

The Gabelli Utilities Fund

Shareholder Commentary December 31, 2008

To Our Shareholders,

The fourth quarter of 2008, like the third quarter, was a tough period for utility stocks. Despite being in a low risk, fundamentally sound industry, utility stocks were sold heavily by investors who reacted to the global financial crisis by liquidating even their low-risk holdings in sectors such as utilities. In addition, with almost no new money moving into equities, the lack of buyers resulted in more volatility on the downside. Performance during the third and fourth quarters also was hurt when several hedge funds were forced to liquidate their entire portfolios, including some that held large positions in utility stocks.

The fourth quarter of 2008 also was a period when economic growth forecasts, both domestic and global, were being steadily reduced. The U.S. is in a recession that began about one year ago, and the U.S. economy continues to worsen. Much of the rest of the world is also either in a recession or is growing much slower than in recent years.

In the face of so many dark clouds over the economy (employment, housing, and consumer spending, just to name a few), it is a good time to remember that utilities are one of the most recession proof sectors of the stock market. Utility earnings are stable even in a recession because the volume of electricity and natural gas sold to residential and commercial customers is less sensitive to economic cycles. Electricity, natural gas, and water are not discretionary purchases for consumers. Meanwhile, industrial customers, whose energy demand is more cyclical, usually buy their electricity and natural gas under long-term contracts that require them to pay the utility a fixed amount even if they consume no energy.

In the short run, we think that utility stocks are oversold. Although economic factors have caused many utilities to trim 2009 EPS guidance by 3% to 5%, most of the utility stocks have fallen in value by more than 25% over the past two quarters. At the same time, most utilities have either maintained their current dividends or even raised dividends. The result is a sector with relatively low P/E ratios and high current dividend yields.

The currently low valuations have rekindled some M&A activity in the utility sector. In October 2008, Exelon Corporation (1.2%) launched a hostile offer to acquire the large publicly traded independent power company, NRG Energy (1.0%). In December 2008, Constellation Energy Group (1.2%) terminated its pending merger with MidAmerican Energy in order to accept a better offer from Electricite de France.

When we look ahead into 2009 and 2010, we believe that utility stocks should be one of the better performing groups in the equity markets. Their relatively safe, high dividends, should provide support to their stock prices, and their stable, predictable earnings should be much less volatile than many other industry groups. In addition, the U.S. is about to enact a very large economic stimulus plan, portions of which would directly benefit the utility industry. We are particularly encouraged by the new administration's emphasis on increased infrastructure investment to modernize the electric grid and an acceleration of investments in alternative energy.

INVESTMENT RESULTS (CLASS AAA SHARES) (a)

	Quarter					Year
	1st	2nd	3rd	4th		
2008: Net Asset Value	\$8.04	\$8.20	\$7.29	\$6.43	\$6.43	
Total Return	(9.2)%	4.6%	(8.7)%	(8.8)%	(20.9)%	
2007: Net Asset Value	\$9.37	\$9.17	\$9.06	\$9.08	\$9.08	
Total Return	4.6%	0.1%	1.1%	2.5%	8.6%	
2006: Net Asset Value	\$8.34	\$8.44	\$8.64	\$9.16	\$9.16	
Total Return	4.3%	3.8%	4.9%	8.5%	23.1%	
2005: Net Asset Value	\$8.33	\$8.66	\$8.81	\$8.20	\$8.20	
Total Return	2.2%	6.6%	4.2%	(4.5)%	8.4%	
2004: Net Asset Value	\$8.15	\$7.90	\$7.93	\$8.36	\$8.36	
Total Return	4.2%	(0.5)%	3.1%	8.1%	15.6%	
2003: Net Asset Value	\$6.46	\$7.67	\$7.53	\$8.03	\$8.03	
Total Return	(4.2)%	22.1%	1.0%	9.5%	29.5%	
2002: Net Asset Value	\$9.36	\$8.48	\$6.54	\$6.96	\$6.96	
Total Return	5.0%	(7.2)%	(20.5)%	9.8%	(15.1)%	
2001: Net Asset Value	\$11.02	\$10.43	\$9.32	\$9.13	\$9.13	
Total Return	(4.2)%	(3.5)%	(8.7)%	0.2%	(15.4)%	
2000: Net Asset Value	\$11.76	\$10.88	\$12.08	\$11.72	\$11.72	
Total Return	10.0%	(5.7)%	13.1%	(0.8)%	16.4%	
1999: Net Asset Value	—	—	\$10.01	\$10.89	\$10.89	
Total Return	—	—	0.1%(b)	22.1%	22.3%(b)	

Average Annual Returns through December 31, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	Since Inception (8/31/99)
Gabelli Utilities Fund Class AAA	(8.81)%	(20.90)%	1.87%	5.77%	6.21%
S&P 500 Utilities Index	(10.92)	(28.98)	0.85	8.29	2.85
Lipper Utility Fund Average	(13.45)	(33.53)	(0.20)	6.89	2.79

The expense ratio is 1.41% 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. Current performance may be lower or higher than the performance data presented. Performance returns for periods of less than one year are not annualized. 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.** Other share classes are available and have different performance characteristics. See page 7 for performance of other classes of shares. The value of utility stocks generally changes as long-term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services, or fuel and natural resources conservation. The S&P 500 Utilities Index is an unmanaged indicator of electric and gas utility stock performance, while the Lipper Average reflects the average performance of mutual funds classified in this particular category. You cannot invest directly in an index.

(b) From commencement of investment operations on August 31, 1999.

Monthly Distributions – \$0.07 per share

The Gabelli Utilities Fund has a \$0.07 per share monthly distribution policy. 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. Distributions of capital reduce the cost basis of your shares if you hold them in a taxable account.

COMMENTARY

Over the past half-year, investors have run for cover in cash and money market funds that now pay tiny returns. Some of them may be getting ready to tiptoe back into the equity markets and we think they will look for dividend paying stocks with low betas and low fundamental risk. Utility stocks fit this description. Across the utilities sector, we see many opportunities to buy the stocks of good companies with strong earnings growth potential, safe and growing dividends, trading at attractive valuations.

Some of the best performers among the major holdings of the Fund during the fourth quarter were: CH Energy (2.3%), up 17.9%; NSTAR (1.7%), up 8.9%; and PG&E Corporation (0.3%), up 3.4%. All three of these stocks benefited from a rotation by investors within the utilities sector into companies that derive most of their earnings from regulated operations and away from the stocks of companies that have significant deregulated operations.

Environmental Policies Are Another Key Long-Term Consideration

In many large countries, most of the electricity is produced by power plants that burn fossil fuels. Efforts are underway to lower carbon dioxide emissions, in order to slow down global warming and reduce its effects. For utilities, this means both increased investment in new technologies to produce cleaner electricity and a new wave of nuclear power plant construction. We believe these challenges also create opportunities for investors, because new investment means faster growth in rate base and earnings.

The new U.S. President and the Democratic majority in both houses of Congress favor a more aggressive effort to reduce carbon dioxide emissions from power plants, compared with the views of the previous administration. This is more in line with the policies already in effect in Europe. A scenario that seems most likely is the imposition of a “cap-and-trade” system in the U.S. that includes a mandatory reduction in total emissions and a market based trading system for emission credits.

This should lead to even heavier investment in alternative energy and nuclear power plants in the U.S., but with significant sharing of the financial risk between industry and the federal government. The 2005 Energy Act provides substantial financial incentives for companies to build more clean energy power plants. Furthermore, legislation passed in the fall of 2008 permits U.S. utilities to use more investment tax credits from investment in alternative energy power plants. We believe that in 2009 a new President and a new Congress will expand those financial incentives as part of a broad economic stimulus plan. In addition, incentives from the 2005 energy legislation already provide generous loan guarantees for companies that build new nuclear power plants, and more than a dozen nuclear construction license requests are now awaiting federal government approval.

Long-Term Fundamentals Remain Strong

In spite of the economic slowdown, the utilities industry is in the early stages of a period of higher secular growth tied to rising capital spending. Utilities build, own, and operate infrastructure: electric power plants, transmission lines, and distribution systems; natural gas transmission, distribution, and storage facilities; water utility systems, etc. After too many years of investing in non-regulated assets, the utility industry worldwide is planning to increase capital spending for new power plants, transmission, and distribution because of the need to replace aging infrastructure, improve efficiency, and meet growing demand. In addition, there is a worldwide acceleration of capital spending for new environmental controls on older facilities and for cleaner energy projects, including renewables. This rise in capital spending comes at a time when regulators and elected officials worldwide understand the need for energy infrastructure upgrades and expansion. They also support the industry’s rapid push into alternative energy.

Regulated utilities generate income by earning a return on their asset base, i.e., the rate base. The faster the rate base grows, the faster earnings increase. Therefore, there is a direct correlation between accelerating long-term earnings prospects and accelerating capital spending budgets.

The increased capital spending comes at a better time when most utilities have strong balance sheets. In the years 2001-2006, most utilities reduced debt and issued new equity. Thus, their balance sheets can support higher capital spending. Even during the recent financial crisis of the past two quarters, utilities have continued to raise new capital through equity offerings and bond sales.

Our Approach

There are nearly seventy publicly traded, investor owned electric utilities in the U.S. This is fifty more than we need from the standpoint of economic efficiency. Small natural gas distribution companies make no economic sense either. The balkanized structure of the industry is inherently inefficient and competitive forces are now putting pressure on the marginal players. The big companies feel the need to be bigger to achieve scale economies, and the small companies are selling out as the cost of staying in the game rises. It is only because of a complex and lengthy merger review and approval process that the industry remains as fragmented as it currently is. Our investments in regulated companies have primarily, though not exclusively, focused on fundamentally sound, reasonably priced mid cap and small cap utilities that are likely acquisition targets for large utilities seeking increased bulk. We also like the beneficiaries of developing trends. This has led to our ongoing focus on nuclear power utilities as a way to benefit from the need for more power from carbon-free generation and also a focus on natural gas pipelines and storage operators as a way to take advantage of the growing demand for natural gas in the U.S.

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. The share prices of the following holdings are stated in U.S. dollars or U.S. dollar equivalent terms as of December 31, 2008.

Allegheny Energy Inc. (1.3%) (AYE - \$33.86 - NYSE) is a classic turnaround story. The previous management team took a moderate sized utility and tried to turn it into a national merchant energy company. In the process of expanding too quickly, AYE overpaid for some assets and added too much debt to its balance sheet. The current management team has resolved AYE's liquidity problems, sold most of its non-core assets, reduced debt, issued new common equity, and reinstated a cash dividend. AYE's basic utility operations are among the lowest cost in the U.S. We think that several more years of rapid earnings growth are likely, aided by rising power prices and expansion of AYE's transmission investments.

DPL Inc. (1.6%) (DPL - \$22.84 - NYSE) is a consolidation play. DPL is the holding company whose principal subsidiary is the small utility Dayton Power & Light. It has very low cost electric generating assets and is surrounded by utilities that are several times larger than DPL. The previous management team was forced out in mid 2004 and the current team has moved quickly to divest DPL's large portfolio of non-utility investments. The proceeds of the asset sales were used to retire debt.

FPL Group Inc. (2.7%) (FPL - \$50.33 - NYSE) is one of the highest quality utility companies in the U.S. FPL owns Florida Power & Light Company, one of the largest and fastest growing utilities in the U.S. Florida has no plans to deregulate its utility sector. FPL has one of the strongest balance sheets in the utility industry, and it is one of the few companies in the sector to raise its dividend every year for the past decade. FPL also has become the largest developer, owner, and operator of wind powered electric generation in the U.S. The holding company derives significant earnings growth and tax credits from its investments in renewable energy.

Great Plains Energy Inc. (1.9%) (GXP - \$19.33 - NYSE) is an excellent value for dividend yield, with one of the highest safe dividends in the sector. GXP is the holding company that owns Kansas City Power & Light and Missouri Public Service Company, electric utilities operating in two states that have avoided deregulation entirely. In 2005, GXP was granted permission from state regulators in Missouri and Kansas to construct a large coal fired power plant and to undertake a large wind power generation project. The wind power project commenced operations in September 2006. These new investments should add significantly to GXP's earnings in the coming years. In July 2008, GXP completed the acquisition of the Missouri utility operations of Aquila Corp., a deal that we think should benefit GXP shareholders in the long run.

National Fuel Gas Co. (3.0%) (NFG - \$31.33 - NYSE) is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, New York. It also owns major gas pipelines that move gas from the Midwest and Canada down to New York City and over to New England. However, NFG's largest business, providing more than 40% of earnings, is domestic production of natural gas and oil. NFG and its partner, EOG Resources, recently started to drill for natural gas in a very promising region of the Northeast called the Marcellus Shale. NFG is also one of the few companies that has raised its dividend each year for more than a decade.

NSTAR (1.7%) (NST - \$36.49 - NYSE) is a consolidation play in the New England region. NST is primarily an electric transmission and distribution utility serving the Boston and Cape Cod regions of Massachusetts. NST also owns a small gas utility. The northeast region of the U.S. has been the most active area for consolidation activity among utilities, including the acquisition of KeySpan by National Grid in August 2007 and the takeover of Energy East by Iberdrola in September 2008. There are several potential suitors for NST, including Consolidated Edison, a company that could use its strong balance sheet to make another acquisition.

ONEOK Inc. (0.9%) (OKE - \$29.12 - NYSE) is a diversified natural gas company based in Tulsa, Oklahoma. OKE owns one of the largest natural gas distribution utilities in the U.S., serving portions of Oklahoma, Kansas, and Texas. It also owns a large natural gas gathering, processing, pipeline, and storage company located in the Mid-Continent Region of the U.S. In recent years, acquisitions of gas gathering and processing assets as well as OKE's ownership interest in a natural gas liquids partnership have been significantly accretive to the company's earnings.

Southwest Gas Corp. (1.8%) (SWX - \$25.22 - NYSE) is one of the fastest growing natural gas utility in the U.S., serving customers in Arizona, Nevada, and California. Rapid population growth in the regions served by SWX is driving earnings. Further, earnings per share have benefited from recent rate increases.

Westar Energy Inc. (2.4%) (WR - \$20.51 - NYSE) is another classic turnaround story. The current management team divested non-core assets and reduced a significant amount of debt. With the completion of these divestitures, WR's major remaining assets are two regulated utilities with low cost production in the state of Kansas. WR plans to grow its regulated rate base by building new power plants and retrofitting older ones with advanced pollution control equipment. In early 2008, WR announced plans to construct a new wind farm and a major electric transmission line. Over the long term, with its financial health restored, we believe WR may become an acquisition target for a larger utility.

Xcel Energy Inc. (0.7%) (XEL - \$18.55 - NYSE) is a holding company that owns electric and gas utilities, primarily in Minnesota, Colorado, and Texas. It was formed by two mergers involving three utilities. Xcel's utility subsidiaries are relatively low cost producers operating in regions that have above average rates of customer growth. We like the stock's high, secure dividend yield and we expect Xcel to continue to increase its dividend on an annual basis.

Sincerely,



Mario J. Gabelli, CFA
Team Portfolio Manager

January 12, 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 team portfolio manager of the Gabelli Utilities Fund, Mr. Gabelli received \$2,052,194 in calendar 2007. In 2001, when Mario J. Gabelli took over as team manager of the Fund, Mr. Gabelli received less than \$25,000. As beneficial owner, he had \$382,613 invested in the Gabelli Utilities Fund as of December 31, 2008, which includes the holdings of GBL and its subsidiary, Gabelli Securities, Inc., 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 Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold within seven days of a purchase. See the prospectus for more details.

www.gabelli.com

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

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

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

e-delivery

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

Multi-Class Shares

The Gabelli Utilities Fund began offering additional classes of Fund shares on December 31, 2002. Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions, which initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

Average Annual Returns – December 31, 2008 (a)					
	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	(20.90)%	(20.92)% (25.47)(c)	(21.56)% (25.48)(d)	(21.45)% (22.24)(e)	(20.79)%
3 Year	1.87	1.86 (0.13)(c)	1.09 0.10(d)	1.13 1.13	1.92
5 Year	5.77	5.75 4.51(c)	4.95 4.62(d)	4.99 4.99	5.81
Life of Fund (b)	6.21	6.23 5.56(c)	5.67 5.67	5.72 5.72	6.22
Current expense ratio ...	1.41	1.41	2.16	2.16	1.16
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 value of utility stocks change as long-term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. The Class AAA Share net asset values ("NAV") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2002 and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares.

(b) Performance is calculated from inception of Class AAA Shares on August 31, 1999.

(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, three year, and five year periods of 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 one year period of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.

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

The Gabelli Utilities Fund

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800-GABELLI

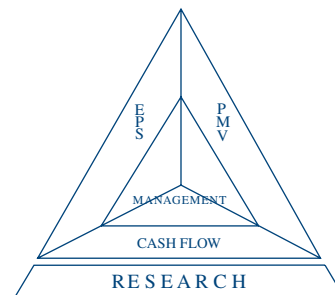
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Net Asset Value per share available daily by calling
800-GABELLI after 6:00 P.M.



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The Gabelli Utilities Fund

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

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SHAREHOLDER COMMENTARY
DECEMBER 31, 2008

The Gabelli Utilities Fund

Annual Report December 31, 2008

To Our Shareholders,

The Sarbanes-Oxley Act requires a fund's principal executive and financial officers to certify the entire contents of the semi-annual and annual shareholder reports in a filing with the Securities and Exchange Commission (the "SEC") on Form N-CSR. This certification would cover the portfolio managers' commentary and subjective opinions if they are attached to or a part of the financial statements. Many of these comments and opinions would be difficult or impossible to certify.

Because we do not want our portfolio managers to eliminate their opinions and/or restrict their commentary to historical facts, we have separated their commentary from the financial statements and investment portfolio and have sent it to you separately. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com/funds.

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

Performance Discussion (Unaudited)

During 2008, The Gabelli Utilities Fund (the "Fund") (Class AAA) declined in value by 20.90% comparing favorably with much larger declines in the S&P 500 Utilities Index and the Lipper Utility Fund Average of 28.98% and 33.52%, respectively.

Below are a few factors and events from 2008 that affected the performance of utility stocks and of the Fund:

- The Federal Reserve cut interest rates several times during 2008 in an effort to stimulate the U.S. economy.
- The steady worsening of U.S. and worldwide economic conditions resulted in a shift by investors away from utilities with significant merchant power operations in favor of buying up shares of companies whose businesses are mostly regulated.
- Iberdrola of Spain completed its all-cash takeover of Energy East, a multi-state electric and gas distribution utility in the northeast region of the U.S.
- Sempra Energy completed its all-cash takeover of Energy South Inc., a gas utility in Alabama that owns significant amounts of underground natural gas storage capacity.
- Oil and natural gas prices rose to record highs in the first half of 2008, peaking in July, and then steadily declined through the end of the year. This caused volatility in the stock prices of utilities that have natural gas reserves and gas production and similarly affected the stock prices of electric companies that have large amounts of merchant power to sell into wholesale markets.

Some of the best performers among the major holdings in the Fund during 2008 were CH Energy Group (up 15.4%) (2.3% of net assets as of December 31, 2008), South Jersey Industries (up 10.4%) (0.5%), and NSTAR (up 0.8%) (1.7%). CH Energy Group, South Jersey Industries and NSTAR, all benefited from the fact that most of their earnings are derived from regulated operations that are less sensitive to falling energy prices and are more recession-resistant.

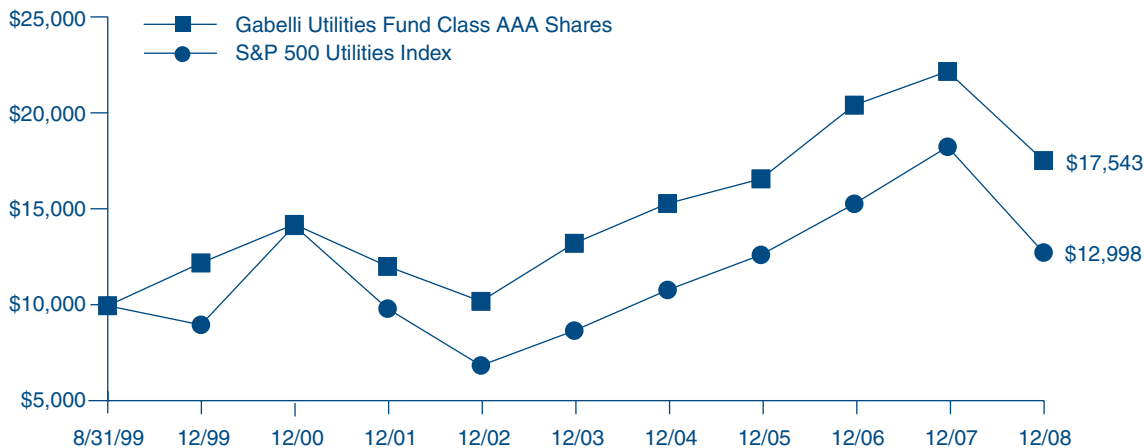
Sincerely yours,



Bruce N. Alpert
President

February 20, 2009

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI UTILITIES FUND CLASS AAA SHARES AND THE S&P 500 UTILITIES INDEX



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

Comparative Results

Average Annual Returns through December 31, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	Since Inception (8/31/99)
Gabelli Utilities Fund Class AAA	(8.81)%	(20.90)%	1.87%	5.77%	6.21%
S&P 500 Utilities Index	(10.92)	(28.98)	0.85	8.29	2.85
Lipper Utility Fund Average	(13.43)	(33.52)	(0.19)	6.89	2.79
Class A	(8.77)	(20.92)	1.86	5.75	6.23
Class B	(14.02)(b)	(25.47)(b)	(0.13)(b)	4.51(b)	5.56(b)
Class C	(8.94)	(21.56)	1.09	4.95	5.67
Class I	(13.49)(c)	(25.48)(c)	0.10(c)	4.62(c)	5.67
Class A	(8.88)	(21.45)	1.13	4.99	5.72
Class B	(9.79)(d)	(22.24)(d)	1.13	4.99	5.72
Class C	(8.79)	(20.79)	1.92	5.81	6.22

In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.41%, 1.41%, 2.16%, 2.16%, and 1.16%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.

(a) **Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com 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 values of utility stocks change as long-term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. The Class AAA Shares net asset values ("NAVs") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2002 and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Utilities Index is an unmanaged indicator of electric and gas utility stock performance, while the Lipper Utility 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.

- (b) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.
(c) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the quarter, one year, three year, and five year periods of 5%, 5%, 3%, and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.
(d) Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the quarter and one year periods of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.

The Gabelli Utilities Fund

Disclosure of Fund Expenses (Unaudited)

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

Expense Table

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

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

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

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

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

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

	Beginning Account Value 07/01/08	Ending Account Value 12/31/08	Annualized Expense Ratio	Expenses Paid During Period*
The Gabelli Utilities Fund				
Actual Fund Return				
Class AAA	\$1,000.00	\$ 832.80	1.44%	\$ 6.63
Class A	\$1,000.00	\$ 833.40	1.44%	\$ 6.64
Class B	\$1,000.00	\$ 830.30	2.19%	\$10.08
Class C	\$1,000.00	\$ 830.20	2.19%	\$10.08
Class I	\$1,000.00	\$ 834.10	1.18%	\$ 5.44
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,017.90	1.44%	\$ 7.30
Class A	\$1,000.00	\$1,017.90	1.44%	\$ 7.30
Class B	\$1,000.00	\$1,014.13	2.19%	\$11.09
Class C	\$1,000.00	\$1,014.13	2.19%	\$11.09
Class I	\$1,000.00	\$1,019.20	1.18%	\$ 5.99

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

Summary of Portfolio Holdings (Unaudited)

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

The Gabelli Utilities Fund

Energy and Utilities	78.8%	Other	2.4%
Communications	13.5%	Other Assets and Liabilities (Net)	0.1%
U.S. Government Obligations	5.2%		<u>100.0%</u>

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

Proxy Voting

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

2008 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2008, the Fund paid to shareholders ordinary income distributions (comprised of net investment income) totaling \$0.119 per share for all classes, and long-term capital gains totaling \$1,585,324. The distributions of long-term capital gains have been designated as a capital gain dividend by the Fund's Board of Trustees. For the year ended December 31, 2008, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 9.79% 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 2008 which was derived from U.S. Treasury securities was 0.84%. 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 Utilities Fund did not meet this strict requirement in 2008. The percentage of net assets of U.S. Government securities held as of December 31, 2008 was 5.20%. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

The Gabelli Utilities Fund

Schedule of Investments (Continued) — December 31, 2008

Shares	Cost	Market Value	Shares	Cost	Market Value
COMMON STOCKS (Continued)			25,000	Clearwire Corp., Cl. A† \$ 391,736	\$ 123,250
COMMUNICATIONS (Continued)			35,000	Millicom International Cellular SA	2,438,583
Cable and Satellite (Continued)			2,600	Mobile TeleSystems OJSC, ADR	86,498
12,000	Shaw Communications Inc., Cl. B	\$ 148,195	\$ 212,160	MobileOne Ltd.	210
160,000	The DIRECTV Group Inc.†	3,428,094	3,665,600	NTT DoCoMo Inc.	7,554,348
8,000	Time Warner Cable Inc., Cl. A†	198,444	171,600	Price Communications Corp., Escrow† (a)	0
42,000	Tokyo Broadcasting System Inc.	1,041,505	631,969	SK Telecom Co. Ltd., ADR	593,203
42,396	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA	416,753	218,639	SmarTone Telecommunications Holdings Ltd.	207
4,700	Zon Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA, ADR	67,445	24,238	United States Cellular Corp.†	4,057,131
		<u>22,784,646</u>	<u>16,753,886</u>	Vimpel-Communications, ADR	1,522,982
				Vodafone Group plc, ADR	3,715,810
					<u>21,687,194</u>
					<u>20,931,752</u>
					TOTAL COMMUNICATIONS
					<u>97,828,624</u>
					<u>79,028,971</u>
					OTHER — 2.4%
					Aviation: Parts and Services — 0.9%
240,000	AT&T Inc.	7,713,501	6,840,000	Rolls-Royce Group plc†	9,461,009
110,000	BCE Inc.	3,361,657	2,253,900	Rolls-Royce Group plc, Cl. C†	98,106
40,000	CenturyTel Inc.	1,270,249	1,093,200		<u>9,559,115</u>
500,000	Cincinnati Bell Inc.†	2,421,085	965,000		Building and Construction — 0.1%
320,000	Deutsche Telekom AG, ADR	5,802,939	4,896,000	4,500	Acciona SA
4,243	FairPoint Communications Inc.	39,936	13,917		<u>1,103,368</u>
200	Hutchison Telecommunications International Ltd.	163	54		Business Services — 0.1%
600	Mobistar SA	47,203	43,069	110,000	Clear Channel Outdoor Holdings Inc., Cl. A†
1,600	Nippon Telegraph & Telephone Corp.	7,960,362	8,260,342		<u>1,520,665</u>
200,000	Nortel Networks Corp., New York†	242,570	52,000		Entertainment — 0.5%
42,000	Philippine Long Distance Telephone Co., ADR	2,178,799	1,971,900	100,000	Vivendi
250,000	Portugal Telecom SGPS SA	3,058,329	2,109,397		<u>3,202,412</u>
45,000	Portugal Telecom SGPS SA, ADR	497,775	386,100		Equipment and Supplies — 0.2%
200	PT Indosat Tbk	128	106	18,000	Flowserve Corp.
550,000	Sprint Nextel Corp.†	6,248,886	1,006,500		<u>1,053,720</u>
600	Tele2 AB, Cl. B	8,180	5,235		Health Care — 0.1%
30,000	Telecom Italia SpA, ADR	612,595	487,500	12,000	Tsumura & Co.
3,566	Telefonica SA, ADR	207,436	240,313		<u>261,956</u>
60,000	Telephone & Data Systems Inc.	2,288,630	1,905,000	92,000	GATX Corp.
40,000	tw telecom inc.†	724,816	338,800		<u>3,507,111</u>
250,000	Verizon Communications Inc.	8,671,545	8,475,000		TOTAL OTHER
		<u>53,356,784</u>	<u>41,343,333</u>		<u>20,208,347</u>
					TOTAL COMMON STOCKS
					<u>617,351,900</u>
					<u>557,663,082</u>
					CONVERTIBLE PREFERRED STOCKS — 0.1%
					ENERGY AND UTILITIES — 0.1%
					Energy and Utilities: Natural Gas Integrated — 0.1%
9,000	America Movil SAB de CV, Cl. L, ADR	189,076	278,910	800	El Paso Corp., 4.990% Cv. Pfd. (b)
30,000	China Mobile Ltd., ADR	901,134	1,525,500		<u>758,731</u>
24,000	China Unicom Hong Kong Ltd., ADR	236,276	292,800		<u>511,224</u>

See accompanying notes to financial statements.

The Gabelli Utilities Fund

Statement of Assets and Liabilities December 31, 2008

Assets:

Investments, at value (cost \$649,825,515)	\$589,653,964
Cash	653
Receivable for Fund shares sold	1,305,785
Receivable for investments sold	28
Dividends and interest receivable	1,489,672
Unrealized appreciation on swap contracts	2,609
Prepaid expenses	70,591
Other asset	20
Total Assets	<u>\$592,523,322</u>

Liabilities:

Payable for Fund shares redeemed	1,196,696
Distributions payable	2,565
Payable for investment advisory fees	478,831
Payable for distribution fees	274,965
Payable for accounting fees	7,502
Payable for shareholder services fees	211,813
Other accrued expenses	199,215
Total Liabilities	<u>2,371,587</u>

Net Assets applicable to 94,075,228

 shares outstanding \$590,151,735
Net Assets Consist of:

Paid-in capital, each class at \$0.001 par value . .	\$654,760,192
Accumulated net investment income	55,720
Accumulated net realized loss on investments, swap contracts, and foreign currency transactions	(4,492,980)
Net unrealized depreciation on investments	(60,171,551)
Net unrealized appreciation on swaps	2,609
Net unrealized depreciation on foreign currency translations	(2,255)
Net Assets	<u>\$590,151,735</u>

Shares of Beneficial Interest:
Class AAA:

Net Asset Value, offering, and redemption price per share (\$123,864,029 ÷ 19,260,456 shares outstanding; unlimited number of shares authorized) \$6.43

Class A:

Net Asset Value and redemption price per share (\$202,111,257 ÷ 31,277,170 shares outstanding; unlimited number of shares authorized) \$6.46

Maximum offering price per share (NAV ÷ .9425, based on maximum sales charge of 5.75% of the offering price) \$6.85

Class B:

Net Asset Value and offering price per share (\$243,168 ÷ 40,390 shares outstanding; unlimited number of shares authorized) \$6.02(a)

Class C:

Net Asset Value and offering price per share (\$256,517,206 ÷ 42,345,921 shares outstanding; unlimited number of shares authorized) \$6.06(a)

Class I:

Net Asset Value, offering, and redemption price per share (\$7,416,075 ÷ 1,151,291 shares outstanding; unlimited number of shares authorized) \$6.44

Statement of Operations For the Year Ended December 31, 2008

Investment Income:

Dividends (net of foreign taxes of \$298,427) . . . \$	21,102,024
Interest	1,383,067
Total Investment Income	<u>22,485,091</u>

Expenses:

Investment advisory fees	6,714,038
Distribution fees – Class AAA	339,453
Distribution fees – Class A	595,031
Distribution fees – Class B	2,909
Distribution fees – Class C	2,958,990
Shareholder services fees	609,579
Shareholder communications expenses	197,479
Custodian fees	125,575
Registration expenses	75,472
Legal and audit fees	60,297
Accounting fees	45,000
Trustees' fees	34,602
Miscellaneous expenses	66,468

Total Expenses 11,824,893

 Less: Custodian fee credits (2,909)
Net Expenses 11,821,984
Net Investment Income 10,663,107
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency:

Net realized loss on investments	(2,252,304)
Net realized loss on swap contracts	(130,374)
Net realized gain on foreign currency transactions	38,552

 Net realized loss on investments, swap contracts,
and foreign currency transactions (2,344,126)

 Net change in unrealized appreciation/
(depreciation) on investments (168,730,441)

 Net change in unrealized appreciation/
(depreciation) on swap contracts 11,598

 Net change in unrealized appreciation/
(depreciation) on foreign currency translations (3,488)

 Net change in unrealized appreciation/
(depreciation) on investments, swap contracts,
and foreign currency translations (168,722,331)
Net Realized and Unrealized Gain/(Loss) on Investments, Swap Contracts, and Foreign Currency (171,066,457)
Net Decrease in Net Assets Resulting from Operations \$(160,403,350)

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

See accompanying notes to financial statements.

The Gabelli Utilities Fund

Statement of Changes in Net Assets

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Operations:		
Net investment income	\$ 10,663,107	\$ 10,074,574
Net realized gain/(loss) on investments, swap contracts, and foreign currency transactions	(2,344,126)	19,828,787
Net change in unrealized appreciation/(depreciation) on investments, swap contracts, and foreign currency translations	<u>(168,722,331)</u>	<u>21,175,110</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>(160,403,350)</u>	<u>51,078,471</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(2,088,307)	(2,345,569)
Class A	(3,636,534)	(3,479,842)
Class B	(4,728)	(5,267)
Class C	(4,803,967)	(4,177,106)
Class I	<u>(33,465)</u>	<u>—</u>
	<u>(10,567,001)</u>	<u>(10,007,784)</u>
Net realized gain		
Class AAA	(313,299)	(4,682,214)
Class A	(545,574)	(6,946,445)
Class B	(710)	(10,514)
Class C	(720,719)	(8,338,320)
Class I	<u>(5,022)</u>	<u>—</u>
	<u>(1,585,324)</u>	<u>(19,977,493)</u>
Return of capital		
Class AAA	(12,360,158)	(7,778,858)
Class A	(21,523,718)	(11,540,568)
Class B	(27,983)	(17,467)
Class C	(28,433,460)	(13,852,978)
Class I	<u>(198,070)</u>	<u>—</u>
	<u>(62,543,389)</u>	<u>(33,189,871)</u>
Total Distributions to Shareholders	<u>(74,695,714)</u>	<u>(63,175,148)</u>
Shares of Beneficial Interest Transactions:		
Class AAA	7,935,944	6,022,104
Class A	22,719,949	63,460,301
Class B	3,039	2,760
Class C	47,278,222	113,557,340
Class I	<u>7,560,758</u>	<u>—</u>
Net Increase in Net Assets from Shares of Beneficial Interest Transactions ...	<u>85,497,912</u>	<u>183,042,505</u>
Redemption Fees	<u>2,487</u>	<u>(2,545)</u>
Net Increase/(Decrease) in Net Assets	<u>(149,598,665)</u>	<u>170,943,283</u>
Net Assets:		
Beginning of period	<u>739,750,400</u>	<u>568,807,117</u>
End of period (including undistributed net investment income of \$55,720 and \$55,198, respectively)	<u>\$ 590,151,735</u>	<u>\$739,750,400</u>

See accompanying notes to financial statements.

The Gabelli Utilities Fund

Financial Highlights

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

Period Ended December 31	Income from Investment Operations				Distributions			Ratios to Average Net Assets/ Supplemental Data								
	Net Asset Value, Beginning of Period	Net Investment Income (a)	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(e)	Net Asset Value, End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income	Operating Expenses Net of Reimbursements	Operating Expenses Before Reimbursements	Portfolio Turnover Rate††
Class AAA																
2008	\$9.08	\$0.15	\$(1.96)	\$(1.81)	\$(0.12)	\$(0.02)	\$(0.70)	\$(0.84)	\$0.00(b)	\$6.43	(20.9)%	\$123,864	1.92%	1.43%(c)	1.43%(c)	19%
2007	9.16	0.16	0.60	0.76	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)(b)	9.08	8.6	161,930	1.78	1.42(c)	1.41	19
2006	8.20	0.17	1.63	1.80	(0.16)	(0.18)	(0.50)	(0.84)	0.00(b)	9.16	23.1	157,645	2.02	1.44	1.44	24
2005	8.36	0.15	0.53	0.68	(0.15)	(0.09)	(0.60)	(0.84)	0.00(b)	8.20	8.4	124,437	1.79	1.50	1.50	18
2004	8.03	0.15	1.02	1.17	(0.13)	(0.02)	(0.69)	(0.84)	0.00(b)	8.36	15.6	81,471	1.85	1.82	1.82(d)	17
Class A																
2008	\$9.12	\$0.15	\$(1.97)	\$(1.82)	\$(0.12)	\$(0.02)	\$(0.70)	\$(0.84)	\$0.00(b)	\$6.46	(20.9)%	\$202,112	1.92%	1.43%(c)	1.43%(c)	19%
2007	9.19	0.16	0.61	0.77	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)(b)	9.12	8.7	261,468	1.78	1.42(c)	1.41	19
2006	8.23	0.18	1.62	1.80	(0.16)	(0.18)	(0.50)	(0.84)	0.00(b)	9.19	23.0	201,124	2.02	1.44	1.44	24
2005	8.38	0.16	0.53	0.69	(0.15)	(0.09)	(0.60)	(0.84)	0.00(b)	8.23	8.5	81,869	1.88	1.50	1.50	18
2004	8.06	0.19	0.97	1.08	(0.11)	(0.01)	(0.72)	(0.84)	0.00(b)	8.38	15.4	10,165	2.30	1.82	1.82(d)	17
Class B																
2008	\$8.63	\$0.09	\$(1.86)	\$(1.77)	\$(0.12)	\$(0.02)	\$(0.70)	\$(0.84)	\$0.00(b)	\$6.02	(21.6)%	\$	243	2.18%(c)	2.18%(c)	19%
2007	8.80	0.09	0.58	0.67	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)(b)	8.63	7.9	343	1.02	2.17(c)	2.16	19
2006	7.97	0.11	1.56	1.67	(0.12)	(0.18)	(0.54)	(0.84)	0.00(b)	8.80	22.1	347	1.28	2.19	2.19	24
2005	8.20	0.08	0.53	0.61	(0.09)	(0.09)	(0.66)	(0.84)	0.00(b)	7.97	7.6	331	1.01	2.25	2.25	18
2004	7.96	0.08	1.00	1.08	(0.08)	(0.01)	(0.75)	(0.84)	0.00(b)	8.20	14.5	333	1.08	2.57	2.57(d)	17
Class C																
2008	\$8.67	\$0.09	\$(1.86)	\$(1.77)	\$(0.12)	\$(0.02)	\$(0.70)	\$(0.84)	\$0.00(b)	\$6.06	(21.5)%	\$256,517	1.17%	2.18%(c)	2.18%(c)	19%
2007	8.84	0.09	0.58	0.67	(0.13)	(0.27)	(0.44)	(0.84)	(0.00)(b)	8.67	7.8	316,009	1.04	2.17(c)	2.16	19
2006	8.00	0.11	1.57	1.68	(0.12)	(0.18)	(0.54)	(0.84)	0.00(b)	8.84	22.1	209,691	1.27	2.19	2.19	24
2005	8.23	0.09	0.52	0.61	(0.09)	(0.09)	(0.66)	(0.84)	0.00(b)	8.00	7.6	94,118	1.14	2.25	2.25	18
2004	7.98	0.11	0.98	1.09	(0.06)	(0.01)	(0.77)	(0.84)	0.00(b)	8.23	14.6	10,245	1.33	2.57	2.57(d)	17
Class I																
2008(e)	\$8.94	\$0.16	\$(1.82)	\$(1.66)	\$(0.12)	\$(0.02)	\$(0.70)	\$(0.84)	\$0.00(b)	\$6.44	(19.6)%	\$	7,416	2.34%(f)	1.18%(c)(f)	19%

† 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 a year is not annualized.

†† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007, 2006, 2005, and 2004 would have been 47%, 37%, 33%, and 36%, respectively.

(a) Per share data is calculated using the average shares outstanding method.

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

(c) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits, the expense ratio for the year ended December 31, 2007 would have been 1.41% (Class AAA and Class A) and 2.16% (Class B and Class C). For the year ended December 31, 2008, the effect of custodian fee credits was minimal.

(d) Under an expense deferral agreement with the Adviser, the Fund repaid the Adviser \$66,719 during 2004, representing previously reimbursed expenses from the Adviser. During the year ended December 31, 2004, had such payment not been made, the expense ratio would have been 1.71%, 1.71%, 2.46%, and 2.46% for Class AAA, Class A, Class B, and Class C, respectively.

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

(f) Annualized. See accompanying notes to financial statements.

The Gabelli Utilities Fund

Notes to Financial Statements

1. Organization. The Gabelli Utilities Fund (the “Fund”) was organized on May 18, 1999 as a Delaware statutory trust. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund commenced operations on August 31, 1999. The Fund’s primary objective is to provide a high level of total return through a combination of capital appreciation and current income.

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

Security Valuation. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market’s official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Trustees (the “Board”) so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the “Adviser”).

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

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

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

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

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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

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

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value) Assets</u>	<u>Other Financial Instruments (Unrealized Appreciation)* Assets</u>
Level 1 – Quoted Prices	\$558,838,552	—
Level 2 – Other Significant Observable Inputs	30,815,412	\$2,609
Level 3 – Significant Unobservable Inputs	0	—
Total	<u>\$589,653,964</u>	<u>\$2,609</u>

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

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

	<u>Investments in Securities (Market Value)</u>
Balance as of 12/31/07	<u>\$ 0</u>
Accrued discounts/(premiums)	—
Realized gain/(loss)	—
Change in unrealized appreciation/(depreciation)†	0
Net purchases/(sales)	—
Transfers in and/or out of Level 3	—
Balance as of 12/31/08	<u>\$ 0</u>
Net change in unrealized appreciation/(depreciation) during the period on Level 3 investments held at 12/31/08†	<u>\$ 0</u>

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

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

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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

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

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

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

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

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation</u>
\$73,364 (22,000 Shares)	Market Value Appreciation on: International Power plc	Overnight LIBOR plus 40 bps plus Market Value Depreciation on: International Power plc	09/15/09	\$2,609

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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

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

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/loss on investments.

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

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

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

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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 of 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations.

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions made in excess of current earnings and profits on a tax basis are treated as a non-taxable return of capital. 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 December 31, 2008, reclassifications were made to decrease accumulated net investment income by \$95,584 and increase accumulated net realized loss on investments, swap contracts, and foreign currency transactions by \$93,095 with an offsetting adjustment to paid-in capital.

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

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Distributions paid from:		
Ordinary income		
(inclusive of short-term capital gains)	\$10,567,001	\$19,674,262
Net long-term capital gains	1,585,324	10,311,015
Return of capital	<u>62,543,389</u>	<u>33,189,871</u>
Total distributions paid	<u>\$74,695,714</u>	<u>\$63,175,148</u>

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

Since January 2000, the Fund has had a fixed distribution policy. Under the policy, the Fund declares and pays monthly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year are made in excess of required distributions. 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 pass through to shareholders all of its net realized long-term capital gains as a Capital Gain Dividend, subject to the maximum federal income tax rate of 15%, and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 35%. 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 current annualized rate is \$0.84 per share.

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

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

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

Net unrealized depreciation on investments and foreign currency translations	\$(64,608,993)
Other temporary differences	536
Total	<u>\$(64,608,457)</u>

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

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
Investments	\$654,260,702	\$34,107,836	\$(98,714,574)	\$(64,606,738)
Swap contracts	—	2,609	—	2,609
	<u>\$654,260,702</u>	<u>\$34,110,445</u>	<u>\$(98,714,574)</u>	<u>\$(64,604,129)</u>

FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax benefit or expense in the current year. In accordance with FIN 48, management has analyzed the Fund's tax positions taken on the federal and state income tax returns for all open tax years (the current and prior three tax years) and has concluded that no provision for income tax is required in the Fund's financial statements. Management's determination regarding FIN 48 may be subject to review and adjustment at a later date based on factors including, but not limited to, an on-going analysis of tax laws, regulations, and interpretations thereof.

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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

The Fund pays each Trustee who is not considered to be an affiliated person an annual retainer of \$3,000 plus \$500 for each Board meeting attended and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended and the Chairman of the Audit Committee and the Lead Trustee each receives an annual fee of \$1,000. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

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

5. Portfolio Securities. Purchases and proceeds from the sales of securities during 2008, other than short-term securities and U.S. Government obligations, aggregated \$159,557,484 and \$86,473,379, respectively.

Purchases and proceeds from the sales of U.S. Government obligations during 2008, other than short-term obligations aggregated \$47,186,700 and \$33,056,597, respectively.

6. Transactions with Affiliates. During 2008, the Fund paid brokerage commissions on security trades of \$263,285 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$494,050 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The cost of calculating the Fund’s NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During 2008, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund’s NAV.

7. Line of Credit. The Fund participates in an unsecured line of credit of up to \$75,000,000 from which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bear interest at 0.75% above the federal funds rate on outstanding balances. This amount, if any, would be included in “interest expense” in the Statement of Operations. During 2008, there were no borrowings under the line of credit.

8. Shares of Beneficial Interest. The Fund currently offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares are offered 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

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

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 during the years ended December 31, 2008 and December 31, 2007 amounted to \$2,487 and \$(2,545), respectively.

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

Transactions in shares of capital stock were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
	Class AAA		Class AAA	
Shares sold	7,485,201	\$ 54,692,572	5,227,303	\$ 48,327,421
Shares issued upon reinvestment of distributions	1,447,640	10,884,722	1,128,114	10,369,691
Shares redeemed	(7,498,231)	(57,641,350)	(5,745,845)	(52,675,008)
Net increase	<u>1,434,610</u>	<u>\$ 7,935,944</u>	<u>609,572</u>	<u>\$ 6,022,104</u>
	Class A		Class A	
Shares sold	9,529,572	\$ 74,506,509	12,159,549	\$113,155,380
Shares issued upon reinvestment of distributions	1,661,474	12,625,283	1,320,585	12,182,769
Shares redeemed	(8,573,955)	(64,411,843)	(6,701,549)	(61,877,848)
Net increase	<u>2,617,091</u>	<u>\$ 22,719,949</u>	<u>6,778,585</u>	<u>\$ 63,460,301</u>
	Class B		Class B	
Shares sold	650	\$ 3,976	—	—
Shares issued upon reinvestment of distributions	456	3,205	315	\$ 2,770
Shares redeemed	(470)	(4,142)	(1)	(10)
Net increase	<u>636</u>	<u>\$ 3,039</u>	<u>314</u>	<u>\$ 2,760</u>
	Class C		Class C	
Shares sold	10,624,623	\$ 80,311,588	14,155,988	\$126,262,431
Shares issued upon reinvestment of distributions	2,948,363	21,067,976	1,877,177	16,533,227
Shares redeemed	(7,663,671)	(54,101,342)	(3,313,238)	(29,238,318)
Net increase	<u>5,909,315</u>	<u>\$ 47,278,222</u>	<u>12,719,927</u>	<u>\$113,557,340</u>
	Class I*			
Shares sold	1,200,472	\$ 7,881,142		
Shares issued upon reinvestment of distributions	12,707	95,199		
Shares redeemed	(61,888)	(415,583)		
Net increase	<u>1,151,291</u>	<u>\$ 7,560,758</u>		

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

The Gabelli Utilities Fund

Notes to Financial Statements (Continued)

9. Concentration Risks. The Fund invests a high percentage of its assets in the utilities sector. As a result, the Fund may be more susceptible to economic, political, and regulatory developments, positive or negative, and may experience increased volatility to the Fund's NAV and a magnified effect in its total return.

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

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

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

The Gabelli Utilities Fund

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
The Gabelli Utilities Fund

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

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

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

Ernst & Young LLP

Philadelphia, Pennsylvania
February 24, 2009

The Gabelli Utilities Fund

Additional Fund Information (Unaudited)

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

Name, Position(s) Address¹ and Age	Term of Office and Length of Time Served²	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee⁴
INTERESTED TRUSTEES³:				
Mario J. Gabelli Trustee Age: 66	Since 1999	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)
INDEPENDENT TRUSTEES⁵:				
Anthony J. Colavita Trustee Age: 73	Since 1999	36	Partner in the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Trustee Age: 65	Since 1999	16	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility)	Trustee of Echo Therapeutics, Inc. (therapeutics and diagnostics)
Mary E. Hauck Trustee Age: 66	Since 2000	3	Retired Senior Manager of the Gabelli O'Connor Fixed Income Mutual Funds Management Company	—
Werner J. Roeder, MD Trustee Age: 68	Since 1999	22	Medical Director of Lawrence Hospital and practicing private physician	—
OFFICERS:				
Bruce N. Alpert President Age: 57	Since 2003	—	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex. Director and President of Teton Advisors, Inc. (formerly Gabelli Advisers, Inc.) since 1998	—
Agnes Mullady Treasurer and Secretary Age: 50	Since 2006	—	Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005; Chief Financial Officer of AMIC Distribution Partners from 2002 through 2004	—
Peter D. Goldstein Chief Compliance Officer Age: 55	Since 2004	—	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Vice President of Goldman Sachs Asset Management from 2000 through 2004	—

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

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

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

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

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

Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

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

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

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

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

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

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

What do we do to protect your personal information?

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

The Gabelli Utilities Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

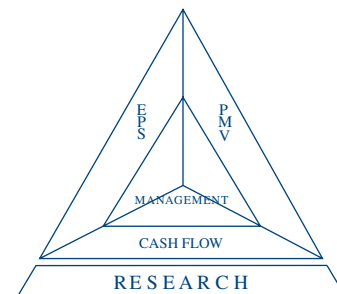
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

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



Board of Trustees

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

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

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

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

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

Officers

Bruce N. Alpert
President

Peter D. Goldstein
Chief Compliance Officer

Agnes Mullady
Secretary and Treasurer

Distributor

Gabelli & Company, Inc.

Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

The Gabelli Utilities Fund

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

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**ANNUAL REPORT
DECEMBER 31, 2008**