

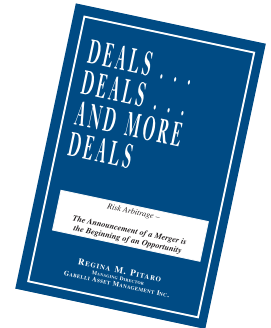
The Gabelli ABC Fund

Merger and Arbitrage “The Deal Fund”

Shareholder Commentary
December 31, 2008

*“Give a man a fish and you feed him for a day.
Teach him how to arbitrage and you feed him forever.”*

– Warren Buffett



To Our Shareholders,

The Gabelli ABC Fund was created for conservative investors desiring to participate in the equity markets without assuming the risk of portfolios fully invested in equities. Our objective is to achieve positive returns in the various market environments. Our approach to this mandate has been to build a portfolio consisting of undervalued stocks, stable risk arbitrage positions, and risk free short-term U.S. Treasury securities.

Throughout the Fund's history, this portfolio mix has produced respectable returns in up markets and preserved capital during down markets.

FOR THE BENEFICIAL OWNERS

The Gabelli ABC Fund remains open to new investors with the following characteristics:

Direct Ownership – Class AAA (GABCX)

- Purchases may be made only through Gabelli & Company, or directly through the Fund's Transfer Agent; and
- The minimum *initial* investment is \$10,000; and
- Investment accounts must be registered in the beneficial owner's name; and
- The Fund may involuntarily redeem shares through brokers or financial consultants in omnibus and individual accounts where the beneficial owner is not disclosed.

Ownership Through Intermediaries – Advisor Class (GADVX)

- The Advisor Share Class is available through unaffiliated brokers or financial consultants; and
- The minimum *initial* investment is \$10,000.

INVESTMENT RESULTS (CLASS AAA SHARES) (a)

	Quarter					Year
	1st	2nd	3rd	4th		
2008: Net Asset Value	\$9.70	\$9.76	\$9.66	\$9.28	\$9.28	\$9.28
Total Return	(1.0)%	0.6%	(1.0)%	(1.2)%	(2.6)%	(2.6)%
2007: Net Asset Value	\$10.21	\$10.54	\$10.62	\$9.80	\$9.80	\$9.80
Total Return	2.1%	3.2%	0.8%	0.8%	7.1%	7.1%
2006: Net Asset Value	\$10.28	\$10.53	\$10.72	\$10.00	\$10.00	\$10.00
Total Return	4.4%	2.4%	1.8%	2.9%	12.0%	12.0%
2005: Net Asset Value	\$9.91	\$10.02	\$10.20	\$9.85	\$9.85	\$9.85
Total Return	0.6%	1.1%	1.8%	1.4%	5.0%	5.0%
2004: Net Asset Value	\$9.88	\$9.85	\$9.89	\$9.85	\$9.85	\$9.85
Total Return	0.5%	(0.3)%	0.4%	1.3%	1.9%	1.9%
2003: Net Asset Value	\$9.67	\$9.78	\$9.92	\$9.83	\$9.83	\$9.83
Total Return	0.3%	1.1%	1.4%	2.0%	4.9%	4.9%
2002: Net Asset Value	\$9.69	\$9.72	\$9.71	\$9.64	\$9.64	\$9.64
Total Return	0.4%	0.3%	(0.1)%	0.3%	0.9%	0.9%
2001: Net Asset Value	\$9.52	\$9.70	\$9.78	\$9.65	\$9.65	\$9.65
Total Return	0.7%	1.9%	0.8%	1.0%	4.6%	4.6%
2000: Net Asset Value	\$9.67	\$9.89	\$10.17	\$9.45	\$9.45	\$9.45
Total Return	2.4%	2.3%	2.8%	2.9%	10.9%	10.9%
1999: Net Asset Value	\$9.65	\$10.20	\$10.21	\$9.44	\$9.44	\$9.44
Total Return	0.6%	5.7%	0.1%	2.4%	9.0%	9.0%
1998: Net Asset Value	\$10.64	\$10.68	\$10.16	\$9.59	\$9.59	\$9.59
Total Return	4.0%	0.4%	(4.9)%	11.9%	11.1%	11.1%
1997: Net Asset Value	\$9.98	\$10.45	\$10.74	\$10.23	\$10.23	\$10.23
Total Return	1.4%	4.7%	2.8%	3.3%	12.8%	12.8%
1996: Net Asset Value	\$10.10	\$10.16	\$9.77	\$9.84	\$9.84	\$9.84
Total Return	4.1%	0.6%	0.8%	2.2%	7.8%	7.8%
1995: Net Asset Value	\$9.94	\$10.14	\$10.41	\$9.71	\$9.71	\$9.71
Total Return	3.9%	2.0%	2.7%	2.2%	11.2%	11.2%
1994: Net Asset Value	\$10.12	\$10.11	\$10.42	\$9.57	\$9.57	\$9.57
Total Return	0.9%	(0.1)%	3.1%	0.6%	4.5%	4.5%
1993: Net Asset Value	—	\$10.10	\$10.63	\$10.03	\$10.03	\$10.03
Total Return	—	1.0%(b)	5.2%	2.6%	9.1%(b)	9.1%(b)

Average Annual Returns through December 31, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception (5/14/93)
Gabelli ABC Fund AAA Shares	(1.22)%	(2.63)%	5.30%	4.56%	5.27%	6.64%	6.96%
Gabelli ABC Fund Advisor Shares	(1.23)	(2.84)	5.15	4.47	5.22	6.61	6.93
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(1.38)	6.46	6.71
Lipper U.S. Treasury Money Market Avg.	0.06	1.12	3.10	2.43	2.70	3.39	3.36(c)

The Fund's expense ratios in the current prospectus are 0.65% for the Class AAA Shares and 0.92% for the Advisor Class Shares. The Fund does not have a sales charge.

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price 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. Returns would have been lower if certain expenses of the Fund had not been waived or reimbursed from April 1, 2002 through April 30, 2007. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** The S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper U.S. Treasury Money Market Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index. The Class AAA Shares' net asset values are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance for the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.

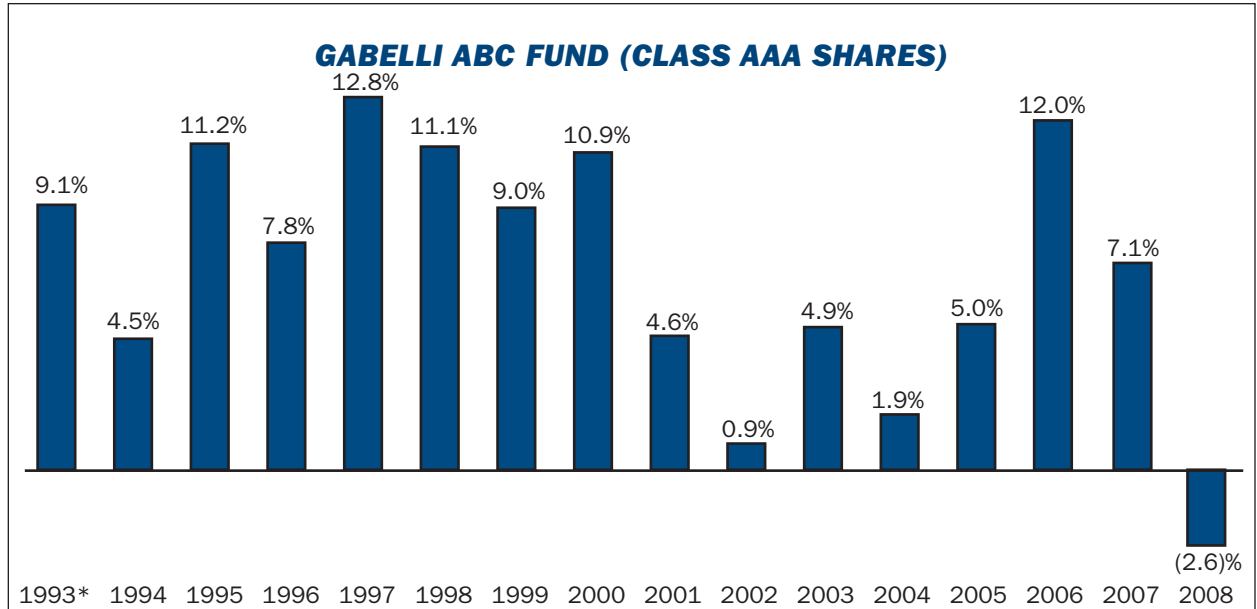
(b) From commencement of investment operations on May 14, 1993.

(c) From April 30, 1993, the date closest to the Fund's inception for which data is available.

GABELLI ABC FUND

Absolute Returns

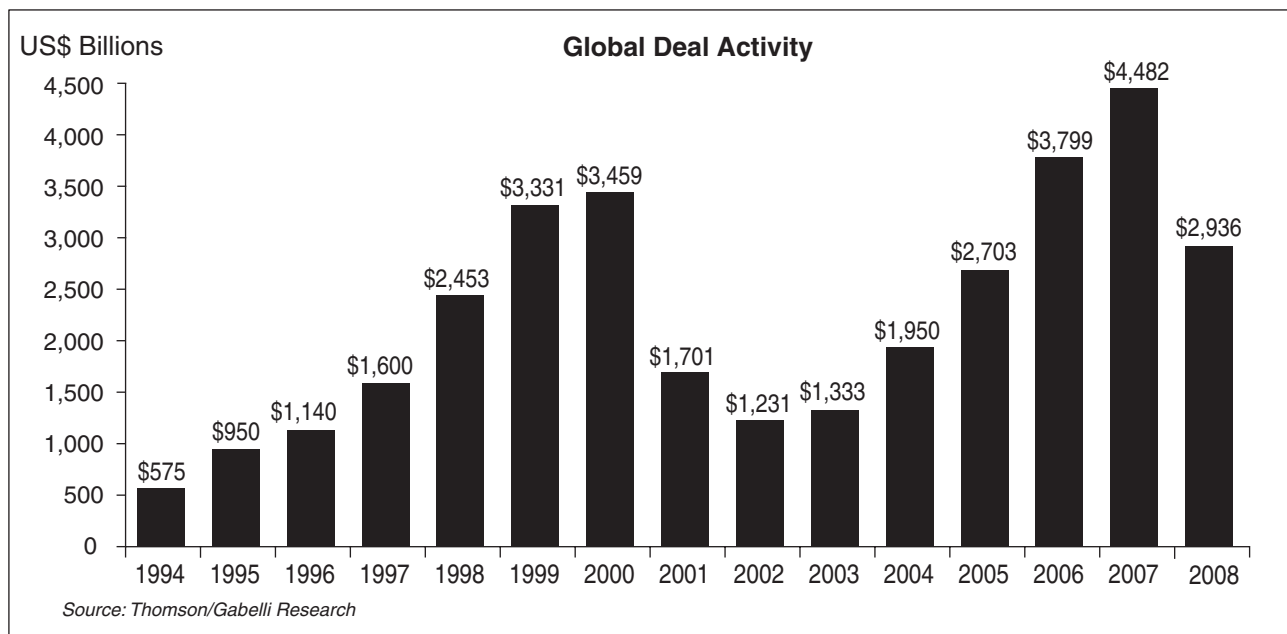
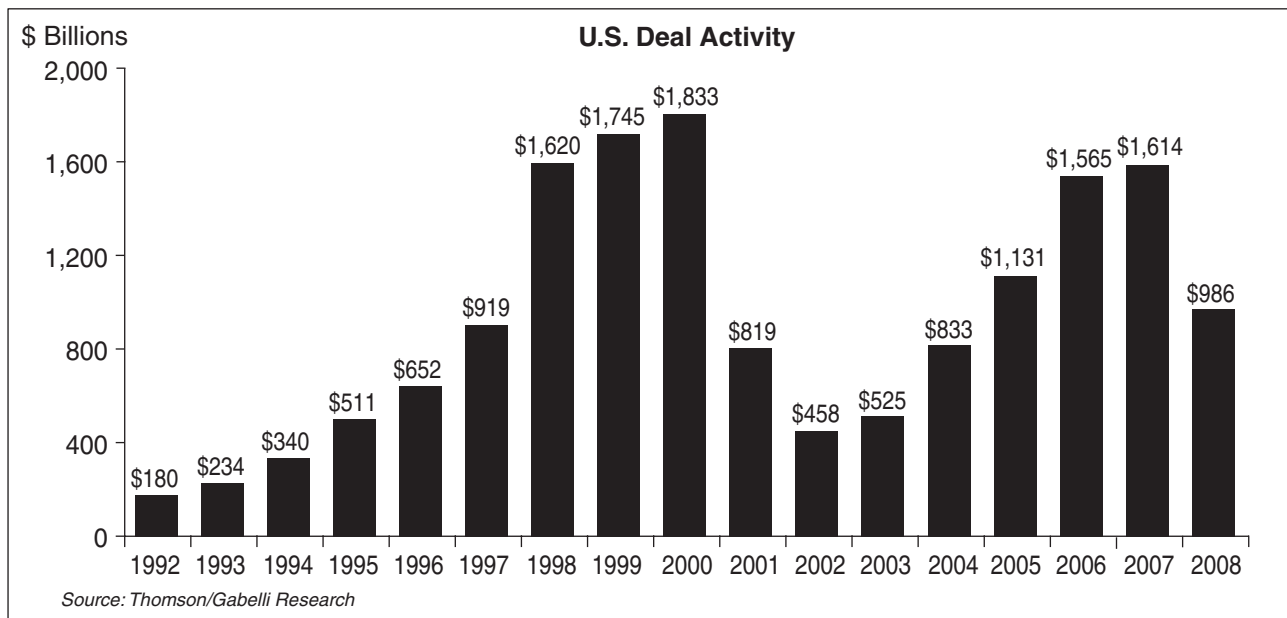
Gabelli ABC Fund is a **no-load**, open-end, non-diversified, management investment company whose investment objective is to achieve total returns that are attractive to investors in various market conditions without excessive risk of capital. Investments will be made based on management's perception of their potential for capital appreciation.



Past performance is no guarantee of future results. (2.63)%, 4.56%, 5.27%, and 6.96% are the one year, five year, ten year, and life of Fund average annual returns for the Gabelli ABC Fund AAA Shares through December 31, 2008. The expense ratio of the Fund in the current prospectus is 0.65%. The average annual returns and total returns shown above are historical and reflect changes in share price, reinvested dividends and capital gains 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. **The Fund's investments are subject to market, economic, and business risks that cause their prices to fluctuate. As a non-diversified Fund, the Fund may have a larger portion of its assets in a single issuer than a more diversified fund. Because the Fund invests in announced mergers or acquisitions, the Fund is subject to the risk that the announced merger or acquisition may not be completed, may be negotiated at a less attractive price, or may not close on the expected date. The Fund may not achieve its objective and you may lose money by investing in the Fund.** Results from April 1, 2002 through April 30, 2007 have been enhanced by voluntary fee reductions initiated by the Adviser. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. To obtain a prospectus and current performance, contact Gabelli & Company, Inc., the Distributor, at 800-GABELLI. **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 Fund is open only to investors who purchase shares directly through the Distributor, Gabelli & Company or the Fund's transfer agent. "Absolute Returns" refers to an investment strategy that seeks to achieve positive total returns not correlated to the performance of stocks and bonds in both rising and falling markets. *From commencement of operations on 5/14/93.

COMMENTARY

2008 was a period of upheaval in the equities market, and deal making was not immune. As reported, the announced global deal volume for the year was \$2.9 trillion – a reduction of over 30% from the \$4.5 trillion of 2007.



Deal activity in the fourth quarter 2008 was dominated by transactions in the financial institutions sector, many of which were government investments. These accounted for six of the ten largest deals, and over 40% of the volume. Even still, total deal volume of \$556 billion in the fourth quarter was notably below the fourth quarter volumes of each of the previous four years.

In an ongoing trend, large leveraged buyouts are a shrinking source of deal making. We anticipate that as deal activity picks up, those deals will increasingly be strategic corporate restructurings. Companies with the wherewithal continue to launch offers (whether hostile or friendly), opportunistically motivated by substantially lower market prices of their target acquisitions.

Selected Stock Holdings

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

Cablevision Systems Corp. (0.4% of net assets as of December 31, 2008) (CVC - \$16.84 - NYSE) is one of the nation's leading communications and entertainment companies. Headquartered in Bethpage, N.Y., Cablevision serves over 3 million cable customers in the attractive New York market. Cablevision also owns sports related assets, including Madison Square Garden, the N.Y. Knicks, the N.Y. Rangers, and the MSG network and high growth cable networks AMC, Women's Entertainment, and IFC. The company recently purchased the Sundance Channel and Newsday, the dominant local newspaper on Long Island. Over the last several years, Cablevision has posted strong free cash flow growth as it markets its triple play of services (video, voice, and data) to residential customers. That growth should be supplemented as the company has begun marketing its services to small businesses within its footprint.

Centennial Communications Corp. (0.1%) (CYCL - \$8.06 - Nasdaq) is a small telephone service provider with 1.1 million wireless subscribers in Puerto Rico and the U.S. Virgin Islands. On November 7, 2008, the company announced that they had entered into a merger agreement with AT&T to be acquired for \$950 million or \$8.50 per share. The deal is subject to regulatory approvals as well as a shareholder vote. We anticipate that the deal will be completed in April 2009.

Ciba Holding Inc. (2.2%) (CIBN VX - \$45.10 - Euronext) This Swiss based specialty chemicals manufacturer provides specialty chemicals for various markets, including paper, plastics, packaging, lubricants, automotive, electronics, water treatment, agriculture, and personal care. With production locations across the globe, Ciba services customers in more than 120 countries. On September 15, 2008, German company BASF SE made a tender offer to purchase Ciba for 50 Swiss francs per share, valuing the company at \$5 billion. The deal requires the acceptance of 66.6% of the shareholders, and regulatory approval from various jurisdictions, including the U.S. and the European Union. The deal is expected to close in the first quarter of 2009.

Mentor Corp. (3.5%) (MNT - \$30.93 - NYSE) On December 1, 2008, this leading supplier of medical products for the global aesthetic market announced that Johnson & Johnson would acquire them by means of a tender offer for approximately \$1.1 billion, or \$31.00 per share in cash. The deal received regulatory approvals as well as a majority of the shares being tendered and concluded at the end of January 2009.

Nationwide Financial Services Inc. (6.7%) (NFS - \$52.21 - NYSE) provides a variety of financial services for consumers and offers retirement plans and services through both public and private sector employers. On August 6, 2008, Nationwide Mutual Insurance Company, which owns about 66% of NFS, agreed to acquire those shares that it did not own for \$52.25 per share. The deal, valued at \$2.4 billion, is subject to shareholder vote, as well as all regulatory approvals. As anticipated, the deal closed in early 2009.

O'Reilly Automotive (0.4%) (ORLY - \$30.74 - Nasdaq), based in Springfield, MO, is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment, and accessories in the United States. The company sells to both the Do-It-Yourself (DIY) and Do-It-For-Me (DIFM) markets. O'Reilly's product mix is comprised primarily of non-discretionary hard parts, which require immediate replacement and are less cyclical than other automotive products. Further, the company's acquisition of CSK Auto is an excellent strategic fit as it will give ORLY access to markets in the West. In 2007, ORLY earned \$1.67 on \$2.5 billion in revenue.

Rohm and Haas (4.0%) (ROH - \$61.79 - NYSE), based in Philadelphia, PA, is a global producer of specialty chemicals that serve the building and construction, electronics, paints and coatings, and packaging markets. On July 10, 2008, Dow Chemical bid \$78 per share to acquire all of the outstanding common stock of Rohm and Haas. While the deal has cleared all regulatory hurdles and financing remains in place to close the transaction, Dow refuses to do so given the uncertainty economic environment and recent collapse of its proposed joint venture with PIC of Kuwait. Unless Rohm and Haas and Dow renegotiate the transaction, the fate of the deal rests in the hands of a Delaware Court, which will hear the case in early March.

U.S. Tobacco Inc. (21.0%) (UST - \$69.38 - NYSE) is a holding company for its principal subsidiaries, U.S. Smokeless Tobacco Company and Ste. Michelle Wine Estates. On September 8, 2008, Altria Group entered into a merger agreement with UST, whereby Altria would pay a total of \$11.6 billion, or \$69.50 per share for all shares outstanding. This offer was about a 29% premium to where the stock had previously been trading. The merger was consummated in January 2009.

Sincerely,



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

January 20, 2009

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

Portfolio Manager Compensation

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

As founder and portfolio manager of the Gabelli ABC Fund, Mr. Gabelli received \$171,721 in calendar 2007. For the Fund's first twelve months of operation starting in May 1993, Mr. Gabelli received less than \$60,000. As a direct and beneficial owner, he had \$97,667,071 invested in the Gabelli ABC Fund as of December 31, 2008, which includes the holdings of GBL and its subsidiaries, Gabelli Securities Inc., Gabelli & Company Inc., and GGCP, Inc., GBL's parent holding company.

www.gabelli.com

Please visit us on the Internet. Our homepage contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at info@gabelli.com. You may sign up for our e-mail alerts at www.gabelli.com, and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performances.

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 GABCX 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.

Top Ten Holdings (Percent of Net Assets) December 31, 2008

UST Inc. 21.0%	Ciba Holding Ag 2.2%
Nationwide Financial Services 6.7%	Puget Energy Inc. 1.5%
Genentech Inc. 5.0%	Beru Ag 1.0%
Rohm and Haas Co. 4.0%	NDS Group Plc, ADR 0.8%
Mentor Graphics Corp. 3.5%	Northwestern Corp. 0.8%

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

The Gabelli ABC Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

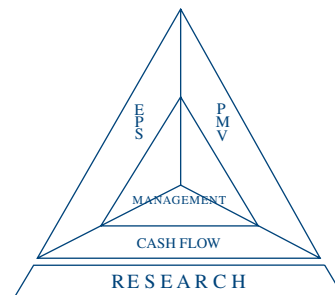
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

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



Board of Directors

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

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

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

Werner J. Roeder, MD
Medical Director
Lawrence Hospital

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

Officers

Bruce N. Alpert
President and Secretary

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
Treasurer

Distributor

Gabelli & Company, Inc.

Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

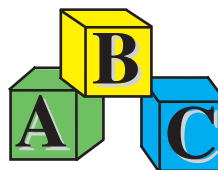
Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

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

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The Gabelli



Fund

SHAREHOLDER COMMENTARY DECEMBER 31, 2008

The Gabelli ABC 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 schedule of investments, will be available on our website at www.gabelli.com/funds.

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

Performance Discussion (Unaudited)

The Gabelli ABC Fund (the "Fund") (Class AAA Shares) declined 2.63% in 2008.

The Fund invests a portion of its assets in "event" driven situations such as announced mergers, acquisitions, and reorganizations. When a company agrees to be acquired by another company, its stock price often quickly rises to just below the stated acquisition price. If the Adviser, through extensive research, determines that the acquisition is likely to be consummated on schedule at the stated acquisition price, then the Fund may purchase the selling company's securities, offering the Fund the possibility of generous returns relative to cash equivalents with a limited risk of capital.

2008 was a period of upheaval in the equities market, and deal making was not immune. As reported by Citi in its "Executive M&A Summary", the announced deal volume for the year was \$2.9 trillion – a reduction of 30% from the \$4.2 trillion in 2007.

Notwithstanding ongoing constraints in the credit markets, this is not a trend we necessarily expect to continue. However, strategic buyers with the financial wherewithal will continue to improve their market positions through acquisition activity. We also expect to see an increase in financial engineering – spins and split-offs – as companies reposition themselves and seek to maximize value.

Holdings that contributed positively to performance in 2008 were UST Inc. (21% of net assets as of December 31, 2008), Wm. Wrigley Jr., Anheuser-Busch, and Foundry Networks. Detractors were Take-Two Interactive (0.5%), MGM Mirage (0.3%), Rohm and Haas (4.0%), and Yahoo! (0.4%).

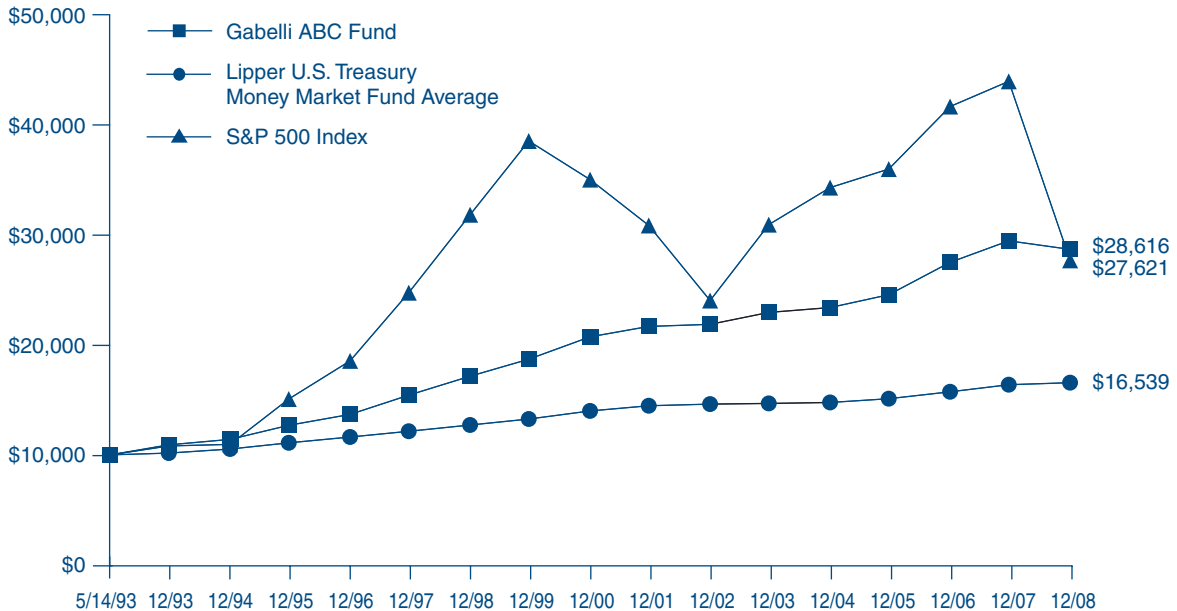
Sincerely yours,



Bruce N. Alpert
President

February 20, 2009

**COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN
THE GABELLI ABC FUND CLASS AAA SHARES,
THE LIPPER U.S. TREASURY MONEY MARKET FUND AVERAGE, 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	Since Inception (5/14/93)
Gabelli ABC Fund							
AAA Shares	(1.22)%	(2.63)%	5.30%	4.56%	5.27%	6.64%	6.96%
Advisor Shares	(1.23)	(2.84)	5.15	4.47	5.22	6.61	6.93
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(1.38)	6.46	6.71
Lipper U.S. Treasury Money Market Avg. . .	0.06	1.12	3.10	2.43	2.70	3.39	3.36(b)

In the current prospectus, the Fund's expense ratios are 0.65% for the Class AAA Shares and 0.92% for the Advisor Class Shares. The Fund does not have a sales charge.

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price 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. Returns would have been lower if certain expenses of the Fund had not been waived or reimbursed from April 1, 2002 through April 30, 2007. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** The S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper U.S. Treasury Money Market Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index. The Class AAA Shares net asset values ("NAVs") per share are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance of the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.

(b) From April 30, 1993, the date closest to the Fund's inception for which data is available.

The Gabelli ABC Fund

Disclosure of Fund Expenses (Unaudited)

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

Expense Table

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

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

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

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

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended December 31, 2008.

	Beginning Account Value 07/01/08	Ending Account Value 12/31/08	Annualized Expense Ratio	Expenses Paid During Period*
The Gabelli ABC Fund				
Actual Fund Return				
Class AAA	\$1,000.00	\$ 977.70	0.64%	\$3.18
Advisor Class	\$1,000.00	\$ 976.50	0.88%	\$4.37
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,021.92	0.64%	\$3.25
Advisor Class	\$1,000.00	\$1,020.71	0.88%	\$4.47

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

Summary of Portfolio Holdings (Unaudited)

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

The Gabelli ABC Fund

U.S. Government Obligations	30.1%	Wireless Communications	0.3%
Consumer Products	21.1%	Hotels and Gaming	0.3%
Health Care	9.0%	Electronics	0.2%
Financial Services	7.5%	Retail	0.2%
Specialty Chemicals	6.3%	Broadcasting	0.1%
Energy and Utilities	4.5%	Aerospace	0.1%
Computer Software and Services	2.2%	Publishing	0.0%
Automotive: Parts and Accessories	1.3%	Equipment and Supplies	0.0%
Telecommunications	1.1%	Aviation: Parts and Services	0.0%
Food and Beverage	1.0%	Mutual Funds	0.0%
Business Services	0.9%	Agriculture	0.0%
Diversified Industrial	0.8%	Communications Equipment	0.0%
Entertainment	0.6%	Home Furnishings	0.0%
Cable and Satellite	0.5%	Transportation	0.0%
Metals and Mining	0.5%	Other Assets and Liabilities (Net)	11.4%
			<u>100.0%</u>

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

Proxy Voting

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

The Gabelli ABC Fund

Schedule of Investments — December 31, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS — 57.9%					
Aerospace — 0.1%					
10,000	Herley Industries Inc.† \$ 114,714	\$ 122,800	25,000	NDS Group plc, ADR† \$ 1,517,254	\$ 1,433,500
300	Provimi SA 13,974	3,023	60,000	SanDisk Corp.† 881,436	576,000
Agriculture — 0.0%					
16,500	BERU AG 1,431,039	1,697,248	1,215,000	StorageNetworks Inc., Escrow† (a) 0	36,450
14,000	Lear Corp.† 47,000	19,740	57,000	Yahoo! Inc.† 1,627,008	695,400
22,000	O'Reilly Automotive Inc.† 483,167	676,280			3,851,695
		2,393,268	Consumer Products — 21.1%		
Automotive: Parts and Accessories — 1.3%					
		1,961,206	12,000	Harman International Industries Inc. 418,531	200,760
120,000	The Fairchild Corp., Cl. A† 334,457	36,000	17,000	Heelys Inc. 86,220	38,590
Broadcasting — 0.1%			1,800	Revlon Inc., Cl. A† 35,442	12,006
9,000	Cogeco Inc. 175,303	181,531	540,000	UST Inc. 36,791,804	37,465,200
10,000	Emmis Communications Corp., Cl. A† 59,390	3,500			37,716,556
787	Granite Broadcasting Corp.† 9,454	787	Diversified Industrial — 0.7%		
500	Liberty Media Corp. - Capital, Cl. A† 5,171	2,355	1,000	Ampco-Pittsburgh Corp. 15,394	21,700
50,000	LIN TV Corp., Cl. A† 376,742	54,500	5,500	Katy Industries Inc.† 19,913	6,325
3,000	Salem Communications Corp., Cl. A† 9,101	2,250	20,000	Myers Industries Inc. 367,968	160,000
		635,161	284,777	National Patent Development Corp.† (a)(c) 711,942	352,581
Business Services — 0.9%			77,000	WHX Corp.† 1,078,000	616,000
400	Alliance Data Systems Corp.† 20,202	18,612			1,156,606
10,000	AMICAS Inc.† 27,643	16,700	Electronics — 0.2%		
11,200	Ascent Media Corp., Cl. A† 274,494	244,608	70,000	Alliance Semiconductor Corp. 289,731	35,000
46,000	Diebold Inc. 1,695,678	1,292,140	25,000	International Rectifier Corp.† 435,449	337,500
1,000	Distribucion y Servicio D&S SA, ADR 23,832	24,190	24,000	MoSys Inc.† 91,807	50,400
1,500	PHH Corp.† 29,757	19,095			422,900
		2,071,606	Energy and Utilities — 4.1%		
Cable and Satellite — 0.5%					
42,000	Cablevision Systems Corp., Cl. A 913,038	707,280	7,000	Anadarko Petroleum Corp. 285,895	269,850
32,000	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA 314,560	165,026	1	Forest Oil Corp.† 43	17
845	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA, ADR 12,126	4,358	42,000	GDF Suez, Strips† 0	58
		1,239,724	57,936	Great Plains Energy Inc. 1,429,298	1,119,903
Computer Software and Services — 2.2%			10,263	Mirant Corp.† 175,575	193,663
1,500	Affiliated Computer Services Inc., Cl. A† 62,327	68,925	250,000	Mirant Corp., Escrow† (a) 0	0
2,000	i2 Technologies Inc.† 23,260	12,780	5,000	Northeast Utilities 67,167	120,300
12,000	Mentor Graphics Corp.† 122,311	62,040	60,000	NorthWestern Corp. 1,726,646	1,408,200
60,000	Metavante Technologies Inc.† 1,401,936	966,600	50,000	NRG Energy Inc.† 1,208,275	1,166,500
			2,200	Oesterreichische Elektrizitaetswirtschafts AG, Cl. A 113,854	99,572
			1,000	Origin Energy Ltd. 15,738	11,239
			25,000	Progress Energy Inc., CVO† (a) 13,000	8,250
			100,000	Puget Energy Inc. 2,787,985	2,727,000
			3,000	Queensland Gas Co. Ltd.† 3,186	12,027
			400	REpower Systems AG† 61,426	61,718
			95,000	WesternZagros Resources Ltd.† 350,101	46,172
					7,244,469

See accompanying notes to financial statements.

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

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)			Consumer Products — 0.0%		
Specialty Chemicals — 6.2%			10,396		
89,000	Ciba Holding AG \$ 3,768,259	\$ 4,013,717	Pillowtex Corp.,		
116,000	Rohm and Haas Co. 8,557,691	7,167,640	expire 11/24/09† (a) \$ 45,461	\$ 1	
	<u>12,325,950</u>	<u>11,181,357</u>	TOTAL WARRANTS	<u>60,373</u>	<u>97</u>
Telecommunications — 1.1%			Principal Amount		
327,000	Asia Satellite			Convertible Corporate Bonds — 0.2%	
	Telecommunications			Diversified Industrial — 0.1%	
	Holdings Ltd. 745,155	320,663	\$ 500,000	SanDisk Corp., Cv.,	
25,000	BCE Inc. 488,176	512,250		1.000%, 05/15/13 215,595	202,500
20,000	Corning Inc. 225,787	190,600		Specialty Chemicals — 0.1%	
94	FairPoint Communications Inc.	884	308	Ferro Corp., Cv.,	
100,000	Portugal Telecom SGPS SA	1,161,970	843,759	6.500%, 08/15/13 257,066	244,375
3,000	Telegroup Inc.† (a) 32	0		Transportation — 0.0%	
5,000	Verizon Communications Inc.	177,034	169,500	Builders Transport Inc.,	
	<u>2,799,038</u>	<u>2,037,080</u>	850,000	Sub. Deb. Cv., Escrow,	
				6.500%, 12/31/20† (a) 0	0
Wireless Communications — 0.3%				TOTAL CONVERTIBLE CORPORATE BONDS	<u>472,661</u>
500	American Tower Corp., Cl. A†	7,707	14,660		CORPORATE BONDS — 0.4%
20,000	Centennial				Computer Software and Services — 0.0%
	Communications Corp.† 159,135	161,200		Exodus Communications Inc.,	
14,000	Metricom Inc.† 1,680	6		Sub. Deb.,	
10,000	United States Cellular Corp.†	413,660	432,400	5.250%, 02/15/09† (a) 2,250	2,250
3,000	Wayfinder System AB† 4,226	4,477		Consumer Products — 0.0%	
50,000	Winstar Communications			Pillowtex Corp., Sub. Deb.,	
	Inc.† (a) 2,125	50		6.000%, 12/15/09† (a) 0	0
	<u>588,533</u>	<u>612,793</u>		Energy and Utilities — 0.4%	
	TOTAL COMMON STOCKS	<u>116,460,051</u>	<u>103,802,643</u>	Texas Competitive Electric	
				Holdings Co. LLC, (STEP),	
				10.500%, 11/01/15 (c) 612,606	643,500
PREFERRED STOCKS — 0.0%			3,600,000	Retail — 0.0%	
Communications Equipment — 0.0%				RDM Sports Group Inc.,	
	RSL Communications Ltd.			Sub. Deb.,	
1,000	7.500%, Cv. Pfd.† (a)(b)(c)	93	0	8.000%, 08/15/15† (a) 4,000	0
2,000	7.500%, Cv. Pfd., Ser. A†(a)	185	0	TOTAL CORPORATE BONDS	<u>618,856</u>
		278	0		<u>645,750</u>
	TOTAL PREFERRED STOCKS	<u>5,028</u>	<u>0</u>	U.S. GOVERNMENT OBLIGATIONS — 30.1%	
WARRANTS — 0.0%				U.S. Treasury Cash Management Bills — 3.0%	
Automotive: Parts and Accessories — 0.0%				U.S. Treasury Cash Management Bills,	
377	Federal-Mogul Corp.,			0.030% to 0.183%††,	
	expire 12/27/14† 14,912	56	5,395,000	04/29/09 to 06/24/09 5,392,787	
	Broadcasting — 0.0%			<u>5,393,510</u>	
1,969	Granite Broadcasting Corp.,			U.S. Treasury Bills — 24.7%	
	Ser. A, expire 06/04/12† 0	20		U.S. Treasury Bills,	
1,969	Granite Broadcasting Corp.,			0.020% to 1.800%††,	
	Ser. B, expire 06/04/12† 0	20	44,210,000	01/02/09 to 06/25/09 44,186,214	
	<u>0</u>	<u>40</u>		<u>44,188,276</u>	

See accompanying notes to financial statements.

The Gabelli ABC Fund

Schedule of Investments (Continued) — December 31, 2008

<u>Principal Amount</u>	<u>Cost</u>	<u>Market Value</u>
U.S. GOVERNMENT OBLIGATIONS (Continued)		
U.S. Treasury Notes — 2.4%		
\$4,260,000	4.500%, 04/30/09 \$ 4,305,248	\$ 4,321,574
	TOTAL U.S. GOVERNMENT OBLIGATIONS	53,884,249
	TOTAL INVESTMENTS — 88.6%	\$171,501,218
	Other Assets and Liabilities (Net) — 11.4%	20,365,828
	NET ASSETS — 100.0%	\$179,164,553

- (a) Securities fair valued under procedures established by the Board of Directors. The procedures may include reviewing available financial information about the company and reviewing valuation of comparable securities and other factors on a regular basis. At December 31, 2008, the market value of fair valued securities amounted to \$433,296 or 0.24% of net assets.
- (b) Illiquid security.
- (c) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2008, the market value of Rule 144A securities amounted to \$996,081 or 0.56% of net assets.
- † Non-income producing security.
- †† Represents annualized yield at date of purchase.
- ADR American Depositary Receipt
- CVO Contingent Value Obligation
- CVR Contingent Value Rights

See accompanying notes to financial statements.

The Gabelli ABC Fund

Statement of Assets and Liabilities December 31, 2008

Assets:	
Investments, at value (cost \$171,501,218)	\$158,798,725
Receivable for investments sold	25,462,789
Receivable for Fund shares sold	2,140,976
Dividends and interest receivable	95,625
Prepaid expenses	30,954
Total Assets	<u>186,529,069</u>
Liabilities:	
Foreign currency, at value (cost \$6,311)	6,075
Payable to custodian	22,442
Payable for investments purchased	6,909,513
Payable for Fund shares redeemed	226,459
Payable for investment advisory fees	83,566
Payable for distribution fees	9,412
Payable for accounting fees	7,501
Unrealized depreciation on swap contracts	127
Other accrued expenses	99,421
Total Liabilities	<u>7,364,516</u>
Net Assets applicable to 19,317,674 shares outstanding	<u>\$179,164,553</u>
Net Assets Consist of:	
Capital stock, at \$0.001 par value	\$193,214,833
Accumulated net investment income	129
Accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions	(1,347,696)
Net unrealized depreciation on investments	(12,702,493)
Net unrealized depreciation on swap contracts	(127)
Net unrealized depreciation on foreign currency translations	(93)
Net Assets	<u>\$179,164,553</u>
Shares of Beneficial Interest:	
Class AAA:	
Net Asset Value, offering, and redemption price per share (\$129,686,843 ÷ 13,975,078 shares outstanding; 500,000,000 shares authorized)	<u>\$9.28</u>
Advisor Class:	
Net Asset Value, offering, and redemption price per share (\$49,477,710 ÷ 5,342,596 shares outstanding; 500,000,000 shares authorized)	<u>\$9.26</u>

Statement of Operations For the Year Ended December 31, 2008

Investment Income:	
Dividends (net of foreign taxes of \$29,256)	\$ 1,868,222
Interest	1,899,278
Total Investment Income	<u>3,767,500</u>
Expenses:	
Investment advisory fees	1,078,744
Distribution fees – Advisor Class	54,164
Custodian fees	59,599
Shareholder communications expenses	46,564
Accounting fees	45,000
Registration expenses	41,542
Shareholder services fees	40,388
Legal and audit fees	36,681
Directors' fees	11,102
Interest expense	1,671
Miscellaneous expenses	24,480
Total Expenses	1,439,935
Less: Custodian fee credits	(17,820)
Net Expenses	<u>1,422,115</u>
Net Investment Income	<u>2,345,385</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:	
Net realized gain on investments	3,203,677
Net realized loss on swap contracts	(288,725)
Net realized gain on foreign currency transactions	9,969
Net realized gain on investments, swap contracts, and foreign currency transactions	<u>2,924,921</u>
Net change in unrealized appreciation/ (depreciation) on investments	(12,825,373)
Net change in unrealized appreciation/ (depreciation) on swap contracts	115,190
Net change in unrealized appreciation/ (depreciation) on foreign currency translations	(1,824)
Net change in unrealized appreciation/ (depreciation) on investments, swap contracts, and foreign currency translations	<u>(12,712,007)</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency	<u>(9,787,086)</u>
Net Decrease in Net Assets Resulting from Operations	<u>\$ (7,441,701)</u>

See accompanying notes to financial statements.

The Gabelli ABC Fund

Statement of Changes in Net Assets

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Operations:		
Net investment income	\$ 2,345,385	\$ 3,493,442
Net realized gain on investments, swap contracts, and foreign currency transactions . . .	2,924,921	14,874,842
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations	<u>(12,712,007)</u>	<u>(4,225,810)</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>(7,441,701)</u>	<u>14,142,474</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(1,265,491)	(2,804,616)
Advisor Class	<u>(414,228)</u>	<u>(99,460)</u>
	<u>(1,679,719)</u>	<u>(2,904,076)</u>
Net realized gain		
Class AAA	(2,247,640)	(12,478,122)
Advisor Class	<u>(831,479)</u>	<u>(476,767)</u>
	<u>(3,079,119)</u>	<u>(12,954,889)</u>
Total Distributions to Shareholders	<u>(4,758,838)</u>	<u>(15,858,965)</u>
Capital Share Transactions:		
Class AAA	(36,121,173)	22,754,023
Advisor Class	<u>44,217,497</u>	<u>7,454,321</u>
Net Increase in Net Assets from Capital Share Transactions	<u>8,096,324</u>	<u>30,208,344</u>
Redemption Fees	<u>714</u>	<u>85</u>
Net Increase/(Decrease) in Net Assets	<u>(4,103,501)</u>	<u>28,491,938</u>
Net Assets:		
Beginning of period	<u>183,268,054</u>	<u>154,776,116</u>
End of period (including undistributed net investment income of \$129 and \$115,319, respectively)	<u>\$179,164,553</u>	<u>\$183,268,054</u>

See accompanying notes to financial statements.

The Gabelli ABC Fund

Financial Highlights

Selected data for a share of capital stock outstanding throughout each period:

Period Ended December 31	Income				Distributions				Ratios to Average Net Assets/ Supplemental Data						
	from Investment Operations		Net		Net		Net		Operating Expenses		Operating Expenses		Portfolio Turnover Rate††		
	Net Beginning Value	Net Investment Income(a)	Net Unrealized Gain (Loss) on Investments	Total from Investment Operations	Net Investment Income	Net Realized Gain on Investments	Total Distributions	Redemption Fees(a)	Net Asset Value, End of Period	Total Return†	Net Assets, End of Period (in 000's)	Net Investment Income		Before Fees Waived	Net of Fees Waived(b)(c)
Class AAA															
2008	\$ 9.80	\$0.11	\$(0.37)	\$(0.26)	\$(0.09)	\$(0.17)	\$(0.26)	\$0.00(d)	\$ 9.28	(2.6)%	\$129,687	1.11%	0.64%	0.64%	472%
2007	10.00	0.16	0.55	0.71	(0.17)	(0.74)	(0.91)	0.00(d)	9.80	7.1	176,322	1.50	0.79	0.65	204
2006	9.85	0.30	0.88	1.18	(0.26)	(0.77)	(1.03)	0.00(d)	10.00	12.0	154,776	2.44	1.14	0.64	190
2005	9.85	0.17	0.32	0.49	(0.15)	(0.34)	(0.49)	0.00(d)	9.85	5.0	176,989	1.26	1.14	0.64	127
2004	9.83	0.08	0.11	0.19	(0.08)	(0.09)	(0.17)	0.00(d)	9.85	1.9	301,255	0.83	1.15	0.61	141
Advisor Class(e)															
2008	\$ 9.79	\$0.09	\$(0.37)	\$(0.28)	\$(0.08)	\$(0.17)	\$(0.25)	\$0.00(d)	\$ 9.26	(2.8)%	\$ 49,478	0.92%	0.89%	0.89%	472%
2007	10.33	0.12	0.24	0.36	(0.16)	(0.74)	(0.90)	0.00(d)	9.79	3.5	6,946	1.74(f)	0.89(f)	0.92(f)	204

† 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. 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 439%, 394%, 302%, and 268%, respectively.

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

(b) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits, the expense ratios for the years ended December 31, 2008, 2007, 2006 and 2005 would have been 0.63%, 0.63%, 0.62%, and 0.62%, respectively, for Class AAA. The expense ratios for the year ended December 31, 2008 and the period ended December 31, 2007 would have been 0.88% and 0.89%, respectively, for the Advisor Class.

(c) The Fund incurred interest expense during the years ended December 31, 2007 and 2006. If interest expense had not been incurred, the ratio of operating expenses to average net assets would have been 0.63% and 0.61% for Class AAA, and 0.88% for the period ended December 31, 2007 for the Advisor Class. For the year ended December 31, 2008, the effect of interest expense was minimal.

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

(e) Advisor Class Shares were initially offered on May 1, 2007.

(f) Annualized.

See accompanying notes to financial statements.

The Gabelli ABC Fund

Notes to Financial Statements

1. Organization. The Gabelli ABC Fund (the “Fund”), a series of Gabelli Investor Funds, Inc. (the “Corporation”), was organized on October 30, 1992 as a Maryland corporation. The Fund is a non-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 to achieve total returns that are attractive to investors in various market conditions without excessive risk of capital loss. The Fund commenced investment operations on May 14, 1993. On February 21, 2007, the Board of Directors (the “Board”) reclassified the Fund’s shares into Class AAA Shares and Advisor Class Shares and reallocated the authorized shares evenly between these Share Classes. Advisor Class Shares were first issued on May 1, 2007.

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 so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the “Adviser”).

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

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

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

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

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

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

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

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value) Assets</u>	<u>Other Financial Instruments (Unrealized Depreciation)* Liabilities</u>
Level 1 – Quoted Prices	\$103,371,693	—
Level 2 – Other Significant Observable Inputs	55,348,567	\$(127)
Level 3 – Significant Unobservable Inputs	78,465	—
Total	<u>\$158,798,725</u>	<u>\$(127)</u>

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

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

	<u>Investments in Securities (Market Value)</u>
Balance as of 12/31/07	\$517,019
Accrued discounts/(premiums)	60,029
Realized gain/(loss)	—
Change in unrealized appreciation/(depreciation)†	10,793
Net purchases/(sales)	(507,126)
Transfers in and/or out of Level 3	(2,250)
Balance as of 12/31/08	<u>\$ 78,465</u>
Net change in unrealized appreciation/(depreciation) during the period on Level 3 investments held at 12/31/08†	<u>\$ (4,238)</u>

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

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

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time,

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

thereby determining the yield during the Fund's holding period. It is the policy of the Fund to always receive and maintain securities as collateral whose market value, including accrued interest, are at least equal to 102% of the dollar amount invested by the Fund in each agreement. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At December 31, 2008, there were no open repurchase agreements.

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

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

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

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

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Depreciation</u>
\$30,857 (2,000 Shares)	Market Value Appreciation on: Xstrata plc	Overnight LIBOR plus 40 bps plus Market Value Depreciation on: Xstrata plc	02/17/09	\$(127)

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

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

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

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

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

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund’s portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. At December 31, 2008, there were no open forward foreign exchange contracts.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/(loss) on investments.

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

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

Restricted and Illiquid Securities. The Fund may invest up to 15% of its net assets in securities for which the markets are illiquid. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity.

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

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

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

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as “custodian fee credits.” When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in “interest expense” in the Statement of Operations.

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on the NAV of the Fund, including the Fund’s use of the tax accounting practice known as equalization, the utilization of earnings and profits distributed to shareholders on redemption of shares as part of the dividends-paid deduction for federal income tax purposes. For the year ended December 31, 2008, reclassifications were made to decrease accumulated net investment income by \$780,856 and to increase accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions by \$1,036,276, with an offsetting adjustment to paid-in capital.

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

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Distributions paid from:		
Ordinary income (inclusive of short-term capital gains) . . .	\$4,758,838	\$12,197,421
Net long-term capital gains	—	3,661,544
Total distributions paid	<u>\$4,758,838</u>	<u>\$15,858,965</u>

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

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

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

Undistributed ordinary income (inclusive of short-term capital gains)	\$ 239,159
Net unrealized depreciation on investments and foreign currency translations	(14,289,439)
Total	<u>\$(14,050,280)</u>

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

The following summarizes the tax cost of investments, swap contracts, 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	\$173,088,071	\$2,242,143	\$(16,531,489)	\$(14,289,346)
Swap contacts	—	—	(127)	(127)
	<u>\$173,088,071</u>	<u>\$2,242,143</u>	<u>\$(16,531,616)</u>	<u>\$(14,289,473)</u>

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 entered into an investment advisory agreement (the “Advisory Agreement”) with the Adviser which provides that the Fund will pay the Adviser a fee, computed daily and paid monthly, at the annual rate of 0.50% 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 Directors of the Fund who are affiliated persons of the Adviser.

The Fund pays each Director who is not considered to be an affiliated person an annual retainer of \$1,000 plus \$250 for each Board meeting attended and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$250 per meeting attended and the Chairman of the Audit Committee and the Lead Director each receives a \$1,000 annual fee. Directors 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 the Advisor Class 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 Advisor Class Share Plan, payment is authorized to Gabelli & Company at an annual rate of 0.25% of the average daily net assets of the Advisor Class Shares, the annual limitation under the 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 \$537,389,344 and \$511,643,074, respectively.

Purchases and proceeds from the sales of U.S. Government obligations during 2008, other than short-term obligations, aggregated \$19,170,112 and \$19,430,736, respectively.

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

6. Transactions with Affiliates. During 2008, the Fund paid brokerage commissions on security trades of \$230,614 to Gabelli & Company.

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. Capital Stock. The Fund offers Class AAA Shares and Advisor Class Shares to investors without a front-end sales charge. Class AAA Shares are available directly through the distributor or through the Fund's transfer agent. Advisor Class Shares are available through registered broker-dealers or other financial intermediaries that have entered into appropriate selling agreements with the distributor.

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 \$714 and \$85, respectively.

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

Transactions in shares of capital stock were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
	Class AAA		Class AAA	
Shares sold	6,319,768	\$ 61,917,062	6,893,007	\$ 69,660,885
Shares issued upon reinvestment of distributions	382,948	3,492,478	1,129,451	11,068,623
Shares redeemed	(10,716,067)	(101,530,713)	(5,508,625)	(57,975,485)
Net increase/(decrease)	<u>(4,013,351)</u>	<u>\$ (36,121,173)</u>	<u>2,513,833</u>	<u>\$ 22,754,023</u>
	Advisor Class		Advisor Class*	
Shares sold	6,231,694	\$ 59,475,901	841,078	\$ 8,859,863
Shares issued upon reinvestment of distributions	84,013	764,517	57,999	568,384
Shares redeemed	(1,682,245)	(16,022,921)	(189,943)	(1,973,926)
Net increase	<u>4,633,462</u>	<u>\$ 44,217,497</u>	<u>709,134</u>	<u>\$ 7,454,321</u>

*The Advisor Class Shares were initially offered on May 1, 2007.

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

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

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

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

The Gabelli ABC Fund

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Gabelli Investor Funds, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Gabelli ABC Fund (the "Fund"), a series of Gabelli Investor Funds, Inc., as of December 31, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2008, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Gabelli ABC Fund, a series of Gabelli Investor Funds, Inc., at December 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Philadelphia, Pennsylvania
February 24, 2009

The Gabelli ABC Fund

Additional Fund Information (Unaudited)

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

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Number of Funds in Fund Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director⁴</u>
<u>INTERESTED DIRECTORS³:</u>				
Mario J. Gabelli Director and Chief Investment Officer Age: 66	Since 1993	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)
<u>INDEPENDENT DIRECTORS⁵:</u>				
Anthony J. Colavita Director Age: 73	Since 1993	36	Partner in the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Director Age: 65	Since 1993	16	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics)
Mary E. Hauck Director Age: 66	Since 2000	3	Retired Senior Manager of the Gabelli O'Connor Fixed Income Mutual Funds Management Company	—
Werner J. Roeder, MD Director Age: 68	Since 1993	22	Medical Director of Lawrence Hospital and practicing private physician	—

The Gabelli ABC Fund

Additional Fund Information (Continued) (Unaudited)

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

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

² Each Director 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 Director and until the election and qualification of his or her successor, if any, elected at such meeting, or (ii) the date a Director resigns or retires, or a Director is removed by the Board of Directors or shareholders, in accordance with the Corporation's By-Laws and Articles of Incorporation. Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

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

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

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

2008 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2008, the Fund paid to shareholders an ordinary income distribution (comprised of net investment income and short-term capital gains) totaling \$0.263 and \$0.233 per share for Class AAA and Advisor Class, respectively. For the year ended December 31, 2008, 20.91% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 22.34% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 26.18% of the ordinary income distribution as qualified interest income, and 64.70% of the ordinary income distribution as qualified short-term gain, pursuant to the American Jobs Creation Act of 2004.

U.S. Government Income:

The percentage of the ordinary income distribution paid by the Fund during 2008 which was derived from U.S. Treasury securities was 23.36%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli ABC Fund did not meet this strict requirement in 2008. The percentage of net assets of U.S. Government securities held as of December 31, 2008 was 30.09%. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

The Gabelli ABC Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

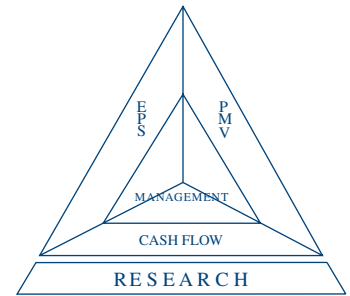
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

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



Board of Directors

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

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

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

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

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

Officers

Bruce N. Alpert
President and Secretary

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
Treasurer

Distributor

Gabelli & Company, Inc.

Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

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

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The Gabelli ABC Fund

**ANNUAL REPORT
DECEMBER 31, 2008**