

The Gabelli Equity Income 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 Equity Income Fund fell 8.81% versus a decline of 8.36% for the Standard & Poor’s (“S&P”) 500 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 10.37%, 9.85%, 7.52%, 7.70%, (18.95)%, and (17.80)%, 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 (1/2/92)
Gabelli Equity Income Fund Class AAA . . .	(8.81)%	(17.80)%	(18.95)%	2.14%	7.70%	7.52%	9.85%	10.37%
S&P 500 Index	(8.36)	(19.27)	(21.96)	0.22	5.17	3.06	8.39	8.43
Nasdaq Composite Index	(8.77)	(21.13)	(22.57)	(0.94)	3.20	2.13	6.96	7.89
Lipper Equity Income Fund Average	(6.92)	(17.48)	(20.75)	0.79	6.15	4.59	7.77	8.48

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 distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** See page 7 for performance of other classes of shares. The S&P 500 Index and the Nasdaq Composite Index are unmanaged indicators of stock market performance, while the Lipper Equity Income Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested (except for the Nasdaq Composite Index). You cannot invest directly in an index.

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

THE GABELLI EQUITY INCOME FUND INVESTMENT RESULTS (CLASS AAA SHARES) (a)(c)

		Calendar Quarter				
		1st	2nd	3rd	4th	Year
2008:	Net Asset Value	\$20.28	\$19.83	\$18.00	—	—
	Total Return	(8.2)%	(1.8)%	(8.8)%	—	—
2007:	Net Asset Value	\$21.36	\$22.71	\$22.98	\$22.19	\$22.19
	Total Return	1.9%	6.8%	1.6%	(1.4)%	8.9%
2006:	Net Asset Value	\$19.34	\$19.51	\$20.23	\$21.06	\$21.06
	Total Return	5.5%	1.35%	4.2%	7.0%	19.2%
2005:	Net Asset Value	\$17.79	\$18.00	\$18.72	\$18.41	\$18.41
	Total Return	0.2%	1.7%	4.5%	(0.2)%	6.4%
2004:	Net Asset Value	\$16.77	\$16.90	\$16.73	\$17.84	\$17.84
	Total Return	2.8%	1.3%	(0.5)%	9.0%	13.0%
2003:	Net Asset Value	\$12.59	\$14.47	\$14.60	\$16.40	\$16.40
	Total Return	(3.3)%	15.7%	1.5%	13.0%	28.3%
2002:	Net Asset Value	\$14.91	\$13.86	\$11.93	\$13.02	\$13.02
	Total Return	4.2%	(6.6)%	(13.5)%	9.7%	(7.7)%
2001:	Net Asset Value	\$14.50	\$15.07	\$13.88	\$14.37	\$14.37
	Total Return	(2.3)%	4.4%	(7.5)%	5.1%	(0.9)%
2000:	Net Asset Value	\$15.86	\$15.86	\$16.35	\$14.91	\$14.91
	Total Return	0.8%	0.8%	3.8%	5.6%	11.3%
1999:	Net Asset Value	\$16.39	\$18.26	\$17.58	\$15.80	\$15.80
	Total Return	(1.5)%	11.7%	(3.4)%	2.8%	9.3%
1998:	Net Asset Value	\$17.70	\$17.72	\$15.97	\$16.70	\$16.70
	Total Return	10.1%	0.5%	(9.7)%	12.7%	12.6%
1997:	Net Asset Value	\$14.27	\$16.03	\$17.39	\$16.12	\$16.12
	Total Return	1.2%	12.7%	8.8%	3.0%	27.9%
1996:	Net Asset Value	\$13.47	\$13.54	\$13.81	\$14.16	\$14.16
	Total Return	5.5%	1.0%	2.5%	8.0%	17.9%
1995:	Net Asset Value	\$11.56	\$11.99	\$12.65	\$12.84	\$12.84
	Total Return	8.5%	4.3%	6.1%	6.9%	28.3%
1994:	Net Asset Value	\$11.26	\$11.08	\$11.54	\$10.72	\$10.72
	Total Return	(2.2)%	(0.8)%	4.9%	(0.7)%	1.1%
1993:	Net Asset Value	\$11.35	\$11.72	\$12.15	\$11.57	\$11.57
	Total Return	7.4%	3.8%	4.2%	1.5%	17.9%
1992:	Net Asset Value	\$10.19	\$10.36	\$10.40	\$10.64	\$10.64
	Total Return	2.4%(b)	2.3%	1.1%	3.7%	9.8%(b)

(a) **Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate.** Total returns and average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more complete information about this and other matters and should be read carefully before investing.** See page 7 for performance of other classes of shares.

(b) From commencement of investment operations on January 2, 1992.

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

Average Annual Returns – September 30, 2008 (a)

1 Year	(18.95)%
5 Year	7.70
10 Year	7.52
Life of Fund (b)	10.37
Current Expense Ratio	1.43
No sales charge for Class AAA Shares.	

Monthly Distributions — \$0.03 per share

The Gabelli Equity Income Fund has a \$0.03 per share monthly distribution policy in place. For more specific dividend and tax information, please visit our website at www.gabelli.com or call 800-GABELLI (800-422-3554). Shareholders should be aware that a portion of the distribution may represent a non-taxable return of capital. Such distributions will reduce the cost basis of your shares if you hold them in a taxable account.

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 (0.2% of net assets as of September 30, 2008) purchase of Rohm & Haas (1.9%), and Altria's (0.1%) acquisition of UST (0.2%). Also in this category was Waste Management (0.5%) that made an unsolicited offer for rival Republic Services 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

Some of the positive contributors to performance in the quarter were our defensive and financial holdings: Wells Fargo & Co (1.5%), Groupe Danone (0.7%), JPMorgan Chase (0.6%), Procter & Gamble (1.3%), and Citigroup (1.0%). Cablevision (0.4%) 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.

Newmont Mining (0.6%) was one of the largest negative contributors in the quarter. Viacom (0.5%) and CBS Corp. (0.2%) continued to be weak over concerns about the impact a global slowdown would have on advertising revenue. As we wrote last quarter, we think an advertising recession has been more than priced into the stocks. Viacom has a healthy business model with strong franchises that generate significant recurring revenue. Flowserve Corp (0.9%), 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.

Deere & Co. (1.2% of net assets as of September 30, 2008) (DE - \$49.50 - NYSE) was founded in 1837 and is headquartered in Moline, Illinois. DE manufactures and distributes agricultural and commercial equipment worldwide. It operates in four segments: Agricultural Equipment, Commercial and Consumer Equipment, Construction and Forestry, and Credit. Although there has been recent concern regarding the availability of credit in the current credit crisis, we continue to believe in continued growth of the global agricultural markets.

Deutsche Telekom AG (0.4%) (DT - \$15.23 - NYSE) is the largest telecommunication company in Europe. The company is on track or ahead of plan to achieve a planned €500-700 million in cost savings by 2010 through a combination of pay reductions and a longer working week. Top line performance for Deutsche Telekom continues to be driven by its T-Mobile subsidiary and specifically, T-Mobile USA. In September, T-Mobile is launching the first Google mobile device powered by the Android operating system on an exclusive basis. In addition to Deutsche Telekom's extensive portfolio of businesses in central Europe, the company acquired a controlling stake in OTE of Greece this year, which will provide a new source of growth in the Balkan region. DT trades at under 5.0x 2008 EBITDA, with a prospective yield of 7.3%. Positive resolution of a number of outstanding regulatory decisions would act as a catalyst for re-rating.

Halliburton Co. (1.0%) (HAL - \$32.39 - NYSE) has declined along with our other energy holdings, such as Exxon Mobil Corp. (1.0%) (XOM - \$77.66 - NYSE) and ConocoPhillips (1.2%) (COP - \$73.25 - NYSE), as the price of a barrel of oil has come down from \$140 at the beginning of the quarter to \$100 at the end of the quarter and could decline further due to the continuing slowdown of the global economy and less demand for oil. In addition, Hurricane Gustav has curtailed drilling programs. We believe that Halliburton is a compelling value, selling at about ten times this year's earnings at quarter end, and that the need to continue to drill for oil and gas will support high double digit earnings growth over the next few years.

IBM Corp. (1.7%) (IBM - \$116.96 - NYSE), based in Armonk, NY, develops and manufactures information technologies, including computer systems, software, networking systems, storage devices, and microelectronics worldwide. IBM serves banking, insurance, education, government, healthcare, life sciences, aerospace and defense, automotive, chemical and petroleum, electronics, distribution, and communication markets. In the emerging markets, the company continues to invest to capture opportunities created from the build out of the infrastructures in these high growth economies. In the more established markets, the company has been managing its business for productivity and is delivering solutions that provide value to its clients. IBM's 2Q 2008 financial results reflect the strength of the company's unique business model, built for both emerging and established markets and for delivering breakthrough technologies and business know-how to its clients.

Johnson & Johnson (1.8%) (JNJ - \$69.28 - NYSE) is the largest and most diversified healthcare company in the world. The company's leading positions across pharmaceuticals, medical devices, and consumer healthcare make it a steady performer and defensive name in these challenging times. With strong cash flow, a reasonable valuation of 15x earnings, and a 2.7% dividend yield, JNJ should be able to weather the storm.

Pfizer Inc. (1.3%) (PFE - \$18.44 - NYSE), founded in 1849, is the world's largest research based pharmaceutical company discovering, developing, manufacturing, and delivering quality, safe, and effective prescription medicines to treat and help prevent disease for both people and animals. PFE also partners with

healthcare providers, governments, and local communities around the world to expand access to its medicines and to provide better quality healthcare and health system support. Revenues and income from operations in the second quarter of 2008 increased 9% and 115% to \$12.1 billion and \$2.8 billion, respectively, compared with the same period in 2007. Pfizer is generating net cost reductions through site rationalization in R&D and manufacturing, reductions in its global sales force, streamlined organizational structures, staff function reductions, and increased outsourcing and procurement savings.

Rohm & Haas Co. (1.9%) (ROH - \$70.00 - NYSE), based in Philadelphia, PA, is a global producer of specialty chemicals and advanced materials that serve the building and construction, electronics, paints and coatings, and packaging markets. On July 10, 2008, Dow Chemical bid \$78 per share to acquire all of the outstanding common stock of Rohm & Haas. The \$78 bid came at a 74% premium to the company's July 9, 2008 closing price. Since then, Rohm & Haas' share price has fallen significantly and now trades at over a 20% discount to the offer price. Despite broad credit market fears, we continue to believe the deal will close and that shareholder's will be handsomely rewarded for their stock.

Swedish Match AB (1.9%) (SWMA.ST - \$17.33 - Stockholm Stock Exchange) produces tobacco products that include snuff, chewing tobacco, cigars, and pipe tobacco. The company's products are sold in more than 150 countries and it is a leader in its categories. The company has been benefiting from the growth of the smokeless tobacco market in both Scandinavia and the U.S., as public smoking bans and health concerns are driving consumers to seek alternative tobacco products to cigarettes. In response to excise tax increases, the company has recently changed its strategy in Sweden, and is now utilizing its pricing power in order to grow profits for its snuff division.

Wells Fargo & Co. (1.5%) (WFC - \$37.53 - NYSE) is a diversified financial services company with \$622 billion in assets, providing banking, insurance, investments, mortgage and consumer finance through almost 6,000 stores and the Internet (wellsfargo.com) across North America and internationally. On October 3, 2008, Wells Fargo and Wachovia entered into an agreement and plan of merger. With the acquisition, Wells Fargo will have about 6,675 branch offices, rivaling Bank of America in terms of deposits. In the deal, Wells Fargo will also acquire the third largest U.S. securities brokerage and Wachovia's Evergreen mutual fund unit that has about \$250 billion in assets. This will augment Wells Fargo's existing businesses.

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

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 Equity Income Fund, Mr. Gabelli received \$3,390,948 in calendar 2007. In 1992, the Fund's first year of operation starting in January, Mr. Gabelli received less than \$165,000. As beneficial owner, he had \$5,656,354 invested in The Gabelli Equity Income 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 contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at info@gabelli.com.

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

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

e-delivery

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

Multi-Class Shares

The Gabelli Equity Income Fund began offering additional classes of Fund shares on December 31, 2003. Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions which initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. The Board of 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.

Average Annual Returns – September 30, 2008 (a)(f)					
	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	(18.95)%	(18.92)% (23.58)(c)	(19.54)% (23.56)(d)	(19.55)% (20.36)(e)	(18.77)%
5 Year	7.70	7.69 6.42(c)	6.94 6.63(d)	6.96 6.96	7.75
10 Year	7.52	7.51 6.88(c)	7.14 7.14	7.15 7.15	7.54
Life of Fund (b)	10.37	10.37 9.98(c)	10.14 10.14	10.14 10.14	10.39
Current Expense Ratio ..	1.43	1.43	2.18	2.18	1.18
Maximum Sales Charge ..	None	5.75	5.00	1.00	None

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

(b) Performance is calculated from inception of Class AAA Shares on January 2, 1992.

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

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

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

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

Top Ten Holdings (Percent of Net Assets) September 30, 2008

Wm. Wrigley Jr. Co. 4.0%	Anheuser-Busch Companies Inc. 1.7%
Swedish Match AB 1.9%	The Coca-Cola Co. 1.6%
Rohm & Haas Co. 1.9%	Wells Fargo & Co. 1.5%
Johnson & Johnson 1.8%	Chevron Corp. 1.3%
International Business Machines Corp. 1.7%	Pfizer Inc. 1.3%

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.

Gabelli Equity Series Funds, Inc.
The Gabelli Equity Income Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

800-422-3554

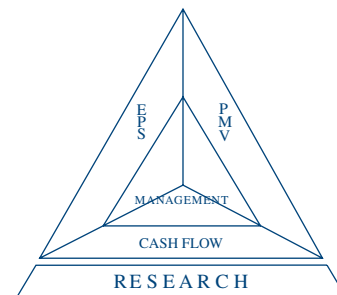
fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

Net Asset Value per share available daily by calling

800-GABELLI after 6:00 P.M.



Board of Directors

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

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 Equity Income Fund

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

GAB444Q308SC

SHAREHOLDER COMMENTARY
SEPTEMBER 30, 2008

The Gabelli Equity Income Fund

Annual Report ^(a) September 30, 2008

To Our Shareholders,

The Gabelli Equity Income Fund's (the "Fund") net asset value ("NAV") per share declined 8.81% during the third quarter of 2008. Calendar year to date through September 30th, the Fund declined 17.80% while the Standard & Poor's ("S&P") 500 Index was down 19.27% over the same period.

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 (1/2/92)
Gabelli Equity Income Fund								
Class AAA	(8.81)%	(17.80)%	(18.95)%	2.14%	7.70%	7.52%	9.85%	10.37%
S&P 500 Index	(8.36)	(19.27)	(21.96)	0.22	5.17	3.06	8.39	8.43
Nasdaq Composite Index	(8.77)	(21.13)	(22.57)	(0.94)	3.20	2.13	6.96	7.89
Lipper Equity Income Fund Average	(6.92)	(17.48)	(20.75)	0.79	6.15	4.59	7.77	8.48
Class A	(8.78)	(17.76)	(18.92)	2.17	7.69	7.51	9.85	10.37
	(14.03)(c)	(22.49)(c)	(23.58)(c)	0.17(c)	6.42(c)	6.88(c)	9.41(c)	9.98(c)
Class B	(8.92)	(18.27)	(19.54)	1.39	6.94	7.14	9.59	10.14
	(13.47)(d)	(22.35)(d)	(23.56)(d)	0.41(d)	6.63(d)	7.14	9.59	10.14
Class C	(8.97)	(18.28)	(19.55)	1.39	6.96	7.15	9.60	10.14
	(9.88)(e)	(19.09)(e)	(20.36)(e)	1.39	6.96	7.15	9.60	10.14
Class I	(8.70)	(17.61)	(18.77)	2.22	7.75	7.54	9.87	10.39

In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.43%, 1.43%, 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 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' 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. The S&P 500 Index of the largest U.S. companies and the Nasdaq Composite Index (measures all Nasdaq domestic and international common type stocks under an unmanaged market capitalization weighted methodology) are unmanaged indicators of stock market performance, while the Lipper Equity Income Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested (except for the Nasdaq Composite Index). 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%, 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.

Performance Discussion

For the fiscal year ended September 30, 2008, the Fund's Class AAA Shares declined 18.95% versus a decrease of 21.96% in the S&P 500 Index.

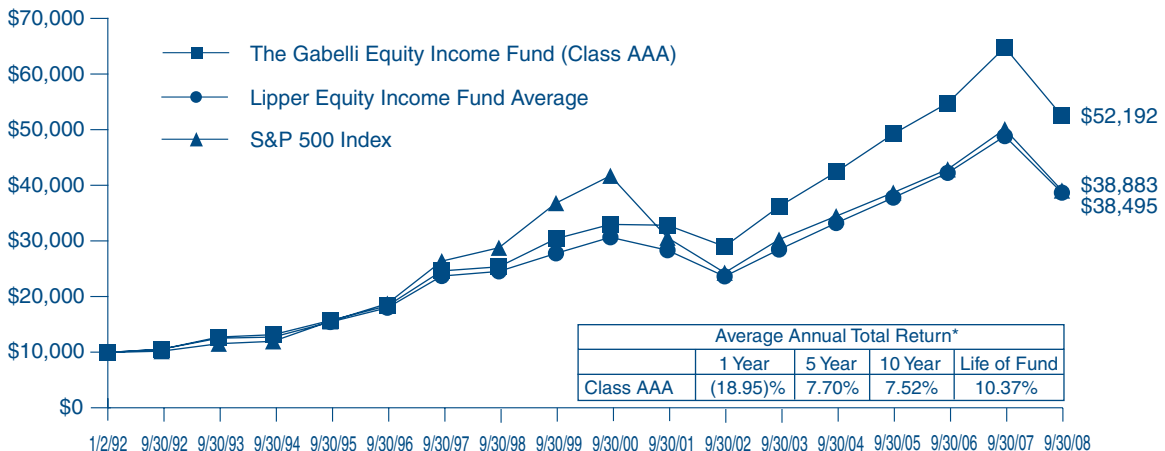
During the past year, all sectors of the S&P 500 declined significantly with the exception of the transportation and consumer staples sectors which were very close to break even. Consequently, the Fund's performance was affected by the overall market decline. The worst performing sector was the financials sector which decreased by over 39% due to the mortgage meltdown and the financial crises that ensued, followed by telecommunications services (-33%) and information technology (-23%) sectors, which usually thrive in the periods immediately before and during a growing economy, clearly not present in the past fiscal year.

Company specific, it was also another strong year for Flowserve Corp. (0.9% of net assets as of September 30, 2008), which provides pumps, valves and seals for industrial flow management. Other stocks, which we owned, which appreciated in value over the full fiscal year were General Mills (1.2%), Wells Fargo (1.5%), Johnson & Johnson (1.8%), and International Business Machines (1.7%).

The Fund also benefited from several announced acquisitions including, the acquisition of Wm. Wrigley Jr. (4.0%), the chewing gum maker, by the privately held chocolate giant Mars, Rohm & Haas (1.9%) acquisition by Dow Chemicals, Anheuser-Busch (1.7%), the maker of Bud, by the maker of Stella, InBev, UST (0.2%) by Altria (0.1%), and the technology deal of the year: the acquisition of Electronic Data Systems (deal closed and shares stopped trading before September 30, 2008) by Hewlett-Packard, among others.

A variety of factors, including the emerging global slowdown and the financial meltdown, negatively impacted a number of holdings including General Electric (0.9%), Pfizer (1.3%), Citigroup (1.0%), Verizon (0.6%), Thomas & Betts (0.3%), and Advanced Medical Optics (0.2%). Long-time holding Cablevision Systems (0.4%) declined sharply as concerns rose that shareholders would reject the controlling Dolan family's privatization offer, which they ultimately did.

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI EQUITY INCOME FUND CLASS AAA, THE LIPPER EQUITY INCOME FUND AVERAGE, AND THE S&P 500 INDEX



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

The Gabelli Equity Income 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*
The Gabelli Equity Income Fund				
Actual Fund Return				
Class AAA	\$1,000.00	\$ 895.60	1.46%	\$ 6.92
Class A	\$1,000.00	\$ 895.80	1.46%	\$ 6.92
Class B	\$1,000.00	\$ 892.10	2.21%	\$10.45
Class C	\$1,000.00	\$ 892.00	2.21%	\$10.45
Class I	\$1,000.00	\$ 896.70	1.19%	\$ 5.64
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,017.70	1.46%	\$ 7.36
Class A	\$1,000.00	\$1,017.70	1.46%	\$ 7.36
Class B	\$1,000.00	\$1,013.95	2.21%	\$11.13
Class C	\$1,000.00	\$1,013.95	2.21%	\$11.13
Class I	\$1,000.00	\$1,019.05	1.19%	\$ 6.01

* 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 Equity Income Fund

Food and Beverage	17.2%	Energy and Utilities: Natural Gas	1.4%
Financial Services	11.1%	Agriculture	1.4%
Health Care	9.3%	Machinery	1.2%
Consumer Products	7.5%	Communications Equipment	1.2%
Energy and Utilities: Oil	6.6%	Computer Software and Services	1.0%
Retail	5.5%	Cable and Satellite	0.9%
Telecommunications	3.8%	Automotive	0.7%
Specialty Chemicals	3.5%	Business Services	0.6%
Energy and Utilities: Integrated	3.3%	Environmental Services	0.5%
Diversified Industrial	3.0%	Broadcasting	0.5%
Aerospace	2.5%	Transportation	0.4%
Energy and Utilities: Services	2.3%	Wireless Communications	0.3%
Computer Hardware	2.0%	Aviation: Parts and Services	0.3%
Electronics	1.8%	Publishing	0.3%
Equipment and Supplies	1.7%	Manufactured Housing	0.1%
Metals and Mining	1.7%	Consumer Services	0.1%
U.S. Government Obligations	1.5%	Energy and Utilities: Water	0.0%
Automotive: Parts and Accessories	1.5%	Real Estate	0.0%
Entertainment	1.5%	Building and Construction	0.0%
Energy and Utilities: Electric	1.5%	Other Assets and Liabilities (Net)	(1.1)%
Hotels and Gaming	1.4%		<u>100.0%</u>

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

Proxy Voting

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

The Gabelli Equity Income Fund

Schedule of Investments — September 30, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS — 98.5%			Cable and Satellite — 0.9%		
Aerospace — 2.5%			Cablevision Systems Corp.,		
140,000	Boeing Co. \$ 9,260,922	\$ 8,029,000	190,000	Cl. A \$ 2,919,442	\$ 4,780,400
2,000	Lockheed Martin Corp. 47,350	219,340	80,000	DISH Network Corp., Cl. A† 2,181,380	1,680,000
3,500	Northrop Grumman Corp. 125,556	211,890	16,000	EchoStar Corp., Cl. A† ... 478,840	385,600
10,000	Raytheon Co. 279,250	535,100	50,000	Scripps Networks	
350,000	Rockwell Automation Inc. 18,270,020	13,069,000		Interactive Inc., Cl. A .. 2,183,980	1,815,500
2,000	Rockwell Collins Inc. 15,843	96,180	60,000	The DIRECTV Group Inc.† 1,241,546	1,570,200
1,260,000	Rolls-Royce Group plc† .. 8,984,010	7,537,868			
				<u>9,005,188</u>	<u>10,231,700</u>
	<u>36,982,951</u>	<u>29,698,378</u>	Communications Equipment — 0.8%		
Agriculture — 1.4%			300,000	Corning Inc. 4,319,319	4,692,000
100,000	Archer-Daniels-Midland Co. 2,873,352	2,191,000	100,000	Motorola Inc. 830,109	714,000
131,000	Monsanto Co. 1,313,918	12,966,380	100,000	Thomas & Betts Corp.† .. 2,991,929	3,907,000
12,000	The Mosaic Co. 186,246	816,240			
				<u>8,141,357</u>	<u>9,313,000</u>
	<u>4,373,516</u>	<u>15,973,620</u>	Computer Hardware — 2.0%		
Automotive — 0.7%			174,500	International Business	
800,000	General Motors Corp. 17,950,341	7,560,000		Machines Corp. 14,082,385	20,409,520
6,000	Navistar International Corp.† 193,880	325,080	315,000	Xerox Corp. 4,516,747	3,631,950
				<u>18,599,132</u>	<u>24,041,470</u>
	<u>18,144,221</u>	<u>7,885,080</u>	Computer Software and Services — 1.0%		
Automotive: Parts and Accessories — 1.4%			2,000	EMC Corp.† 19,360	23,920
1,000	ArvinMeritor Inc. 10,487	13,040	115,000	Metavante Technologies Inc.† 2,593,203	2,214,900
3,000	BERU AG 319,888	316,754	230,000	Microsoft Corp. 6,600,683	6,138,700
250,000	Genuine Parts Co. 8,986,399	10,052,500	154	Telecom Italia Media SpA† 205	22
6,000	Johnson Controls Inc. 50,425	181,980	170,000	Yahoo! Inc.† 5,202,473	2,941,000
50,000	Modine Manufacturing Co. 771,416	724,000			
170,000	O'Reilly Automotive Inc.† .. 4,859,031	4,550,900		<u>14,415,924</u>	<u>11,318,542</u>
140,000	The Pep Boys -		Consumer Products — 7.5%		
	Manny, Moe & Jack ... 1,619,073	865,200	55,000	Altria Group Inc. 677,620	1,091,200
			175,000	Avon Products Inc. 5,238,596	7,274,750
	<u>16,616,719</u>	<u>16,704,374</u>	15,000	Clorox Co. 823,581	940,350
Aviation: Parts and Services — 0.3%			10,000	Colgate-Palmolive Co. 589,614	753,500
5,000	Barnes Group Inc. 47,698	101,100	7,000	Compagnie Financiere	
46,192	Curtiss-Wright Corp. 349,652	2,099,426		Richemont SA, Cl. A ... 410,810	304,483
35,000	GenCorp Inc.† 299,658	235,900	600,000	Eastman Kodak Co. 8,720,896	9,228,000
20,000	United Technologies Corp. 557,839	1,201,200	63,000	Energizer Holdings Inc.† .. 2,834,133	5,074,650
			63,000	Fortune Brands Inc. 4,616,938	3,613,680
	<u>1,254,847</u>	<u>3,637,626</u>	5,000	Hanesbrands Inc.† 108,950	108,750
Broadcasting — 0.3%			33,000	Harman International	
165,000	CBS Corp., Cl. A 4,109,756	2,413,950		Industries Inc. 1,187,446	1,124,310
35,000	CBS Corp., Cl. B 814,440	510,300	145,000	Kimberly-Clark Corp. 9,758,803	9,401,800
132	Granite Broadcasting Corp.† 10,795	924	7,000	National Presto Industries Inc. 206,562	521,500
4,000	Societe Television Francaise 1 86,329	69,883	10,000	Pactiv Corp.† 161,895	248,300
			50,000	Philip Morris International Inc. 1,501,172	2,405,000
	<u>5,021,320</u>	<u>2,995,057</u>	215,000	Procter & Gamble Co. 12,169,226	14,983,350
Building and Construction — 0.0%			100,000	Reckitt Benckiser Group plc 3,154,703	4,819,727
918	Colas SA 318,206	201,621	1,300,000	Swedish Match AB 17,012,653	22,530,980
Business Services — 0.6%			78,000	Unilever NV, ADR 1,542,066	2,196,480
4,000	Automatic Data Processing Inc. 114,127	171,000	35,000	UST Inc. 2,033,769	2,328,900
150,000	Diebold Inc. 5,659,698	4,966,500		<u>72,749,433</u>	<u>88,949,710</u>
4,000	Landauer Inc. 134,546	291,000			
7,500	MasterCard Inc., Cl. A 292,500	1,329,975			
20,000	R. H. Donnelley Corp.† ... 130,652	39,800			
	<u>6,331,523</u>	<u>6,798,275</u>			

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2008

Shares	Cost	Market Value	Principal Amount	Cost	Market Value
CONVERTIBLE PREFERRED STOCKS (Continued)					
Telecommunications — 0.1%					
33,000	Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B	\$ 918,894	\$ 1,140,150	\$ 200,000	
TOTAL CONVERTIBLE PREFERRED STOCKS					
		1,976,396	1,924,559		
WARRANTS — 0.0%					
Broadcasting — 0.0%					
330	Granite Broadcasting Corp., Ser. A, expire 06/04/12†	0	36	11,898,000	
330	Granite Broadcasting Corp., Ser. B, expire 06/04/12†	0	83		
TOTAL WARRANTS					
		0	119		
Principal Amount					
CORPORATE BONDS — 0.9%					
Automotive: Parts and Accessories — 0.1%					
\$ 800,000	Standard Motor Products Inc., Sub. Deb. Cv., 6.750%, 07/15/09	769,417	766,000		
Broadcasting — 0.2%					
350,000	Sinclair Broadcast Group Inc., Cv. (STEP), 4.875%, 07/15/18	330,214	319,375		
2,200,000	Sinclair Broadcast Group Inc., Sub. Deb. Cv., 6.000%, 09/15/12	1,914,071	1,883,750		
200,000	Young Broadcasting Inc., Sub. Deb., 10.000%, 03/01/11	155,904	30,000		
		2,400,189	2,233,125		
Business Services — 0.0%					
100,000	BBN Corp., Sub. Deb. Cv., 6.000%, 04/01/12† (a)	97,499	0		
Communications Equipment — 0.3%					
4,000,000	Agere Systems Inc., Sub. Deb. Cv., 6.500%, 12/15/09	3,967,745	4,060,000		
Retail — 0.3%					
4,100,000	The Great Atlantic & Pacific Tea Co. Inc., Cv., 5.125%, 06/15/11	4,076,140	2,987,875		
Telecommunications — 0.0%					
Williams Communications Group Inc., Escrow, 10.875%, 10/01/09† (a)					
		\$ 0	\$ 0		
TOTAL CORPORATE BONDS					
		11,310,990	10,047,000		
U.S. GOVERNMENT OBLIGATIONS — 1.5%					
U.S. Treasury Bills — 1.0%					
	U.S. Treasury Bills, 1.484% to 1.797%††, 10/16/08 to 01/15/09	11,863,928	11,882,871		
U.S. Treasury Notes — 0.5%					
	4.500%, 04/30/09	4,382,374	4,370,885		
	4.750%, 12/31/08	1,869,728	1,867,779		
		6,252,102	6,238,664		
TOTAL U.S. GOVERNMENT OBLIGATIONS					
		18,116,030	18,121,535		
TOTAL INVESTMENTS — 101.1%					
		\$1,164,712,876	1,190,670,921		
Other Assets and Liabilities (Net) — (1.1%)					
			(12,388,058)		
NET ASSETS — 100.0%					
			\$1,178,282,863		

(a) Securities fair valued under procedures established by the Board of Directors. The procedures may include reviewing available financial information about the company and reviewing valuation of comparable securities and other factors on a regular basis. At September 30, 2008, the market value of fair valued securities amounted to \$117,280 or 0.01% of net assets.

(b) 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 \$428,739 or 0.04% of net assets.

† Non-income producing security.

†† Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CVO Contingent Value Obligation

STEP Step coupon bond. The rate disclosed is that in effect at September 30, 2008.

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Assets and Liabilities September 30, 2008

Assets:	
Investments, at value (cost \$1,164,712,876) ..	\$1,190,670,921
Cash	800
Receivable for investments sold	3,218,765
Receivable for Fund shares sold	3,499,654
Dividends and interest receivable	2,063,983
Prepaid expenses	49,007
Total Assets	<u>1,199,503,130</u>
Liabilities:	
Payable for investments purchased	16,118,575
Payable for Fund shares redeemed	3,234,601
Payable for investment advisory fees	1,020,373
Payable for distribution fees	267,005
Payable for accounting fees	7,500
Unrealized depreciation on swap contracts ..	30,877
Other accrued expenses	541,336
Total Liabilities	<u>21,220,267</u>
Net Assets applicable to 65,504,519 shares outstanding	<u>\$1,178,282,863</u>
Net Assets Consist of:	
Paid-in capital, each class at \$0.001 par value	\$1,170,062,133
Accumulated net investment income	68,657
Accumulated distributions in excess of net realized gain on investments, swap contracts, and foreign currency transactions	(17,769,231)
Net unrealized appreciation on investments ..	25,958,045
Net unrealized depreciation on swap contracts	(30,877)
Net unrealized depreciation on foreign currency translations	(5,864)
Net Assets	<u>\$1,178,282,863</u>
Shares of Capital Stock:	
Class AAA:	
Net Asset Value, offering, and redemption price per share (\$1,135,542,838 ÷ 63,086,231 shares outstanding; 150,000,000 shares authorized)	<u>\$18.00</u>
Class A:	
Net Asset Value and redemption price per share (\$22,978,541 ÷ 1,280,346 shares outstanding; 50,000,000 shares authorized)	<u>\$17.95(a)</u>
Maximum offering price per share (NAV ÷ .9425, based on maximum sales charge of 5.75% of the offering price)	<u>\$19.05(a)</u>
Class B:	
Net Asset Value and offering price per share (\$252,191 ÷ 14,548 shares outstanding; 50,000,000 shares authorized)	<u>\$17.34(b)</u>
Class C:	
Net Asset Value and offering price per share (\$18,547,337 ÷ 1,070,065 shares outstanding; 50,000,000 shares authorized)	<u>\$17.33(b)</u>
Class I:	
Net Asset Value, offering, and redemption price per share (\$961,956 ÷ 53,329 shares outstanding; 50,000,000 shares authorized)	<u>\$18.04</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.

Statement of Operations For the Year Ended September 30, 2008

Investment Income:	
Dividends (net of foreign taxes of \$579,453) ...	\$ 26,275,560
Interest	2,648,453
Total Investment Income	<u>28,924,013</u>
Expenses:	
Investment advisory fees	12,539,690
Distribution fees – Class AAA	3,035,251
Distribution fees – Class A	49,283
Distribution fees – Class B	3,264
Distribution fees – Class C	192,315
Shareholder services fees	1,319,607
Shareholder communications expenses	382,191
Custodian fees	223,199
Registration expenses	100,161
Legal and audit fees	91,469
Accounting fees	45,000
Directors' fees	36,581
Interest expense	250
Miscellaneous expenses	92,042
Total Expenses	<u>18,110,303</u>
Less: Custodian fee credits	<u>(10,842)</u>
Net Expenses	<u>18,099,461</u>
Net Investment Income	<u>10,824,552</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:	
Net realized loss on investments	(8,933,270)
Net realized loss on swap contracts	(278,646)
Net realized gain on foreign currency transactions	14,715
Net realized loss on investments, swap contracts, and foreign currency transactions	<u>(9,197,201)</u>
Net change in unrealized appreciation/ (depreciation) on investments	(265,150,188)
Net change in unrealized appreciation/ (depreciation) on swap contracts	(15,553)
Net change in unrealized appreciation/ (depreciation) on foreign currency translations ..	(8,101)
Net change in unrealized appreciation/ (depreciation) on investments, swap contracts, and foreign currency translations	<u>(265,173,842)</u>
Net Realized and Unrealized Loss on Investments, Swap Contracts, and Foreign Currency	
	<u>(274,371,043)</u>
Net Decrease in Net Assets Resulting from Operations	<u>\$ (263,546,491)</u>

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Changes in Net Assets

	<u>Year Ended</u> <u>September 30, 2008</u>	<u>Year Ended</u> <u>September 30, 2007</u>
Operations:		
Net investment income	\$ 10,824,552	\$ 10,235,599
Net realized gain/(loss) on investments, swap contracts, and foreign currency transactions	(9,197,201)	25,662,276
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations	<u>(265,173,842)</u>	<u>129,138,838</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>(263,546,491)</u>	<u>165,036,713</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(10,546,445)	(10,622,391)
Class A	(176,682)	(122,443)
Class B	(2,809)	(3,257)
Class C	(173,060)	(146,754)
Class I	<u>(5,950)</u>	<u>—</u>
	<u>(10,904,946)</u>	<u>(10,894,845)</u>
Net realized gain on investments		
Class AAA	(21,351,419)	(25,511,616)
Class A	(316,681)	(276,274)
Class B	(6,167)	(11,191)
Class C	<u>(328,750)</u>	<u>(275,224)</u>
	<u>(22,003,017)</u>	<u>(26,074,305)</u>
Return of capital		
Class AAA	(9,231,544)	—
Class A	(154,376)	—
Class B	(2,462)	—
Class C	(151,338)	—
Class I	<u>(5,126)</u>	<u>—</u>
	<u>(9,544,846)</u>	<u>—</u>
Total Distributions to Shareholders	<u>(42,452,809)</u>	<u>(36,969,150)</u>
Capital Share Transactions:		
Class AAA	239,884,656	271,771,201
Class A	12,798,114	5,538,183
Class B	(12,254)	(51,212)
Class C	6,182,277	7,800,453
Class I	<u>1,135,297</u>	<u>—</u>
Net Increase in Net Assets from Capital Share Transactions	<u>259,988,090</u>	<u>285,058,625</u>
Redemption Fees	<u>7,092</u>	<u>10,314</u>
Net Increase/(Decrease) in Net Assets	<u>(46,004,118)</u>	<u>413,136,502</u>
Net Assets:		
Beginning of period	<u>1,224,286,981</u>	<u>811,150,479</u>
End of period (including undistributed net investment income of \$68,657 and \$0, respectively)	<u>\$1,178,282,863</u>	<u>\$1,224,286,981</u>

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Financial Highlights

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

Period Ended September 30 of	Income from Investment Operations				Distributions			Ratios to Average Net Assets/ Supplemental Data							
	Net Asset Value, Beginning of Period	Net Investment Income(a)	Net Unrealized Gain (Loss) on Investments	Total from Investment Operations	Net Investment Income	Net Realized Gain on Investments	Return of Capital	Total Distributions	Redemption Fees(a)	Net Asset Value, End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income	Operating Expenses	Portfolio Turnover Rate††
Class AAA															
2008	\$22.98	\$0.18	\$(4.43)	\$(4.25)	\$(0.17)	\$(0.40)	\$(0.16)	\$(0.73)	\$0.00(b)	\$18.00	(18.95)%	\$1,135,543	0.87%	1.43%(c)	22%
2007	20.23	0.22	3.37	3.59	(0.39)	(0.45)	—	(0.84)	0.00(b)	22.98	18.19	1,191,351	1.01	1.43(c)	12
2006	18.72	0.38	1.68	2.06	(0.36)	(0.19)	—	(0.55)	0.00(b)	20.23	11.25	794,375	1.98	1.46(c)	14
2005	16.73	0.24	2.41	2.65	(0.24)	(0.42)	—	(0.66)	0.00(b)	18.72	16.09	580,081	1.33	1.46	11
2004	14.60	0.23	2.26	2.49	(0.27)	(0.09)	—	(0.36)	—	16.73	17.13	355,321	1.42	1.49	12
Class A															
2008	\$22.91	\$0.18	\$(4.41)	\$(4.23)	\$(0.17)	\$(0.40)	\$(0.16)	\$(0.73)	\$0.00(b)	\$17.95	(18.92)%	\$ 22,979	0.88%	1.43%(c)	22%
2007	20.17	0.22	3.36	3.58	(0.39)	(0.45)	—	(0.84)	0.00(b)	22.91	18.20	15,313	1.00	1.43(c)	12
2006	18.66	0.39	1.67	2.06	(0.36)	(0.19)	—	(0.55)	0.00(b)	20.17	11.29	8,379	2.02	1.46(c)	14
2005	16.72	0.20	2.43	2.63	(0.27)	(0.42)	—	(0.69)	0.00(b)	18.66	15.99	3,644	1.08	1.50	11
2004(d)	16.40	0.16	0.43	0.59	(0.20)	(0.07)	—	(0.27)	—	16.72	3.62	124	1.33(e)	1.49(e)	12
Class B															
2008	\$22.32	\$0.02	\$(4.27)	\$(4.25)	\$(0.17)	\$(0.40)	\$(0.16)	\$(0.73)	\$0.00(b)	\$17.34	(19.54)%	\$ 252	0.12%	2.18%(c)	22%
2007	19.82	0.06	3.28	3.34	(0.39)	(0.45)	—	(0.84)	0.00(b)	22.32	17.28	344	0.29	2.18(c)	12
2006	18.48	0.36	1.53	1.89	(0.36)	(0.19)	—	(0.55)	0.00(b)	19.82	10.46	352	1.91	2.21(c)	14
2005	16.62	0.04	2.46	2.50	(0.22)	(0.42)	—	(0.64)	0.00(b)	18.48	15.28	32	0.20	2.22	11
2004(d)	16.40	0.07	0.42	0.49	(0.20)	(0.07)	—	(0.27)	—	16.62	3.00	1	0.56(e)	2.24(e)	12
Class C															
2008	\$22.31	\$0.03	\$(4.28)	\$(4.25)	\$(0.17)	\$(0.40)	\$(0.16)	\$(0.73)	\$0.00(b)	\$17.33	(19.55)%	\$ 18,547	0.13%	2.18%(c)	22%
2007	19.81	0.05	3.29	3.34	(0.39)	(0.45)	—	(0.84)	0.00(b)	22.31	17.29	17,279	0.24	2.18(c)	12
2006	18.47	0.24	1.65	1.89	(0.36)	(0.19)	—	(0.55)	0.00(b)	19.81	10.46	8,044	1.26	2.21(c)	14
2005	16.64	0.07	2.43	2.50	(0.25)	(0.42)	—	(0.67)	0.00(b)	18.47	15.24	3,374	0.37	2.24	11
2004(d)	16.40	0.08	0.43	0.51	(0.20)	(0.07)	—	(0.27)	—	16.64	3.13	79	0.62(e)	2.24(e)	12
Class I															
2008(f)	\$21.42	\$0.19	\$(3.30)	\$(3.11)	\$(0.14)	—	\$(0.13)	\$(0.27)	\$0.00(b)	\$18.04	(14.65)%	\$ 962	1.31%(e)	1.18%(c)(e)	22%

† 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 years ended September 30, 2007, 2006, 2005, and 2004 would have been 20%, 34%, 26%, and 15%, respectively.

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

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

(c) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits, the expense ratios for the fiscal year ended September 30, 2006 would have been 1.45%, 1.45%, 2.20%, and 2.20% for Class AAA, Class A, Class B, and Class C, respectively. For the fiscal years ended September 30, 2008 and 2007, the effect of the custodian fee credits was minimal.

(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 Equity Income Fund

Notes to Financial Statements

1. Organization. The Gabelli Equity Income 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 to seek a high level of total return with an emphasis on income. The Fund commenced investment operations on January 2, 1992.

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 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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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 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.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

Effective March 16, 2008, Bear, Stearns International Limited entered into a Guaranty Agreement with JPMorgan Chase & Co., whereby JPMorgan Chase & Co. unconditionally guaranties the due and punctual payment of certain liabilities of Bear, Stearns International Limited, including the current liabilities of Bear, Stearns International Limited to the Fund. As of September 30, 2008, the Fund held contract for difference swaps with Bear, Stearns International Limited which are covered by the JPMorgan Chase & Co. Guaranty Agreement as of the date of the report. Details of the swaps at September 30, 2008 are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Depreciation</u>
	Market Value	Overnight LIBOR plus 40 bps plus		
	Appreciation on:	Market Value Depreciation on:		
\$188,919 (140,000 Shares)	Rank Group plc	Rank Group plc	05/15/09	\$(13,149)
137,140 (20,000 Shares)	Rolls-Royce Group plc	Rolls-Royce Group plc	02/17/09	<u>(17,728)</u>
				<u><u>\$(30,877)</u></u>

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.

Securities Sold Short. The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The Fund did not hold any short positions as of September 30, 2008.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on 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 Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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 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.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

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

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as "custodian fee credits." When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be 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 distributions in excess of net investment income by \$9,672,345 and increase accumulated distributions in excess of net realized gain on investments by \$127,499, with an offsetting adjustment to additional paid-in capital.

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>
Distributions paid from:		
Ordinary income		
(inclusive of short-term capital gains) . . .	\$11,894,382	\$20,253,574
Net long-term capital gains	21,013,581	16,715,576
Return of capital	9,544,846	—
Total distributions paid	<u>\$42,452,809</u>	<u>\$36,969,150</u>

The Fund has a fixed distribution policy. Under the policy, the Fund declares and pays monthly distributions from net investment income and capital gains. The actual source of the distribution is determined after the end of the calendar year. To the extent such distributions are made from current earnings and profits, they are considered ordinary income or long-term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pay out all of its net realized long-term capital gains as a Capital Gain Dividend. The Fund continues to evaluate its distribution policy in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future. The Fund currently intends to pay \$0.03 per share on a monthly basis.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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:

Net unrealized appreciation	\$13,545,730
Post-October capital loss deferral	(5,378,169)
Other temporary differences*	53,169
Total accumulated earnings	<u>\$ 8,220,730</u>

* Other temporary differences are primarily due to return of capital adjustments, mark to market adjustments on swaps, and basis adjustments to hybrid income.

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 capital losses of \$5,378,169.

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

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

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
Investments	\$1,177,088,450	\$178,614,965	\$(165,032,494)	\$13,582,471
Swap contracts	—	—	(30,877)	(30,877)
	<u>\$1,177,088,450</u>	<u>\$178,614,965</u>	<u>\$(165,063,371)</u>	<u>\$13,551,594</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.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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.

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 \$505,561,671 and \$255,378,848, 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 \$9,181,279 and \$2,887,000, respectively.

6. Transactions with Affiliates. During the fiscal year ended September 30, 2008, the Fund paid brokerage commissions on security trades of \$551,673 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it received \$41,811 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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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 \$7,092 and \$10,314, respectively.

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

Transactions in shares of capital stock were as follows:

	Year Ended September 30, 2008		Year Ended September 30, 2007	
	Shares	Amount	Shares	Amount
	Class AAA		Class AAA	
Shares sold	24,093,784	\$ 504,580,779	20,047,350	\$ 435,048,849
Shares issued upon reinvestment of distributions	1,797,042	38,520,431	1,598,441	33,658,795
Shares redeemed	<u>(14,644,330)</u>	<u>(303,216,554)</u>	<u>(9,065,356)</u>	<u>(196,936,443)</u>
Net increase	<u>11,246,496</u>	<u>\$ 239,884,656</u>	<u>12,580,435</u>	<u>\$ 271,771,201</u>
	Class A		Class A	
Shares sold	798,290	\$ 16,578,039	337,809	\$ 7,382,957
Shares issued upon reinvestment of distributions	25,861	548,965	15,265	320,840
Shares redeemed	<u>(212,203)</u>	<u>(4,328,890)</u>	<u>(100,074)</u>	<u>(2,165,614)</u>
Net increase	<u>611,948</u>	<u>\$ 12,798,114</u>	<u>253,000</u>	<u>\$ 5,538,183</u>
	Class B		Class B	
Shares sold	9,738	\$ 196,093	—	—
Shares issued upon reinvestment of distributions	543	11,320	700	\$ 14,330
Shares redeemed	<u>(11,132)</u>	<u>(219,667)</u>	<u>(3,076)</u>	<u>(65,542)</u>
Net decrease	<u>(851)</u>	<u>\$ (12,254)</u>	<u>(2,376)</u>	<u>\$ (51,212)</u>
	Class C		Class C	
Shares sold	472,038	\$ 9,589,680	400,018	\$ 8,488,767
Shares issued upon reinvestment of distributions	29,534	611,310	18,848	388,816
Shares redeemed	<u>(205,866)</u>	<u>(4,018,713)</u>	<u>(50,547)</u>	<u>(1,077,130)</u>
Net increase	<u>295,706</u>	<u>\$ 6,182,277</u>	<u>368,319</u>	<u>\$ 7,800,453</u>
	Class I*			
Shares sold	54,128	\$ 1,152,550		
Shares issued upon reinvestment of distributions	550	11,076		
Shares redeemed	<u>(1,349)</u>	<u>(28,329)</u>		
Net increase	<u>53,329</u>	<u>\$ 1,135,297</u>		

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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

10. Other Matters. On April 24, 2008, the Adviser entered into an administrative settlement with the SEC to resolve the SEC's inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the "Global Growth Fund") by one investor who was banned from the Global Growth Fund in August 2002. In the settlement, the SEC found that the Adviser had violated Section 206(2) of the Investment Advisers Act, Section 17(d) of the 1940 Act and Rule 17d-1 thereunder, and had aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC's findings and allegations, agreed, among other things, to pay the previously reserved total of \$16 million (including a \$5 million penalty), of which at least \$11 million will be distributed to shareholders of the Global Growth Fund in accordance with a plan to be developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and the staff of the SEC, and to cease and desist from future violations of the above referenced federal securities laws. The settlement 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

To the Shareholders and Board of Directors of
The Gabelli Equity Income Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Gabelli Equity Income 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 Equity Income 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 Equity Income 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 Equity Income Fund at One Corporate Center, Rye, NY 10580-1422.

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Number of Funds in Fund Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director³</u>
INTERESTED DIRECTORS⁴:				
Mario J. Gabelli 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)
John D. Gabelli Director Age: 64	Since 1991	10	Senior Vice President of Gabelli & Company, Inc.	Director of GAMCO Investors, Inc. (asset management)
INDEPENDENT DIRECTORS⁵:				
Anthony J. Colavita Director Age: 72	Since 1991	37	Partner in the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright 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)
Robert J. Morrissey Director Age: 69	Since 1991	6	Partner in the law firm of Morrissey, Hawkins & Lynch	—
Anthony R. Pustorino Director Age: 83	Since 1991	14	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing)
Anthonie C. van Ekris Director Age: 74	Since 1991	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
Salvatore J. Zizza 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 Equity Income Fund

Additional Fund Information (Unaudited) (Continued)

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

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

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

³ 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.

⁴ "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.

⁵ 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 net investment income and short-term capital gains) totaling \$0.20, \$0.20, \$0.20, \$0.20, and \$0.14 per share for Class AAA, Class A, Class B, Class C, and Class I, respectively, and long-term capital gains totaling \$21,013,581. 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 9.54% of the ordinary income distribution as qualified interest income, and 100% of the ordinary income distribution as qualified short-term gain, pursuant to the American Jobs Creation Act of 2004.

U.S. Government Income:

The percentage of the ordinary income dividend paid by the Fund during fiscal year 2008 which was derived from U.S. Treasury securities was 4.63%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli Equity Income Fund did not meet this strict requirement in 2008. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC or Teton Advisors, Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

What kind of non-public information do we collect about you if you become a shareholder?

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

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

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

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

What do we do to protect your personal information?

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

GABELLI FAMILY OF FUNDS

VALUE

Gabelli Asset Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

Gabelli Blue Chip Value Fund

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

Portfolio Manager: Barbara Marcin, CFA

GAMCO Westwood Equity Fund

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

Portfolio Manager: Susan M. Byrne

FOCUSED VALUE

Gabelli Value Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

SMALL CAP VALUE

Gabelli Small Cap Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood SmallCap Equity Fund

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

Portfolio Manager: Nicholas F. Galluccio

Gabelli Woodland Small Cap Value Fund

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

Portfolio Manager: Elizabeth M. Lilly, CFA

GROWTH

GAMCO Growth Fund

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

Portfolio Manager: Howard F. Ward, CFA

GAMCO International Growth Fund

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

Portfolio Manager: Caesar Bryan

AGGRESSIVE GROWTH

GAMCO Global Growth Fund

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

Team Managed

MICRO-CAP

GAMCO Westwood Mighty MitesSM Fund

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

Team Managed

EQUITY INCOME

Gabelli Equity Income Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood Balanced Fund

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

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

GAMCO Westwood Income Fund

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

Portfolio Manager: Barbara Marcin, CFA

SPECIALTY EQUITY

GAMCO Global Convertible Securities Fund

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

Team Managed

GAMCO Global Opportunity Fund

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

Team Managed

Gabelli SRI Fund

Seeks to invest in common and preferred stocks of companies that meet the Fund's guidelines for social responsibility at the time of investment, looking to avoid companies in tobacco, alcohol, and gaming, defense/weapons contractors, and manufacturers of abortifacients. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Christopher C. Desmarais

SECTOR

GAMCO Global Telecommunications Fund

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

Team Managed

GAMCO Gold Fund

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

Portfolio Manager: Caesar Bryan

Gabelli Utilities Fund

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

Team Managed

MERGER AND ARBITRAGE

Gabelli ABC Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

Gabelli Enterprise Mergers and Acquisitions Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

CONTRARIAN

GAMCO Mathers Fund

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

Portfolio Manager: Henry Van der Eb, CFA

Comstock Capital Value Fund

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

Portfolio Manager: Martin Weiner, CFA

Comstock Strategy Fund

The Fund emphasizes investments in debt securities, which maximize total return in light of credit risk, interest rate risk, and the risk associated with the length of maturity of debt instruments. (Multiclass)

Portfolio Manager: Martin Weiner, CFA

FIXED INCOME

GAMCO Westwood Intermediate Bond Fund

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

Portfolio Manager: Mark Freeman, CFA

CASH MANAGEMENT-MONEY MARKET

Gabelli U.S. Treasury Money Market Fund

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

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

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

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

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

Gabelli Equity Series Funds, Inc.
The Gabelli Equity Income Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

800-422-3554

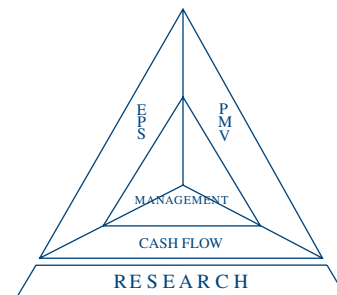
fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

Net Asset Value per share available daily by calling

800-GABELLI after 6:00 P.M.



Board of Directors

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

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 Equity Income Fund

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

GAB444Q308SR

**ANNUAL REPORT
SEPTEMBER 30, 2008**