

# **Gabelli ESG Fund, Inc.**

## **Third Quarter Report — December 31, 2017**

### **(Y)our Portfolio Management Team**



**Christopher C. Desmarais**



**Christopher J. Marangi**



**Kevin V. Dreyer**

### **To Our Shareholders,**

For the quarter ended December 31, 2017, the net asset value (“NAV”) per Class AAA Share of the Gabelli ESG Fund increased 2.9% compared with an increases of 6.6% and 6.3% for the Standard & Poor’s (“S&P”) 500 Index and the Russell 3000 Index, respectively. See page 2 for additional performance information.

Enclosed is the schedule of investments as of December 31, 2017.

## Comparative Results

### Average Annual Returns through December 31, 2017 (a)(b) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (6/01/07)
<b>Class AAA (SRIGX)</b> . . . . .	2.89%	13.29%	6.55%	9.95%	7.87%	6.52%
S&P 500 Index . . . . .	6.64	21.83	11.41	15.79	8.50	7.66
Russell 3000 Index . . . . .	6.34	21.13	11.12	15.58	8.60	7.69
MSCI AC World Index . . . . .	5.73	23.97	9.30	10.80	4.65	4.46
<b>Class A (SRIAX)</b> . . . . .	2.82	13.23	6.53	9.95	7.89	6.52
With sales charge (c) . . . . .	(3.09)	6.72	4.45	8.65	7.26	5.92
<b>Class C (SRICX)</b> . . . . .	2.66	12.43	5.74	9.12	7.08	5.72
With contingent deferred sales charge (d) . . . . .	1.66	11.43	5.74	9.12	7.08	5.72
<b>Class I (SRIDX)</b> . . . . .	2.97	13.52	6.82	10.22	8.14	6.78
<b>Class T (SRIWX)</b> . . . . .	2.84	13.24	6.53	9.94	7.87	6.51
With sales charge (e) . . . . .	0.27	10.41	5.64	9.39	7.59	6.26

**In the current prospectuses dated July 28, 2017, the gross expense ratios for Class AAA, A, C, I, and T Shares are 1.67%, 1.67%, 2.42%, 1.42%, and 1.67%, respectively, and the net expense ratios for these share classes after contractual reimbursements by Gabelli Funds, LLC, (the Adviser) are 1.25%, 1.25%, 2.00%, 1.00%, and 1.25%, respectively. Class AAA and I Shares do not have a sales charge. The maximum sales charge for Class A Shares, Class C Shares, and Class T Shares is 5.75%, 1.00%, and 2.50%, respectively.**

- (a) *Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC, the Adviser, not reimbursed certain expenses of the Fund. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at [www.gabelli.com](http://www.gabelli.com). The Class AAA Share NAV's are used to calculate performance for the periods prior to the issuance of the Class T Shares on July 28, 2017. The actual performance of the Class T Shares would have been lower due to the additional fees and expenses associated with this class of shares. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Russell 3000 Index is an unmanaged indicator that measures the performance of the 3,000 largest U.S. traded stocks, in which the underlying companies are incorporated in the U.S. The MSCI AC World Index is an unmanaged market capitalization weighted index representing both developed and emerging markets. Dividends are considered reinvested. You cannot invest directly in an index.*
- (b) The Fund's fiscal year ends March 31.
- (c) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (d) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.
- (e) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

**Gabelli ESG Fund, Inc.**  
**Schedule of Investments — December 31, 2017 (Unaudited)**

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS — 97.5%</b>			<b>Energy and Utilities — 1.0%</b>	
	<b>Automotive: Parts and Accessories — 6.3%</b>		4,000	NextEra Energy Inc. ....	\$ 624,760
15,000	Genuine Parts Co. ....	\$ 1,425,150		<b>Entertainment — 1.9%</b>	
5,000	O'Reilly Automotive Inc.† .....	1,202,700	4,000	Time Warner Inc. ....	365,880
25,000	Tenneco Inc. ....	<u>1,463,500</u>	10,000	Viacom Inc., Cl. B. ....	308,100
		4,091,350	20,000	Vivendi SA. ....	<u>538,011</u>
					1,211,991
	<b>Beverage — 6.3%</b>			<b>Environmental Services — 2.7%</b>	
30,000	Danone SA .....	2,517,878	25,000	Waste Connections Inc. ....	<u>1,773,500</u>
10,000	PepsiCo Inc. ....	1,199,200		<b>Equipment and Supplies — 4.5%</b>	
9,000	Suntory Beverage & Food Ltd. ....	<u>400,178</u>		Flowserve Corp. ....	631,950
		4,117,256	15,000	Mueller Water Products Inc., Cl. A. ....	563,850
			45,000	Watts Water Technologies Inc., Cl. A. ....	<u>1,746,850</u>
			23,000		2,942,650
	<b>Broadcasting — 3.8%</b>			<b>Financial Services — 6.9%</b>	
12,000	Liberty Broadband Corp., Cl. C† .....	1,021,920	14,000	American Express Co. ....	1,390,340
20,000	Liberty Media Corp.-		8,000	Kinnevik AB, Cl. B. ....	270,434
	Liberty Braves, Cl. C† .....	444,400	30,000	PayPal Holdings Inc.† .....	2,208,600
25,000	Liberty Media Corp.-		11,000	The Bank of New York Mellon Corp. ....	<u>592,460</u>
	Liberty SiriusXM, Cl. C† .....	<u>991,500</u>			4,461,834
		2,457,820		<b>Food — 20.7%</b>	
	<b>Building and Construction — 6.8%</b>		75,000	Conagra Brands Inc. ....	2,825,250
20,000	Armstrong Flooring Inc.† .....	338,400	20,000	General Mills Inc. ....	1,185,800
20,000	Fortune Brands Home & Security Inc. ....	1,368,800	20,000	Kellogg Co. ....	1,359,600
13,000	Herc Holdings Inc.† .....	813,930	25,000	Lamb Weston Holdings Inc. ....	1,411,250
50,000	Johnson Controls International plc .....	<u>1,905,500</u>	20,000	Maple Leaf Foods Inc. ....	569,928
		4,426,630	65,000	Mondelēz International Inc., Cl. A. ....	2,782,000
			15,000	Nestlé SA. ....	1,289,958
	<b>Business Services — 3.4%</b>		12,000	Post Holdings Inc.† .....	950,760
20,000	Macquarie Infrastructure Corp. ....	1,284,000	20,000	Unilever plc, ADR .....	<u>1,106,800</u>
12,000	ServiceMaster Global Holdings Inc.† .....	615,240			13,481,346
15,000	The Interpublic Group of Companies Inc. ....	<u>302,400</u>		<b>Health Care — 1.1%</b>	
		2,201,640		Zoetis Inc. ....	720,400
				<b>Machinery — 6.1%</b>	
	<b>Cable and Satellite — 7.2%</b>		65,000	CNH Industrial NV .....	871,000
40,000	Comcast Corp., Cl. A. ....	1,602,000	45,000	Xylem Inc. ....	<u>3,069,000</u>
17,000	DISH Network Corp., Cl. A† .....	811,750			3,940,000
12,000	EchoStar Corp., Cl. A† .....	718,800		<b>Retail — 1.9%</b>	
45,000	Liberty Global plc, Cl. C† .....	<u>1,522,800</u>		United Natural Foods Inc.† .....	<u>1,231,750</u>
		4,655,350		<b>Specialty Chemicals — 2.4%</b>	
			15,000	H.B. Fuller Co. ....	808,050
	<b>Computer Software and Services — 4.3%</b>		5,000	International Flavors & Fragrances Inc. ....	<u>763,050</u>
35,000	eBay Inc.† .....	1,320,900			1,571,100
70,000	Hewlett Packard Enterprise Co. ....	1,005,200		<b>Telecommunications — 2.8%</b>	
11,250	Internap Corp.† .....	176,738	25,000	Altice USA Inc., Cl. A† .....	530,750
8,000	Micro Focus International plc, ADR† .....	<u>268,720</u>	15,000	Loral Space & Communications Inc.† .....	660,750
		2,771,558			
	<b>Consumer Products — 7.4%</b>				
35,000	Edgewell Personal Care Co.† .....	2,078,650			
25,000	Energizer Holdings Inc. ....	1,199,500			
34,000	Sony Corp., ADR. ....	<u>1,528,300</u>			
		4,806,450			

See accompanying notes to schedule of investments.



## Gabelli ESG Fund, Inc.

### Notes to Schedule of Investments (Unaudited)

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The Fund's schedule of investments is prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which may require the use of management estimates and assumptions. 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 schedule of investments.

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

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market, but prior to the close of business on the day the securities are being valued. Debt obligations 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, 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. Certain securities are valued principally using dealer quotations. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded. OTC futures and options on futures for which market quotations are readily available will be valued by quotations received from a pricing service or, if no quotations are available from a pricing service, by quotations obtained from one or more dealers in the instrument in question by the Adviser.

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 American Depositary Receipt securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

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

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

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**Notes to Schedule of Investments (Unaudited) (Continued)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. 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 in securities by inputs used to value the Fund's investments as of December 31, 2017 is as follows:

	Valuation Inputs		Total Market Value at 12/31/17
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>			
<b>ASSETS (Market Value):</b>			
Common Stocks (a)	\$63,316,885	—	\$63,316,885
Closed-End Funds	1,047,750	—	1,047,750
U.S. Government Obligations	—	\$587,429	587,429
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$64,364,635</b>	<b>\$587,429</b>	<b>\$64,952,064</b>

(a) Please refer to the Schedule of Investments for the industry classifications of these portfolio holdings.

There were no Level 3 investments at December 31, 2017 or March 31, 2017.

**Additional Information to Evaluate Qualitative Information.**

**General.** The Fund uses recognized industry pricing services – approved by the Board and unaffiliated with the Adviser – to value most of its securities, and uses broker quotes provided by market makers of securities not valued by these and other recognized pricing sources. Several different pricing feeds are received to value domestic equity securities, international equity securities, preferred equity securities, and fixed income securities. The data within these feeds are ultimately sourced from major stock exchanges and trading systems where these securities trade. The prices supplied by external sources are checked by obtaining quotations or actual transaction prices from market participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

**Fair Valuation.** Fair valued securities may be common or preferred equities, warrants, options, rights, or fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. When fair valuing a security, factors to consider are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

The Adviser reports quarterly to the Board the results of the application of fair valuation policies and procedures. These may include backtesting the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

**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 current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange

**Gabelli ESG Fund, Inc.**  
**Notes to Schedule of Investments (Unaudited) (Continued)**

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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 purchase 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 inability 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 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 Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than 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. At December 31, 2017, the Fund held no restricted securities.

**Tax Information.** The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

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**Portfolio Management Team Biographies**

**Christopher C. Desmarais** joined GAMCO Investors, Inc. in 1993. Currently he is a Managing Director of GAMCO Asset Management, Inc., a portfolio manager of Gabelli Funds, LLC, as well as the Director of Socially Responsive Investments. He is a co-portfolio manager of the Fund, and his responsibilities also include marketing and client service of GAMCO's Value, Growth, and International capabilities for institutional, endowment, and family office clients as well as direct oversight of all of the Firm's ESG equity products. He is a graduate of Fairfield University with a B.A. in Economics.

**Christopher J. Marangi** joined Gabelli in 2003 as a research analyst. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a B.A. in Political Economy from Williams College and holds an MBA degree with honors from Columbia Business School.

**Kevin V. Dreyer** joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA degree from Columbia Business School.

We have separated the portfolio managers' 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 managers' 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](http://www.gabelli.com).



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Net Asset Value per share available daily  
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