

The Gabelli Equity Income Fund

First Quarter Report (a) – December 31, 2009



Morningstar® rated The Gabelli Equity Income Fund Class AAA Shares 5 stars overall and 5 stars for the three, five and ten year periods ended December 31, 2009 among 1,104; 1,104; 912; and 459 Large Value funds, respectively.



Mario Gabelli, CFA

To Our Shareholders,

During the quarter ended December 31, 2009, the net asset value (“NAV”) per Class AAA Share of The Gabelli Equity Income Fund (the “Fund”) increased 4.6%, while the Standard & Poor’s (“S&P”) 500 Index and the Lipper Equity Income Fund Average rose 6.0% and 5.8%, respectively.

Enclosed is the investment portfolio as of December 31, 2009.

Comparative Results

Average Annual Returns through December 31, 2009 (a)(b) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception (1/2/92)
Gabelli Equity Income Fund							
Class AAA	4.62%	29.14%	(2.93)%	3.01%	5.52%	9.82%	9.75%
S&P 500 Index	6.04	26.47	(5.62)	0.42	(0.95)	8.04	7.75
Nasdaq Composite Index	6.64	46.72	(5.80)	(1.22)	(2.45)	7.64	7.81
Lipper Equity Income Fund Average	5.77	22.87	(5.43)	1.10	2.77	7.73	7.78
Class A	4.63	29.15	(2.90)	3.00	5.52	9.82	9.74
Class B	(1.38)(c)	21.72(c)	(4.80)(c)	1.78(c)	4.89(c)	9.38(c)	9.38(c)
Class C	4.41	28.17	(3.66)	2.24	5.05	9.49	9.47
Class I	(0.59)(d)	23.17(d)	(4.63)(d)	1.87(d)	5.05	9.49	9.47
	4.41	28.19	(3.66)	2.24	5.06	9.50	9.48
	3.41(e)	27.19(e)	(3.66)	2.24	5.06	9.50	9.48
	4.71	28.20	(2.73)	3.13	5.59	9.87	9.79

In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.50%, 1.50%, 2.25%, 2.25%, and 1.25%, respectively. Class AAA and I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.

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

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

The Class AAA Share NAVs per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance for the Class B Shares and Class C Shares would have been lower and Class I Shares would have been higher due to the differences in expenses associated with these classes of shares. The S&P 500 and NASDAQ Composite Indices are unmanaged indicators of stock market performance, while the Lipper Equity Income Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

(c) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.

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

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

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund’s three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund’s monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA Share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative. ©2009 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

The Gabelli Equity Income Fund

Schedule of Investments — December 31, 2009 (Unaudited)

Shares	Market Value	Shares	Market Value
COMMON STOCKS — 97.3%			
Aerospace — 3.2%			
2,000	Lockheed Martin Corp. \$	150,700	
2,000	Northrop Grumman Corp.	111,700	
10,000	Raytheon Co.	515,200	
381,000	Rockwell Automation Inc.	17,899,380	
2,000	Rockwell Collins Inc.	110,720	
1,370,000	Rolls-Royce Group plc†	10,698,976	
78,600,000	Rolls-Royce Group plc, Cl. C†	126,954	
208,000	The Boeing Co.	11,259,040	
		<u>40,872,670</u>	
Agriculture — 1.2%			
100,000	Archer-Daniels-Midland Co.	3,131,000	
138,000	Monsanto Co.	11,281,500	
12,000	The Mosaic Co.	716,760	
		<u>15,129,260</u>	
Automotive — 0.3%			
93,000	Navistar International Corp.†	3,594,450	
Automotive: Parts and Accessories — 1.4%			
250,000	Genuine Parts Co.	9,490,000	
6,000	Johnson Controls Inc.	163,440	
60,000	Modine Manufacturing Co.†	710,400	
140,000	O'Reilly Automotive Inc.†	5,336,800	
55,100	Tenneco Inc.†	976,923	
140,000	The Pep Boys - Manny, Moe & Jack	1,184,400	
		<u>17,861,963</u>	
Aviation: Parts and Services — 0.3%			
53,200	Curtiss-Wright Corp.	1,666,224	
40,000	GenCorp Inc.†	280,000	
6,000	Precision Castparts Corp.	662,100	
21,000	United Technologies Corp.	1,457,610	
		<u>4,065,934</u>	
Broadcasting — 0.3%			
230,000	CBS Corp., Cl. A, Voting	3,231,500	
30,000	CBS Corp., Cl. B, Non-Voting	421,500	
132	Granite Broadcasting Corp.†	0	
		<u>3,653,000</u>	
Business Services — 0.7%			
10,000	Automatic Data Processing Inc.	428,200	
185,000	Diebold Inc.	5,263,250	
4,000	Landauer Inc.	245,600	
10,000	MasterCard Inc., Cl. A	2,559,800	
		<u>8,496,850</u>	
Cable and Satellite — 0.9%			
155,000	Cablevision Systems Corp., Cl. A	4,002,100	
60,000	DIRECTV, Cl. A†	2,001,000	
		<u>6,003,100</u>	
160,000	DISH Network Corp., Cl. A	\$ 3,323,200	
16,000	EchoStar Corp., Cl. A†	322,240	
55,000	Scripps Networks Interactive Inc., Cl. A	2,282,500	
		<u>11,931,040</u>	
Communications Equipment — 0.8%			
250,000	Corning Inc.	4,827,500	
100,000	Motorola Inc.†	776,000	
120,000	Thomas & Betts Corp.†	4,294,800	
		<u>9,898,300</u>	
Computer Hardware — 2.0%			
173,000	International Business Machines Corp.	22,645,700	
310,000	Xerox Corp.	2,622,600	
		<u>25,268,300</u>	
Computer Software and Services — 1.2%			
120,000	Fidelity National Information Services Inc.	2,812,800	
285,000	Microsoft Corp.	8,689,650	
35,000	Sun Microsystems Inc.†	327,950	
170,000	Yahoo! Inc.†	2,852,600	
		<u>14,683,000</u>	
Consumer Products — 6.9%			
50,000	Altria Group Inc.	981,500	
140,000	Avon Products Inc.	4,410,000	
15,000	Clorox Co.	915,000	
10,000	Compagnie Financiere Richemont SA, Cl. A ...	335,734	
900,000	Eastman Kodak Co.†	3,798,000	
63,000	Energizer Holdings Inc.†	3,860,640	
128,000	Fortune Brands Inc.	5,529,600	
5,000	Hanesbrands Inc.†	120,550	
40,000	Harman International Industries Inc.	1,411,200	
220,000	Kimberly-Clark Corp.	14,016,200	
7,000	National Presto Industries Inc.	764,610	
10,000	Pactiv Corp.†	241,400	
50,000	Philip Morris International Inc.	2,409,500	
100,000	Reckitt Benckiser Group plc	5,420,597	
1,310,000	Swedish Match AB	28,728,030	
200,000	The Procter & Gamble Co.	12,126,000	
78,000	Unilever NV - NY Shares, ADR	2,521,740	
		<u>87,590,301</u>	
Consumer Services — 0.1%			
67,500	Rollins Inc.	1,301,400	
Diversified Industrial — 3.3%			
5,000	3M Co.	413,350	
4,000	Acuity Brands Inc.	142,560	
5,000	Alstom SA	351,649	
65,000	Baldor Electric Co.	1,825,850	
100,000	Cooper Industries plc	4,264,000	
96,000	Crane Co.	2,939,520	

See accompanying notes to schedule of investments.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — December 31, 2009 (Unaudited)

<u>Shares</u>	<u>Market Value</u>	<u>Shares</u>	<u>Market Value</u>
COMMON STOCKS (Continued)		15,000	Progress Energy Inc., CVO† \$ 2,250
Diversified Industrial (Continued)		7,200	Public Service Enterprise Group Inc. 239,400
835,000	General Electric Co. \$ 12,633,550	30,000	Suncor Energy Inc., New York 1,059,300
210,000	Honeywell International Inc. 8,232,000	21,000	Suncor Energy Inc., Toronto 747,153
30,000	ITT Corp. 1,492,200	50,000	TECO Energy Inc. 811,000
4,000	Jardine Matheson Holdings Ltd. 120,720	140,000	Westar Energy Inc. 3,040,800
20,000	Jardine Strategic Holdings Ltd. 352,000		39,331,032
413,003	National Patent Development Corp.† (b) 660,805	Energy and Utilities: Natural Gas — 1.6%	
120,000	Textron Inc. 2,257,200	14,000	AGL Resources Inc. 510,580
6,000	Trinity Industries Inc. 104,640	25,000	Atmos Energy Corp. 735,000
180,000	Tyco International Ltd. 6,422,400	130,000	National Fuel Gas Co. 6,500,000
2,000	WHX Corp.† 4,800	75,000	ONEOK Inc. 3,342,750
	42,217,244	24,000	Piedmont Natural Gas Co. Inc. 642,000
Electronics — 1.8%		110,000	Southern Union Co. 2,497,000
600,000	Intel Corp. 12,240,000	65,000	Southwest Gas Corp. 1,854,450
340,000	LSI Corp.† 2,043,400	200,000	Spectra Energy Corp. 4,102,000
190,000	Texas Instruments Inc. 4,951,400		20,183,780
6,000	Thermo Fisher Scientific Inc.† 286,140	Energy and Utilities: Oil — 6.2%	
130,250	Tyco Electronics Ltd. 3,197,638	157,000	Anadarko Petroleum Corp. 9,799,940
	22,718,578	38,000	Canadian Oil Sands Trust 1,086,752
Energy and Utilities: Electric — 1.3%		190,000	Chevron Corp. 14,628,100
30,000	American Electric Power Co. Inc. 1,043,700	185,000	ConocoPhillips 9,447,950
14,000	DTE Energy Co. 610,260	22,000	Denbury Resources Inc.† 325,600
85,000	El Paso Electric Co.† 1,723,800	49,000	Devon Energy Corp. 3,601,500
80,000	FPL Group Inc. 4,225,600	149,000	Exxon Mobil Corp. 10,160,310
97,000	Great Plains Energy Inc. 1,880,830	35,000	Marathon Oil Corp. 1,092,700
60,000	Korea Electric Power Corp., ADR† 872,400	30,000	Nexen Inc. 723,431
56,087	Mirant Corp.† 856,448	2,000	Niko Resources Ltd. 188,172
1,200,000	Mirant Corp., Escrow† (a) 0	94,000	Occidental Petroleum Corp. 7,646,900
150,000	Northeast Utilities 3,868,500	12,000	PetroChina Co. Ltd., ADR 1,427,520
80,000	The AES Corp.† 1,064,800	128,000	Petroleo Brasileiro SA, ADR 6,103,040
13,333	UIL Holdings Corp. 374,391	33,000	Repsol YPF SA, ADR 879,780
	16,520,729	120,000	Royal Dutch Shell plc, Cl. A, ADR 7,213,200
Energy and Utilities: Integrated — 3.1%		25,000	Statoil ASA, ADR 622,750
50,000	Allegheny Energy Inc. 1,174,000	17,518	Total SA, ADR 1,121,853
44,000	BP plc, ADR 2,550,680	36,000	Transocean Ltd.† 2,980,800
46,000	CH Energy Group Inc. 1,955,920	160,000	UTS Energy Corp.† 348,807
80,000	Constellation Energy Group Inc. 2,813,600	40,000	WesternZagros Resources Ltd.† 29,450
70,000	Dominion Resources Inc. 2,724,400		79,428,555
100,000	DPL Inc. 2,760,000	Energy and Utilities: Services — 2.0%	
200,000	Duke Energy Corp. 3,442,000	30,000	ABB Ltd., ADR 573,000
400,000	El Paso Corp. 3,932,000	52,000	Cameron International Corp.† 2,173,600
29,000	ENI SpA 739,997	38,178	GDF Suez, Strips 55
6,269	Iberdrola SA, ADR 237,282	370,000	Halliburton Co. 11,133,300
25,000	Integrus Energy Group Inc. 1,049,750	40,000	Oceaneering International Inc.† 2,340,800
80,000	NSTAR 2,944,000	40,000	Schlumberger Ltd. 2,603,600
75,000	OGE Energy Corp. 2,766,750	400,000	Weatherford International Ltd.† 7,164,000
100,000	PNM Resources Inc. 1,265,000		25,988,355
75,000	Progress Energy Inc. 3,075,750		

See accompanying notes to schedule of investments.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — December 31, 2009 (Unaudited)

Shares		Market Value	Shares		Market Value
COMMON STOCKS (Continued)					
Energy and Utilities: Water — 0.0%					
30,000	Aqua America Inc.	\$ 525,300	116,000	M&T Bank Corp.	\$ 7,759,240
Entertainment — 1.6%					
100,000	Grupo Televisa SA, ADR	2,076,000	410,000	Marsh & McLennan Companies Inc.	9,052,800
120,000	Time Warner Inc.	3,496,800	190,000	Morgan Stanley	5,624,000
300,000	Viacom Inc., Cl. A†	9,450,000	6,000	Northern Trust Corp.	314,400
185,000	Vivendi	5,514,966	80,000	NYSE Euronext	2,024,000
		<u>20,537,766</u>	12,000	Och-Ziff Capital Management Group LLC, Cl. A	164,880
Environmental Services — 0.4%					
145,000	Waste Management Inc.	4,902,450	50,000	PNC Financial Services Group Inc.	2,639,500
Equipment and Supplies — 1.6%					
12,000	A.O. Smith Corp.	520,680	500	Raiffeisen International Bank Holding AG	28,313
11,000	Danaher Corp.	827,200	958	Reinet Investments SCA†	15,107
95,000	Flowserve Corp.	8,980,350	20,000	Royal Bank of Canada	1,071,000
6,000	Ingersoll-Rand plc	214,440	165,000	SLM Corp.†	1,859,550
1,500	Minerals Technologies Inc.	81,705	185,000	Sterling Bancorp	1,320,900
40,000	Mueller Industries Inc.	993,600	12,000	SunTrust Banks Inc.	243,480
12,000	Parker Hannifin Corp.	646,560	50,000	T. Rowe Price Group Inc.	2,662,500
107,000	Tenaris SA, ADR	4,563,550	100,000	TD Ameritrade Holding Corp.†	1,938,000
970,000	Tomkins plc	3,026,941	2,000	The Allstate Corp.	60,080
		<u>19,855,026</u>	500,000	The Bank of New York Mellon Corp.	13,985,000
Exchange Traded Funds — 0.1%					
300,000	Proshares Ultra Financials	1,689,000	15,000	The Charles Schwab Corp.	282,300
Financial Services — 12.0%					
6,324	Alleghany Corp.†	1,745,424	2,000	The Dun & Bradstreet Corp.	168,740
206,200	AllianceBernstein Holding LP	5,794,220	9,000	The Goldman Sachs Group Inc.	1,519,560
270,000	American Express Co.	10,940,400	7,000	The Student Loan Corp.	325,990
23,990	Argo Group International Holdings Ltd.†	699,069	36,000	The Travelers Companies Inc.	1,794,960
25,500	Banco Popular Espanol SA	187,530	40,000	Unitrin Inc.	882,000
2,000	Banco Santander Chile, ADR	129,560	180,000	Waddell & Reed Financial Inc., Cl. A	5,497,200
160,000	Banco Santander SA, ADR	2,630,400	480,000	Wells Fargo & Co.	12,955,200
390,000	Bank of America Corp.	5,873,400	105,000	Wilmington Trust Corp.	1,295,700
12,156	BNP Paribas	974,125			<u>152,459,163</u>
1,000,000	Citigroup Inc.	3,310,000	Food and Beverage — 12.4%		
40,000	Commerzbank AG, ADR†	338,000	30,000	Anheuser-Busch InBev NV	1,565,219
55,000	Deutsche Bank AG	3,900,050	64,000	Brown-Forman Corp., Cl. A	3,606,400
105,000	Discover Financial Services	1,544,550	13,500	Brown-Forman Corp., Cl. B	723,195
200,300	Federal National Mortgage Association†	236,354	160,000	Cadbury plc, ADR	8,222,400
30,000	Federated Investors Inc., Cl. B	825,000	150,000	Campbell Soup Co.	5,070,000
27,000	Fidelity Southern Corp.†	97,200	40,000	Coca-Cola Amatil Ltd., ADR	833,600
210,000	H&R Block Inc.	4,750,200	16,000	Coca-Cola Femsa SAB de CV, ADR	1,051,520
150,000	Janus Capital Group Inc.	2,017,500	200,000	Constellation Brands Inc., Cl. A†	3,186,000
260,199	JPMorgan Chase & Co.	10,842,492	20,000	Corn Products International Inc.	584,600
46,100	Kinnevik Investment AB, Cl. A	773,203	136,389	Danone	8,374,129
18,000	Kinnevik Investment AB, Cl. B	269,196	300,000	Dean Foods Co.†	5,412,000
440,000	Legg Mason Inc.	13,270,400	60,000	Del Monte Foods Co.	680,400
31,000	Leucadia National Corp.†	737,490	62,000	Diageo plc, ADR	4,303,420
140,000	Loews Corp.	5,089,000	110,000	Dr. Pepper Snapple Group Inc.	3,113,000
			140,000	Fomento Economico Mexicano SAB de CV, ADR	6,703,200
			110,000	General Mills Inc.	7,789,100
			800,000	Grupo Bimbo SAB de CV, Cl. A	5,210,213
			122,000	H.J. Heinz Co.	5,216,720
			125,000	Heineken NV	5,960,871
			200,000	ITO EN Ltd.	2,999,946
			3,000	Kellogg Co.	159,600
			420,000	Kraft Foods Inc., Cl. A	11,415,600
			100,000	Nestlé SA	4,852,820

See accompanying notes to schedule of investments.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — December 31, 2009 (Unaudited)

Shares	Market Value	Shares	Market Value
COMMON STOCKS (Continued)		Machinery — 1.4%	
Food and Beverage (Continued)		6,000	Caterpillar Inc. \$ 341,940
105,000	NISSIN FOODS HOLDINGS CO. LTD. \$ 3,416,009	320,400	Deere & Co. 17,330,436
2,000,000	Parmalat SpA 5,599,438	10,009	Mueller Water Products Inc., Cl. A 52,047
100,000	PepsiAmericas Inc. 2,926,000		<u>17,724,423</u>
33,607	Pernod-Ricard SA 2,886,299	Metals and Mining — 2.3%	
40,000	Remy Cointreau SA 2,041,659	500,000	Alcoa Inc. 8,060,000
100,000	Sapporo Holdings Ltd. 546,518	10,000	Carpenter Technology Corp. 269,500
523,000	The Coca-Cola Co. 29,811,000	125,000	Freeport-McMoRan Copper & Gold Inc.† 10,036,250
80,000	The Hershey Co. 2,863,200	190,000	Newmont Mining Corp. 8,988,900
60,268	Tootsie Roll Industries Inc. 1,650,138	45,000	Peabody Energy Corp. 2,034,450
380,000	Tyson Foods Inc., Cl. A 4,662,600	2,000	Royal Gold Inc. 94,200
28,000	Wimm-Bill-Dann Foods OJSC, ADR† 667,240	6,615	Teck Resources Ltd., Cl. B† 232,886
135,000	YAKULT HONSHA Co. Ltd. 4,073,120		<u>29,716,186</u>
	<u>158,177,174</u>	Publishing — 0.1%	
Health Care — 12.1%		5,000	Idearc Inc.† 17
40,000	Abbott Laboratories 2,159,600	6,016	News Corp., Cl. B 95,775
25,000	Aetna Inc. 792,500	20,000	PagesJaunes Groupe 223,633
125,000	Baxter International Inc. 7,335,000	30,000	The McGraw-Hill Companies Inc. 1,005,300
100,000	Becton, Dickinson and Co. 7,886,000	800	The Washington Post Co., Cl. B 351,680
500,000	Boston Scientific Corp.† 4,500,000	3,000	Value Line Inc. 75,330
210,000	Bristol-Myers Squibb Co. 5,302,500		<u>1,751,735</u>
280,000	Covidien plc 13,409,200	Real Estate — 0.0%	
400,000	Eli Lilly & Co. 14,284,000	10,000	Griffin Land & Nurseries Inc. 291,300
11,276	GlaxoSmithKline plc, ADR 476,411	Retail — 5.8%	
22,000	Henry Schein Inc.† 1,157,200	6,000	AutoZone Inc.† 948,420
100,000	Hospira Inc.† 5,100,000	33,000	Copart Inc.† 1,208,790
800,000	IMS Health Inc. 16,848,000	225,000	Costco Wholesale Corp. 13,313,250
290,000	Johnson & Johnson 18,678,900	410,000	CVS Caremark Corp. 13,206,100
16,000	Laboratory Corp. of America Holdings† 1,197,440	76,600	Ingles Markets Inc., Cl. A 1,158,958
6,000	Mead Johnson Nutrition Co. Cl. A 262,200	510,000	Macy's Inc. 8,547,600
24,000	Medco Health Solutions Inc.† 1,533,840	170,000	Safeway Inc. 3,619,300
180,000	Merck & Co. Inc. 6,577,200	500	Sears Holdings Corp.† 41,725
5,000	Nobel Biocare Holding AG 168,109	70,000	SUPERVALU Inc. 889,700
145,000	Novartis AG, ADR 7,892,350	220,000	The Great Atlantic & Pacific Tea Co. Inc.† 2,593,800
35,000	Patterson Companies Inc.† 979,300	100,000	The Home Depot Inc. 2,893,000
966,700	Pfizer Inc. 17,584,273	65,000	Tractor Supply Co.† 3,442,400
75,000	St. Jude Medical Inc.† 2,758,500	234,000	Wal-Mart Stores Inc. 12,507,300
750,000	Tenet Healthcare Corp.† 4,042,500	155,000	Walgreen Co. 5,691,600
270,000	UnitedHealth Group Inc. 8,229,600	10,000	Weis Markets Inc. 363,600
18,000	William Demant Holding A/S† 1,361,049	100,000	Whole Foods Market Inc.† 2,745,000
44,000	Zimmer Holdings Inc.† 2,600,840		<u>73,170,543</u>
	<u>153,116,512</u>	Specialty Chemicals — 1.3%	
Hotels and Gaming — 1.3%		44,000	Albemarle Corp. 1,600,280
125,000	International Game Technology 2,346,250	45,000	Ashland Inc. 1,782,900
1,204,352	Ladbrokes plc 2,674,738	85,000	E. I. du Pont de Nemours and Co. 2,861,950
300,000	Las Vegas Sands Corp.† 4,482,000	260,000	Ferro Corp. 2,142,400
390,000	MGM Mirage† 3,556,800	2,000	FMC Corp. 111,520
80,000	Starwood Hotels & Resorts Worldwide Inc. 2,925,600		
15,000	Wynn Resorts Ltd. 873,450		
	<u>16,858,838</u>		

See accompanying notes to schedule of investments.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — December 31, 2009 (Unaudited)

<u>Principal Amount</u>	<u>Market Value</u>
CORPORATE BONDS (Continued)	
Specialty Chemicals — 0.1%	
\$ 950,000	Ferro Corp., Cv., 6.500%, 08/15/13
	\$ 847,875
	TOTAL CORPORATE BONDS
	<u>15,294,200</u>
U.S. GOVERNMENT OBLIGATIONS — 1.3%	
U.S. Treasury Bills — 0.8%	
10,193,000	U.S. Treasury Bills, 0.041% to 0.152%††, 03/25/10 to 06/03/10
	10,188,213
U.S. Treasury Cash Management Bills — 0.4%	
4,235,000	U.S. Treasury Cash Management Bills, 0.137% to 0.178%††, 06/10/10 to 06/17/10
	4,231,806
U.S. Treasury Notes — 0.1%	
1,500,000	U.S. Treasury Notes, 4.125%, 08/15/10
	1,535,567
	TOTAL U.S. GOVERNMENT OBLIGATIONS
	<u>15,955,586</u>
TOTAL INVESTMENTS — 100.0%	
	(Cost \$1,169,663,554)
	<u>\$1,272,605,268</u>
	Aggregate book cost
	<u>\$1,169,663,554</u>
	Gross unrealized appreciation
	\$ 194,775,258
	Gross unrealized depreciation
	<u>(91,833,544)</u>
	Net unrealized appreciation/depreciation ...
	<u>\$ 102,941,714</u>

(a) Security fair valued under procedures established by the Board of Directors. The procedures may include reviewing available financial information about the company and reviewing the valuation of comparable securities and other factors on a regular basis. At December 31, 2009, the market value of fair valued securities amounted to \$913,184 or 0.07% of total investments.

(b) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2009, the market value of Rule 144A securities amounted to \$7,410,434 or 0.58% of total investments.

† Non-income producing security.

†† Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CVO Contingent Value Obligation

STEP Step coupon bond. The rate disclosed is that in effect at December 31, 2009.

See accompanying notes to schedule of investments.

The Gabelli Equity Income Fund

Notes to Schedule of Investments (Unaudited)

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

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

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board.

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

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

The Gabelli Equity Income Fund

Notes to Schedule of Investments (Continued) (Unaudited)

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, 2009 is as follows:

	Valuation Inputs			Total Market Value at 12/31/09
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Aerospace	\$ 40,745,716	\$ 126,954	—	\$ 40,872,670
Energy and Utilities: Electric	16,520,729	—	\$ 0	16,520,729
Telecommunications	64,592,403	120,184	—	64,712,587
Other Industries (a)	1,116,830,851	—	—	1,116,830,851
Total Common Stocks	1,238,689,699	247,138	—	1,238,936,837
Preferred Stocks (a)	2,418,645	—	—	2,418,645
Warrants (a)	—	0	—	0
Corporate Bonds	—	15,294,200	—	15,294,200
U.S. Government Obligations	—	15,955,586	—	15,955,586
TOTAL INVESTMENTS IN SECURITIES	\$1,241,108,344	\$31,496,924	\$ 0	\$1,272,605,268
OTHER FINANCIAL INSTRUMENTS:				
ASSETS (Unrealized Appreciation): *				
Contract for Difference Swap Agreement	—	\$ 5,065	—	\$ 5,065
LIABILITIES (Unrealized Depreciation): *				
Contract for Difference Swap Agreements	—	(3,348)	—	(3,348)
TOTAL OTHER FINANCIAL INSTRUMENTS	—	\$ 1,717	—	\$ 1,717

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

* Other financial instruments are derivatives, such as futures, forwards, and swaps which are valued at the unrealized appreciation/depreciation of the instrument.

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

	Balance as of 9/30/09	Accrued discounts/ (premiums)	Realized gain/ (loss)	Change in unrealized appreciation/ depreciation	Net purchases/ (sales)	Transfers in and/or out of Level 3	Balance as of 12/31/09	Net change in unrealized appreciation/ depreciation during the period on Level 3 investments held at 12/31/09
INVESTMENTS IN SECURITIES:								
ASSETS (Market Value):								
Common Stocks:								
Broadcasting	\$0	\$—	\$—	\$—	\$—	\$(0)	\$—	\$—
Energy and Utilities: Electric	0	—	—	—	—	—	0	—
Total Common Stocks	0	—	—	—	—	(0)	0	—
Warrants								
Broadcasting	3	—	—	—	—	(3)	—	—
Total Warrants	3	—	—	—	—	(3)	—	—
TOTAL INVESTMENTS IN SECURITIES	\$3	\$—	\$—	\$—	\$—	\$(3)	\$ 0	\$—

The Gabelli Equity Income Fund

Notes to Schedule of Investments (Continued) (Unaudited)

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

Swap Agreements. The Fund may enter into equity and contract for difference swap transactions for the purpose of increasing the income of the Fund or hedging or protecting its exposure to interest rate movements and movements in the securities market. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In a swap, a set of future cash flows is exchanged between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at the time a swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction.

The Fund has entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc. Details of the swaps at December 31, 2009 are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation/ Depreciation</u>
	Market Value	One month LIBOR plus 90 bps plus		
	Appreciation on:	Market Value Depreciation on:		
\$182,636 (140,000 Shares)	Rank Group plc	Rank Group plc	6/25/10	\$ 5,065
159,439 (20,000 Shares)	Rolls-Royce Group plc	Rolls-Royce Group plc	6/25/10	(3,335)
1,951 (1,200,000 Shares)	Rolls-Royce Group plc, Cl. C	Rolls-Royce Group plc, Cl. C	6/25/10	(13)
				<u>\$ 1,717</u>

The Fund increased the volume of activity in equity contract for difference swap agreements during the quarter ended December 31, 2009 with an average notional amount of approximately \$351,143.

Futures Contracts. The Fund may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents

The Gabelli Equity Income Fund

Notes to Schedule of Investments (Continued) (Unaudited)

equal to a certain percentage of the contract amount. This is known as the “initial margin.” Subsequent payments (“variation margin”) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, which are included in unrealized appreciation/depreciation on investments and futures contracts. The Fund recognizes a realized gain or loss when the contract is closed.

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2009, there were no open futures contracts.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on 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, 2009, there were no open forward foreign exchange contracts.

The following is a table summarizing the net unrealized appreciation/depreciation of derivatives held at December 31, 2009 by primary risk exposure:

Asset Derivatives:	Net Unrealized Appreciation/Depreciation
Equity Contracts	\$ 5,065
Liability Derivatives:	
Equity Contracts	\$(3,348)

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

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

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

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

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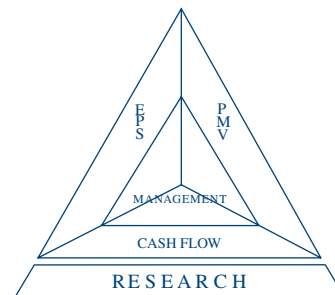
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e-mail: info@gabelli.com

Net Asset Value per share available daily by calling

800-GABELLI after 7:00 P.M.



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Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

★ ★ ★ ★ ★
**The
Gabelli
Equity
Income
Fund**

*Morningstar® rated The Gabelli Equity Income Fund
Class AAA Shares 5 stars overall and 5 stars
for the three, five and ten year periods ended
December 31, 2009 among 1,104; 1,104; 912;
and 459 Large Value funds, respectively.*

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

GAB444Q409SR

**FIRST QUARTER REPORT
DECEMBER 31, 2009**