

# The Gabelli Small Cap Growth Fund

## Shareholder Commentary September 30, 2008

### To Our Shareholders,

For the third quarter of 2008, the net asset value (“NAV”) per share of The Gabelli Small Cap Growth Fund fell 2.93% versus a decline of 1.11% for the Russell 2000 Index. The Fund’s annualized total returns for the since inception, fifteen year, ten year, five year, one year, and year to date periods are 13.45%, 11.22%, 11.20%, 10.82%, (13.98)%, and (11.65)%, respectively.

### COMMENTARY

#### The Economy

The events of the last quarter were extraordinary. In a matter of months, an old fashioned banking panic has led to the failures of Lehman Brothers and Washington Mutual, forced marriages upon Merrill Lynch and Wachovia, and resulted in the nationalizations of Freddie Mac and Fannie Mae and a large government investment in AIG. Having sought the shelter of commercial banking charters, the last two major investment banks on Wall Street, Morgan Stanley and Goldman Sachs, no longer exist as such.

We have documented how we arrived at this point in previous letters. Writing in the midst of the Great Depression, economist John Maynard Keynes posited several theories about how the world arrived at that particular predicament. Two of his concepts are especially relevant today. The first, known as “liquidity preference,” underpins the present seizure in the credit markets. As the risks in the economy become greater, holders of money demand too high a premium to deploy those cash holdings, i.e., they prefer safe, liquid assets such as U.S. Treasuries. Banks fail to lend and consumers fail to consume or invest. At the same time, what Keynes termed the “animal spirits” go into survival mode. What was overinvestment in good times becomes underinvestment in bad. Risk capital is liquidated in what can become a vicious downward cycle. Unfortunately, these two effects, operating through a variety of more tangible mechanisms, have already had a detrimental effect on the real economy.

#### Comparative Results

##### Average Annual Returns through September 30, 2008 (a)(b)

	Quarter	Year to Date	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception (10/22/91)
<b>Gabelli Small Cap Growth Fund Class AAA</b>	<b>(2.93)%</b>	<b>(11.65)%</b>	<b>(13.98)%</b>	<b>4.53%</b>	<b>10.82%</b>	<b>11.20%</b>	<b>11.22%</b>	<b>13.45%</b>
Russell 2000 Index	(1.11)	(10.38)	(14.48)	1.83	8.15	7.81	8.23	9.62
Value Line Composite Index	(4.32)	(19.50)	(19.32)	0.51	7.54	9.28	10.31	11.19

**The expense ratio is 1.43% for the Fund’s Class AAA Shares. Class AAA Shares do not have a sales charge.**

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** See page 7 for performance of other classes of shares. Investing in small capitalization securities involves special challenges because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 and Value Line Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested. You cannot invest directly in an index.

(b) The Fund’s fiscal year ends September 30.

**THE GABELLI SMALL CAP GROWTH FUND INVESTMENT RESULTS (CLASS AAA SHARES) (a)(c)**

		Calendar Quarter				Year
		1st	2nd	3rd	4th	
2008:	Net Asset Value	\$29.55	\$29.05	\$28.20	—	—
	Total Return	(7.4)%	(1.7)%	(2.9)%	—	—
2007:	Net Asset Value	\$32.51	\$34.65	\$34.37	\$31.92	\$31.92
	Total Return	4.2%	6.6%	(0.8)%	2.6%	7.3%
2006:	Net Asset Value	\$31.14	\$30.32	\$30.40	\$31.20	\$31.20
	Total Return	10.2%	(2.6)%	0.3%	10.7%	19.2%
2005:	Net Asset Value	\$28.08	\$29.02	\$29.97	\$28.25	\$28.25
	Total Return	(1.9)%	3.4%	3.3%	1.1%	5.9%
2004:	Net Asset Value	\$25.76	\$26.53	\$25.88	\$28.62	\$28.62
	Total Return	5.2%	3.0%	(2.5)%	15.2%	21.7%
2003:	Net Asset Value	\$17.02	\$20.13	\$21.48	\$24.49	\$24.49
	Total Return	(5.1)%	18.3%	6.7%	14.8%	37.6%
2002:	Net Asset Value	\$20.92	\$20.24	\$17.04	\$17.93	\$17.93
	Total Return	8.9%	(3.3)%	(15.8)%	6.7%	(5.3)%
2001:	Net Asset Value	\$18.45	\$20.43	\$17.13	\$19.21	\$19.21
	Total Return	(1.4)%	10.7%	(16.2)%	14.3%	4.7%
2000:	Net Asset Value	\$22.24	\$22.77	\$23.60	\$18.71	\$18.71
	Total Return	3.8%	2.4%	3.6%	1.1%	11.3%
1999:	Net Asset Value	\$19.59	\$22.94	\$21.84	\$21.43	\$21.43
	Total Return	(6.8)%	17.1%	(4.8)%	9.9%	14.2%
1998:	Net Asset Value	\$23.93	\$23.59	\$18.81	\$21.01	\$21.01
	Total Return	10.9%	(1.4)%	(20.3)%	14.7%	0.0%
1997:	Net Asset Value	\$19.11	\$22.23	\$25.42	\$21.58	\$21.58
	Total Return	3.1%	16.3%	14.7%	(0.8)%	36.5%
1996:	Net Asset Value	\$19.65	\$20.68	\$20.02	\$18.53	\$18.53
	Total Return	6.2%	5.2%	(3.2)%	3.4%	11.9%
1995:	Net Asset Value	\$17.03	\$17.88	\$19.34	\$18.50	\$18.50
	Total Return	7.4%	5.0%	8.2%	2.6%	25.2%
1994:	Net Asset Value	\$16.76	\$16.33	\$17.24	\$15.85	\$15.85
	Total Return	(3.6)%	(2.6)%	5.6%	(2.1)%	(2.9)%
1993:	Net Asset Value	\$15.46	\$15.74	\$16.90	\$17.38	\$17.38
	Total Return	6.6%	1.8%	7.4%	5.3%	22.8%
1992:	Net Asset Value	\$13.42	\$13.41	\$13.10	\$14.50	\$14.50
	Total Return	9.9%	(0.1)%	(2.3)%	12.1%	20.3%
1991:	Net Asset Value	—	—	—	\$12.21	\$12.21
	Total Return	—	—	—	22.9%(b)	22.9%(b)

Average Annual Returns – September 30, 2008 (a)	
1 Year	(13.98)%
5 Year	10.82
10 Year	11.20
Life of Fund (b)	13.45
<b>The Fund's expense ratio is 1.43% (Class AAA Shares).</b>	

- (a) Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Of course, returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** Investing in small capitalization securities involves special challenges because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. See page 7 for performance of other share classes.
- (b) From commencement of investment operations on October 22, 1991.
- (c) The Fund's fiscal year ends September 30.

During the Panic of 1907, J.P. Morgan gathered the leaders of the day into a room to solve the problem. In 1913 the newly formed U.S. Federal Reserve was initiated to provide a central source of liquidity to the banking system as a whole. Today's crisis is global, so the world needs a Global Federal Reserve. This is happening now through multinational government and regulatory cooperation.

Fortunately, as if part of a B movie script, Federal Reserve Chairman, Ben Bernanke, has been preparing his entire life for these events. A self avowed "Great Depression buff", much of Bernanke's early contributions to the field of economics dealt with the impact that banking panics have on consumer demand and business investment. As a result, he and U.S. Treasury Secretary, Hank Paulson, have taken aggressive steps to unfreeze credit and restore consumer, business, and investor confidence. Notably, the Treasury is using the powers granted to it under the Troubled Asset Relief Program (aka the TARP) to inject \$250 billion directly into banks and will soon move to clear toxic debt instruments from bank balance sheets. For its part, the Federal Reserve has used a variety of tools to expand the money supply. We expect additional fiscal stimulus for the consumer and more monetary easing in 2009. These efforts will undoubtedly lead to serious policy questions and possibly renewed inflation in the future. For now, however, the focus is on saving the patient's life before turning to his rehabilitation. Confidence in the financial markets needs to be restored quickly and the structure to do so is now in place.

### **Deals... Deals... And More Deals**

Despite the credit squeeze and equity market swoon, global announced merger and acquisition ("M&A") volume in the third quarter actually rose 1% to \$968 billion, with U.S. volume up 27% to \$368 billion. Much of this volume came from bank mergers, though a number of strategic buyers took advantage of the uncertain financial situation to improve their market positions. Among the larger transactions announced during the quarter were Roche Holdings' acquisition of Genentech, Dow Chemical's purchase of Rohm & Haas, and Altria's acquisition of UST. Also in this category was Waste Management, which made an unsolicited offer for rival Republic Services (0.8% of net assets as of September 30, 2008) in an attempt to break up Republic's own acquisition of Allied Waste. Waste Management has since withdrawn its offer. Tight credit markets and economic turmoil should dampen M&A activity for the remainder of the year, but we expect strategic deals to return along with more normalcy in the capital markets.

### **Investment Scorecard**

Furmanite Corporation (0.3%), which provides specialty industrial services for highly pressurized piping systems and vessels to the oil and gas, power generation, and other heavy industries, increased 27% in the quarter. Zep's (0.8%) stock price climbed throughout the third quarter as investors, concerned over credit market turbulence and escalating economic pressures, searched for safety. Herley Industries (0.3%), a leading manufacturer of microwave components, subassemblies, amplifiers, transmitters, receivers, and other devices to the aerospace and defense markets, increased on news that it engaged Jeffries Quarterdeck as its financial adviser to assist the company in exploring strategic alternatives that include the sale of the enterprise. Cablevision (1.2%) rose as management re-engaged with investors and expressed its intention to increase returns directly to shareholders through buybacks and dividends, possibly funded by the sale of one or more assets. As a first step, Cablevision initiated a dividend of \$0.40 per year. The stock has been weak in the fourth quarter to date, as investors expect the tight credit environment will make it difficult for Cablevision to execute those asset sales.

Our Fund was not without disappointments. Standard Motor Products (0.2%), an automotive parts supplier, declined due to plant relocation costs and competition from Chinese firms, which led the company to reduce prices. Ampco-Pittsburgh Corp. (0.3%), a maker of forged and cast steel rolls declined as the quarter was not kind to metals and mining stocks, amid concerns about credit market conditions and a souring global economy, and orders in the company fell in the air handling business due to the slowdown in commercial

construction. Flowserve Corp (1.2%), a top positive contributor in 2007, was down 35% in the quarter on macroeconomic concerns. We believe infrastructure spending around the world will remain robust through the cycle, leaving Flowserve well positioned.

## **Let's Talk Stocks**

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the percentage of net assets and their share prices stated in U.S. dollar equivalent terms are presented as of September 30, 2008.

*Circor International Inc. (1.0% of net assets as of September 30, 2008) (CIR - \$43.43 - NYSE)* is the largest manufacturer of domestic regulators and marine products for the steam market, the second largest provider of domestic ball valves, and the third largest maker of industrial valves and fittings for the instrumentation market. Major competitors of CIRCOR's products include Parker Hannifin, Eaton, Moog, and Cooper Cameron. Since CIRCOR was spun-off from Watts Water Technologies in 1999, CIR has continued to be an attractive company in a consolidating industry. We believe the rationale for the spin-off was for management to pursue its own strategy, which includes acquisitions or a possible merger with another company.

*Clarcor Inc. (1.4%) (CLC - \$37.95 - NYSE)*, based in Franklin, Tennessee, is a diversified marketer and manufacturer of mobile, industrial, and environmental filtration products and consumer and industrial packaging products sold in domestic and international markets. CLC has a very strong balance sheet, strong and consistent cash flows, and operates in the filtration aftermarket where the effect of inflationary and economic cycles is usually muted. In addition, Clarcor has been able to raise its product prices to offset rising commodity prices. For the third quarter of 2008, its net sales increased by 16% and operating profit increased by 18% compared with the same quarter in 2007. Earnings before income taxes were 14% higher than in the third quarter of 2007. Operating margins also improved compared to last year's third quarter.

*Flowers Foods Inc. (0.8%) (FLO - \$29.36 - NYSE)* produces a wide array of fresh and frozen bakery goods, including breads, rolls, and snack cakes, which are distributed through retail, foodservice and vending end channels. Despite only reaching about half of the U.S. population, Flowers' *Nature's Own* brand is the number one selling soft variety bread in the U.S. The company also produces and distributes snack cakes and frozen bread on a national basis. In August 2008, FLO closed on two acquisitions, ButterKrust in Florida and Holsum in Arizona, which added approximately \$220 million of annual sales. ButterKrust added production capacity in Florida, which will leverage its existing direct store delivery system, while Holsum will support Flowers' growth in the Southwest, as it expands into Arizona, Nevada, and Southern California.

*Hercules Inc. (1.0%) (HPC - \$19.79 - NYSE)*, based in Wilmington, Delaware, is a global producer of performance and treatment products, as well as water and solvent soluble polymers. On July 11, 2008, Ashland announced that it would acquire Hercules for \$18.60 per share in cash and 0.093 shares of Ashland common stock. At the time of the offer, the transaction valued Hercules at \$22.42 per share, a 34.6% premium to its July 10 closing price. The stock has since declined due to credit market turmoil and now trades at over a 35% discount to the offer. We believe the deal will close and that shareholders will realize a significant gain.

*Intermec, Inc. (0.6%) (IN - \$19.64 - NYSE)*, formerly known as Unova, Inc., designs and manufactures supply chain management technology. The company is a world leader in radio frequency identification technology (RFID) products. RFID is being used by Wal-Mart and the U.S. Department of Defense, among others, to track goods wirelessly, thereby improving inventory management, reducing theft, and cutting the cost of bar code scanning. Intermec not only makes a full line of RFID products, it also owns many key RFID patents. By striking agreements with most of its competitors to collect royalty revenue on every piece of RFID equipment sold, we think Intermec is well positioned to benefit from the rise of this exciting technology over the next several years.

*Kaman Corp. (1.2%) (KAMN - \$28.48 - Nasdaq)* is a Bloomfield, Connecticut based industrial distribution and aerospace company. Kaman continues to pursue its strategy of building scale in each of its core businesses. The recently announced acquisition of a small industrial distribution company (\$13 million in annual revenue) in Puerto Rico demonstrates Kaman's methodical approach to building scale and pursuing a national account strategy in its distribution business. As valuations in the Aerospace sector continue to moderate, we would expect to see similar bolt-on acquisitions in the Aerospace portfolio. Kaman's efforts to remarket its fleet of Seasprite helicopters went into full swing during the third quarter with a display at the Black Sea Defense and Aerospace Exposition in Bucharest, Romania. We look for a successful sale of the fleet of helicopters as a potential catalyst for the stock.

*O'Reilly Automotive Inc. (1.3%) (ORLY - \$26.77 - Nasdaq)* is a leading automotive parts retailer serving both the DIY (Do-It-Yourself) and DIFM (Do-It-For-Me) markets. The company is primarily focused on selling automotive hard parts (e.g. water pumps, alternators, etc.) which are non-discretionary automotive items. The company's product mix is split between 80% hard parts and 20% discretionary items. On July 11, 2008, O'Reilly acquired CSK Auto which added 1,350 stores to its current footprint. ORLY purchased CSK Auto (CAO) for approximately \$1 billion, or \$12 per share. Each share of CAO was exchanged for 0.4285 shares of ORLY stock plus \$1 in cash. Including the acquisition of CAO, the company owns approximately 3,200 stores across the United States. Along with accelerated top line growth, O'Reilly should realize \$100 million in synergies, resulting from increased purchasing power, which will help drive earnings growth from 10% to 14% CAGR over the next five years. Applying a 10x EBITDA multiple, we believe the ORLY stock is worth \$48 per share.

*RPC Inc. (1.3%) (RES - \$14.06 - NYSE)* is headquartered in Atlanta and provides oilfield services and equipment to independent and major oilfield companies primarily in the Gulf of Mexico, Mid-Continent, Southwest, and Rocky Mountain regions. The company operates in two segments, Technical Services and Support Services. The Technical Services segment consists primarily of pressure pumping, snubbing, coiled tubing, nitrogen, well control, down-hole tools, wire line, fluid pumping, and casing installation services. The Support Services segment includes the company's oil and gas service lines that primarily provide equipment for customer use or services to assist their operations. In recent years, the company has increased its pressure pumping capacity, and now generates roughly one-third of its revenues from pressure pumping. We expect the company to generate about \$750 million in revenues, \$195 in EBITDA, and \$0.55 earnings per share in 2008.

## **Conclusion**

The U.S. economic stage is set for a severe recession – perhaps the sharpest since 1973-75. Pain will be widespread as world growth slows. It will take time to restore solvency to the banking system and to heal consumer balance sheets and confidence. It has happened before – we have survived two world wars, a Great Depression, and a host of other calamities. Absent serious policy mistakes, the dynamism of the American economy will again carry the day.

A recovery in stocks will likely come long before a recovery in the economy as the market catches a glimpse of the light at the end of the tunnel. It is difficult to see that light at the moment. But, we do not call bottoms – we pick stocks. In these difficult times, we view it as important as ever to stick to our proven process for finding extraordinary stock values. In these markets, vigilance is a must. Patience is paramount. Better days shall return.

Sincerely,



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

October 17, 2008

**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 Small Cap Growth Fund, Mr. Gabelli received \$2,696,493 in calendar year 2007. In the Fund's first twelve months of operation starting in October 1991, Mr. Gabelli received less than \$120,000. As beneficial owner, he had \$4,984,382 invested in the Gabelli Small Cap Growth Fund as of September 30, 2008, which includes the holdings of GBL and GGCP, Inc., GBL's parent holding company.

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

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

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

Please visit us on the Internet. Our homepage at [www.gabelli.com](http://www.gabelli.com) contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news.

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

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

### **e-delivery**

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

## Multi-Class Shares

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

### Gabelli Small Cap Growth Fund Average Annual Returns – September 30, 2008 (a)(b)

	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year .....	(13.98)%	(14.04)% (18.99)(c)	(14.60)% (18.87)(d)	(14.63)% (15.48)(e)	(13.83)%
5 Year .....	10.82	10.80 9.49(c)	10.04 9.77(d)	10.04 10.04	10.85
10 Year .....	11.20	11.20 10.54(c)	10.82 10.82	10.81 10.81	11.22
Life of Fund (f) .....	13.45	13.45 13.06(c)	13.22 13.22	13.22 13.22	13.47
<b>Current Expense Ratio ..</b>	<b>1.43</b>	<b>1.44</b>	<b>2.18</b>	<b>2.18</b>	<b>1.18</b>
<b>Maximum Sales Charge ..</b>	<b>None</b>	<b>5.75</b>	<b>5.00</b>	<b>1.00</b>	<b>None</b>

- (a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** The Class AAA Shares' net asset values ("NAV") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance for the Class B Shares and Class C Shares would have been lower and Class I Shares would have been higher due to the differences in expenses associated with these classes of shares. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities.
- (b) The Fund's fiscal year ends September 30.
- (c) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.
- (d) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the one year and five year periods of 5% and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.
- (e) Performance results include the deferred sales charge for the Class C Shares upon redemption at the end of the one year period of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.
- (f) Performance is calculated from inception of Class AAA Shares on October 22, 1991.

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

Gabelli Equity Series Funds, Inc.  
**The Gabelli Small Cap Growth Fund**

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**800-GABELLI**

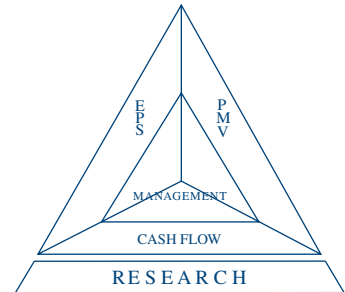
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Net Asset Value per share available daily by calling  
**800-GABELLI** after 6:00 P.M.



**Board of Directors**

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*Attorney-at-Law  
Morrissey, Hawkins & Lynch*

Anthony J. Colavita  
*Attorney-at-Law  
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*Certified Public Accountant,  
Professor Emeritus  
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Vincent D. Enright  
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and Chief Financial Officer  
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*Chairman  
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*Senior Vice President  
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Zizza & Co., Ltd.*

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*President and Secretary*

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*Treasurer*

Peter D. Goldstein  
*Chief Compliance Officer*

**Distributor**

Gabelli & Company, Inc.

**Custodian, Transfer Agent, and Dividend Agent**

State Street Bank and Trust Company

**Legal Counsel**

Skadden, Arps, Slate, Meagher & Flom LLP

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

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# The Gabelli Small Cap Growth Fund

SHAREHOLDER COMMENTARY  
SEPTEMBER 30, 2008

# The Gabelli Small Cap Growth Fund

## Annual Report (a) September 30, 2008

### To Our Shareholders,

During the three months ended September 30, 2008, The Gabelli Small Cap Growth Fund (the "Fund") declined 2.93%, while the Russell 2000 Index declined 1.11% and the Value Line Composite Index was down 4.32%. The Fund declined 11.65% year to date through September 30th, compared to declines for the Russell 2000 Index and Value Line Composite Index of 10.38% and 19.50%, respectively.

Enclosed are the investment portfolio and financial statements as of September 30, 2008.

### Comparative Results

#### Average Annual Returns through September 30, 2008 (a)(b)

	Quarter	Year to Date	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception (10/22/91)
<b>Gabelli Small Cap Growth Fund Class AAA</b> .....	<b>(2.93)%</b>	<b>(11.65)%</b>	<b>(13.98)%</b>	<b>4.53%</b>	<b>10.82%</b>	<b>11.20%</b>	<b>11.22%</b>	<b>13.45%</b>
Russell 2000 Index .....	(1.11)	(10.38)	(14.48)	1.83	8.15	7.81	8.23	9.62
Value Line Composite Index .....	(4.32)	(19.50)	(19.32)	0.51	7.54	9.28	10.31	11.19
Class A .....	(2.99)	(11.72)	(14.04)	4.49	10.80	11.20	11.21	13.45
	(8.57)(c)	(16.79)(c)	(18.99)(c)	2.45(c)	9.49(c)	10.54(c)	10.78(c)	13.06(c)
Class B .....	(3.08)	(12.13)	(14.60)	3.76	10.04	10.82	10.96	13.22
	(7.92)(d)	(16.52)(d)	(18.87)(d)	2.82(d)	9.77(d)	10.82	10.96	13.22
Class C .....	(3.11)	(12.13)	(14.63)	3.75	10.04	10.81	10.96	13.22
	(4.08)(e)	(13.01)(e)	(15.48)(e)	3.75	10.04	10.81	10.96	13.22
Class I .....	(2.85)	(11.50)	(13.83)	4.59	10.85	11.22	11.23	13.47

**In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.44%, 1.44%, 2.18%, 2.18%, and 1.18%, respectively. Class AAA and I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.**

(a) The Fund's fiscal year ends September 30.

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

The Class AAA Shares' net asset values ("NAV's") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance for the Class B Shares and Class C Shares would have been lower and Class I Shares would have been higher due to the differences in expenses associated with these classes of shares. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 Index of small U.S. companies and the Value Line Composite Index (composed of equally weighted positions in every stock covered in the Value Line Investment Survey) are unmanaged indicators of stock market performance. Dividends are considered reinvested. You cannot invest directly in an index.

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

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

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

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

## Performance Discussion

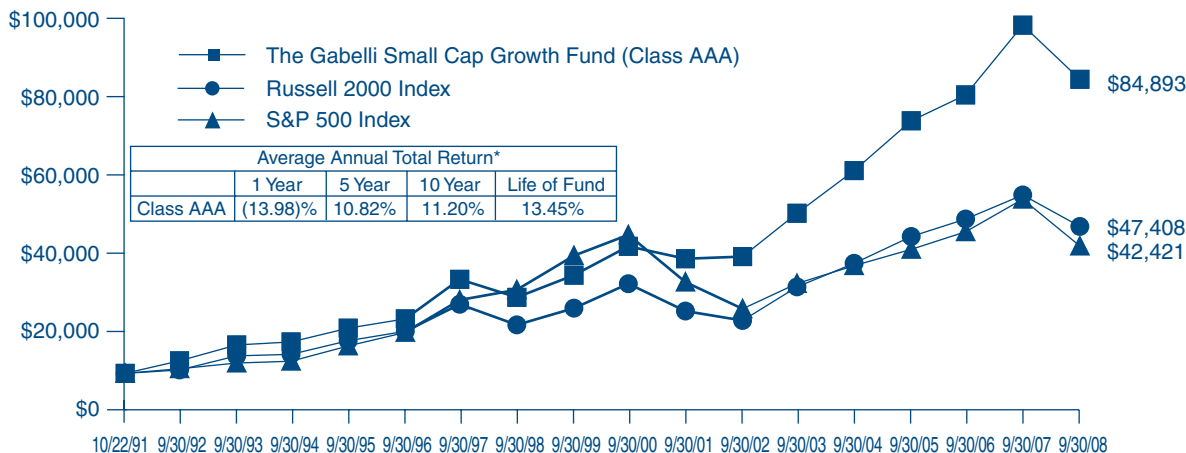
During the twelve months ended September 30, the Fund's Class AAA Shares declined 13.98%, versus a decrease of 14.48% in the Russell 2000 Index.

Four of the Fund's top five contributing holdings during the fiscal year ended September 30, 2008 benefited from continued global investment in water and energy infrastructure. This included Gorman-Rupp Co. (1.1% of net assets as of September 30, 2008), a pump company which rose 42%, Lufkin Industries (0.8%) a manufacturer of oilfield pumping units, transmission equipment and truck trailers which rose 44%, and Lindsay Corp. (0.2%), a maker of irrigation equipment, which soared 66%. It was also another strong year for Flowserve Corp. (1.2%), which provides pumps, valves and seals for industrial flow management.

The Fund also benefited from several announced acquisitions including, the acquisition of Alpha Pharma Inc. (2.1%) by rival King Pharmaceuticals, the acquisition of Gehl Co. (0.2%) by French construction equipment manufacturer Manitou BF, and the acquisition of Enodis plc (0.1%), a kitchen equipment maker by Manitowoc.

A variety of factors, including the emerging global slowdown, negatively impacted a number of holdings including aerospace equipment company Precision Castparts (0.6%), Thomas & Betts (1.0%), Advanced Medical Optics (0.7%), and Vimpel Communications (1.3%). Long-time holding Cablevision Systems (1.2%) declined sharply as concerns rose that shareholders would reject the controlling Dolan family's privatization offer, which they ultimately did. The Fund did benefit from being traditionally underweight in financials as no companies from that sector appeared among the Fund's bottom twenty detractors from performance.

### COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI SMALL CAP GROWTH FUND CLASS AAA, THE RUSSELL 2000 INDEX, 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.

## The Gabelli Small Cap Growth Fund Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from April 1, 2008 through September 30, 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 September 30, 2008.

	Beginning Account Value 04/01/08	Ending Account Value 09/30/08	Annualized Expense Ratio	Expenses Paid During Period*
<b>The Gabelli Small Cap Growth Fund</b>				
<b>Actual Fund Return</b>				
Class AAA	\$1,000.00	\$ 954.30	1.45%	\$ 7.08
Class A	\$1,000.00	\$ 953.60	1.45%	\$ 7.08
Class B	\$1,000.00	\$ 950.90	2.20%	\$10.73
Class C	\$1,000.00	\$ 950.90	2.20%	\$10.73
Class I	\$1,000.00	\$ 955.70	1.20%	\$ 5.87
<b>Hypothetical 5% Return</b>				
Class AAA	\$1,000.00	\$1,017.75	1.45%	\$ 7.31
Class A	\$1,000.00	\$1,017.75	1.45%	\$ 7.31
Class B	\$1,000.00	\$1,014.00	2.20%	\$11.08
Class C	\$1,000.00	\$1,014.00	2.20%	\$11.08
Class I	\$1,000.00	\$1,019.00	1.20%	\$ 6.06

\* 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 net assets as of September 30, 2008:

### The Gabelli Small Cap Growth Fund

U.S. Government Obligations	12.8%	Publishing	1.1%
Equipment and Supplies	12.2%	Manufactured Housing and Recreational Vehicles	1.0%
Health Care	10.6%	Environmental Services	1.0%
Food and Beverage	8.0%	Real Estate	0.9%
Diversified Industrial	7.0%	Consumer Services	0.9%
Energy and Utilities	5.8%	Transportation	0.7%
Specialty Chemicals	5.1%	Computer Software and Services	0.7%
Financial Services	4.8%	Broadcasting	0.6%
Business Services	4.1%	Educational Services	0.6%
Automotive: Parts and Accessories	3.6%	Metals and Mining	0.5%
Aviation: Parts and Services	3.1%	Closed-End Funds	0.4%
Electronics	2.4%	Aerospace	0.3%
Retail	2.4%	Machinery	0.3%
Consumer Products	2.1%	Paper and Forest Products	0.1%
Cable	1.9%	Home Furnishings	0.1%
Hotels and Gaming	1.9%	Building and Construction	0.0%
Entertainment	1.8%	Agriculture	0.0%
Wireless Communications	1.4%	Automotive	0.0%
Communications Equipment	1.3%	Other Assets and Liabilities (Net)	(2.6)%
Telecommunications	1.1%		<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 June 30, 2008. Shareholders may obtain this information at [www.gabelli.com](http://www.gabelli.com) or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.*

### Proxy Voting

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

# The Gabelli Small Cap Growth Fund

## Schedule of Investments — September 30, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value	
<b>COMMON STOCKS — 89.7%</b>						
<b>Aerospace — 0.3%</b>						
210,000			500,000	The Fairchild Corp., Cl. A†	\$ 1,399,826	\$ 1,300,000
3,000			80,200	Woodward Governor Co. . . .	1,052,265	2,828,654
	\$ 3,323,577	\$ 3,591,000			17,479,394	32,300,020
			<b>Broadcasting — 0.6%</b>			
	45,809	16,380	170,000	Acme Communications Inc.†	1,004,921	161,500
	3,369,386	3,607,380	87,500	Beasley Broadcast Group Inc., Cl. A . . . . .	688,856	147,875
<b>Agriculture — 0.0%</b>			2,000	Cogeco Inc. . . . .	39,014	58,633
1,500	9,904	28,605	295,000	Crown Media Holdings Inc., Cl. A† . . . . .	1,848,397	1,483,850
3,500	74,541	238,070	3,333	CTN Media Group Inc.† (b)	16,800	3
	84,445	266,675	2,000	Global Traffic Network Inc.†	11,904	18,540
<b>Automotive — 0.0%</b>			2,433	Granite Broadcasting Corp.†	822,771	17,031
20,000	330,716	263,200	425,000	Gray Television Inc. . . . .	3,793,791	731,000
<b>Automotive: Parts and Accessories — 3.6%</b>			42,000	Gray Television Inc., Cl. A . .	449,886	144,900
3,816	47,013	90,592	48,000	Hearst-Argyle Television Inc.	425,523	1,071,840
1,000	106,336	105,585	120,000	Ideation Acquisition Corp.†	953,800	900,000
150,000	1,609,839	4,915,500	250	Liberty Media Corp. - Capital, Cl. A† . . . . .	2,516	3,345
50,000	293,827	209,500	15,000	Nexstar Broadcasting Group Inc., Cl. A† . . . . .	131,677	33,300
80,000	602,358	387,200	270,000	Salem Communications Corp., Cl. A† . . . . .	2,089,114	337,500
240,900	1,475,236	531,185	200,000	Sinclair Broadcast Group Inc., Cl. A . . . . .	2,184,852	1,008,000
82,000	2,287,087	861,000	406,000	Sirius XM Radio Inc.† . . . .	1,340,317	231,420
295,000	4,385,033	4,059,200	20,000	Spanish Broadcasting System Inc., Cl. A† . . . .	179,117	7,600
240,000	5,555,017	3,475,200	410,000	Young Broadcasting Inc., Cl. A†	825,612	21,525
11,812	52,857	272,385			16,808,868	6,377,862
500,545	13,760,422	13,399,590	<b>Building and Construction — 0.0%</b>			
145,000	773,989	108,750	25,000	Huttig Building Products Inc.†	90,165	52,250
10,000	5,190	3,200	25,000	Insituform Technologies Inc., Cl. A† . . . . .	464,647	374,001
96,300	656,841	340,902	1,000	Universal Forest Products Inc.	12,125	34,910
75,375	365,562	239,693			566,937	461,161
305,000	3,629,973	1,897,100	<b>Business Services — 4.1%</b>			
40,000	1,437,000	1,056,800	25,000	ACCO Brands Corp.† . . . . .	306,537	188,500
59,000	1,158,085	1,130,440	270,000	AMIGAS Inc.† . . . . .	1,115,416	648,000
130,037	2,730,949	1,382,293	36,000	Ascent Media Corp., Cl. A†	1,026,952	878,760
310,000	3,879,614	1,915,800	6,000	BB Holdings Ltd.† . . . . .	23,159	26,100
27,000	250,194	670,140	445,000	BPW Acquisition Corp.† . . .	4,444,372	4,053,950
30,000	245,542	192,300	5,000	BrandPartners Group Inc.†	4,850	250
	45,307,964	37,244,355	30,000	Clear Channel Outdoor Holdings Inc., Cl. A† . . . .	484,654	410,400
<b>Aviation: Parts and Services — 3.1%</b>			4,500	Cockleshell Ltd.† . . . . .	0	4,280
25,000	302,990	414,750	2,200	comScore Inc.† . . . . .	36,300	38,786
10,000	48,990	225,500	260,000	Diebold Inc. . . . .	9,806,890	8,608,600
14,000	119,438	283,080	440,000	Edgewater Technology Inc.†	2,381,405	2,138,400
150,000	2,799,277	6,817,500				
7,500	80,125	179,100				
30,000	508,773	810,300				
22,000	134,728	743,936				
300,000	3,082,950	2,022,000				
450,000	7,217,248	12,816,000				
90,000	732,784	3,859,200				

See accompanying notes to financial statements.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — September 30, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			<b>Computer Software and Services — 0.7%</b>		
<b>Business Services (Continued)</b>					
305,000	Furmanite Corp.† . . . . . \$ 1,187,539	\$ 3,153,700	30,000	Borland Software Corp.† . . . . . \$ 242,610	\$ 45,900
119,931	GP Strategies Corp.† . . . . . 992,735	911,476	97,500	FalconStor Software Inc.† . . . . . 696,671	522,600
35,589	GSE Systems Inc.† . . . . . 138,667	249,123	59,508	Global Sources Ltd.† . . . . . 834,258	599,246
500	GSI Commerce Inc.† . . . . . 8,649	7,740	25,000	Jupitermedia Corp.† . . . . . 78,050	29,000
2,400	Impellam Group plc† . . . . . 3,303	2,027	55,000	Mentor Graphics Corp.† . . . . . 825,909	624,250
60,000	Interactive Data Corp. . . . . 534,171	1,513,200	20,187	MKS Instruments Inc.† . . . . . 367,981	401,923
340,000	Intermec Inc.† . . . . . 6,961,851	6,677,600	22,000	NCR Corp.† . . . . . 576,899	485,100
13,000	Landauer Inc. . . . . 234,859	945,750	45,000	OpenTV Corp., Cl. A† . . . . . 235,263	63,450
4,000	MDC Partners Inc., Cl. A† . . . . . 12,360	26,880	6,000	Phoenix Technologies Ltd.† . . . . . 41,368	47,940
180,000	Nashua Corp.† . . . . . 1,732,579	1,445,400	215,000	Stamford Industrial Group Inc.† . . . . . 156,830	301,000
70,000	R. H. Donnelley Corp.† . . . . . 508,588	139,300	800,000	StorageNetworks Inc., Escrow† (b) . . . . . 0	24,000
1,000	Secure Computing Corp† . . . . . 5,589	5,480	295,000	Tyler Technologies Inc.† . . . . . 1,164,997	4,475,150
816	Shellproof Ltd.† . . . . . 806	791			5,220,836
600	Shellshock Ltd.† . . . . . 327	661			7,619,559
65,000	Sohgo Security Services Co. Ltd. . . . . 829,111	679,611	<b>Consumer Products — 2.1%</b>		
12,500	SP Acquisition Holdings Inc.† . . . . . 125,000	118,750	75,000	1-800-FLOWERS.COM Inc., Cl. A† . . . . . 701,203	451,500
17,800	Stamps.com Inc.† . . . . . 97,786	207,726	10,750	Adams Golf Inc.† . . . . . 98,198	48,697
6,000	StarTek Inc.† . . . . . 82,087	38,520	10,250	Alberto-Culver Co. . . . . 256,067	279,210
15,000	The Brink's Co. . . . . 517,587	915,300	17,000	Ashworth Inc.† . . . . . 73,345	57,120
950,000	The Interpublic Group of Companies Inc.† . . . . . 8,473,873	7,362,500	33,500	Chofu Seisakusho Co. Ltd. . . . . 484,644	652,014
165,000	Trans-Lux Corp.† (a) . . . . . 1,231,470	448,800	35,000	Church & Dwight Co. Inc. . . . . 337,711	2,173,150
24,050	TransAct Technologies Inc.† . . . . . 120,372	191,438	170,000	Coachmen Industries Inc.† . . . . . 934,408	280,500
140,000	ValueClick Inc.† . . . . . 2,899,391	1,432,200	29,500	Eastman Kodak Co. . . . . 420,841	453,710
		46,329,235	6,000	Elizabeth Arden Inc.† . . . . . 82,125	117,780
		43,469,999	95,071	Escada AG† . . . . . 2,587,464	1,101,508
<b>Cable — 1.9%</b>			2,000	Harley-Davidson Inc. . . . . 4,713	74,600
230,000	Adelphia Communications Corp., Cl. A† (b) . . . . . 29,650	0	215,000	Hartmarx Corp.† . . . . . 1,051,001	402,050
230,000	Adelphia Communications Corp., Cl. A, Escrow† (b) . . . . . 0	0	300,000	Marine Products Corp. . . . . 273,738	2,490,000
230,000	Adelphia Recovery Trust† . . . . . 0	460	28,000	National Presto Industries Inc. . . . . 866,278	2,086,000
500,000	Cablevision Systems Corp., Cl. A . . . . . 121,520	12,580,000	7,000	Revlon Inc., Cl. A† . . . . . 189,394	103,950
9,329	Liberty Global Inc., Cl. A† . . . . . 249,972	282,669	130,000	Sally Beauty Holdings Inc.† . . . . . 983,888	1,118,000
9,329	Liberty Global Inc., Cl. C† . . . . . 240,169	262,052	700,000	Schiff Nutrition International Inc.† . . . . . 1,877,976	4,781,000
340,000	LIN TV Corp., Cl. A† . . . . . 5,129,963	1,754,400	3,070	Steven Madden Ltd.† . . . . . 37,266	76,075
20,000	Outdoor Channel Holdings Inc.† . . . . . 172,352	176,000	30,000	Stewart Enterprises Inc., Cl. A . . . . . 197,988	235,800
200,000	The DIRECTV Group Inc.† . . . . . 5,164,212	5,234,000	121,000	Swedish Match AB . . . . . 2,546,384	2,097,114
		11,107,838	87,425	Syrtech Corp.† . . . . . 17,426	1,749
			16,000	The Scotts Miracle-Gro Co., Cl. A . . . . . 320,814	378,240
<b>Closed-End Funds — 0.4%</b>			17,000	WD-40 Co. . . . . 470,278	610,810
99,702	The Central Europe and Russia Fund Inc. . . . . 2,860,058	3,059,854	68,000	Wolverine World Wide Inc. . . . . 661,926	1,799,280
36,700	The European Equity Fund Inc.† . . . . . 386,832	264,240			15,475,076
54,000	The New Germany Fund Inc. . . . . 635,491	577,800	<b>Consumer Services — 0.9%</b>		
11,000	The Spain Fund Inc. . . . . 103,029	76,780	34,500	Bowlin Travel Centers Inc.† . . . . . 32,522	56,925
		3,985,410	2,500	Collectors Universe Inc. . . . . 8,720	23,250
		3,978,674	5,000	eLong Inc., ADR† . . . . . 59,917	34,800
<b>Communications Equipment — 1.3%</b>			2,000	Expedia Inc.† . . . . . 19,829	30,220
160,000	Communications Systems Inc. . . . . 1,147,120	1,702,400	20,000	IAC/InterActiveCorp.† . . . . . 221,743	346,000
525,000	Sycamore Networks Inc.† . . . . . 1,705,330	1,695,750	200,000	Martha Stewart Living Omnimedia Inc., Cl. A† . . . . . 1,704,708	1,702,000
260,000	Thomas & Betts Corp.† . . . . . 4,799,936	10,158,200			
		7,652,386			
		13,556,350			

See accompanying notes to financial statements.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — September 30, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			<b>Electronics — 2.4%</b>		
<b>Consumer Services (Continued)</b>					
20,000	Response USA Inc.† . . . . . \$ 16,500	\$ 31	51,000	Badger Meter Inc. . . . . \$ 1,247,123	\$ 2,394,450
400,500	Rollins Inc. . . . . 2,284,661	7,601,490	100,000	Bel Fuse Inc., Cl. A . . . . . 3,311,585	2,750,000
10,000	TiVo Inc.† . . . . . 74,563	73,200	500,000	California Micro Devices Corp.† . . . . . 2,379,962	1,495,000
			260,000	CTS Corp. . . . . 2,835,974	3,322,800
	<u>4,423,163</u>	<u>9,867,916</u>	207,000	Greatbatch Inc.† . . . . . 5,187,498	5,079,780
<b>Diversified Industrial — 6.9%</b>			16,000	IMAX Corp.† . . . . . 137,281	94,720
32,000	Acuity Brands Inc. . . . . 307,210	1,336,320	240,000	KEMET Corp.† . . . . . 1,826,756	326,400
8,000	Albany International Corp.,		75,000	Methode Electronics Inc. . . . . 710,862	670,500
	Cl. A . . . . . 276,646	218,640	236,000	Park Electrochemical Corp. . . . . 5,701,339	5,720,640
102,000	Ampco-Pittsburgh Corp. . . . . 1,439,914	2,641,800	130,000	Stoneridge Inc.† . . . . . 1,268,617	1,462,500
6,000	Anixter International Inc.† . . . . . 57,120	357,060	275,000	Trident Microsystems Inc.† . . . . . 1,342,497	660,000
312,000	Baldor Electric Co. . . . . 8,576,516	8,988,720	150,000	Zoran Corp.† . . . . . 1,820,015	1,224,000
8,000	Brush Engineered			<u>27,769,509</u>	<u>25,200,790</u>
	Materials Inc.† . . . . . 212,217	148,560	<b>Energy and Utilities — 5.8%</b>		
160,000	Crane Co. . . . . 3,662,789	4,753,600	3,000	AGL Resources Inc. . . . . 51,525	94,140
100,000	Delta plc . . . . . 212,289	189,784	95,000	Callon Petroleum Co.† . . . . . 939,533	1,712,850
3,000	ESCO Technologies Inc.† . . . . . 49,914	144,510	50,000	CH Energy Group Inc. . . . . 1,975,707	2,178,500
2,000	Foster Wheeler Ltd.† . . . . . 3,908	72,220	12,000	Chesapeake Utilities Corp. . . . . 236,752	398,520
12,000	Gardner Denver Inc.† . . . . . 103,046	416,640	50,000	CMS Energy Corp. . . . . 273,275	623,500
152,000	Greif Inc., Cl. A . . . . . 1,518,565	9,974,240	23,000	Connecticut Water Service Inc. . . . . 464,832	665,850
27,000	Greif Inc., Cl. B . . . . . 1,009,904	1,408,860	4,000	Consolidated Water Co. Ltd. . . . . 92,251	68,080
730,931	Griffon Corp.† . . . . . 8,689,067	6,592,999	150,000	Covanta Holding Corp.† . . . . . 644,530	3,591,000
80,000	Hawk Corp., Cl. A† . . . . . 1,440,520	1,610,400	145,000	El Paso Electric Co.† . . . . . 1,886,797	3,045,000
10,000	Insteel Industries Inc. . . . . 4,250	135,900	20,000	EnergySouth Inc. . . . . 1,116,570	1,228,600
182,000	Katy Industries Inc.† . . . . . 703,368	263,900	25,000	Environmental Power Corp.† . . . . . 126,095	55,000
26,000	Lindsay Corp. . . . . 329,217	1,891,500	140,000	Florida Public Utilities Co. . . . . 1,333,812	1,806,000
330,000	Magnetek Inc.† . . . . . 1,730,541	1,336,500	136,960	Great Plains Energy Inc. . . . . 3,550,003	3,043,251
32,000	Mathews International Corp.,		9,400	Maine & Maritimes Corp.† . . . . . 374,536	309,730
	Cl. A . . . . . 748,294	1,623,680	43,000	Middlesex Water Co. . . . . 743,997	751,210
275,000	Myers Industries Inc. . . . . 2,507,046	3,467,750	10,000	Nicor Inc. . . . . 221,002	443,500
569,703	National Patent		22,000	Oceaneering International Inc.† . . . . . 657,393	1,173,040
	Development Corp.† . . . . . 1,173,651	1,224,861	150,000	Pennichuck Corp. . . . . 3,471,792	3,450,000
107,000	Oil-Dri Corp. of America . . . . . 971,566	1,810,440	2,000	PetroQuest Energy Inc.† . . . . . 5,250	30,700
15,000	Olin Corp. . . . . 232,292	291,000	710,000	PNM Resources Inc. . . . . 8,619,527	7,270,400
232,000	Park-Ohio Holdings Corp.† . . . . . 1,415,786	4,150,480	20,000	Puget Energy Inc. . . . . 558,108	534,000
86,000	Precision Castparts Corp. . . . . 1,649,215	6,775,080	30,000	Rowan Companies Inc. . . . . 1,124,461	916,500
32,000	Roper Industries Inc. . . . . 620,029	1,822,720	1,000,000	RPC Inc. . . . . 1,452,039	14,060,000
33,000	Sonoco Products Co. . . . . 911,855	979,440	80,000	SJW Corp. . . . . 1,262,057	2,397,600
66,000	Standex International Corp. . . . . 1,323,405	1,831,500	100,000	Southern Union Co. . . . . 2,007,063	2,065,000
160,000	Tech/Ops Sevcon Inc. . . . . 1,109,262	688,000	110,000	Southwest Gas Corp. . . . . 2,061,384	3,328,600
170,000	Tredegar Corp. . . . . 2,552,879	3,024,300	30,000	Tesoro Corp. . . . . 328,834	494,700
1,296,375	WHX Corp.† . . . . . 2,676,203	1,814,925	4,000	Toreador Resources Corp.† . . . . . 15,250	35,960
	<u>48,218,484</u>	<u>71,986,329</u>	6,000	Union Drilling Inc.† . . . . . 83,892	63,540
<b>Educational Services — 0.6%</b>			10,000	Vestas Wind Systems A/S† . . . . . 89,988	850,943
40,000	Career Education Corp.† . . . . . 641,566	654,000	200,000	Westar Energy Inc. . . . . 3,538,764	4,608,000
150,000	Corinthian Colleges Inc.† . . . . . 1,184,223	2,250,000		<u>39,307,019</u>	<u>61,293,714</u>
200,000	Universal Technical		<b>Entertainment — 1.8%</b>		
	Institute Inc.† . . . . . 3,527,227	3,412,000	125,000	Aruze Corp. . . . . 2,945,400	2,662,075
	<u>5,353,016</u>	<u>6,316,000</u>	60,000	Canterbury Park Holding Corp. . . . . 755,546	525,000
			74,000	Carmike Cinemas Inc. . . . . 670,710	272,320

See accompanying notes to financial statements.



# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — September 30, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			50,000	Nathan's Famous Inc.† . . . . \$	645,336 \$ 795,500
<b>Financial Services (Continued)</b>			122,850	Nissin Food Products Co. Ltd.	4,244,502 4,343,153
3,000	Leucadia National Corp. . . . \$	24,354 \$ 136,320	4,000	Omni Nutraceuticals Inc.† . . .	13,563 5
75,000	MVC Capital Inc. . . . .	861,134 1,143,750	110,000	PepsiAmericas Inc. . . . .	2,536,097 2,279,200
260,600	Nara Bancorp Inc. . . . .	3,197,267 2,918,720	55,000	Ralcorp Holdings Inc.† . . . .	982,262 3,707,550
3,000	NetBank Inc.† (b) . . . . .	6,056 15	145,000	Rock Field Co. Ltd. . . . .	2,331,629 1,810,540
135,000	NewAlliance Bancshares Inc.	1,912,558 2,029,050	70,200	Smart Balance Inc.† . . . . .	628,920 460,512
14,000	Och-Ziff Capital Management Group LLC, Cl. A . . . . .	292,060 163,660	16,000	The Cheesecake Factory Inc.†	133,322 233,920
10,000	PrivateBancorp Inc. . . . .	306,851 416,600	150,000	The Great Atlantic & Pacific Tea Co. Inc.† . . . .	2,395,644 1,623,000
15,000	Seacoast Banking Corp. of Florida . . . . .	137,125 160,950	66,000	The J.M. Smucker Co. . . . .	1,599,230 3,345,540
160,400	Sterling Bancorp . . . . .	2,649,020 2,319,384	300,000	The Steak n Shake Co.† . . . .	3,611,351 2,604,000
130,000	SWS Group Inc. . . . .	2,475,404 2,620,800	210,000	Tootsie Roll Industries Inc. . .	4,834,746 6,071,100
11,333	Tree.com Inc.† . . . . .	79,922 54,625	2,000	Vina Concha Y Toro SA, ADR	54,957 70,420
141,700	UnionBanCal Corp. . . . .	10,381,721 10,385,193	1,000	Willamette Valley Vineyards Inc.†	3,994 4,690
4,500	Value Line Inc. . . . .	183,817 150,705	200,000	Wm. Wrigley Jr. Co. . . . .	15,903,062 15,880,000
100,000	Wachovia Corp. . . . .	321,730 350,000	115,000	YAKULT HONSHA Co. Ltd. . .	2,946,470 3,535,800
150,000	Waddell & Reed Financial Inc., Cl. A . . . . .	4,642,735 3,712,500			70,063,822 83,871,246
125,000	Wilmington Trust Corp. . . . .	3,866,101 3,603,750			
		49,525,472 49,858,751			
<b>Food and Beverage — 8.0%</b>			<b>Health Care — 10.6%</b>		
25,000	Boston Beer Co. Inc., Cl. A†	388,684 1,187,250	400,000	Advanced Medical Optics Inc.†	12,856,036 7,112,000
25,000	Brown-Forman Corp., Cl. A	697,122 1,775,000	47,000	Align Technology Inc.† . . . .	409,536 509,010
220,000	Bull-Dog Sauce Co. Ltd. . . .	707,676 477,834	100,000	Allergan Inc. . . . .	1,964,408 5,150,000
100	Compania Cervecerias Unidas SA, ADR . . . . .	2,455 3,223	600,000	Alpharma Inc., Cl. A† . . . .	20,065,427 22,134,000
450,000	CoolBrands International Inc.†	394,861 291,755	168,000	AngioDynamics Inc.† . . . . .	2,802,769 2,654,400
50,000	Corn Products International Inc.	1,113,697 1,614,000	5,000	Anika Therapeutics Inc.† . . .	64,475 36,150
285,000	Davide Campari-Milano SpA	2,841,371 2,288,971	230,000	Animal Health International Inc.†	2,645,611 1,895,200
155,000	Del Monte Foods Co. . . . .	1,477,477 1,209,000	1,000	Applied Biosystems Inc. . . .	34,231 34,250
85,000	Denny's Corp.† . . . . .	132,580 219,300	15,000	Apria Healthcare Group Inc.†	298,440 273,600
200,000	Dr. Pepper Snapple Group Inc.†	4,474,755 5,296,000	67,000	ArthroCare Corp.† . . . . .	1,993,694 1,857,240
1,400,000	Dynasty Fine Wines Group Ltd.	432,885 194,724	7,500	Bio-Rad Laboratories Inc., Cl. A†	296,935 743,400
100	Embotelladora Andina SA, Cl. A, ADR . . . . .	1,295 1,309	27,000	BioLase Technology Inc.† . . .	90,769 51,030
25,000	Farmer Brothers Co. . . . .	389,323 621,750	20,000	Bruker Corp.† . . . . .	174,056 266,600
300,000	Flowers Foods Inc. . . . .	1,755,612 8,808,000	50,000	Cepheid Inc.† . . . . .	725,090 691,500
500	Genesee Corp., Cl. A† (b) . . .	0 0	157,800	Chemed Corp. . . . .	3,397,430 6,479,268
21,500	Genesee Corp., Cl. B† (b) . . .	15,393 0	70,000	CONMED Corp.† . . . . .	1,833,347 2,240,000
660,000	Grupo Continental SAB de CV	996,531 1,413,359	182,000	Crucell NV, ADR† . . . . .	3,563,086 2,831,920
10,000	Hain Celestial Group Inc.† . . .	184,774 275,300	230,000	Cutera Inc.† . . . . .	3,924,695 2,440,300
145,000	ITO EN Ltd. . . . .	3,112,114 1,852,804	120,000	Del Global Technologies Corp.†	350,477 156,000
25,000	ITO EN Ltd., Preference . . . .	531,595 257,628	105,000	DexCom Inc.† . . . . .	1,216,470 649,950
25,000	J & J Snack Foods Corp. . . . .	577,813 847,750	16,000	Edwards Lifesciences Corp.†	550,264 924,160
460,000	Kikkoman Corp. . . . .	4,532,650 6,150,345	71,000	Exactech Inc.† . . . . .	1,057,940 1,579,040
140,000	Lifeway Foods Inc.† . . . . .	1,376,270 1,638,000	42,000	Henry Schein Inc.† . . . . .	739,631 2,261,280
20,000	Meiji Seika Kaisha Ltd. . . . .	87,470 89,888	30,000	Heska Corp.† . . . . .	44,905 19,500
40,000	MGP Ingredients Inc. . . . .	278,545 113,600	144,000	ICU Medical Inc.† . . . . .	3,964,650 4,379,040
170,000	Morinaga Milk Industry Co. Ltd.	695,789 479,526	15,000	IMS Health Inc. . . . .	412,500 283,650
			2,000	Integra LifeSciences Holdings Corp.† . . . . .	43,600 88,060
			4,000	Invacare Corp. . . . .	92,551 96,560
			30,000	Inverness Medical Innovations Inc.† . . . . .	554,733 900,000

See accompanying notes to financial statements.



# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — September 30, 2008

Shares		Cost	Market Value	Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>				<b>Telecommunications — 1.1%</b>			
<b>Publishing (Continued)</b>				260,000	H.B. Fuller Co. ....	\$ 2,584,304	\$ 5,426,200
440,000	Journal Communications Inc.,			130,000	Hawkins Inc. ....	1,892,645	2,277,600
	Cl. A .....	\$ 4,148,738	\$ 2,147,200	537,400	Hercules Inc. ....	6,618,720	10,635,146
150,000	Journal Register Co.† .....	254,246	1,050	200,000	Huntsman Corp. ....	2,590,120	2,520,000
90,000	Lee Enterprises Inc. ....	906,879	315,000	145,000	Material Sciences Corp.† ..	1,346,282	833,750
110,000	Media General Inc., Cl. A ...	2,823,230	1,367,300	160,000	Omnova Solutions Inc.† ...	970,604	318,400
23,000	Meredith Corp. ....	429,183	644,920	60,000	Penford Corp. ....	687,437	1,061,400
260,000	News Corp., Cl. A .....	765,310	3,117,400	10,000	Quaker Chemical Corp. ....	181,137	284,600
75,000	PRIMEDIA Inc. ....	1,018,652	182,250	24,000	Rockwood Holdings Inc.† ..	863,377	615,840
250,000	The E.W. Scripps Co., Cl. A	2,062,613	1,767,500	260,000	Sensient Technologies Corp.	5,254,578	7,313,800
		<u>14,042,950</u>	<u>11,307,840</u>	450,000	Zep Inc. ....	6,196,193	7,938,000
						<u>44,082,403</u>	<u>53,459,166</u>
<b>Real Estate — 0.9%</b>				<b>Telecommunications — 1.1%</b>			
10,700	Capital Properties Inc., Cl. A	270,987	247,170	22,000	Atlantic Tele-Network Inc. ..	88,379	616,000
175,000	Griffin Land & Nurseries Inc.	2,374,586	6,489,000	599,000	Cincinnati Bell Inc.† .....	2,302,146	1,850,910
9,000	Gyrodyne Co. of			6,795	Community Service		
	America Inc.† .....	135,071	342,810		Communications Inc.† ..	0	17,497
20,000	Malan Realty			105	Consolidated Communications		
	Investors Inc.† (b) .....	53,529	390		Holdings Inc. ....	2,001	1,583
106,000	Morguard Corp. ....	1,344,892	2,788,818	52,000	D&E Communications Inc. ...	647,663	392,600
		<u>4,179,065</u>	<u>9,868,188</u>	708	Fairpoint Communications Inc.	4,525	6,138
				50,000	Frontier Communications Corp.	674,800	575,000
<b>Retail — 2.4%</b>				90,000	HickoryTech Corp. ....	787,475	522,900
144,000	Aaron Rents Inc., Cl. A ....	521,690	3,168,000	71,000	New Ulm Telecom Inc. ....	829,235	649,650
50,000	Big 5 Sporting Goods Corp.	834,144	516,000	118,000	Rogers Communications Inc.,		
8,000	Casey's General Stores Inc.	124,503	241,360		Cl. B .....	569,865	3,922,320
340,000	Coldwater Creek Inc.† .....	2,106,588	1,968,600	63,000	Shenandoah		
300,000	Copart Inc.† .....	895,434	1,140,000		Telecommunications Co.	373,895	1,390,410
4,000	Gander Mountain Co.† .....	32,640	13,080	37,584	Verizon Communications Inc.	900,747	1,206,071
8,000	HSN Inc.† .....	61,333	88,080	24,000	Windstream Corp. ....	25,072	262,560
275,300	Ingles Markets Inc., Cl. A ...	4,696,534	6,285,099	53,000	Winstar		
30,000	Movado Group Inc. ....	449,902	670,500		Communications Inc.† (b)	133	53
30,000	Pier 1 Imports Inc.† .....	202,215	123,900			<u>7,205,936</u>	<u>11,413,692</u>
170,000	Rush Enterprises Inc., Cl. B†	2,079,044	2,135,200	<b>Transportation — 0.7%</b>			
285,000	The Bon-Ton Stores Inc. ...	2,177,982	775,200	170,000	GATX Corp. ....	5,286,254	6,726,900
8,000	Ticketmaster† .....	113,231	85,840	135,000	Grupo TMM SA, Cl. A, ADR†	889,274	120,150
70,000	Tractor Supply Co.† .....	2,555,661	2,943,500	2,000	Irish Continental Group plc†	17,409	48,682
9,000	Village Super Market Inc., Cl. A	397,563	429,030	50,000	Providence and Worcester		
44,000	Weis Markets Inc. ....	1,323,449	1,584,440		Railroad Co. ....	884,009	850,000
168,000	Wendy's/Arby's Group Inc., Cl. A	1,364,690	883,680			<u>7,076,946</u>	<u>7,745,732</u>
130,000	Winn-Dixie Stores Inc.† ...	1,956,585	1,807,000	<b>Wireless Communications — 1.4%</b>			
		<u>21,893,188</u>	<u>24,858,509</u>	200,000	Centennial Communications		
					Corp.† .....	1,534,660	1,248,000
<b>Specialty Chemicals — 5.1%</b>				120,000	Nextwave Wireless Inc.† ...	813,200	72,000
60,000	A. Schulman Inc. ....	1,199,761	1,186,800	72,000	Price Communications Corp.,		
19,000	Airgas Inc. ....	121,732	943,350		Escrow† (b) .....	0	0
78,000	Albemarle Corp. ....	1,104,309	2,405,520	682,000	Vimpel-Communications, ADR	1,290,279	13,844,600
35,000	Arch Chemicals Inc. ....	766,922	1,235,500	17	Xanadoo Co.† .....	4,148	5,100
580,000	Chemtura Corp. ....	5,756,417	2,644,800			<u>3,642,287</u>	<u>15,169,700</u>
10,000	Cytec Industries Inc. ....	278,296	389,100	<b>TOTAL COMMON STOCKS ..</b>			
3,200	Dionex Corp.† .....	96,000	203,360			<u>758,816,869</u>	<u>941,008,462</u>
260,000	Ferro Corp. ....	5,573,569	5,226,000				

See accompanying notes to financial statements.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — September 30, 2008

Shares	Cost	Market Value	Principal Amount	Cost	Market Value
<b>PREFERRED STOCKS — 0.1%</b>					
<b>Broadcasting — 0.0%</b>					
1,103	PTV Inc., 10.000% Pfd., Ser. A	\$ 0	\$ 717		
<b>Business Services — 0.0%</b>					
24,317	Interp National Radio Sales Inc., 4.000% Cv. Pfd., Ser. A (b)(c)(d)†	2,163,146	0		
<b>Diversified Industrial — 0.1%</b>					
128	Foster Wheeler Ltd., Pfd., Ser. B† (b)	32,263	600,870		
<b>TOTAL PREFERRED STOCKS</b>					
		2,195,409	601,587		
<b>RIGHTS — 0.0%</b>					
<b>Automotive: Parts and Accessories — 0.0%</b>					
800,000	Exide Technologies, expire 05/15/11 Escrow Rights†(b)	0	0		
<b>WARRANTS — 0.0%</b>					
<b>Automotive: Parts and Accessories — 0.0%</b>					
1,213	Exide Technologies, expire 05/05/11†	2,247	1,577		
4,531	Federal-Mogul Corp., expire 12/27/14†	87,687	2,266		
		89,934	3,843		
<b>Broadcasting — 0.0%</b>					
6,082	Granite Broadcasting Corp., Ser. A, expire 06/04/12†	0	669		
3,430	Granite Broadcasting Corp., Ser. B, expire 06/04/12†	0	858		
		0	1,527		
<b>Health Care — 0.0%</b>					
14,424	Del Global Technologies Corp., expire 03/28/09† (b)	24,809	0		
<b>Telecommunications — 0.0%</b>					
86	Virgin Media Inc., expire 01/10/11†	124	3		
<b>TOTAL WARRANTS</b>					
		114,867	5,373		
<b>CORPORATE BONDS — 0.0%</b>					
<b>Computer Software and Services — 0.0%</b>					
	Exodus Communications Inc., Sub. Deb. Cv., 5.250%, 02/15/09† (b)	\$ 1,185	\$ 0		
<b>Telecommunications — 0.0%</b>					
	Williams Communications Group Inc., Escrow, 10.875%, 10/01/09† (b)	0	0		
<b>TOTAL CORPORATE BONDS</b>					
		1,185	0		
<b>U.S. GOVERNMENT OBLIGATIONS — 12.8%</b>					
<b>U.S. Treasury Bills — 8.7%</b>					
91,164,000	U.S. Treasury Bills, 0.152% to 1.957%††, 10/02/08 to 01/29/09	90,979,994	91,065,806		
<b>U.S. Treasury Notes — 4.1%</b>					
12,340,000	4.500%, 04/30/09	12,576,615	12,543,425		
30,150,000	4.750%, 12/31/08	30,450,408	30,439,741		
		43,027,023	42,983,166		
<b>TOTAL U.S. GOVERNMENT OBLIGATIONS</b>					
		134,007,017	134,048,972		
<b>TOTAL INVESTMENTS — 102.6%</b>					
		\$895,135,347	1,075,664,394		
<b>Other Assets and Liabilities (Net) — (2.6)%</b>					
			(26,746,073)		
<b>NET ASSETS — 100.0%</b>					
			\$1,048,918,321		

- (a) Security considered an affiliated holding because the Fund owns at least 5% of its outstanding shares.
- (b) Security 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 September 30, 2008, the market value of fair valued securities amounted to \$795,570 or 0.08% of net assets.
- (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 September 30, 2008, the market value of Rule 144A securities amounted to \$0 or 0.00% of net assets.
- (d) Illiquid security.
- † Non-income producing security.
- †† Represents annualized yield at date of purchase.
- ADR American Depositary Receipt

See accompanying notes to financial statements.

# The Gabelli Small Cap Growth Fund

## Statement of Assets and Liabilities September 30, 2008

<b>Assets:</b>	
Investments, at value (cost \$892,428,641) . . . . .	\$1,074,684,409
Investments in affiliates, at value (cost \$2,706,706) . . . . .	979,985
Cash . . . . .	1,000,802
Foreign currency, at value (cost \$8) . . . . .	7
Receivable for investments sold . . . . .	344,084
Receivable for Fund shares sold . . . . .	2,339,749
Dividends and interest receivable . . . . .	1,755,362
Prepaid expenses . . . . .	57,173
<b>Total Assets</b> . . . . .	<u>1,081,161,571</u>
<b>Liabilities:</b>	
Payable for investments purchased . . . . .	27,771,394
Payable for Fund shares redeemed . . . . .	2,893,801
Payable for investment advisory fees . . . . .	899,416
Payable for distribution fees . . . . .	238,809
Payable for accounting fees . . . . .	7,501
Other accrued expenses . . . . .	432,329
<b>Total Liabilities</b> . . . . .	<u>32,243,250</u>
<b>Net Assets</b> applicable to 37,228,258 shares outstanding . . . . .	<u>\$1,048,918,321</u>
<b>Net Assets Consist of:</b>	
Paid-in capital, each class at \$0.001 par value \$ . . . . .	817,217,519
Accumulated net investment loss . . . . .	(7,203)
Accumulated net realized gain on investments, swap contracts, futures contracts, and foreign currency transactions . . . . .	51,179,001
Net unrealized appreciation on investments . . . . .	180,529,047
Net unrealized depreciation on foreign currency translations . . . . .	(43)
<b>Net Assets</b> . . . . .	<u>\$1,048,918,321</u>
<b>Shares of Capital Stock:</b>	
<b>Class AAA:</b>	
Net Asset Value, offering, and redemption price per share (\$995,613,057 ÷ 35,304,006 shares outstanding; 150,000,000 shares authorized) . . . . .	<u>\$28.20</u>
<b>Class A:</b>	
Net Asset Value and redemption price per share (\$26,604,525 ÷ 944,112 shares outstanding; 50,000,000 shares authorized) . . . . .	<u>\$28.18(a)</u>
Maximum offering price per share (NAV ÷ .9425, based on maximum sales charge of 5.75% of the offering price) . . . . .	<u>\$29.90(a)</u>
<b>Class B:</b>	
Net Asset Value and offering price per share (\$60,887 ÷ 2,247 shares outstanding; 50,000,000 shares authorized) . . . . .	<u>\$27.10(b)</u>
<b>Class C:</b>	
Net Asset Value and offering price per share (\$23,061,731 ÷ 851,234 shares outstanding; 50,000,000 shares authorized) . . . . .	<u>\$27.09(b)</u>
<b>Class I:</b>	
Net Asset Value, offering, and redemption price per share (\$3,578,121 ÷ 126,659 shares outstanding; 50,000,000 shares authorized) . . . . .	<u>\$28.25</u>

(a) Shareholder transactions may have been processed at a different net asset value.

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

See accompanying notes to financial statements.

## Statement of Operations For the Year Ended September 30, 2008

<b>Investment Income:</b>	
Dividends (net of foreign taxes of \$133,346) . . . . .	\$ 11,542,713
Interest . . . . .	3,306,804
<b>Total Investment Income</b> . . . . .	<u>14,849,517</u>
<b>Expenses:</b>	
Investment advisory fees . . . . .	10,406,481
Distribution fees – Class AAA . . . . .	2,500,149
Distribution fees – Class A . . . . .	54,087
Distribution fees – Class B . . . . .	1,093
Distribution fees – Class C . . . . .	167,912
Shareholder services fees . . . . .	1,100,976
Shareholder communications expenses . . . . .	318,020
Custodian fees . . . . .	182,937
Registration expenses . . . . .	103,487
Legal and audit fees . . . . .	79,859
Accounting fees . . . . .	45,000
Directors' fees . . . . .	30,275
Interest expense . . . . .	828
Miscellaneous expenses . . . . .	77,235
<b>Total Expenses</b> . . . . .	<u>15,068,339</u>
Less: Custodian fee credits . . . . .	(15,224)
<b>Net Expenses</b> . . . . .	<u>15,053,115</u>
<b>Net Investment Loss</b> . . . . .	<u>(203,598)</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, Futures Contracts, and Foreign Currency:</b>	
Net realized gain on investments . . . . .	54,638,378
Capital gain distributions from investment companies . . . . .	832,573
Net realized gain on swap contracts . . . . .	3,200
Net realized gain on futures contracts . . . . .	497,300
Net realized loss on foreign currency transactions . . . . .	(6,671)
Net realized gain on investments, swap contracts, futures contracts, and foreign currency transactions . . . . .	<u>55,964,780</u>
Net change in unrealized appreciation/ (depreciation) on investments . . . . .	(214,885,181)
Net change in unrealized appreciation/ (depreciation) on foreign currency translations . . . . .	(703)
Net change in unrealized appreciation/ (depreciation) on investments and foreign currency translations . . . . .	<u>(214,885,884)</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, Futures Contracts, and Foreign Currency</b> . . . . .	
	<u>(158,921,104)</u>
<b>Net Decrease in Net Assets Resulting from Operations</b> . . . . .	<u>\$ (159,124,702)</u>

# The Gabelli Small Cap Growth Fund

## Statement of Changes in Net Assets

	Year Ended September 30, 2008	Year Ended September 30, 2007
<b>Operations:</b>		
Net investment loss .....	\$ (203,598)	\$ (340,454)
Net realized gain on investments, swap contracts, futures contracts, and foreign currency transactions .....	55,964,780	47,039,006
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations .....	<u>(214,885,884)</u>	<u>111,347,803</u>
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations .....</b>	<b><u>(159,124,702)</u></b>	<b><u>158,046,355</u></b>
<b>Distributions to Shareholders:</b>		
Net realized gain on investments		
Class AAA .....	(46,323,563)	(54,810,246)
Class A .....	(797,001)	(187,774)
Class B .....	(5,830)	(8,873)
Class C .....	<u>(551,222)</u>	<u>(241,821)</u>
<b>Total Distributions to Shareholders .....</b>	<b><u>(47,677,616)</u></b>	<b><u>(55,248,714)</u></b>
<b>Capital Share Transactions:</b>		
Class AAA .....	192,040,034	173,228,328
Class A .....	15,316,709	12,781,396
Class B .....	(43,504)	(1,610)
Class C .....	16,624,141	6,620,118
Class I .....	<u>3,853,655</u>	<u>—</u>
<b>Net Increase in Net Assets from Capital Share Transactions .....</b>	<b><u>227,791,035</u></b>	<b><u>192,628,232</u></b>
<b>Redemption Fees .....</b>	<b><u>6,835</u></b>	<b><u>13,640</u></b>
<b>Net Increase in Net Assets .....</b>	<b>20,995,552</b>	<b>295,439,513</b>
<b>Net Assets:</b>		
Beginning of period .....	<u>1,027,922,769</u>	<u>732,483,256</u>
End of period (including undistributed net investment income of \$0 and \$0, respectively)	<u><u>\$1,048,918,321</u></u>	<u><u>\$1,027,922,769</u></u>

See accompanying notes to financial statements.

# The Gabelli Small Cap Growth Fund Financial Highlights

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

Period Ended September 30	Income from Investment Operations					Distributions			Ratios to Average Net Assets/Supplemental Data				
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)(a)(b)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Net Realized Gain on Investments	Total Distributions	Redemption Fees(a)	Net Asset Value, End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income (Loss)(b)	Operating Expenses	Portfolio Turnover Rate††
<b>Class AAA</b>													
2008	\$34.37	\$(0.00)(c)	\$(4.62)	\$(4.62)	\$(1.55)	\$(1.55)	\$0.00(c)	\$28.20	(13.98)%	\$ 995,613	(0.01)%	1.43%	26%
2007	30.41	(0.01)	6.42	6.41	(2.45)	(2.45)	0.00(c)	34.37	21.95	1,002,577	(0.04)	1.42	15
2006	29.97	(0.03)	2.53	2.50	(2.06)	(2.06)	0.00(c)	30.41	8.88	727,521	(0.09)	1.44	6
2005	25.88	(0.01)	5.25	5.24	(1.15)	(1.15)	0.00(c)	29.97	20.58	732,965	(0.03)	1.44	6
2004	21.48	(0.04)	4.61	4.57	(0.17)	(0.17)	—	25.88	21.34	620,334	(0.15)	1.42	10
<b>Class A</b>													
2008	\$34.37	\$(0.01)	\$(4.63)	\$(4.64)	\$(1.55)	\$(1.55)	\$0.00(c)	\$28.18	(14.04)%	\$ 26,604	(0.02)%	1.43%	26%
2007	30.41	0.06	6.35	6.41	(2.45)	(2.45)	0.00(c)	34.37	21.95	15,485	0.19	1.42	15
2006	29.98	(0.02)	2.51	2.49	(2.06)	(2.06)	0.00(c)	30.41	8.84	2,199	(0.08)	1.44	6
2005	25.89	(0.01)	5.25	5.24	(1.15)	(1.15)	0.00(c)	29.98	20.57	1,515	(0.03)	1.48	6
2004(d)	24.49	(0.06)	1.46	1.40	—	—	—	25.88	5.72	58	(0.32)(e)	1.42(e)	10
<b>Class B</b>													
2008	\$33.32	\$(0.23)	\$(4.44)	\$(4.67)	\$(1.55)	\$(1.55)	\$0.00(c)	\$27.10	(14.60)%	\$ 61	(0.77)%	2.18%	26%
2007	29.77	(0.26)	6.26	6.00	(2.45)	(2.45)	0.00(c)	33.32	20.99	126	(0.81)	2.17	15
2006	29.58	(0.25)	2.50	2.25	(2.06)	(2.06)	0.00(c)	29.77	8.11	113	(0.85)	2.19	6
2005	25.74	(0.22)	5.21	4.99	(1.15)	(1.15)	0.00(c)	29.58	19.69	138	(0.79)	2.20	6
2004(d)	24.49	(0.19)	1.44	1.25	—	—	—	25.74	5.10	55	(1.02)(e)	2.17(e)	10
<b>Class C</b>													
2008	\$33.32	\$(0.22)	\$(4.46)	\$(4.68)	\$(1.55)	\$(1.55)	\$0.00(c)	\$27.09	(14.63)%	\$ 23,062	(0.75)%	2.18%	26%
2007	29.76	(0.22)	6.23	6.01	(2.45)	(2.45)	0.00(c)	33.32	21.03	9,735	(0.69)	2.17	15
2006	29.58	(0.24)	2.48	2.24	(2.06)	(2.06)	0.00(c)	29.76	8.08	2,650	(0.83)	2.19	6
2005	25.74	(0.23)	5.22	4.99	(1.15)	(1.15)	0.00(c)	29.58	19.69	1,499	(0.80)	2.23	6
2004(d)	24.49	(0.20)	1.45	1.25	—	—	—	25.74	5.10	24	(1.07)(e)	2.17(e)	10
<b>Class I</b>													
2008(f)	\$30.06	\$0.05	\$(1.86)	\$(1.81)	—	—	\$0.00(c)	\$28.25	(6.02)%	\$ 3,578	0.22%(e)	1.18%(e)	26%

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the period and sold at the end of the period including reinvestment of distributions and does not reflect applicable sales charges. Total return for a period of less than one year is not annualized.  
 †† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the fiscal year ended September 30, 2007 would have been 21%. The portfolio turnover rate for the fiscal years ended September 2006, 2005, and 2004 would have been as shown.

(a) Per share amounts have been calculated using the average shares outstanding method.  
 (b) Due to capital share activity throughout the fiscal year, net investment income per share and the ratio to average net assets are not necessarily correlated among the different classes of shares.  
 (c) Amount represents less than \$0.005 per share.  
 (d) From the commencement of offering Class A, Class B, and Class C Shares on December 31, 2003.  
 (e) Annualized.  
 (f) From the commencement of offering Class I Shares on January 11, 2008 through September 30, 2008.

See accompanying notes to financial statements.

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements

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**1. Organization.** The Gabelli Small Cap Growth Fund (the “Fund”) is a series of Gabelli Equity Series Funds, Inc. (the “Corporation”), which was organized on July 25, 1991 as a Maryland corporation. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”), and one of three separately managed portfolios (collectively, the “Portfolios”) of the Corporation. The Fund’s primary objective is capital appreciation. The Fund commenced investment operations on October 22, 1991.

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

**Security Valuation.** Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market’s official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Directors (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 to the valuation and changes in valuation of similar securities, including a comparison of foreign securities to 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 and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

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requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of September 30, 2008, the Fund does not believe the adoption of SFAS 157 will impact the amounts reported in the financial statements.

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

**Repurchase Agreements.** The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. The Fund will always receive and maintain securities as collateral whose market value, including accrued interest, will be 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 September 30, 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 Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

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The use of derivative instruments involves, to varying degrees, elements of market and counterparty risk in excess of the amount recognized below. 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 appreciation or depreciation. At September 30, 2008, there were no open swap agreements.

**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 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 September 30, 2008, there were no open futures contracts.

**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 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 September 30, 2008, there were no open forward foreign exchange contracts.

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

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

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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.

## The Gabelli Small Cap Growth Fund Notes to Financial Statements (Continued)

**Custodian Fee Credits and Interest Expense.** When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as “custodian fee credits.” When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be shown as “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. For the fiscal year ended September 30, 2008, reclassifications were made to decrease accumulated net investment loss by \$267,258 and decrease accumulated net realized gain on investments by \$267,258.

The tax character of distributions paid during the fiscal years ended September 30, 2008 and September 30, 2007 was as follows:

	<u>Year Ended</u> <u>September 30, 2008</u>	<u>Year Ended</u> <u>September 30, 2007</u>
<b>Distributions paid from:</b>		
Ordinary income (inclusive of net short-term capital gains) . . . . .	\$ 2,004,512	—
Net long-term capital gains . . . . .	<u>45,673,104</u>	<u>\$55,248,714</u>
Total distributions paid . . . . .	<u>\$47,677,616</u>	<u>\$55,248,714</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.

As of September 30, 2008, the components of accumulated earnings/losses on a tax basis were as follows:

Undistributed ordinary income . . . . .	\$ 3,735,466
Undistributed long-term capital gains . . . . .	50,617,863
Post-October currency losses . . . . .	(7,203)
Net unrealized appreciation . . . . .	<u>177,354,676</u>
Total accumulated earnings . . . . .	<u>\$231,700,802</u>

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

Under the current tax law, capital losses related to securities and foreign currency realized after October 31 and prior to the Fund's fiscal year end may be treated as occurring on the first day of the following year. For the fiscal year ended September 30, 2008, the Fund deferred currency losses of \$7,204.

At September 30, 2008, the difference between book and tax basis unrealized appreciation is primarily due to deferral of losses on wash sales.

The following summarizes the tax cost of investments and the related unrealized appreciation/depreciation at September 30, 2008:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Investments . . . . .	\$895,602,968	\$299,117,089	\$(120,035,648)	\$179,081,441
Investments in affiliates . . .	2,706,706	—	(1,726,721)	(1,726,721)
	<u>\$898,309,674</u>	<u>\$299,117,089</u>	<u>\$(121,762,369)</u>	<u>\$177,354,720</u>

The Fund has adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). 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 Trust'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. The adoption of FIN 48 did not result in the recording of any tax benefit or expense in the current period.

As of and during the year ended September 30, 2008, the Fund did not have a liability for any unrecognized tax benefits. The Fund recognizes interest and penalties, if any, related to unrecognized tax benefits as income tax expense in the statement of operations. During the period, the Fund did not incur any interest or penalties. Each of the tax years in the three-year period ended September 30, 2008, remains subject to examination by the Internal Revenue Service and state tax authorities. Management's determination regarding FIN 48 may be subject to review and adjustment at a later date based on factors including, but not limited to, an on-going analysis of tax laws, regulations and interpretations thereof.

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

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

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

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

**5. Portfolio Securities.** Purchases and proceeds from the sales of securities for the fiscal year ended September 30, 2008, other than short-term securities and U.S. Government obligations, aggregated \$402,481,903 and \$199,957,038, respectively.

Purchases and proceeds from the sales of U.S. Government obligations for the fiscal year ended September 30, 2008, other than short-term obligations, aggregated \$83,156,255 and \$40,021,875, respectively.

**6. Transactions with Affiliates.** During the fiscal year ended September 30, 2008, the Fund paid brokerage commissions on security trades of \$460,433 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it received \$48,058 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the fiscal year ended September 30, 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, and 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, is shown as "interest expense" in the Statement of Operations. During the fiscal year ended September 30, 2008, there were no borrowings under the line of credit.

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

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund. The redemption fees retained by the Fund during the fiscal years ended September 30, 2008 and September 30, 2007 amounted to \$6,835 and \$13,640, respectively.

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

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 September 30, 2008		Year Ended September 30, 2007	
	Shares	Amount	Shares	Amount
	<b>Class AAA</b>		<b>Class AAA</b>	
Shares sold	11,404,075	\$ 352,403,697	9,055,569	\$ 300,679,400
Shares issued upon reinvestment of distributions	1,383,508	44,189,239	1,662,686	51,559,994
Shares redeemed	(6,655,573)	(204,552,902)	(5,467,632)	(179,011,066)
Net increase	<u>6,132,010</u>	<u>\$ 192,040,034</u>	<u>5,250,623</u>	<u>\$ 173,228,328</u>
	<b>Class A</b>		<b>Class A</b>	
Shares sold	653,236	\$ 20,020,323	394,109	\$ 13,318,089
Shares issued upon reinvestment of distributions	23,669	756,001	5,751	178,354
Shares redeemed	(183,365)	(5,459,615)	(21,600)	(715,047)
Net increase	<u>493,540</u>	<u>\$ 15,316,709</u>	<u>378,260</u>	<u>\$ 12,781,396</u>
	<b>Class B</b>		<b>Class B</b>	
Shares issued upon reinvestment of distributions	189	\$ 5,832	294	\$ 8,873
Shares redeemed	(1,716)	(49,336)	(326)	(10,483)
Net decrease	<u>(1,527)</u>	<u>\$ (43,504)</u>	<u>(32)</u>	<u>\$ (1,610)</u>
	<b>Class C</b>		<b>Class C</b>	
Shares sold	616,058	\$ 18,243,833	214,901	\$ 7,004,093
Shares issued upon reinvestment of distributions	17,152	529,496	7,732	233,806
Shares redeemed	(74,196)	(2,149,188)	(19,457)	(617,781)
Net increase	<u>559,014</u>	<u>\$ 16,624,141</u>	<u>203,176</u>	<u>\$ 6,620,118</u>
	<b>Class I*</b>			
Shares sold	142,672	\$ 4,323,018		
Shares redeemed	(16,013)	(469,363)		
Net increase	<u>126,659</u>	<u>\$ 3,853,655</u>		

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

## The Gabelli Small Cap Growth Fund

### Notes to Financial Statements (Continued)

**9. Transactions in Securities of Affiliated Issuers.** The 1940 Act defines affiliated issuers as those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the fiscal year ended September 30, 2008 is set forth below:

	<u>Beginning Shares/Par</u>	<u>Shares/Par Purchased</u>	<u>Shares/Par Sold</u>	<u>Ending Shares/Par</u>	<u>Net Change in Unrealized Depreciation</u>	<u>Value at September 30, 2008</u>	<u>Percent Owned of Shares Outstanding</u>
Earl Scheib Inc. ....	240,900	—	—	240,900	\$(372,190)	\$531,185	6.01%
Trans-Lux Corp. ....	160,265	10,000	(5,265)	165,000	(404,518)	448,800	8.17

**10. 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.

**11. 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 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. 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, in August 2008, the Adviser, while neither admitting nor denying the SEC's findings and allegations, made an offer to the staff of the SEC to settle a previously disclosed matter concerning compliance with Section 19(a) and Rule 19a-1 of the 1940 Act by two closed-end funds managed by the Adviser. These provisions require registered investment companies to provide written statements to shareholders when a distribution is made in the nature of a dividend from a source other than net investment income. While the two funds sent annual statements and provided other materials containing this information, the funds did not send the notices required by Rule 19a-1 to shareholders with each distribution in 2002 and 2003. The Adviser believes that the funds have been in compliance with Rule 19a-1 since that time. The Adviser believes that the settlement would have no effect on the funds or any material adverse effect on the Adviser or its ability to manage the funds. This offer of settlement is subject to final agreement regarding the specific language of the SEC's administrative order and other settlement documents and approval by the SEC.

## Report of Independent Registered Public Accounting Firm

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To the Shareholders and Board of Directors of  
The Gabelli Small Cap Growth Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Gabelli Small Cap Growth Fund (the “Fund”), a series of Gabelli Equity Series Funds, Inc., as of September 30, 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 periods indicated therein. 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 September 30, 2008, by correspondence with the Fund’s 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 Small Cap Growth Fund, a series of Gabelli Equity Series Funds, Inc., at September 30, 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 its financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

Philadelphia, Pennsylvania  
November 19, 2008

## The Gabelli Small Cap Growth Fund Additional Fund Information (Unaudited)

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

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Number of Funds in Fund Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director<sup>3</sup></u>
<b>INTERESTED DIRECTORS<sup>4</sup>:</b>				
<b>Mario J. Gabelli</b> Director and Chief Investment Officer Age: 66	Since 1991	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer—Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chairman and Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board of LICT Corp. (multimedia and communication services company)
<b>John D. Gabelli</b> Director Age: 64	Since 1991	10	Senior Vice President of Gabelli & Company, Inc.	Director of GAMCO Investors, Inc. (asset management)
<b>INDEPENDENT DIRECTORS<sup>5</sup>:</b>				
<b>Anthony J. Colavita</b> Director Age: 72	Since 1991	37	Partner in the law firm of Anthony J. Colavita, P.C.	—
<b>Vincent D. Enright</b> Director Age: 64	Since 1991	17	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics)
<b>Robert J. Morrissey</b> Director Age: 69	Since 1991	6	Partner in the law firm of Morrissey, Hawkins & Lynch	—
<b>Anthony R. Pustorino</b> Director Age: 83	Since 1991	14	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing)
<b>Anthonie C. van Ekris</b> Director Age: 74	Since 1991	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
<b>Salvatore J. Zizza</b> Director Age: 62	Since 2001	28	Chairman of Zizza & Company, Ltd. (consulting)	Director of Hollis-Eden Pharmaceuticals (biotechnology); Director of Earl Scheib, Inc. (automotive services)

## The Gabelli Small Cap Growth Fund Additional Fund Information (Continued) (Unaudited)

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Principal Occupation(s) During Past Five Years</u>
<b>OFFICERS:</b>		
<b>Bruce N. Alpert</b> President and Secretary Age: 56	Since 1991	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Director and President of Teton Advisors, Inc. (formerly Gabelli Advisers, Inc.) since 1998
<b>Agnes Mullady</b> Treasurer Age: 50	Since 2006	Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005; Chief Financial Officer of AMIC Distribution Partners from 2002 through 2004; Controller of Reserve Management Corporation and Reserve Partners, Inc.
<b>Peter D. Goldstein</b> Chief Compliance Officer Age: 55	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Vice President of Goldman Sachs Asset Management from 2000 through 2004

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

<sup>2</sup> Each 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.

<sup>3</sup> This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934 (i.e. public companies) or other investment companies registered under the 1940 Act.

<sup>4</sup> "Interested person" of the Fund as defined in the Investment Company Act of 1940. Messrs. Gabelli are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser. Mario J. Gabelli and John D. Gabelli are brothers.

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

### 2008 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the fiscal year ended September 30, 2008, the Fund paid to shareholders ordinary income dividends (comprised of short-term capital gains) totaling \$0.065 per share for Class AAA, Class A, Class B, and Class C, respectively, and long-term capital gains totaling \$45,673,104. The distributions of long-term capital gains have been designated as Capital Gain Dividends by the Fund's Board of Directors. For the fiscal year ended September 30, 2008, 100% of the ordinary income dividend qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 100% of the ordinary income distribution as qualified short-term gain, pursuant to the American Jobs Creation Act of 2004.

Gabelli Equity Series Funds, Inc.  
**The Gabelli Small Cap Growth Fund**

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

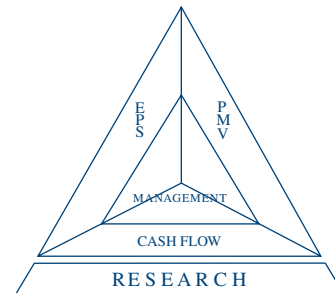
**800-422-3554**

**fax: 914-921-5118**

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

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

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



**Board of Directors**

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

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

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

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

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

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

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

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

**Officers**

Bruce N. Alpert  
*President and Secretary*

Agnes Mullady  
*Treasurer*

Peter D. Goldstein  
*Chief Compliance Officer*

**Distributor**

Gabelli & Company, Inc.

**Custodian, Transfer Agent, and Dividend Agent**

State Street Bank and Trust Company

**Legal Counsel**

Skadden, Arps, Slate, Meagher & Flom LLP

# The Gabelli Small Cap Growth Fund

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

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GAB443Q308SR

**ANNUAL REPORT  
SEPTEMBER 30, 2008**