

The Gabelli Equity Income Fund

Shareholder Commentary September 30, 2009



Morningstar® rated The Gabelli Equity Income Fund Class AAA Shares 5 stars overall among 1,133; 933; and 453 Large Value funds for the three, five, and ten year periods ended September 30, 2009, respectively.

To Our Shareholders

For the third quarter of 2009, the net asset value per Class AAA Share of The Gabelli Equity Income Fund rose 17.24% versus an increase of 15.59% for the Standard & Poor's ("S&P") 500 Index. The Fund's annualized total returns for the one year, five year, ten year, fifteen year, and since inception periods were (2.34)%, 3.86%, 5.34%, 9.44%, and 9.61%, respectively, outperforming the S&P 500 in all these periods.

Comparative Results

Average Annual Returns through September 30, 2009 (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	17.24%	23.44%	(2.34)%	(2.20)%	3.86%	5.34%	9.44%	9.61%
S&P 500 Index	15.59	19.27	(6.91)	(5.43)	1.01	(0.15)	7.62	7.50
Nasdaq Composite Index	15.66	34.58	1.46	(2.05)	2.27	(2.54)	7.05	7.52
Lipper Equity Income Fund Average	14.92	16.20	(6.42)	(5.12)	1.76	2.67	7.12	7.58

The expense ratio in the current prospectus 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 8 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.

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund's three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating™ is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund's monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative.

©2009 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Not FDIC Insured. Not Bank Guaranteed. May Lose Value.

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

		Calendar Quarter				
		1st	2nd	3rd	4th	Year
2009:	Net Asset Value	\$12.58	\$14.70	\$17.14	—	—
	Total Return	(10.5)%	17.6%	17.2%	—	—
2008:	Net Asset Value	\$20.28	\$19.83	\$18.00	\$14.15	\$14.15
	Total Return	(8.2)%	(1.8)%	(8.8)%	(20.9)%	(35.0)%
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)

Average Annual Returns – September 30, 2009 (a)

1 Year	(2.34)%
5 Year	3.86
10 Year	5.34
Life of Fund (b)	9.61
Current Expense Ratio	1.43
No sales charge for Class AAA Shares.	

(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 8 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.

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.

COMMENTARY

The Economy

Stocks around the world rose during the third quarter as expectations for an economic recovery improved. After coming to a virtual halt in September 2008, economic activity appears to have stabilized. Unprecedented globally coordinated fiscal and monetary stimulus programs have rekindled an appetite for risk and investment. Corporate profits, cushioned in the second quarter by aggressive cost cutting, should benefit from signs of real increases in demand.

One indication of restored faith in the markets has been the boom in capital raising and mergers and acquisitions (“M&A”), discussed in more detail below. During the third quarter, corporations raised \$1.5 trillion in new debt and equity offerings worldwide, up 69% year over year. The initial public offering market, dormant for almost two years, sprang back to life in the third quarter with 153 IPOs raising \$35 billion – a fourfold increase over 2008. The mechanism of capital recycling, which is critical to the capitalist enterprise, has restarted. At the same time, the liquidity concerns that plagued so many companies have eased.

Risks to the robust resumption of growth persist. Among the well publicized concerns: a weak consumer weighed down by too much debt and increasing joblessness, the threatened return of inflation, ballooning deficits at all levels of government, and the ever present potential for geopolitical unrest. For the moment, however, stocks continue to climb a “wall of worry.”

Deals, Deals, Deals – The Fifth Wave

We believe a “fifth wave” of takeover transactions is underway. Deals in the 1960s were done by conglomerates to offset economic cycles. In the 1980s, deals were a way to energize lazy assets. The 1990s saw serial acquirers and a technology-fueled boom. More recently, the M&A scene has been dominated by private equity.

Today, corporate buyers are using acquisitions to add global growth and scale. The strong are taking advantage of low valuations and excess corporate cash to become stronger. This is illustrated by several high profile deals announced over the last three months, including The Walt Disney Company’s \$4 billion agreement to acquire Marvel Entertainment, Abbott Laboratories (0.1% of net assets as of September 30, 2009) \$7 billion bid for the pharmaceutical business of Solvay SA, and Dell’s \$4 billion offer for Perot Systems (0.4%). We would highlight Kraft’s (1.0%) unsolicited \$17 billion bid for Fund holding Cadbury plc (0.7%) as an instance where an acquirer has even gone hostile. We have long believed that the confectionary business was ripe for consolidation. Although Cadbury has rejected Kraft’s bid, we think there is a high probability that the companies will eventually merge.

Investment Scorecard

Swedish Match (2.3%), the Fund’s largest holding, was up 24% and contributed significantly to the Fund’s gains. Other strong contributors in the quarter included Flowserve (+41%) (1.0%), General Electric (+40%) (1.1%), and Cadbury plc (+49%). With only a small handful of stocks down, there were no meaningful detractors from performance in the quarter.

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 share prices are stated in U.S. dollar equivalents as of September 30, 2009.

Bank of New York Mellon Corp. (1.2% of net assets as of September 30, 2009) (BK - \$28.99 - NYSE) is a global financial services company with approximately \$926 billion of assets under management and \$20.7 trillion of assets under custody and administration as of June 30, 2009. BNY Mellon provides asset and wealth management, asset servicing, issuer services, clearing and execution services, and treasury services to institutions, corporations, and high net worth individuals. The company is the global leader in asset servicing, benefits from cross selling additional services to existing customers, and has leading market share in most of its businesses. In 2008, the company had the largest market share in six of its nine largest businesses, including the #1 global Corporate Trust business and over 50% market share in the U.S. for Broker Dealer Services. The company's leadership position and strong operating track record should fuel continued global growth as it takes advantage of recent dislocations in financial markets.

Brown-Forman Corp. (0.3%) (BFA - \$51.07 - NYSE), based in Louisville, KY, is a leading producer of spirits and wine. The company has a focused portfolio of premium spirits brands, including Jack Daniel's, Finlandia, and Southern Comfort. In 2007, the company acquired Casa Herradura, a Mexican producer of premium tequila, allowing Brown-Forman to participate in the rapidly growing U.S. tequila market and giving it a distribution platform in Mexico. In the first quarter of fiscal 2010 (ended April 30), Brown-Forman posted earnings growth of 17%, driven by organic sales growth largely due to increased pricing as well as lower operating expenses. We believe that the company's strong brands will be resilient through economic weakness and should resume volume growth as the global economy rebounds. The company's brands also enjoy considerable pricing power, which it has been able to use over time in order to drive sales and profit growth ahead of volume growth.

Cadbury plc (0.7%) (CBY - \$51.21 - NYSE) is a global producer of chocolate, chewing gum, and candy, selling its products under global brands such as Cadbury, Dentyne, and Trident. The company spun off its Americas Beverages business in 2008 and sold its Australian Beverages in April 2009, making the company a pure play confectioner. Cadbury has significant exposure to fast growing emerging markets, including Latin America, Eastern Europe, and Asia. Management has also laid out aggressive plans for cost reductions in order to increase margins substantially over the next several years. In September and November 2009, Kraft Foods Inc. made offers to buy the company for cash and stock valued at \$17 billion. Cadbury's board rejected the offers as too low.

The Coca-Cola Company (1.7%) (KO - \$53.70 - NYSE), headquartered in Atlanta, GA, is the global leader in non-alcoholic beverages. Anchored by its iconic Coca-Cola brand, the company has twice the global market share of its nearest competitor. The company owns or licenses nearly 500 brands and sells close to 3,000 different sparkling and still beverages in over 200 countries. We expect the company to deliver 10% compounded annual growth in earnings per share through 2013, driven by continued volume growth in emerging markets and volume improvements in the U.S. We expect innovation, e.g., Coke Zero, and continued expansion of healthy drink offerings, e.g., Vitaminwater and low calorie drinks sweetened with natural sweetener Truvia, to help revive U.S. volume growth.

Danone (0.7%) (DANO.PA - \$41.18 - Paris Stock Exchange) is the world's leading yogurt and bottled water producer, and it is also a leading baby nutrition and clinical nutrition company through its 2007 acquisition of Numico. That acquisition, along with the sale of the company's Biscuits division, turned Danone into a health and wellness pure play with a growth rate significantly greater than its food and beverage peers. In 2007 and 2008, the company implemented steep price increases to offset rapidly rising dairy input costs. These price increases, combined with the onset of the economic downturn, resulted in negative volume growth for the company's Fresh Dairy (yogurt) division. However, dairy prices are now at less than half their peak level, which has given Danone the flexibility to increase marketing and promotions. As a result, volumes turned positive in the second quarter 2009 for the first time in five quarters. The company also now has a strong balance sheet following its €3 billion rights offering in June 2009, giving it the flexibility to invest in its business and do bolt-on acquisitions.

Fomento Economico Mexicano S.A. de C.V. (0.5%) (FMX - \$38.05 - NYSE) operates in three divisions: Coca-Cola FEMSA, which is the largest Coca-Cola bottler in Mexico; Cerveza, which produces and sells beer with the Tecate, Dos Equis, and Sol brands; and Comercio, which owns and operates nearly 7,000 convenience stores under the Oxxo brand name. The company has been driving growth through expansion into faster growing beverage categories such as fruit juices, increased market share in beer, continued expansion of Oxxo stores, and price increases on its products to cover rising input costs. In beer, the company is a strong #2 player in Mexico, and also has a rapidly growing import business in the U.S., as well as an improving business in Brazil. In October 2009, FEMSA announced that it was in discussions regarding its beer business with other global brewers. While no transaction has been announced yet, we believe FEMSA will eventually be a participant in ongoing beer industry consolidation.

General Electric Co. (1.1%) (GE - \$16.10 - NYSE) is one of the largest and most diversified technology, media, and financial services corporations in the world. Its products and services range from aircraft engines, power generation, water processing, and security technology to medical imaging, business and consumer financing, media content, and industrial products. Currently, GE trades at a significant discount to its private market value, given concerns about its financing business. We believe GE's industrial businesses will continue to perform well over time. Further, any improvement in the financing unit, or a separation of that unit from the industrial businesses, will help unlock the hidden value in GE stock.

Heineken NV (0.5%) (HEIA.AS - \$46.10 - Amsterdam Stock Exchange) is a leading international brewer, and the company's flagship Heineken brand is the leading premium beer globally. In 2008, Heineken acquired assets of Scottish & Newcastle, giving the company the #1 market share position in the U.K. and #2 in Portugal, Finland, Belgium, and Ireland, as well as an increased presence in the U.S. import market. We expect merger synergies, cost reductions, and growth in emerging markets to drive earnings growth for the next several years. While volume trends have been weak in many regions, including the U.S. and Eastern Europe, due to economic headwinds, Africa continues strong growth and the U.K. is beginning to show improved performance. The company is also continuing to improve its cost structure through its Total Cost Management program.


MasterCard Inc. (0.2%) (MA - \$202.15 - NYSE) is a leading global payment company, operating a payment network and managing payment card brands including MasterCard, MasterCard Electronic, Maestro, and Cirrus. In 2008, the company processed almost twenty-one billion transactions on its network totaling over \$2.5 trillion in Gross Dollar Volume ("GDV") from almost one billion outstanding debit and credit cards. The company benefits from the globalization of electronic payments and the shift of consumer spending from paper based (cash) to plastic (both debit and credit) transactions. The incumbent payment networks like MasterCard have a significant advantage on new competitors because of the high cost of replicating a global payment network, which should allow the company to continue to generate significant cash flow while growing earnings rapidly.

Swedish Match AB (2.3%) (SWMA - \$22.85 - Stockholm Stock Exchange) produces tobacco products that include snuff, chewing tobacco, cigars, and lights. 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 in 2007 and 2008, the company raised prices in Sweden, demonstrating that the company can utilize its pricing power in order to increase profits for its snuff division. In February 2009, Swedish Match created a joint venture with Philip Morris International in order to sell Swedish snus in markets around the world, taking advantage of Swedish Match's brands and production capabilities and Philip Morris International's distribution network. In July 2009, Swedish Match agreed to sell its South African pipe tobacco business to Philip Morris International for 1.9 billion SEK, and the company will use most of the proceeds to repurchase stock.

In Conclusion

We believe that a reinvigorated M&A market would support our Private Market Value ("PMV") with a Catalyst® investment approach. First and foremost, we select stocks based on their fundamentals. We seek an adequate margin of safety and one or more catalysts that can surface the intrinsic value of a security. To the extent that a takeover provides that catalyst, it adds an extra element of return to the portfolio.

Sincerely,



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

November 20, 2009

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

Portfolio Manager Compensation

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

As founder and portfolio manager of The Gabelli Equity Income Fund, Mr. Gabelli received \$4,115,842 in calendar 2008. In 1992, the Fund's first year of operation starting in January, Mr. Gabelli received less than \$165,000. As beneficial owner, he had \$4,564,656 invested in The Gabelli Equity Income Fund as of September 30, 2009, 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.

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.

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.

e-delivery

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

Top Ten Holdings (Percent of Net Assets) September 30, 2009

Swedish Match AB (2.3%)	The Bank of New York Mellon Corp. (1.2%)
International Business Machines Corp. (1.8%)	Wells Fargo & Co. (1.2%)
The Coca-Cola Co. (1.8%)	Deere & Co. (1.2%)
Johnson & Johnson (1.5%)	Chevron Corp. (1.2%)
Rockwell Automation Inc. (1.4%)	General Electric Co. (1.1%)

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, 2009 (a)(f)

	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	(2.34)%	(2.34)% (7.96)(c)	(3.07)% (7.91)(d)	(3.07)% (4.04)(e)	(2.05)%
5 Year	3.86	3.85 2.63(c)	3.10 2.74(d)	3.09 3.09	3.96
10 Year	5.34	5.34 4.71(c)	4.89 4.89	4.90 4.90	5.40
Life of Fund (b)	9.61	9.61 9.24(c)	9.35 9.35	9.35 9.35	9.65
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.

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.

This page was intentionally left blank.

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. Teton Advisors, Inc. is a publicly held company that provides investment advisory services to the GAMCO Westwood Funds.

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 Green Fund

Seeks to invest in common and preferred stocks meeting guidelines for social responsibility (avoiding defense contractors and manufacturers of alcohol, abortifacients, gaming, and tobacco products) and sustainability (companies engaged in climate change, energy security and independence, natural resource shortages, organic living, and urbanization). The Fund's primary objective is capital appreciation. (Multiclass)

Co-Portfolio Managers: Christopher C. Desmarais
John M. Segrich, CFA

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

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

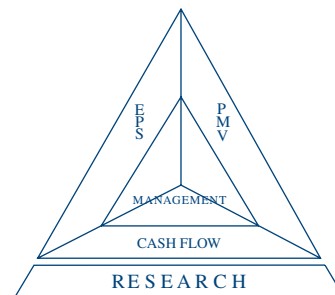
fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

Net Asset Value per share available daily by calling

800-GABELLI after 7:00 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
President
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.

GAB444Q309SC

SHAREHOLDER COMMENTARY
SEPTEMBER 30, 2009

The Gabelli Equity Income Fund

Annual Report ^(a) September 30, 2009

To Our Shareholders,

The Gabelli Equity Income Fund's (the "Fund") (Class AAA) total return was (2.3%) for the year ended September 30, 2009, compared with (6.9)% for the Standard & Poor's ("S&P") 500 Index.

Enclosed are the investment portfolio and financial statements as of September 30, 2009.

Comparative Results

Average Annual Returns through September 30, 2009 (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	17.24%	23.44%	(2.34)%	(2.20)%	3.86%	5.34%	9.44%	9.61%
S&P 500 Index	15.59	19.27	(6.91)	(5.43)	1.01	(0.15)	7.62	7.50
Lipper Equity Income Fund Average	14.92	16.20	(6.42)	(5.12)	1.76	2.67	7.12	7.58
Class A	17.30	23.43	(2.34)	(2.19)	3.85	5.34	9.44	9.61
	10.55(c)	16.33(c)	(7.96)(c)	(4.10)(c)	2.63(c)	4.71(c)	9.00(c)	9.24(c)
Class B	17.10	22.76	(3.07)	(2.93)	3.10	4.89	9.13	9.35
	12.10(d)	17.76(d)	(7.91)(d)	(3.91)(d)	2.74(d)	4.89	9.13	9.35
Class C	17.03	22.78	(3.07)	(2.93)	3.09	4.90	9.13	9.35
	16.03(e)	21.78(e)	(4.04)(e)	(2.93)	3.09	4.90	9.13	9.35
Class I	17.29	22.43	(2.05)	(2.03)	3.96	5.40	9.48	9.65

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. See page 13 for the expense ratios for the year ended September 30, 2009.

(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 Share net asset values ("NAVs") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance 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 is an unmanaged indicator 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. You cannot invest directly in an index.

(c) Performance results include 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 twelve months ended September 30, 2009, the Fund's Class AAA Shares declined 2.3%, versus declines of 6.9% and 6.4% for the S&P 500 Index and Lipper Equity Income Fund Average, respectively.

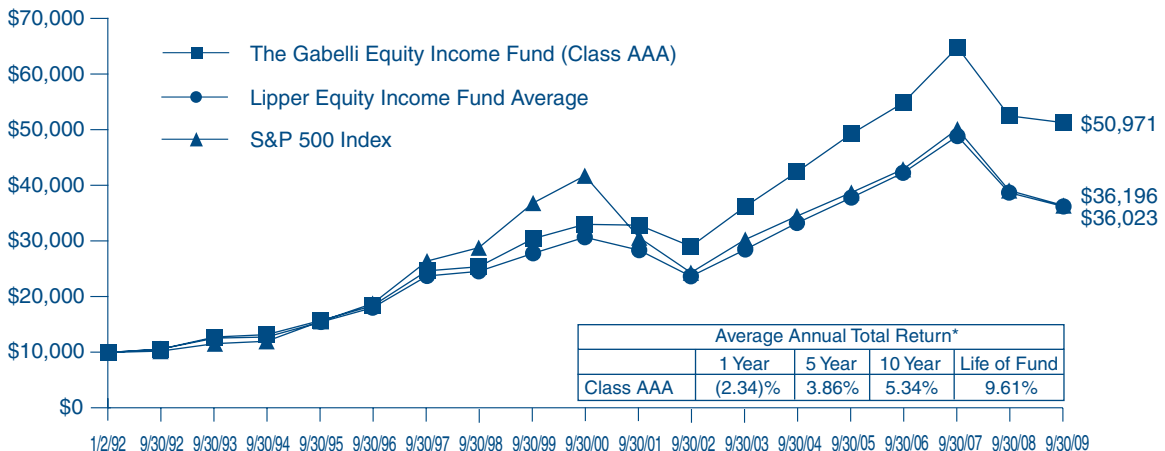
Stocks around the world rose during the third calendar quarter as expectations for an economic recovery improved. After coming to a virtual halt in September 2008, economic activity appears to have stabilized. Unprecedented globally coordinated fiscal and monetary stimulus programs have rekindled an appetite for risk and investment. Corporate profits, cushioned in the second calendar quarter by aggressive cost cutting, should benefit from signs of real increases in demand.

Swedish Match (2.3% of net assets as of September 30, 2009), the Fund's largest holding, was one of the best performing stocks for the fiscal year ended September 30, 2009. Swedish Match produces tobacco products including snuff, chewing tobacco, cigars, and pipe tobacco. The company's products are sold in more than 150 countries. Swedish Match 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. Another top performing stock was American Express Co. (0.8%). American Express operates its eponymous premiere branded payment network and lends to its largely affluent customer base. American Express ended June 2009 with over 88 million cards in force and \$63 million in loans, while its customers charged nearly \$300 billion on their credit cards during the first half of 2009. The company's strong consumer brand has allowed American Express to enter the deposit gathering market as an alternate source of funding.

Wells Fargo & Co (1.2%) and AT&T Inc. (0.9%) were two of the weaker performing stocks during the year.

We believe that a reinvigorated mergers and acquisitions market would support our Private Market Value ("PMV") with a Catalyst® investment approach. First and foremost, we select stocks based on their fundamentals. We seek an adequate margin of safety and one or more catalysts that can surface the intrinsic value of a security. To the extent that a takeover provides that catalyst, it adds an extra element of return to the portfolio.

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, 2009 through September 30, 2009

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, 2009.

	Beginning Account Value 04/01/09	Ending Account Value 09/30/09	Annualized Expense Ratio	Expenses Paid During Period*
The Gabelli Equity Income Fund				
Actual Fund Return				
Class AAA	\$1,000.00	\$1,378.70	1.47%	\$ 8.77
Class A	\$1,000.00	\$1,378.00	1.48%	\$ 8.82
Class B	\$1,000.00	\$1,373.10	2.21%	\$13.15
Class C	\$1,000.00	\$1,373.40	2.22%	\$13.21
Class I	\$1,000.00	\$1,379.30	1.23%	\$ 7.34
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,017.70	1.47%	\$ 7.44
Class A	\$1,000.00	\$1,017.65	1.48%	\$ 7.49
Class B	\$1,000.00	\$1,013.99	2.21%	\$11.16
Class C	\$1,000.00	\$1,013.94	2.22%	\$11.21
Class I	\$1,000.00	\$1,018.90	1.23%	\$ 6.23

* 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 365.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of net assets as of September 30, 2009:

The Gabelli Equity Income Fund

Financial Services	12.1%	Energy and Utilities: Natural Gas	1.4%
Food and Beverage	11.8%	Energy and Utilities: Electric	1.4%
Health Care	10.4%	Agriculture	1.2%
Consumer Products	6.9%	Machinery	1.2%
Energy and Utilities: Oil	6.6%	Cable and Satellite	0.8%
Retail	6.3%	Communications Equipment	0.8%
Telecommunications	5.2%	Business Services	0.7%
Diversified Industrial	3.5%	Environmental Services	0.4%
Aerospace	3.3%	Wireless Communications	0.4%
Energy and Utilities: Integrated	3.2%	Broadcasting	0.3%
U.S. Government Obligations	3.1%	Transportation	0.3%
Computer Hardware	2.1%	Aviation: Parts and Services	0.3%
Metals and Mining	2.1%	Publishing	0.2%
Electronics	1.8%	Exchange Traded Funds	0.2%
Equipment and Supplies	1.8%	Consumer Services	0.1%
Energy and Utilities: Services	1.8%	Automotive	0.1%
Entertainment	1.6%	Energy and Utilities: Water	0.0%
Computer Software and Services	1.6%	Real Estate	0.0%
Automotive: Parts and Accessories	1.6%	Manufactured Housing	0.0%
Hotels and Gaming	1.6%	Other Assets and Liabilities (Net)	0.3%
Specialty Chemicals	1.5%		<u>100.0%</u>

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended June 30, 2009. 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 twelve 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, 2009

Shares	Cost	Market Value	Shares	Cost	Market Value		
COMMON STOCKS — 95.7%			16,000	EchoStar Corp., Cl. A† . . . \$	478,840 \$	295,360	
Aerospace — 3.3%			55,000	Scripps Networks			
2,000	Lockheed Martin Corp. . . . \$	47,350 \$	156,160	Interactive Inc., Cl. A . . .	2,303,601	2,032,250	
2,000	Northrop Grumman Corp. . . .	84,925	103,500	The DIRECTV Group Inc.†	780,987	827,400	
10,000	Raytheon Co.	279,250	479,700		9,121,588	9,532,660	
370,000	Rockwell Automation Inc.	18,481,776	15,762,000	Communications Equipment — 0.7%			
2,000	Rockwell Collins Inc.	15,844	101,600	250,000	Corning Inc.	3,735,647	3,827,500
1,310,000	Rolls-Royce Group plc† . . .	9,212,564	9,856,614	100,000	Motorola Inc.	830,109	859,000
215,000	The Boeing Co.	12,586,264	11,642,250	120,000	Thomas & Betts Corp.† . . .	3,448,817	3,609,600
		40,707,973	38,101,824			8,014,573	8,296,100
Agriculture — 1.2%			Computer Hardware — 2.1%				
100,000	Archer-Daniels-Midland Co.	2,873,352	2,922,000	173,000	International Business		
138,000	Monsanto Co.	1,827,430	10,681,200		Machines Corp.	13,935,130	20,692,530
12,000	The Mosaic Co.	186,246	576,840	420,000	Xerox Corp.	4,970,407	3,250,800
		4,887,028	14,180,040			18,905,537	23,943,330
Automotive — 0.1%			Computer Software and Services — 1.6%				
20,000	Navistar International Corp.†	583,430	748,400	90,000	Metavante		
Automotive: Parts and Accessories — 1.5%					Technologies Inc.†	1,995,115	3,103,200
3,000	BERU AG	319,888	333,602	285,000	Microsoft Corp.	7,847,805	7,378,650
250,000	Genuine Parts Co.	8,986,399	9,515,000	150,000	Perot Systems Corp., Cl. A†	4,441,515	4,455,000
6,000	Johnson Controls Inc.	50,425	153,360	30,000	Sun Microsystems Inc.† . . .	278,850	272,700
60,000	Modine Manufacturing Co.	618,883	556,200	165,000	Yahoo! Inc.†	5,013,933	2,938,650
140,000	O'Reilly Automotive Inc.† . . .	3,972,441	5,059,600			19,577,218	18,148,200
135,000	The Pep Boys -			Consumer Products — 6.9%			
	Manny, Moe & Jack	1,562,365	1,318,950	50,000	Altria Group Inc.	643,359	890,500
		15,510,401	16,936,712	150,000	Avon Products Inc.	4,382,495	5,094,000
Aviation: Parts and Services — 0.3%				15,000	Clorox Co.	823,581	882,300
53,200	Curtiss-Wright Corp.	578,882	1,815,716	10,000	Compagnie Financiere		
40,000	GenCorp Inc.†	321,556	214,400		Richemont SA, Cl. A	268,687	282,544
5,000	Precision Castparts Corp. . .	421,987	509,350	770,000	Eastman Kodak Co.	8,055,537	3,680,600
21,000	United Technologies Corp.	609,942	1,279,530	63,000	Energizer Holdings Inc.† . . .	2,834,133	4,179,420
		1,932,367	3,818,996	126,000	Fortune Brands Inc.	6,162,739	5,415,480
Broadcasting — 0.2%				5,000	Hanesbrands Inc.†	108,950	107,000
190,000	CBS Corp., Cl. A, Voting . . .	3,868,612	2,291,400	34,000	Harman International		
30,000	CBS Corp., Cl. B, Non-Voting	283,175	361,500		Industries Inc.	1,171,806	1,151,920
132	Granite Broadcasting			162,000	Kimberly-Clark Corp.	10,670,886	9,554,760
	Corp.† (a)	10,795	0	7,000	National Presto		
		4,162,582	2,652,900		Industries Inc.	206,562	605,570
Business Services — 0.7%				10,000	Pactiv Corp.†	161,895	260,500
5,000	Automatic Data			50,000	Philip Morris		
	Processing Inc.	151,707	196,500		International Inc.	1,501,172	2,437,000
165,000	Diebold Inc.	6,080,375	5,433,450	100,000	Reckitt Benckiser Group plc	3,154,703	4,887,170
4,000	Landauer Inc.	134,546	219,920	1,300,000	Swedish Match AB	17,012,653	26,106,852
10,000	MasterCard Inc., Cl. A	743,059	2,021,500	200,000	The Procter & Gamble Co.	11,513,349	11,584,000
		7,109,687	7,871,370	78,000	Unilever NV - NY Shares,		
Cable and Satellite — 0.8%					ADR	1,542,066	2,251,080
155,000	Cablevision Systems Corp.,					70,214,573	79,370,696
	Cl. A	2,670,033	3,681,250	Consumer Services — 0.1%			
140,000	DISH Network Corp., Cl. A†	2,888,127	2,696,400	67,500	Rollins Inc.	386,886	1,272,375

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2009

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS (Continued)					
Diversified Industrial — 3.5%					
5,000	3M Co. \$	213,645	\$	369,000	
5,000	Acuity Brands Inc.	54,182		161,050	
4,000	Alstom SA	357,274		291,911	
65,000	Baldor Electric Co.	2,002,927		1,777,100	
105,000	Cooper Industries plc, Cl. A	2,960,552		3,944,850	
98,000	Crane Co.	3,370,338		2,529,380	
785,000	General Electric Co.	18,041,343		12,889,700	
200,000	Honeywell International Inc.	5,938,206		7,430,000	
27,000	ITT Corp.	1,326,176		1,408,050	
418,003	National Patent Development Corp.† (b)	1,030,058		660,445	
120,000	Textron Inc.	763,372		2,277,600	
6,000	Trinity Industries Inc.	82,100		103,140	
180,000	Tyco International Ltd.	7,130,751		6,206,400	
50,000	WHX Corp.†	663,230		96,000	
		<u>43,934,154</u>		<u>40,144,626</u>	
Electronics — 1.8%					
600,000	Intel Corp.	12,298,251		11,742,000	
340,000	LSI Corp.†	3,105,578		1,866,600	
190,000	Texas Instruments Inc.	4,127,219		4,501,100	
5,000	Thermo Fisher Scientific Inc.†	127,325		218,350	
130,250	Tyco Electronics Ltd.	4,305,304		2,901,970	
		<u>23,963,677</u>		<u>21,230,020</u>	
Energy and Utilities: Electric — 1.4%					
30,000	American Electric Power Co. Inc.	932,060		929,700	
14,000	DTE Energy Co.	606,560		491,960	
85,000	El Paso Electric Co.†	670,852		1,501,950	
80,000	FPL Group Inc.	3,608,192		4,418,400	
99,784	Great Plains Energy Inc. ..	2,475,161		1,791,123	
60,000	Korea Electric Power Corp., ADR†	977,409		914,400	
56,087	Mirant Corp.†	936,815		921,509	
1,200,000	Mirant Corp., Escrow† (a)	0		0	
150,000	Northeast Utilities	3,148,300		3,561,000	
80,000	The AES Corp.†	268,400		1,185,600	
13,333	UIL Holdings Corp.	293,785		351,858	
		<u>13,917,534</u>		<u>16,067,500</u>	
Energy and Utilities: Integrated — 3.2%					
42,000	Allegheny Energy Inc.	404,378		1,113,840	
44,000	BP plc, ADR	1,030,211		2,342,120	
46,000	CH Energy Group Inc.	1,881,549		2,038,260	
80,000	Constellation Energy Group Inc.	2,406,564		2,589,600	
63,000	Dominion Resources Inc. ...	2,578,128		2,173,500	
110,000	DPL Inc.	2,894,840		2,871,000	
200,000	Duke Energy Corp.	2,462,844		3,148,000	
400,000	El Paso Corp.	4,614,299		4,128,000	
29,000	ENI SpA	\$	304,221	\$	724,830
6,269	Iberdrola SA, ADR		312,667		245,369
25,000	Integrus Energy Group Inc.		1,192,522		897,250
80,000	NSTAR		1,282,183		2,545,600
75,000	OGE Energy Corp.		2,043,450		2,481,000
100,000	PNM Resources Inc.		1,042,460		1,168,000
75,000	Progress Energy Inc.		3,196,534		2,929,500
15,000	Progress Energy Inc., CVO†		7,800		3,450
7,200	Public Service Enterprise Group Inc.		156,820		226,368
32,000	Suncor Energy Inc., New York		837,559		1,105,920
19,000	Suncor Energy Inc., Toronto		856,903		663,709
55,000	TECO Energy Inc.		740,886		774,400
140,000	Westar Energy Inc.		2,333,669		2,731,400
			<u>32,580,487</u>		<u>36,901,116</u>
Energy and Utilities: Natural Gas — 1.4%					
15,000	AGL Resources Inc.		284,165		529,050
30,000	Atmos Energy Corp.		769,372		845,400
90,000	National Fuel Gas Co.		3,387,861		4,122,900
75,000	ONEOK Inc.		1,699,141		2,746,500
24,000	Piedmont Natural Gas Co. Inc.		394,017		574,560
110,000	Southern Union Co.		2,047,400		2,286,900
65,000	Southwest Gas Corp.		1,365,198		1,662,700
200,000	Spectra Energy Corp.		4,249,072		3,788,000
			<u>14,196,226</u>		<u>16,556,010</u>
Energy and Utilities: Oil — 6.6%					
150,000	Anadarko Petroleum Corp.		7,790,230		9,409,500
38,000	Canadian Oil Sands Trust ..		1,117,252		1,091,393
190,000	Chevron Corp.		8,702,369		13,381,700
185,000	ConocoPhillips		5,343,273		8,354,600
20,000	Denbury Resources Inc.† ..		340,653		302,600
49,000	Devon Energy Corp.		2,021,181		3,299,170
149,000	Exxon Mobil Corp.		4,735,083		10,222,890
35,000	Marathon Oil Corp.		1,477,598		1,116,500
30,000	Nexen Inc.		924,468		682,016
2,000	Niko Resources Ltd.		114,911		156,447
94,000	Occidental Petroleum Corp.		3,654,851		7,369,600
12,000	PetroChina Co. Ltd., ADR ..		856,611		1,365,000
130,000	Petroleo Brasileiro SA, ADR		5,454,520		5,967,000
33,000	Repsol YPF SA, ADR		689,095		896,280
120,000	Royal Dutch Shell plc, Cl. A, ADR		5,536,435		6,862,800
25,000	StatoilHydro ASA, ADR		327,939		563,500
17,518	Total SA, ADR		290,564		1,038,117
36,000	Transocean Ltd.†		2,816,538		3,079,080
160,000	UTS Energy Corp.†		804,039		258,534
40,000	WesternZagros Resources Ltd.†		147,109		80,699
			<u>53,144,719</u>		<u>75,497,426</u>

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2009

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS (Continued)					
Energy and Utilities: Services — 1.8%					
30,000	ABB Ltd., ADR \$	351,824 \$	50,000	Commerzbank AG, ADR† . . \$	896,273 \$
52,000	Cameron		50,000	Deutsche Bank AG	2,453,861
	International Corp.†	746,014	105,000	Discover Financial Services	1,820,893
38,178	GDF Suez, Strips	0	200,300	Federal National Mortgage Association†	192,571
375,000	Halliburton Co.	11,177,922	15,000	Federated Investors Inc., Cl. B	377,721
40,000	Oceaneering		29,583	Fidelity Southern Corp.† . .	284,947
	International Inc.†	1,762,700	200,000	H&R Block Inc.	4,455,381
40,000	Schlumberger Ltd.	1,275,020	30,000	Huntington Bancshares Inc.	391,484
175,000	Weatherford		120,000	Janus Capital Group Inc. . . .	1,869,046
	International Ltd.†	3,803,877	240,199	JPMorgan Chase & Co.	8,328,850
		<u>19,117,357</u>	410,000	Legg Mason Inc.	11,623,922
		<u>21,019,646</u>	31,000	Leucadia National Corp.† . .	381,995
			110,000	Loews Corp.	5,083,079
	Energy and Utilities: Water — 0.0%		115,000	M&T Bank Corp.	8,201,329
30,000	Aqua America Inc.	329,550	415,000	Marsh & McLennan Companies Inc.	12,608,047
		<u>529,200</u>	10,000	Moody's Corp.	171,766
	Entertainment — 1.6%		160,000	Morgan Stanley	4,978,572
65,000	Grupo Televisa SA, ADR . . .	1,584,157	6,000	Northern Trust Corp.	60,300
40,000	Rank Group plc†	89,100	70,000	NYSE Euronext	1,612,128
110,000	Time Warner Inc.	3,492,176	12,000	Och-Ziff Capital Management Group LLC, Cl. A	74,969
290,000	Viacom Inc., Cl. A†	11,563,851	50,000	PNC Financial Services Group Inc.	2,084,482
185,000	Vivendi	6,697,039	500	Raiffeisen International Bank Holding AG	28,874
		<u>23,426,323</u>	958	Reinet Investments SCA† . . .	188,972
		<u>18,696,103</u>	6,000	Royal Bank of Canada	286,580
	Environmental Services — 0.4%		170,000	SLM Corp.†	3,488,420
145,000	Waste Management Inc.	4,749,875	196,000	Sterling Bancorp	2,986,706
		<u>4,323,900</u>	12,000	SunTrust Banks Inc.	251,737
	Equipment and Supplies — 1.8%		50,000	T. Rowe Price Group Inc. . . .	1,388,039
12,000	A.O. Smith Corp.	253,184	100,000	TD Ameritrade Holding Corp.†	1,808,242
11,000	Danaher Corp.	791,231	2,000	The Allstate Corp.	61,340
112,000	Flowserve Corp.	4,898,085	475,509	The Bank of New York Mellon Corp.	13,909,266
6,000	Ingersoll-Rand plc	120,853	5,000	The Charles Schwab Corp.	77,500
1,500	Minerals Technologies Inc. . . .	37,938	2,000	The Dun & Bradstreet Corp.	20,476
40,000	Mueller Industries Inc.	1,650,585	9,000	The Goldman Sachs Group Inc.	1,174,866
12,000	Parker Hannifin Corp.	459,607	6,000	The Student Loan Corp.	374,071
115,000	Tenaris SA, ADR	4,820,468	36,000	The Travelers Companies Inc.	1,428,424
970,000	Tomkins plc	4,715,456	40,000	Unitrin Inc.	1,156,156
		<u>17,747,407</u>	180,000	Waddell & Reed Financial Inc., Cl. A	4,042,072
		<u>21,086,444</u>	488,000	Wells Fargo & Co.	14,853,234
	Exchange Traded Funds — 0.2%		112,000	Wilmington Trust Corp.	3,223,303
300,000	Proshares Ultra Financials	1,822,601			<u>140,986,708</u>
		<u>1,770,000</u>			<u>139,437,429</u>
	Financial Services — 12.1%				
6,324	Alleghany Corp.†	1,015,192			
270,000	American Express Co.	10,875,047			
23,990	Argo Group International Holdings Ltd.†	741,793			
25,500	Banco Popular Espanol SA	185,939			
2,000	Banco Santander Chile, ADR	29,250			
160,000	Banco Santander SA, ADR	1,233,058			
440,000	Bank of America Corp.	5,590,199			
11,025	BNP Paribas	439,576			
400,000	Citigroup Inc.	2,176,760			

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2009

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS (Continued)					
Food and Beverage — 11.8%					
30,000	Anheuser-Busch InBev NV \$	496,266 \$	1,369,922		
64,000	Brown-Forman Corp., Cl. A	2,899,384	3,268,480		
13,500	Brown-Forman Corp., Cl. B	825,919	650,970		
160,000	Cadbury plc, ADR	6,152,305	8,193,600		
147,000	Campbell Soup Co.	4,322,766	4,795,140		
40,000	Coca-Cola Amatil Ltd., ADR	246,845	696,000		
10,000	Coca-Cola Femsa SAB de CV, ADR	263,508	481,000		
200,000	Constellation Brands Inc., Cl. A†	2,611,207	3,030,000		
16,000	Corn Products International Inc.	197,588	456,320		
136,389	Danone	6,897,164	8,218,946		
300,000	Dean Foods Co.†	5,867,852	5,337,000		
70,000	Del Monte Foods Co.	713,701	810,600		
62,000	Diageo plc, ADR	2,742,932	3,812,380		
110,000	Dr. Pepper Snapple Group Inc.†	2,330,589	3,162,500		
147,000	Fomento Economico Mexicano SAB de CV, ADR	3,393,837	5,593,350		
110,000	General Mills Inc.	5,457,146	7,081,800		
800,000	Grupo Bimbo SAB de CV, Cl. A	2,557,333	4,455,509		
122,000	H.J. Heinz Co.	4,325,482	4,849,500		
115,000	Heineken NV	5,111,847	5,301,854		
200,000	ITO EN Ltd.	4,311,208	3,703,002		
20,000	ITO EN Ltd., Preference	463,675	217,679		
3,000	Kellogg Co.	92,580	147,690		
420,000	Kraft Foods Inc., Cl. A	12,824,994	11,033,400		
100,000	Nestlé SA	2,083,075	4,261,314		
105,000	NISSIN FOODS HOLDINGS CO. LTD.	3,438,629	4,035,537		
300,000	Parmalat SpA	833,450	829,285		
100,000	PepsiAmericas Inc.	2,166,151	2,856,000		
32,949	Pernod-Ricard SA	2,560,649	2,616,691		
39,000	Remy Cointreau SA	2,216,779	1,631,373		
50,000	Sapporo Holdings Ltd.	510,013	255,111		
375,000	The Coca-Cola Co.	17,259,052	20,137,500		
75,000	The Hershey Co.	3,190,083	2,914,500		
57,268	Tootsie Roll Industries Inc.	1,398,580	1,361,833		
380,000	Tyson Foods Inc., Cl. A	5,785,335	4,799,400		
7,000	Wimm-Bill-Dann Foods OJSC, ADR†	249,970	500,570		
135,000	YAKULT HONSHA Co. Ltd.	3,659,573	3,601,905		
		<u>120,457,467</u>	<u>136,467,661</u>		
Health Care — 10.4%					
30,000	Abbott Laboratories	1,257,909	1,484,100		
23,000	Aetna Inc.	812,404	640,090		
120,000	Baxter International Inc.	4,604,601 \$	6,841,200 \$		
100,000	Becton, Dickinson and Co.	6,601,932	6,975,000		
350,000	Boston Scientific Corp.†	4,611,187	3,706,500		
72,000	Bristol-Myers Squibb Co.	1,764,132	1,621,440		
280,000	Covidien plc	10,538,875	12,112,800		
135,000	Eli Lilly & Co.	7,570,019	4,459,050		
11,276	GlaxoSmithKline plc, ADR	515,984	445,515		
22,000	Henry Schein Inc.†	566,365	1,208,020		
100,000	Hospira Inc.†	3,605,739	4,460,000		
290,000	Johnson & Johnson	18,343,692	17,658,100		
10,000	Laboratory Corp. of America Holdings†	696,819	657,000		
6,000	Mead Johnson Nutrition Co., Cl. A	149,840	270,660		
25,000	Medco Health Solutions Inc.†	639,612	1,382,750		
90,000	Merck & Co. Inc.	2,710,521	2,846,700		
5,000	Nobel Biocare Holding AG	139,480	165,493		
145,000	Novartis AG, ADR	7,919,877	7,305,100		
30,000	Patterson Companies Inc.†	1,080,112	817,500		
600,000	Pfizer Inc.	14,266,365	9,930,000		
160,000	Schering-Plough Corp.	3,040,963	4,520,000		
94,600	Sepracor Inc.†	2,158,299	2,166,340		
62,000	St. Jude Medical Inc.†	2,704,603	2,418,620		
740,000	Tenet Healthcare Corp.†	5,107,489	4,351,200		
275,000	UnitedHealth Group Inc.	11,953,831	6,886,000		
18,000	William Demant Holding A/S†	880,509	1,337,514		
220,000	Wyeth	9,475,421	10,687,600		
44,000	Zimmer Holdings Inc.†	2,690,494	2,351,800		
		<u>126,407,074</u>	<u>119,706,092</u>		
Hotels and Gaming — 1.6%					
125,000	International Game Technology	2,928,329	2,685,000		
529,411	Ladbrokes plc	7,677,932	1,585,559		
300,000	Las Vegas Sands Corp.†	1,669,152	5,052,000		
400,000	MGM Mirage†	5,566,209	4,816,000		
80,000	Starwood Hotels & Resorts Worldwide Inc.	1,673,543	2,642,400		
15,000	Wynn Resorts Ltd.†	579,315	1,063,350		
		<u>20,094,480</u>	<u>17,844,309</u>		
Machinery — 1.2%					
6,000	Caterpillar Inc.	35,181	307,980		
320,400	Deere & Co.	15,974,668	13,751,568		
9,009	Mueller Water Products Inc., Cl. A	116,730	49,369		
		<u>16,126,579</u>	<u>14,108,917</u>		
Manufactured Housing — 0.0%					
180,000	Champion Enterprises Inc.†	956,988	82,800		

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Assets and Liabilities September 30, 2009

Assets:	
Investments, at value (cost \$1,102,857,425) ..	\$ 1,148,278,285
Foreign currency, at value (cost \$21,453)	21,066
Cash	1,082
Receivable for Fund shares sold	4,052,501
Unrealized appreciation on swap contracts ...	13,164
Dividends and interest receivable	2,185,241
Prepaid expenses	42,643
Total Assets	<u>1,154,593,982</u>
Liabilities:	
Payable for Fund shares redeemed	1,206,120
Payable for investment advisory fees	922,165
Payable for distribution fees	242,524
Payable for accounting fees	7,500
Payable for shareholder services fees	334,420
Payable for shareholder communications expense	157,068
Unrealized depreciation on swap contracts ...	4,612
Other accrued expenses	108,563
Total Liabilities	<u>2,982,972</u>
Net Assets applicable to 67,266,871 shares outstanding	<u>\$1,151,611,010</u>
Net Assets consist of:	
Paid-in capital, each class at \$0.001 par value	\$1,197,618,273
Accumulated distributions in excess of net investment income	(42,080)
Accumulated net realized loss on investments, swap contracts, and foreign currency transactions	(91,398,293)
Net unrealized appreciation on investments ..	45,420,860
Net unrealized appreciation on swap contracts	8,552
Net unrealized appreciation on foreign currency translations	3,698
Net Assets	<u>\$1,151,611,010</u>
Shares of Capital Stock	
Class AAA:	
Net Asset Value, offering, and redemption price per share (\$1,088,654,911 ÷ 63,526,810 shares outstanding; 150,000,000 shares authorized)	<u>\$17.14</u>
Class A:	
Net Asset Value and redemption price per share (\$31,104,116 ÷ 1,820,301 shares outstanding; 50,000,000 shares authorized)	<u>\$17.09</u>
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price)	<u>\$18.13</u>
Class B:	
Net Asset Value and offering price per share (\$114,350 ÷ 6,987 shares outstanding; 50,000,000 shares authorized)	<u>\$16.37 (a)</u>
Class C:	
Net Asset Value and offering price per share (\$22,918,741 ÷ 1,400,935 shares outstanding; 50,000,000 shares authorized)	<u>\$16.36 (a)</u>
Class I:	
Net Asset Value, offering, and redemption price per share (\$8,818,892 ÷ 511,838 shares outstanding; 50,000,000 shares authorized)	<u>\$17.23</u>

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

Statement of Operations For the Year Ended September 30, 2009

Investment Income:	
Dividends (net of foreign taxes of \$860,785) ...	\$ 26,276,075
Interest	960,160
Total Investment Income	<u>27,236,235</u>
Expenses:	
Investment advisory fees	9,195,276
Distribution fees – Class AAA	2,184,527
Distribution fees – Class A	56,512
Distribution fees – Class B	1,673
Distribution fees – Class C	172,202
Shareholder services fees	1,362,608
Shareholder communications expenses	395,117
Custodian fees	164,113
Registration expenses	85,150
Legal and audit fees	64,467
Accounting fees	45,000
Directors' fees	41,456
Interest expense	17,032
Miscellaneous expenses	99,775
Total Expenses	<u>13,884,908</u>
Less:	
Custodian fee credits	(1,083)
Net Expenses	<u>13,883,825</u>
Net Investment Income	<u>13,352,410</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:	
Net realized loss on investments	(73,664,410)
Net realized gain on swap contracts	17,153
Net realized loss on foreign currency transactions	(41,057)
Net realized loss on investments, swap contracts, and foreign currency transactions	<u>(73,688,314)</u>
Net change in unrealized appreciation/ depreciation on:	
investments	19,462,815
swap contracts	39,429
foreign currency translations	9,562
Net change in unrealized appreciation/ depreciation on investments, swap contracts, and foreign currency translations	<u>19,511,806</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency	<u>(54,176,508)</u>
Net Decrease in Net Assets Resulting from Operations	<u>\$ (40,824,098)</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, 2009</u>	<u>Year Ended</u> <u>September 30, 2008</u>
Operations:		
Net investment income	\$ 13,352,410	\$ 10,824,552
Net realized loss on investments, swap contracts, and foreign currency transactions . . .	(73,688,314)	(9,197,201)
Net change in unrealized appreciation/depreciation on investments, swap contracts, and foreign currency translations	<u>19,511,806</u>	<u>(265,173,842)</u>
Net Decrease in Net Assets Resulting from Operations	<u>(40,824,098)</u>	<u>(263,546,491)</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(12,708,696)	(10,546,445)
Class A	(332,367)	(176,682)
Class B	(2,539)	(2,809)
Class C	(263,177)	(173,060)
Class I	<u>(93,966)</u>	<u>(5,950)</u>
	<u>(13,400,745)</u>	<u>(10,904,946)</u>
Net realized gain		
Class AAA	—	(21,351,419)
Class A	—	(316,681)
Class B	—	(6,167)
Class C	<u>—</u>	<u>(328,750)</u>
	<u>—</u>	<u>(22,003,017)</u>
Return of capital		
Class AAA	(9,214,213)	(9,231,544)
Class A	(240,977)	(154,376)
Class B	(1,841)	(2,462)
Class C	(190,811)	(151,338)
Class I	<u>(68,128)</u>	<u>(5,126)</u>
	<u>(9,715,970)</u>	<u>(9,544,846)</u>
Total Distributions to Shareholders	<u>(23,116,715)</u>	<u>(42,452,809)</u>
Capital Share Transactions:		
Class AAA	18,397,736	239,884,656
Class A	8,036,701	12,798,114
Class B	(110,470)	(12,254)
Class C	4,589,115	6,182,277
Class I	<u>6,354,700</u>	<u>1,135,297</u>
Net Increase in Net Assets from Capital Share Transactions	<u>37,267,782</u>	<u>259,988,090</u>
Redemption Fees	<u>1,178</u>	<u>7,092</u>
Net Decrease in Net Assets	<u>(26,671,853)</u>	<u>(46,004,118)</u>
Net Assets:		
Beginning of period	<u>1,178,282,863</u>	<u>1,224,286,981</u>
End of period (including undistributed net investment income of \$0 and \$68,657, respectively)	<u>\$1,151,611,010</u>	<u>\$1,178,282,863</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 Realized and 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(b)	Portfolio Turnover Rate††
Class AAA															
2009	\$18.00	\$0.21	\$(0.71)	\$(0.50)	\$(0.21)	—	\$(0.15)	\$(0.36)	\$0.00(c)	\$17.14	(2.34)%	\$1,088,655	1.46%	1.50%	17%
2008	22.98	0.18	(4.43)	(4.25)	(0.17)	\$(0.40)	(0.16)	(0.73)	0.00(c)	18.00	(18.95)	1,135,543	0.87	1.43	22
2007	20.23	0.22	3.37	3.59	(0.39)	(0.45)	—	(0.84)	0.00(c)	22.98	18.19	1,191,351	1.01	1.43	12
2006	18.72	0.38	1.68	2.06	(0.36)	(0.19)	—	(0.55)	0.00(c)	20.23	11.25	794,375	1.98	1.46	14
2005	16.73	0.24	2.41	2.65	(0.24)	(0.42)	—	(0.66)	0.00(c)	18.72	16.09	580,081	1.33	1.46	11
Class A															
2009	\$17.95	\$0.21	\$(0.71)	\$(0.50)	\$(0.21)	—	\$(0.15)	\$(0.36)	\$0.00(c)	\$17.09	(2.34)%	\$ 31,104	1.46%	1.50%	17%
2008	22.91	0.18	(4.41)	(4.23)	(0.17)	\$(0.40)	(0.16)	(0.73)	0.00(c)	17.95	(18.92)	22,979	0.88	1.43	22
2007	20.17	0.22	3.36	3.58	(0.39)	(0.45)	—	(0.84)	0.00(c)	22.91	18.20	15,313	1.00	1.43	12
2006	18.66	0.39	1.67	2.06	(0.36)	(0.19)	—	(0.55)	0.00(c)	20.17	11.29	8,379	2.02	1.46	14
2005	16.72	0.20	2.43	2.63	(0.27)	(0.42)	—	(0.69)	0.00(c)	18.66	15.99	3,644	1.08	1.50	11
Class B															
2009	\$17.34	\$0.10	\$(0.71)	\$(0.61)	\$(0.21)	—	\$(0.15)	\$(0.36)	\$0.00(c)	\$16.37	(3.07)%	\$ 114	0.73%	2.25%	17%
2008	22.32	0.02	(4.27)	(4.25)	(0.17)	\$(0.40)	(0.16)	(0.73)	0.00(c)	17.34	(19.54)	252	0.12	2.18	22
2007	19.82	0.06	3.28	3.34	(0.39)	(0.45)	—	(0.84)	0.00(c)	22.32	17.28	344	0.29	2.18	12
2006	18.48	0.36	1.53	1.89	(0.36)	(0.19)	—	(0.55)	0.00(c)	19.82	10.46	352	1.91	2.21	14
2005	16.62	0.04	2.46	2.50	(0.22)	(0.42)	—	(0.64)	0.00(c)	18.48	15.28	32	0.20	2.22	11
Class C															
2009	\$17.33	\$0.10	\$(0.71)	\$(0.61)	\$(0.21)	—	\$(0.15)	\$(0.36)	\$0.00(c)	\$16.36	(3.07)%	\$ 22,919	0.70%	2.25%	17%
2008	22.31	0.03	(4.28)	(4.25)	(0.17)	\$(0.40)	(0.16)	(0.73)	0.00(c)	17.33	(19.55)	18,547	0.13	2.18	22
2007	19.81	0.05	3.29	3.34	(0.39)	(0.45)	—	(0.84)	0.00(c)	22.31	17.29	17,279	0.24	2.18	12
2006	18.47	0.24	1.65	1.89	(0.36)	(0.19)	—	(0.55)	0.00(c)	19.81	10.46	8,044	1.26	2.21	14
2005	16.64	0.07	2.43	2.50	(0.25)	(0.42)	—	(0.67)	0.00(c)	18.47	15.24	3,374	0.37	2.24	11
Class I															
2009	\$18.04	\$0.25	\$(0.70)	\$(0.45)	\$(0.21)	—	\$(0.15)	\$(0.36)	\$0.00(c)	\$17.23	(2.05)%	\$ 8,819	1.71%	1.25%	17%
2008(d)	21.42	0.19	(3.30)	(3.11)	(0.14)	—	(0.13)	(0.27)	0.00(c)	18.04	(14.65)	962	1.31(e)	1.18(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 proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended September 30, 2007, 2006, and 2005 would have been 20%, 34%, and 26%, respectively.

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

(b) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits, the expense ratios for the 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 years ended September 30, 2009, 2008, 2007, and 2005, the effect of the custodian fee credits was minimal.

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

(d) From the commencement of offering Class I Shares on January 11, 2008 through September 30, 2008.

(e) Annualized.

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 sixty 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 sixty days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 – significant unobservable inputs (including the Fund's determinations as to the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments and other financial instruments by inputs used to value the Fund's investments as of September 30, 2009 is as follows:

	Valuation Inputs			Total Market Value at 9/30/09
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks				
Broadcasting	\$ 2,652,900	—	\$ 0	\$ 2,652,900
Energy and Utilities: Electric	16,067,500	—	0	16,067,500
Other Industries (a)	1,083,568,803	—	—	1,083,568,803
Total Common Stocks	1,102,289,203			1,102,289,203
Convertible Preferred Stocks (a)	2,319,255	—	—	2,319,255
Rights (a)	23,878	—	—	23,878
Warrants (a)	—	—	3	3
Corporate Bonds	—	\$ 8,403,750	—	8,403,750
U.S. Government Obligations	—	35,242,196	—	35,242,196
TOTAL INVESTMENTS IN SECURITIES	\$1,104,632,336	\$43,645,946	\$ 3	\$1,148,278,285
OTHER FINANCIAL INSTRUMENTS:				
ASSETS (Unrealized Appreciation): *				
Contract for Difference Swap Agreement	\$—	\$ 13,164	\$—	\$ 13,164
OTHER FINANCIAL INSTRUMENTS:				
LIABILITIES (Unrealized Depreciation): *				
Contract for Difference Swap Agreement	—	(4,612)	—	(4,612)
TOTAL OTHER FINANCIAL INSTRUMENTS	\$—	\$ 8,552	\$—	\$ 8,552

(a) Security and industry classifications for these categories are detailed in the Schedule of Investments.

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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

	Balance as of 9/30/08	Accrued discounts/ (premiums)	Realized gain/ (loss)	Change in unrealized appreciation/ depreciation†	Net purchases/ (sales)	Transfers in and/or out of Level 3	Balance as of 9/30/09	Net change in unrealized appreciation/ depreciation during the period on Level 3 investments held at 9/30/09†
INVESTMENTS IN SECURITIES:								
ASSETS (Market Value):								
Common Stocks								
Broadcasting	\$ —	\$—	\$—	\$ (924)	\$ —	\$ 924	\$ 0	\$ (924)
Energy and Utilities: Electric	0	—	—	—	—	—	0	—
Energy and Utilities: Integrated	4,950	—	—	—	—	(4,950)	—	—
Total Common Stocks	4,950	—	—	(924)	—	(4,026)	0	(924)
Corporate Bonds	0	—	0	97,499	(97,499)	—	—	—
Warrants								
Broadcasting	—	—	—	(116)	—	119	3	(116)
Total Warrants	—	—	—	(116)	—	119	3	(116)
TOTAL INVESTMENTS IN SECURITIES	\$4,950	\$—	\$ 0	\$96,459	\$(97,499)	\$(3,907)	\$ 3	\$(1,040)

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

Derivative Financial Instruments.

The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purposes of increasing the income of the Fund, hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase, or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Investing in certain derivative financial instruments, including participation in the options, futures, or swap markets, entails certain execution, liquidity, hedging, tax, and securities, interest, credit, or currency market risks. Losses may arise if the Adviser's prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate. Losses may also arise if the counterparty does not perform its duties under a contract, or that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

Current notional amounts are an indicator of the volume of the Fund's derivative activities during the period.

Swap Agreements. The Fund may enter into equity and contract for difference swap transactions for the purpose of increasing the income of the Fund. 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 is 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. Depending on the general state of

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

short-term interest rates and the returns on the Fund's portfolio securities 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.

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

The Fund has entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc. Details of the swaps at September 30, 2009 are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation/ Depreciation</u>
	Market Value	One month LIBOR plus 90 bps plus		
	Appreciation on:	Market Value Depreciation on:		
\$186,431 (140,000 Shares)	Rank Group plc	Rank Group plc	6/25/10	\$13,164
155,015 (20,000 Shares)	Rolls-Royce Group plc	Rolls-Royce Group plc	6/25/10	(4,612)
				<u>\$ 8,552</u>

The value of equity contract for difference swap contracts held as of September 30, 2009 with equity risk exposure can be found on the Statement of Assets and Liabilities under Assets, Unrealized Appreciation on Swap Contracts and Liabilities, Unrealized Depreciation on Swap Contracts.

The effect of equity contract for difference swap contracts with equity risk exposure for the year ended September 30, 2009 can be found on the Statement of Operations.

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, 2009, there were no open futures contracts.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for the purpose of 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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. At September 30, 2009, there were no open forward foreign exchange 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, 2009.

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. It is the policy of the Fund to always receive and maintain securities as collateral whose market value, including accrued interest, is 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, 2009, there were no open repurchase agreements.

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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/loss on investments.

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

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

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

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

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

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

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as "custodian fee credits." When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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 year ended September 30, 2009, reclassifications were made to decrease accumulated distributions in excess of net investment income by \$62,402 and decrease accumulated net realized loss on investments, swap contracts, and foreign currency transactions by \$59,252, with an offsetting adjustment to additional paid-in capital.

The tax character of distributions paid during the years ended September 30, 2009 and September 30, 2008 was as follows:

	<u>Year Ended</u> <u>September 30, 2009</u>	<u>Year Ended</u> <u>September 30, 2008</u>
Distributions paid from:		
Ordinary income		
(inclusive of short-term capital gains) . . .	\$13,400,745	\$11,894,382
Net long-term capital gains	—	21,013,581
Return of capital	<u>9,715,970</u>	<u>9,544,846</u>
Total distributions paid	<u>\$23,116,715</u>	<u>\$42,452,809</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.

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, 2009, the components of accumulated earnings/losses on a tax basis were as follows:

Accumulated capital loss carryforwards	\$ (1,899,612)
Net unrealized appreciation on investments	29,202,493
Post-October loss deferral	(73,295,321)
Other temporary differences*	<u>(14,823)</u>
Total	<u>\$(46,007,263)</u>

* Other temporary differences are primarily due to prior year dividend adjustments, mark to market adjustments on swaps, and basis adjustments to hybrid income.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

At September 30, 2009, the Fund had a net capital loss carryforward for federal income tax purposes of \$1,899,612 which is available to reduce future required distributions of net capital gains to shareholders through 2017.

Under the current tax law, capital losses related to securities and foreign currency realized after October 31 and prior to the Fund's year end may be treated as occurring on the first day of the following year. For the year ended September 30, 2009, the Fund deferred capital losses of \$73,254,481 and currency losses of \$40,840.

At September 30, 2009, the difference between book and tax basis unrealized appreciation is primarily due to deferral of losses on wash sales for tax purposes and basis adjustments on investments in partnerships and investments in securities.

The following summarizes the tax cost of investments and the related unrealized appreciation/depreciation at September 30, 2009:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Investments	\$1,119,088,042	\$158,987,946	\$(129,797,703)	\$29,190,243
Swap contracts	—	13,164	(4,612)	8,552
	<u>\$1,119,088,042</u>	<u>\$159,001,110</u>	<u>\$(129,802,315)</u>	<u>\$29,198,795</u>

Management has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years (current and prior three tax years) and has concluded that no provision for federal income tax is required in the Fund's financial statements. The Fund's federal and state income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

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 an affiliated person an annual retainer of \$9,000 plus \$1,000 for each Board meeting attended. Each Director is reimbursed by the Corporation 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 receive an annual fee of \$1,000. A Director may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Corporation.

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.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

5. Portfolio Securities. Purchases and sales of securities for the year ended September 30, 2009, other than short-term securities and U.S. Government obligations, aggregated \$162,374,183 and \$169,214,540, respectively.

Sales of U.S. Government obligations for the year ended September 30, 2009, other than short-term obligations, aggregated \$6,242,883.

6. Transactions with Affiliates. During the year ended September 30, 2009, the Fund paid brokerage commissions on security trades of \$377,283 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$29,136 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 year ended September 30, 2009, 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 under which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bear interest at the higher of the sum of the overnight LIBOR plus 100 basis points or the sum of the federal funds rate plus 100 basis points at the time of borrowing. This amount, if any, would be included in "interest expense" in the Statement of Operations. At September 30, 2009, there were no borrowings outstanding under the line of credit.

The average daily amount of borrowings outstanding under the line of credit during the year ended September 30, 2009 was \$1,566,170 with a weighted average interest rate of 1.08%. The maximum amount borrowed at any time during the year ended September 30, 2009 was \$16,544,000.

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

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund. The redemption fees retained by the Fund during the years ended September 30, 2009 and 2008, amounted to \$1,178 and \$7,092, respectively.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

Transactions in shares of capital stock were as follows:

	Year Ended September 30, 2009		Year Ended September 30, 2008	
	Shares	Amount	Shares	Amount
	Class AAA		Class AAA	
Shares sold	20,754,130	\$ 302,088,224	24,093,784	\$ 504,580,779
Shares issued upon reinvestment of distributions	1,423,010	20,241,888	1,797,042	38,520,431
Shares redeemed	(21,736,561)	(303,932,376)	(14,644,330)	(303,216,554)
Net increase	440,579	\$ 18,397,736	11,246,496	\$ 239,884,656
	Class A		Class A	
Shares sold	1,152,325	\$ 16,776,961	798,290	\$ 16,578,039
Shares issued upon reinvestment of distributions	36,073	513,106	25,861	548,965
Shares redeemed	(648,443)	(9,253,366)	(212,203)	(4,328,890)
Net increase	539,955	\$ 8,036,701	611,948	\$ 12,798,114
	Class B		Class B	
Shares sold	1,088	\$ 13,188	9,738	\$ 196,093
Shares issued upon reinvestment of distributions	316	4,257	543	11,320
Shares redeemed	(8,965)	(127,915)	(11,132)	(219,667)
Net decrease	(7,561)	\$ (110,470)	(851)	\$ (12,254)
	Class C		Class C	
Shares sold	757,678	\$ 10,228,605	472,038	\$ 9,589,680
Shares issued upon reinvestment of distributions	29,522	402,548	29,534	611,310
Shares redeemed	(456,330)	(6,042,038)	(205,866)	(4,018,713)
Net increase	330,870	\$ 4,589,115	295,706	\$ 6,182,277
	Class I		Class I*	
Shares sold	675,326	\$ 9,395,435	54,128	\$ 1,152,550
Shares issued upon reinvestment of distributions	5,494	84,446	550	11,076
Shares redeemed	(222,311)	(3,125,181)	(1,349)	(28,329)
Net increase	458,509	\$ 6,354,700	53,329	\$ 1,135,297

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

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

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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 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 including the Fund. The officer denies the allegations and is continuing in his positions with the Adviser and the funds. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Fund or the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

11. Subsequent Events. Management has evaluated the impact of all subsequent events on the Fund through November 24, 2009, the date the financial statements were issued, and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

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, 2009, 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, 2009, by correspondence with the Fund's custodian and brokers. 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, 2009, 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.

Philadelphia, Pennsylvania
November 24, 2009

Ernst & Young LLP

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: 67	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); Director of CIBL, Inc. (broadcasting and wireless communications)
John D. Gabelli Director Age: 65	Since 1991	10	Senior Vice President of Gabelli & Company, Inc.	—
INDEPENDENT DIRECTORS⁵:				
Anthony J. Colavita Director Age: 73	Since 1991	36	President of the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Director Age: 65	Since 1991	16	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics)
Robert J. Morrissey Director Age: 70	Since 1991	6	Partner in the law firm of Morrissey, Hawkins & Lynch	—
Anthony R. Pustorino Director Age: 84	Since 1991	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing)
Anthonie C. van Ekris Director Age: 75	Since 1991	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	—
Salvatore J. Zizza Director Age: 63	Since 2001	28	Chairman of Zizza & Company, Ltd. (consulting)	Director of Hollis-Eden Pharmaceuticals (biotechnology); Director of Trans-Lux Corporation (business 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: 57	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; President of Teton Advisors, Inc. 1998 through 2008; Chairman of Teton Advisors, Inc. since 2008; Senior Vice President of GAMCO Investors, Inc. since 2008
Agnes Mullady Treasurer Age: 51	Since 2006	Senior Vice President of GAMCO Investors, Inc. since 2009, Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005; Chief Financial Officer of AMIC Distribution Partners from 2002 through 2004
Peter D. Goldstein Chief Compliance Officer Age: 56	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

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.

2009 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended September 30, 2009, the Fund paid to shareholders ordinary income distributions (comprised of net investment income) totaling \$0.21, \$0.21, \$0.21, \$0.21, and \$0.21 per share for Class AAA, Class A, Class B, Class C, and Class I, respectively. For the year ended September 30, 2009, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution (excluding return of capital distributions) as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 3.41% of the ordinary income distribution as qualified interest income pursuant to the American Jobs Creation Act of 2004.

U.S. Government Income:

The percentage of the ordinary income distribution paid by the Fund during the year ended September 30, 2009 which was derived from U.S. Treasury securities was 0.10%. 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 2009. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

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

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

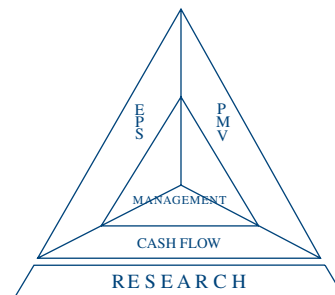
800-422-3554

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 7:00 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
President
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.

GAB444Q309SR

**ANNUAL REPORT
SEPTEMBER 30, 2009**