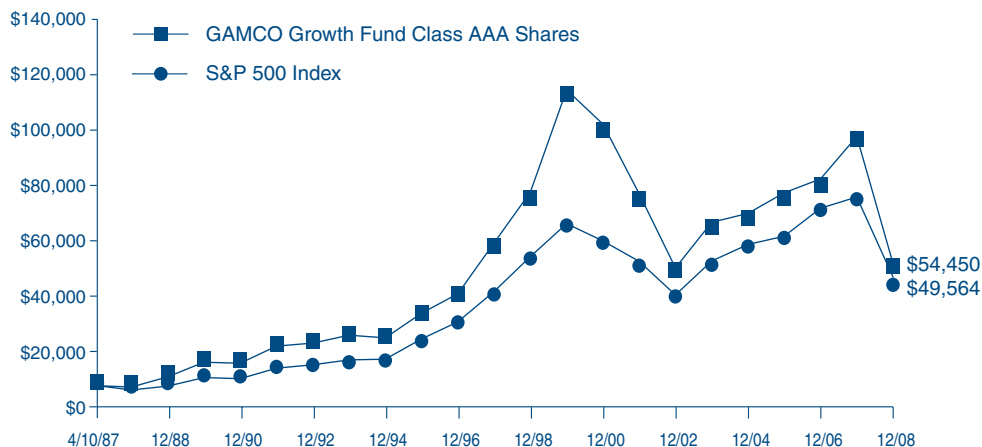
Sincerely yours,



Bruce N. Alpert  
President

February 20, 2009

**COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN  
THE GAMCO GROWTH 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 (4/10/87)
<b>GAMCO Growth Fund Class AAA</b> ...	<b>(27.53)%</b>	<b>(45.92)%</b>	<b>(12.11)%</b>	<b>(4.75)%</b>	<b>(3.82)%</b>	<b>4.44%</b>	<b>7.33%</b>	<b>8.11%</b>
S&P 500 Index .....	(21.95)	(36.99)	(8.36)	(2.19)	(1.38)	6.46	8.42	7.64
Russell 1000 Growth Index .....	(22.79)	(38.44)	(9.11)	(3.42)	(4.27)	4.82	7.43	6.65
Class A .....	(27.55)	(45.91)	(12.10)	(4.74)	(3.82)	4.45	7.33	8.12
	(31.71)(b)	(49.02)(b)	(13.82)(b)	(5.86)(b)	(4.39)(b)	4.03(b)	7.01(b)	7.82(b)
Class B .....	(27.65)	(46.32)	(12.77)	(5.46)	(4.18)	4.18	7.13	7.93
	(31.27)(c)	(49.01)(c)	(13.65)(c)	(5.84)(c)	(4.18)	4.18	7.13	7.93
Class C .....	(27.68)	(46.32)	(12.77)	(5.46)	(4.18)	4.18	7.13	7.93
	(28.40)(d)	(46.86)(d)	(12.77)	(5.46)	(4.18)	4.18	7.13	7.93
Class I .....	(27.51)	(45.81)	(12.05)	(4.71)	(3.80)	4.46	7.34	8.12

**In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.45%, 1.45%, 2.20%, 2.20%, and 1.20%, 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](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.**

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. The S&P 500 Index and the Russell 1000 Growth Index are unmanaged indicators of stock market performance. Dividends are considered reinvested. You cannot invest directly in an index.

(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 GAMCO Growth 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*
<b>The GAMCO Growth Fund</b>				
<b>Actual Fund Return</b>				
Class AAA	\$1,000.00	\$ 595.80	1.34%	\$ 5.38
Class A	\$1,000.00	\$ 595.70	1.35%	\$ 5.41
Class B	\$1,000.00	\$ 593.60	2.09%	\$ 8.37
Class C	\$1,000.00	\$ 593.60	2.12%	\$ 8.49
Class I	\$1,000.00	\$ 596.50	1.11%	\$ 4.45
<b>Hypothetical 5% Return</b>				
Class AAA	\$1,000.00	\$1,018.40	1.34%	\$ 6.80
Class A	\$1,000.00	\$1,018.35	1.35%	\$ 6.85
Class B	\$1,000.00	\$1,014.63	2.09%	\$10.58
Class C	\$1,000.00	\$1,014.48	2.12%	\$10.74
Class I	\$1,000.00	\$1,019.56	1.11%	\$ 5.63

\* 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 GAMCO Growth Fund

Technology . . . . .	28.2%	Consumer Discretionary . . . . .	7.6%
Energy . . . . .	16.0%	Consumer Staples . . . . .	5.3%
Financial Services . . . . .	14.0%	U.S. Treasury Bills . . . . .	1.0%
Producer Durables . . . . .	10.4%	U.S. Treasury Notes . . . . .	0.2%
Materials and Processing . . . . .	10.2%	Other Assets and Liabilities (Net) . . . . .	(0.6)%
Health Care . . . . .	7.7%		<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](http://www.gabelli.com) or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.*

### Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the 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](http://www.sec.gov).

# The GAMCO Growth Fund

## Schedule of Investments — December 31, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value		
<b>COMMON STOCKS — 99.4%</b>							
<b>TECHNOLOGY — 28.2%</b>							
240,000	Adobe Systems Inc.† . . . . .	\$ 9,198,545	\$ 5,109,600	220,000	The Bank of New York Mellon Corp. . . . .	\$ 6,803,695	\$ 6,232,600
145,000	Apple Inc.† . . . . .	23,338,006	12,375,750	455,000	The Charles Schwab Corp. . . . .	9,518,029	7,357,350
696,000	Cisco Systems Inc.† . . . . .	19,683,747	11,344,800	95,000	The Goldman Sachs Group Inc. . . . .	6,531,373	8,017,050
430,000	Corning Inc. . . . .	10,701,547	4,097,900	90,000	Visa Inc., Cl. A . . . . .	5,794,562	4,720,500
63,000	First Solar Inc.† . . . . .	11,899,480	8,691,480		<b>TOTAL</b>		
100,000	FLIR Systems Inc.† . . . . .	4,048,337	3,068,000		<b>FINANCIAL SERVICES . . . . .</b>	<b>78,599,163</b>	<b>64,529,550</b>
54,900	Google Inc., Cl. A† . . . . .	20,116,594	16,889,985		<b>PRODUCER DURABLES — 10.4%</b>		
290,000	Harris Corp. . . . .	16,664,213	11,034,500	160,000	ABB Ltd., ADR . . . . .	4,441,072	2,401,600
520,000	Intel Corp. . . . .	12,809,304	7,623,200	90,000	Caterpillar Inc. . . . .	3,974,046	4,020,300
150,000	International Business Machines Corp. . . . .	18,675,719	12,624,000	125,000	Cummins Inc. . . . .	3,546,208	3,341,250
710,000	Microsoft Corp. . . . .	20,299,677	13,802,400	205,000	Deere & Co. . . . .	14,468,136	7,855,600
185,000	QUALCOMM Inc. . . . .	6,451,195	6,628,550	130,000	Emerson Electric Co. . . . .	5,754,583	4,759,300
120,000	Research In Motion Ltd.† . . . . .	12,808,160	4,869,600	155,000	ITT Corp. . . . .	7,345,471	7,128,450
210,000	SunPower Corp., Cl. A† . . . . .	15,346,876	7,770,000	180,000	Joy Global Inc. . . . .	4,349,654	4,120,200
180,000	Trimble Navigation Ltd.† . . . . .	6,864,907	3,889,800	240,000	Rockwell Collins Inc. . . . .	14,445,158	9,381,600
	<b>TOTAL TECHNOLOGY . . . . .</b>	<b>208,906,307</b>	<b>129,819,565</b>	95,000	United Technologies Corp. . . . .	5,568,014	5,092,000
	<b>ENERGY — 16.0%</b>				<b>TOTAL</b>		
87,000	Apache Corp. . . . .	9,118,410	6,484,110		<b>PRODUCER DURABLES . . . . .</b>	<b>63,892,342</b>	<b>48,100,300</b>
335,000	Chesapeake Energy Corp. . . . .	14,154,855	5,416,950		<b>MATERIALS AND PROCESSING — 10.2%</b>		
110,000	Devon Energy Corp. . . . .	11,505,077	7,228,100	40,000	Fluor Corp. . . . .	3,107,443	1,794,800
100,000	FMC Technologies Inc.† . . . . .	6,421,885	2,383,000	210,000	Freeport-McMoRan Copper & Gold Inc. . . . .	14,138,397	5,132,400
135,000	Hess Corp. . . . .	11,446,186	7,241,400	110,000	McDermott International Inc.† . . . . .	5,629,017	1,086,800
95,000	Murphy Oil Corp. . . . .	7,061,569	4,213,250	170,000	Monsanto Co. . . . .	18,428,066	11,959,500
200,000	National Oilwell Varco Inc.† . . . . .	11,321,483	4,888,000	73,000	Potash Corp. of Saskatchewan Inc. . . . .	5,537,778	5,345,060
62,000	Noble Corp. . . . .	3,276,870	1,369,580	55,000	Rio Tinto plc, ADR . . . . .	13,785,895	4,890,050
83,000	Occidental Petroleum Corp. . . . .	5,838,938	4,979,170	210,000	Syngenta AG, ADR . . . . .	13,010,523	8,219,400
100,000	Oceaneering International Inc.† . . . . .	6,844,739	2,914,000	139,000	The Mosaic Co. . . . .	4,621,825	4,809,400
6,700	Ormat Technologies Inc. . . . .	355,523	213,529	100,000	United States Steel Corp. . . . .	3,636,612	3,720,000
230,000	Petroleo Brasileiro SA, ADR . . . . .	12,468,020	5,632,700		<b>TOTAL MATERIALS AND PROCESSING . . . . .</b>	<b>81,895,556</b>	<b>46,957,410</b>
53,000	Schlumberger Ltd. . . . .	3,277,245	2,243,490		<b>HEALTH CARE — 7.7%</b>		
80,556	Transocean Ltd.† . . . . .	10,607,983	3,806,271	90,000	Abbott Laboratories . . . . .	5,266,653	4,803,300
105,000	Vestas Wind Systems A/S† . . . . .	8,596,564	5,951,369	21,000	Alcon Inc. . . . .	2,807,564	1,872,990
150,000	Weatherford International Ltd.† . . . . .	4,778,625	1,623,000	90,000	Celgene Corp.† . . . . .	6,516,902	4,975,200
196,250	XTO Energy Inc. . . . .	9,583,809	6,921,738	100,000	Gilead Sciences Inc.† . . . . .	5,347,562	5,114,000
	<b>TOTAL ENERGY . . . . .</b>	<b>136,657,781</b>	<b>73,509,657</b>	90,000	Medtronic Inc. . . . .	4,901,578	2,827,800
	<b>FINANCIAL SERVICES — 14.0%</b>			210,000	St. Jude Medical Inc.† . . . . .	9,421,352	6,921,600
22,000	BlackRock Inc. . . . .	2,572,818	2,951,300	150,000	Stryker Corp. . . . .	9,365,104	5,992,500
240,000	Janus Capital Group Inc. . . . .	5,786,199	1,927,200	85,000	Varian Medical Systems Inc.† . . . . .	4,116,555	2,978,400
70,000	MasterCard Inc., Cl. A . . . . .	15,179,188	10,005,100		<b>TOTAL HEALTH CARE . . . . .</b>	<b>47,743,270</b>	<b>35,485,790</b>
185,000	Northern Trust Corp. . . . .	10,280,782	9,645,900				
235,000	State Street Corp. . . . .	9,969,694	9,242,550				
125,000	T. Rowe Price Group Inc. . . . .	6,162,823	4,430,000				

See accompanying notes to financial statements.

**The GAMCO Growth Fund**  
**Schedule of Investments (Continued) — December 31, 2008**

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	
<b>COMMON STOCKS (Continued)</b>			
<b>CONSUMER DISCRETIONARY — 7.6%</b>			
65,000	Abercrombie & Fitch Co., Cl. A .....	\$ 4,712,431	\$ 1,499,550
100,000	Amazon.com Inc.† .....	7,628,410	5,128,000
115,000	Coach Inc.† .....	3,345,702	2,388,550
90,000	Costco Wholesale Corp. . .	5,413,568	4,725,000
165,000	Electronic Arts Inc.† .....	6,731,404	2,646,600
85,000	NIKE Inc., Cl. B .....	4,432,730	4,335,000
45,000	Polo Ralph Lauren Corp. . .	1,998,169	2,043,450
318,400	Tiffany & Co. ....	10,235,077	7,523,792
200,000	Under Armour Inc., Cl. A† ..	7,084,757	4,768,000
	<b>TOTAL CONSUMER DISCRETIONARY</b> .....	<u>51,582,248</u>	<u>35,057,942</u>
<b>CONSUMER STAPLES — 5.3%</b>			
100,000	Groupe Danone .....	7,008,523	6,002,224
125,000	Nestlé SA .....	5,484,485	4,885,611
125,000	PepsiCo Inc. ....	8,558,456	6,846,250
110,000	Procter & Gamble Co. ....	7,073,189	6,800,200
	<b>TOTAL CONSUMER STAPLES</b> ..	<u>28,124,653</u>	<u>24,534,285</u>
	<b>TOTAL COMMON STOCKS</b> ..	<u>697,401,320</u>	<u>457,994,499</u>
<b>Principal Amount</b>			
<b>U.S. GOVERNMENT OBLIGATIONS — 1.2%</b>			
<b>U.S. Treasury Bills — 1.0%</b>			
\$4,742,000	U.S. Treasury Bills, 0.020% to 0.101%††, 03/19/09 to 06/04/09 ..	4,740,133	4,740,238
	<b>U.S. Treasury Notes — 0.2%</b>		
680,000	4.500%, 04/30/09 .....	687,373	689,829
	<b>TOTAL U.S. GOVERNMENT OBLIGATIONS</b> .....	<u>5,427,506</u>	<u>5,430,067</u>
	<b>TOTAL INVESTMENTS — 100.6%</b>	<u>\$702,828,826</u>	463,424,566
	<b>Other Assets and Liabilities (Net) — (0.6)%</b>		<u>(2,841,927)</u>
	<b>NET ASSETS — 100.0%</b> .....		<u>\$460,582,639</u>

† Non-income producing security.  
†† Represents annualized yield at date of purchase.  
ADR American Depositary Receipt

See accompanying notes to financial statements.

# The GAMCO Growth Fund

## Statement of Assets and Liabilities December 31, 2008

### Assets:

Investments, at value (cost \$702,828,826) . . .	\$ 463,424,566
Cash . . . . .	1,823
Receivable for Fund shares sold . . . . .	459,895
Dividends and interest receivable . . . . .	786,238
Prepaid expense . . . . .	51,140
<b>Total Assets</b> . . . . .	<u>464,723,662</u>

### Liabilities:

Payable for Fund shares redeemed . . . . .	3,249,320
Payable for investment advisory fees . . . . .	380,154
Payable for distribution fees . . . . .	95,418
Payable for accounting fees . . . . .	7,501
Other accrued expenses . . . . .	408,630
<b>Total Liabilities</b> . . . . .	<u>4,141,023</u>

<b>Net Assets</b> applicable to 23,550,307 shares outstanding . . . . .	<u>\$ 460,582,639</u>
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### Net Assets Consist of:

Paid-in capital, each class at \$0.01 par value . .	\$ 1,542,743,026
Accumulated net realized loss on investments and foreign currency transactions . . . . .	(842,754,015)
Net unrealized depreciation on investments . .	(239,404,260)
Net unrealized depreciation on foreign currency translations . . . . .	(2,112)
<b>Net Assets</b> . . . . .	<u>\$ 460,582,639</u>

### Shares of Beneficial Interest:

#### Class AAA:

Net Asset Value, offering, and redemption price per share (\$455,356,510 ÷ 23,280,197 shares outstanding; unlimited number of shares authorized) . . . . .	<u>\$19.56</u>
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#### Class A:

Net Asset Value and redemption price per share (\$736,926 ÷ 37,662 shares outstanding; unlimited number of shares authorized) . . . .	<u>\$19.57</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>\$20.76</u>
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#### Class B:

Net Asset Value and offering price per share (\$181,929 ÷ 9,658 shares outstanding; unlimited number of shares authorized) . . . .	<u>\$18.84(a)</u>
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#### Class C:

Net Asset Value and offering price per share (\$1,467,315 ÷ 77,881 shares outstanding; unlimited number of shares authorized) . . . .	<u>\$18.84(a)</u>
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#### Class I:

Net Asset Value, offering, and redemption price per share (\$2,839,959 ÷ 144,909 shares outstanding; unlimited number of shares authorized) . . . .	<u>\$19.60</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 \$266,743) . . .	\$ 7,770,223
Interest . . . . .	262,809
<b>Total Investment Income</b> . . . . .	<u>8,033,032</u>

### Expenses:

Investment advisory fees . . . . .	7,382,536
Distribution fees – Class AAA . . . . .	1,833,076
Distribution fees – Class A . . . . .	2,411
Distribution fees – Class B . . . . .	2,740
Distribution fees – Class C . . . . .	14,314
Shareholder services fees . . . . .	479,502
Shareholder communications expenses . . . . .	197,760
Custodian fees . . . . .	128,049
Trustees' fees . . . . .	77,202
Legal and audit fees . . . . .	52,365
Accounting fees . . . . .	45,000
Registration expenses . . . . .	41,718
Interest expense . . . . .	1,360
Miscellaneous expenses . . . . .	77,741
<b>Total Expenses</b> . . . . .	<u>10,335,774</u>

Less: Custodian fee credits . . . . .	(1,038)
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<b>Net Expenses</b> . . . . .	<u>10,334,736</u>
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<b>Net Investment Loss</b> . . . . .	<u>(2,301,704)</u>
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### Net Realized and Unrealized Loss on Investments and Foreign Currency:

Net realized loss on investments . . . . .	(17,901,994)
Net realized loss on foreign currency transactions . . . . .	(19,587)
Net realized loss on investments and foreign currency transactions . . . . .	<u>(17,921,581)</u>
Net change in unrealized appreciation/ (depreciation) on investments . . . . .	(394,046,551)
Net change in unrealized appreciation/ (depreciation) on foreign currency translations . . . . .	(2,112)
Net change in unrealized appreciation/ (depreciation) on investments and foreign currency translations . . . . .	<u>(394,048,663)</u>

<b>Net Realized and Unrealized Loss on Investments and Foreign Currency</b> . . . .	<u>(411,970,244)</u>
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<b>Net Decrease in Net Assets Resulting from Operations</b> . . . . .	<u>\$(414,271,948)</u>
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See accompanying notes to financial statements.

# The GAMCO Growth Fund

## Statement of Changes in Net Assets

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
<b>Operations:</b>		
Net investment loss .....	\$ (2,301,704)	\$ (4,555,510)
Net realized gain/(loss) on investments and foreign currency transactions .....	(17,921,581)	112,544,175
Net change in unrealized appreciation/(depreciation) on investments and foreign currency translations .....	<u>(394,048,663)</u>	<u>47,767,726</u>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations .....</b>	<u>(414,271,948)</u>	<u>155,756,391</u>
<b>Shares of Beneficial Interest Transactions:</b>		
Class AAA .....	(78,506,781)	(167,322,376)
Class A .....	612,577	383,595
Class C .....	1,486,759	517,747
Class I .....	<u>4,144,903</u>	<u>—</u>
<b>Net Decrease in Net Assets from Shares of Beneficial Interest Transactions ...</b>	<u>(72,262,542)</u>	<u>(166,421,034)</u>
<b>Redemption Fees .....</b>	<u>1,943</u>	<u>2,333</u>
<b>Net Decrease in Net Assets .....</b>	<u>(486,532,547)</u>	<u>(10,662,310)</u>
<b>Net Assets:</b>		
Beginning of period .....	<u>947,115,186</u>	<u>957,777,496</u>
End of period (including undistributed net investment income of \$0 and \$0, respectively) .....	<u>\$ 460,582,639</u>	<u>\$ 947,115,186</u>

See accompanying notes to financial statements.

# The GAMCO Growth Fund

## Financial Highlights

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

Period Ended December 31	Income from Investment Operations					Ratios to Average Net Assets/ Supplemental Data					
	Net Asset Value, Beginning of Period	Net Investment Gain (Loss) (a)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	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 Ratio†
<b>Class AAA</b>											
2008	\$36.17	\$(0.09)	\$(16.52)	\$(16.61)	\$0.00(b)	\$19.56	(45.9)%	\$ 455,357	(0.31)%	1.40%	93%
2007	30.62	(0.16)	5.71	5.55	0.00(b)	36.17	18.1	945,068	(0.49)	1.45	91
2006	28.81	(0.05)	1.86	1.81	0.00(b)	30.62	6.3	956,811	(0.19)	1.44	57
2005	26.12	(0.13)	2.82	2.69	0.00(b)	28.81	10.3	1,139,640	(0.48)	1.49	39
2004	24.95	(0.11)	1.28	1.17	0.00(b)	26.12	4.7	1,447,655	(0.46)	1.53	31
<b>Class A</b>											
2008	\$36.18	\$(0.08)	\$(16.53)	\$(16.61)	\$0.00(b)	\$19.57	(45.9)%	\$ 737	(0.29)%	1.40%	93%
2007	30.63	(0.08)	5.63	5.55	0.00(b)	36.18	18.1	707	(0.23)	1.45	91
2006	28.82	(0.06)	1.87	1.81	0.00(b)	30.63	6.3	276	(0.19)	1.44	57
2005	26.13	(0.12)	2.81	2.69	0.00(b)	28.82	10.3	274	(0.43)	1.47	39
2004(c)	24.95	(0.02)	1.20	1.18	0.00(b)	26.13	4.7	73	(0.09)	1.60	31
<b>Class B</b>											
2008	\$35.10	\$(0.30)	\$(15.96)	\$(16.26)	\$0.00(b)	\$18.84	(46.3)%	\$ 182	(1.06)%	2.15%	93%
2007	29.93	(0.40)	5.57	5.17	0.00(b)	35.10	17.2	339	(1.23)	2.20	91
2006	28.38	(0.27)	1.82	1.55	0.00(b)	29.93	5.5	289	(0.94)	2.19	57
2005	25.93	(0.32)	2.77	2.45	0.00(b)	28.38	9.5	274	(1.22)	2.24	39
2004(c)	24.95	(0.28)	1.26	0.98	0.00(b)	25.93	3.9	250	(1.12)	2.30	31
<b>Class C</b>											
2008	\$35.10	\$(0.28)	\$(15.98)	\$(16.26)	\$0.00(b)	\$18.84	(46.3)%	\$ 1,467	(1.05)%	2.15%	93%
2007	29.93	(0.40)	5.57	5.17	0.00(b)	35.10	17.2	1,001	(1.23)	2.20	91
2006	28.38	(0.27)	1.82	1.55	0.00(b)	29.93	5.5	401	(0.95)	2.19	57
2005	25.93	(0.32)	2.77	2.45	0.00(b)	28.38	9.5	553	(1.21)	2.23	39
2004(c)	24.95	(0.21)	1.19	0.98	0.00(b)	25.93	3.9	226	(0.88)	2.37	31
<b>Class I</b>											
2008(d)	\$33.70	\$0.00(b)	\$(14.10)	\$(14.10)	\$0.00(b)	\$19.60	(41.8)%	\$ 2,840	0.00%(e)(f)	1.15%(f)	93%

† 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 years ended December 31, 2007, 2006, 2005, 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) Class A, Class B, and Class C Shares were initially offered on December 31, 2003.

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

(e) Amount represents less than 0.005%.

(f) Annualized.

See accompanying notes to financial statements.

# The GAMCO Growth Fund

## Notes to Financial Statements

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**1. Organization.** The GAMCO Growth Fund (the “Fund”) was organized on October 24, 1986 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 capital appreciation. The Fund commenced investment operations on April 10, 1987.

**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 GAMCO Growth 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, 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>
Level 1 – Quoted Prices	\$457,994,499
Level 2 – Other Significant Observable Inputs	5,430,067
<b>Total</b>	<u>\$463,424,566</u>

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

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.

**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.

**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.

**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

## The GAMCO Growth Fund

### Notes to Financial Statements (Continued)

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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 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 if any 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 held by the Fund and timing differences. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2008, reclassifications were made to decrease accumulated net investment loss by \$2,301,704 and decrease accumulated net realized loss on investments and foreign currency transactions by \$19,587, with an offsetting adjustment to paid-in capital.

No distributions were made during the years ended December 31, 2008 and 2007.

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

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

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

Accumulated capital loss carryforwards .....	\$ (839,592,069)
Net unrealized depreciation on investments and foreign currency translations .....	(242,568,318)
Total .....	<u><u>\$(1,082,160,387)</u></u>

At December 31, 2008, the Fund had net capital loss carryforwards for federal income tax purposes of \$839,592,069, which are available to reduce future required distributions of net capital gains to shareholders. \$469,914,764 is available through 2010; \$350,050,494 is available through 2011; \$1,141,675 is available through 2012; and \$18,485,136 is available through 2016.

## The GAMCO Growth Fund

### Notes to Financial Statements (Continued)

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

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Depreciation</u>
Investments .....	\$705,990,773	\$2,406,589	\$(244,972,796)	\$(242,566,207)

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 \$6,000 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 the Audit Committee, Proxy Voting 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.

**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 \$649,344,761 and \$702,021,288, respectively.

Purchases and proceeds from the sales of U.S. Government obligations during 2008, other than short-term obligations, aggregated \$31,621,034 and \$34,210,241, respectively.

## The GAMCO Growth Fund

### Notes to Financial Statements (Continued)

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**6. Transactions with Affiliates.** During 2008, the Fund paid brokerage commissions on security trades of \$26,611 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$8,790 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. During 2008, there were no borrowings under the line of credit.

**8. Shares of Beneficial Interest.** The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares are offered without a 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 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 \$1,943 and \$2,333, 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.

## The GAMCO Growth Fund

### Notes to Financial Statements (Continued)

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
	<b>Class AAA</b>		<b>Class AAA</b>	
Shares sold	1,875,009	\$ 53,412,799	1,554,938	\$ 52,014,192
Shares redeemed	(4,723,631)	(131,919,580)	(6,677,205)	(219,336,568)
Net decrease	<u>(2,848,622)</u>	<u>\$ (78,506,781)</u>	<u>(5,122,267)</u>	<u>\$(167,322,376)</u>
	<b>Class A</b>		<b>Class A</b>	
Shares sold	28,643	\$ 874,485	13,455	\$ 476,635
Shares redeemed	(10,520)	(261,908)	(2,938)	(93,040)
Net increase	<u>18,123</u>	<u>\$ 612,577</u>	<u>10,517</u>	<u>\$ 383,595</u>
	<b>Class C</b>		<b>Class C</b>	
Shares sold	68,214	\$ 1,974,053	21,140	\$ 700,407
Shares redeemed	(18,871)	(487,294)	(6,006)	(182,660)
Net increase	<u>49,343</u>	<u>\$ 1,486,759</u>	<u>15,134</u>	<u>\$ 517,747</u>
	<b>Class I*</b>			
Shares sold	165,715	\$ 4,613,871		
Shares redeemed	(20,806)	(468,968)		
Net increase	<u>144,909</u>	<u>\$ 4,144,903</u>		

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

**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.

## The GAMCO Growth Fund

### Notes to Financial Statements (Continued)

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**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 GAMCO Growth Fund**

### **Report of Independent Registered Public Accounting Firm**

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To the Board of Trustees and Shareholders of  
The GAMCO Growth 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 GAMCO Growth 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, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
February 27, 2009

## The GAMCO Growth 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 GAMCO Growth Fund at One Corporate Center, Rye, NY 10580-1422.

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Number of Funds in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Trustee<sup>4</sup></u>
<b><u>INTERESTED TRUSTEES<sup>3</sup>:</u></b>				
<b>Mario J. Gabelli</b> Trustee Age: 66	Since 1992	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)
<b>John D. Gabelli</b> Trustee Age: 64	Since 1995	10	Senior Vice President of Gabelli & Company, Inc.	Director of GAMCO Investors, Inc. (asset management)
<b>Anthony Torna, Sr.</b> Trustee Age: 82	Since 1987	1	Registered Representative, Maxim Group LLC from 2002; Investec Ernst & Company, 2001-2002	—
<b><u>INDEPENDENT TRUSTEES<sup>5</sup>:</u></b>				
<b>Anthony J. Colavita</b> Trustee Age: 73	Since 1989	36	Partner in the law firm of Anthony J. Colavita, P.C.	—
<b>James P. Conn</b> Trustee Age: 70	Since 1992	18	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	—
<b>Dugald A. Fletcher</b> Trustee Age: 79	1989-1996 2000-present	2	President, Fletcher & Company, Inc.	Director of Harris and Harris Group, Inc. (venture capital)
<b>Robert J. Morrissey</b> Trustee Age: 69	Since 2001	6	Partner in the law firm of Morrissey, Hawkins & Lynch	—
<b>Anthony R. Pustorino</b> Trustee Age: 83	Since 1987	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing)
<b>Anthonie C. van Ekris</b> Trustee Age: 74	1987-1989 1992-present	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
<b>Salvatore J. Zizza</b> Trustee Age: 63	1987-1996 2000-present	28	Chairman of Zizza & Co., Ltd. (consulting)	Director of Hollis-Eden Pharmaceuticals (biotechnology); Director of Earl Scheib, Inc. (automotive services)

# The GAMCO Growth Fund

## Additional Fund Information (Continued) (Unaudited)

<b>Name, Position(s) Address<sup>1</sup> and Age</b>	<b>Term of Office and Length of Time Served<sup>2</sup></b>	<b>Principal Occupation(s) During Past Five Years</b>
<b>OFFICERS:</b>		
<b>Bruce N. Alpert</b> 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
<b>Agnes Mullady</b> 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
<b>Peter D. Goldstein</b> 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

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

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

<sup>3</sup> "Interested person" of the Fund as defined in the 1940 Act. Messrs. Gabelli are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser. Mr. Torna is considered an interested person because he is a registered broker with a firm to which the Fund Complex (but not the Fund) pays brokerage commissions. Mario J. Gabelli and John D. Gabelli are brothers.

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

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

## The GAMCO Growth Fund

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

**800-422-3554**

**fax: 914-921-5118**

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

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

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

# GAMCO

### Board of Trustees

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

Robert J. Morrissey  
*Attorney-at-Law  
Morrissey, Hawkins & Lynch*

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

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

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

Anthony Torna  
*Maxim Group LLC*

Dugald A. Fletcher  
*President  
Fletcher & Company, Inc.*

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 and Portfolio Manager

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*President and Secretary*

Howard F. Ward, CFA  
*Portfolio Manager*

Agnes Mullady  
*Treasurer*

Peter D. Goldstein  
*Chief Compliance Officer*

### 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 GAMCO Growth Fund

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

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GAB406Q408SR

ANNUAL REPORT  
DECEMBER 31, 2008