GAMCO Mathers Fund

Shareholder Commentary
December 31, 2009

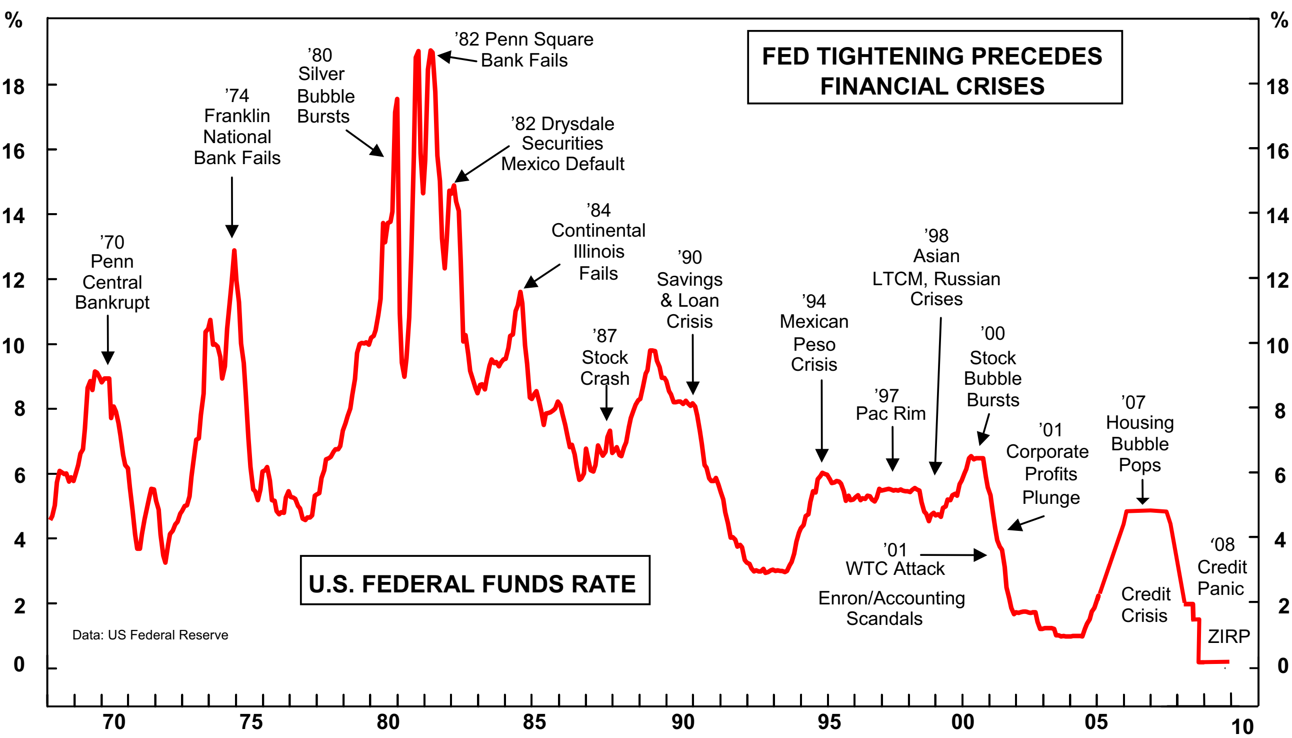
Henry G. Van der Eb, CFA

To Our Shareholders,

The decade that ended on December 31, 2009 was unique in two respects. According to Standard & Poor's data going back to 1927, the 2000s is the first decade to have a negative total return with the S&P 500 Index losing 9.11% over the period. The second distinction is that two bear markets took place, each hammering stocks with 50% declines, one lasting from March 2000 to October 2002, and the other that started in October 2007 is still ongoing and will likely take the S&P 500 to new lows before ending.

The U.S. Federal Reserve, Treasury, and Congress have exhausted their credibility and policy options while temporarily stabilizing the economy. After a classic contra trend rally off the March 2009 low, the stock market has reached an inflection point and is less willing to assume that zero interest rates, trillion dollar deficits, and inflated asset prices can generate a sustainable recovery with significant job creation.

During the last decade, the emotional and financial toll was very high for those long-term, buy and hold investors who rode the stock market roller coaster on an S&P 500 Index fund. The downward price trend should resume as the policy induced flow of capital that has been forced into high risk assets reverses.



Investment Performance and Portfolio Highlights

The GAMCO Mathers Fund total return for the year ended December 31, 2009 was -1.05% versus 26.46% for the S&P 500 Index. At year end, the gross equity exposure was 8.47% (longs plus shorts), comprised of 6.03% long and 2.44% in short positions, with a 3.59% net long exposure (longs minus shorts). The remainder of the portfolio, as has been the case for an extended time period, was invested in short-term U.S. Treasury bills and U.S. Treasury collateralized repurchase agreements. The long and fixed income portfolio segments had positive returns for 2009 and short stocks lost one cent in NAV per share. Near zero percent yields on short-term U.S. Treasury bills continue to hinder performance. During the year the Fund held maximum merger arbitrage long positions in the all-cash takeovers of Genentech, Nova Chemical, Centennial Communications, and Sun Microsystems by strategic acquirers.

The Fund's bearish position on stocks nipped one year performance versus its S&P 500 benchmark but over the long term has rewarded shareholders with low volatility, capital preservation and higher returns for the two, three, five and ten year periods ended December 31, 2009 as shown in the annual total return table on the last page of this report. The Fund had positive returns for the one, two, three, five and ten year periods ended December 31, 2008 versus the benchmark S&P 500 which had negative total returns for each of these periods. Due to its high cash position, the Fund took substantially less risk and earned higher returns with less volatility during these periods than a fully invested S&P 500 index fund.

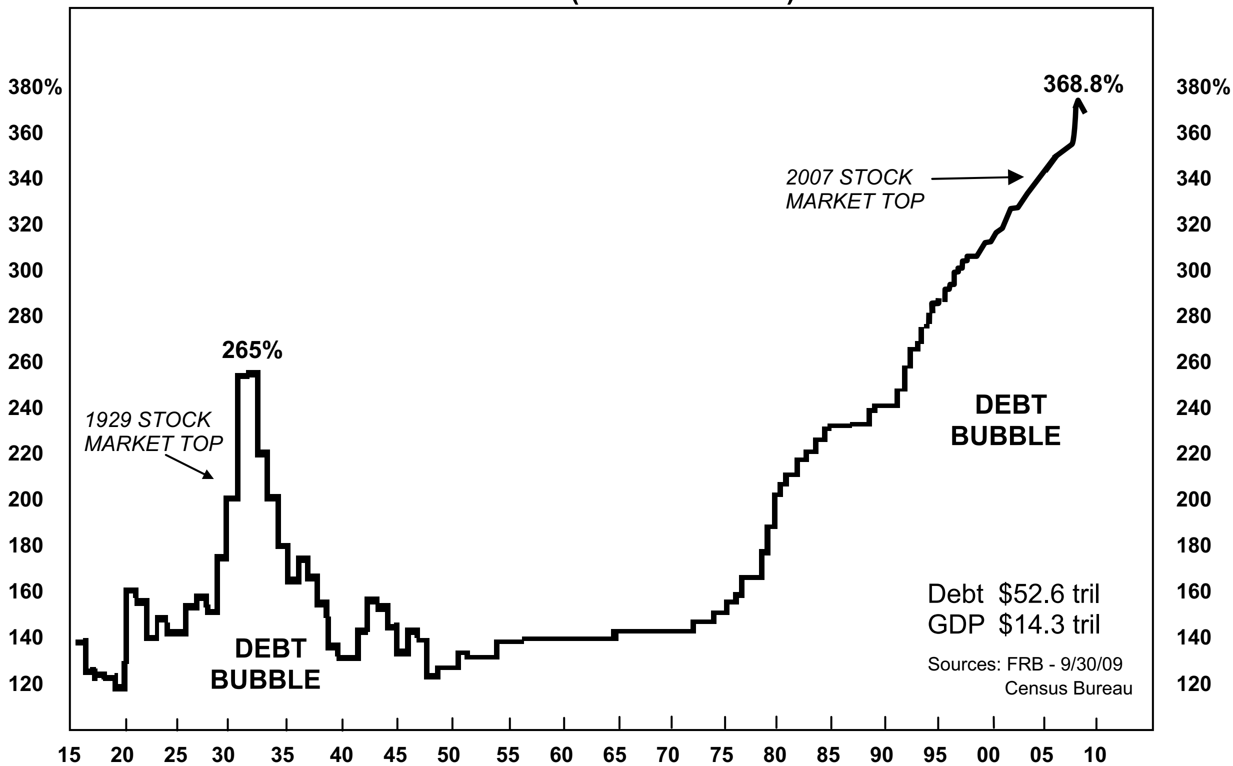
The Fund's gross and net equity exposures may vary significantly from day to day in an effort to control portfolio volatility under changing market conditions. Accordingly, the quarter-end figures may not be indicative of the range of gross and net equity exposures that precede or follow each reporting period.

A portion of the Fund's long common stock segment may be invested in takeover target companies subject to friendly, all cash tender or merger offers from an acquiring entity. The Fund purchases these event driven stocks after the deals are publicly announced, generally by financially strong, strategic or financial buyers. Deal arbitrage stocks typically earn relatively attractive annualized returns, but are held for short time periods. The Fund uses this defensive, non-market correlated merger arbitrage strategy to potentially increase cash returns above the prevailing level of short-term U.S. Treasury bill interest rates.

Since the SEC's portfolio turnover formula excludes fixed income securities with maturities of less than one year and short sale activity from its denominator, the Fund's turnover rate may appear very high, which can be misleading. This was the case in 2009. The Fund's U.S. Treasury bill position was a very high proportion of assets and had a maturity of less than one year, while the average month end dollar value of long stock positions (the denominator) was negligible. Long positions were held for short time periods. This may occur again in 2010 and beyond as high cash positions are used to control risk.

The GAMCO Mathers Fund's performance for the 1-year, 5-year and 10-year periods ending December 31, 2009, was -1.05%,1.35%, and 0.03%, respectively. *The expense ratio reported in the 2009 prospectus was 2.14%. Average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses.* ***Returns represent past performance and do not guarantee future results.*** *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. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance. Please visit www.gabelli.com to obtain 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.***

TOTAL CREDIT MARKET DEBT (ALL SECTORS) AS % OF U.S. GDP



The Fallacy of Substitution

When the credit collapse erupted in full force during 2008, the only way the U.S. government could slow its deflationary potential from overwhelming the financial system and economy was to transfer private balance sheet liabilities, such as mortgages, derivatives and toxic debt owned by financial institutions to the public balance sheet. The nationalization of mortgage giants Fannie Mae and Freddie Mac was a part of this liability substitution process. The ongoing result of the U.S. and overseas government bailouts is rapidly deteriorating sovereign credit quality as budget deficits soar and currency and credit markets respond with alarm. The remedy is fiscal austerity precisely when additional stimulus is crucial.

Going forward, U.S. stock market prices are likely to be determined to a far greater extent by global macro economics and government policies, regulatory change, and sovereign credit analysis than they have in the past. U.S. government guarantees, market intervention, quantitative easing, fiscal stimulus, credit facilities, and the Fed's buying of mortgage and Treasury securities have all obscured underlying stock market, interest rate, and economic risks. This is changing as the Fed prepares to raise rates. Conservative asset allocation and capital preservation are essential as the next phase of the credit crises unfolds and the delayed effect of free market forces takes hold.

February 10, 2010

Henry Van der Eb

President and Portfolio Manager

Tax Loss Carryforward Offsets Capital Gains

The Fund's tax loss carryforwards from prior years are expected to offset most, if not all, net realized portfolio capital gains in 2009, as was the case in 2008. Net capital gains realized on investments in 2010 through 2014 are expected to be at least partially offset until the current carryforwards are either used up or expire.

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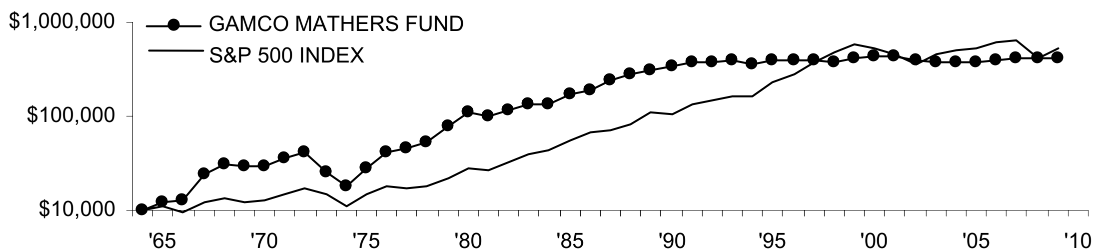
Please visit us on the Internet. The Gabelli home page at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, quarterly reports, closing prices and other current news. You can e-mail us at info@gabelli.com.

Minimum Initial Investment

The Fund's minimum initial investment is $1,000 for regular and $250 for all retirement accounts, with no subsequent minimums. No initial minimum is required for accounts starting an Automatic Investment Plan. The Fund and other Gabelli/GAMCO Mutual Funds are available through no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold within 7 days of a purchase. See the Fund's prospectus for more details.

GROWTH OF $10,000 INVESTMENT IN GAMCO MATHERS FUND (Log Scale)



Percent Average Annual Total Returns through December 31, 2009*

	1 YR	2 YRS	3 YRS	5 YRS	10 YRS	44 YRS†
GAMCO MATHERS	(1.05)	(0.43)	0.88	1.35	0.03	8.70
Standard & Poor's 500	26.46	(10.74)	(5.63)	0.42	(0.95)	9.33

The current expense ratio is 2.14%. † From commencement of investment operations on August 19, 1965.

* *Average annual total returns reflect changes in share price and reinvestment of dividends and are net of expenses. Returns represent past performance and do not guarantee future results. 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. Please visit www.gabelli.com to obtain performance information as of the most recent month end. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance.* ***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.***

NOTE: The opinions expressed in this report reflect those of the Portfolio Manager only through the date of the shareholder letter and are subject to change at any time based on market and other conditions. To obtain a copy of the Fund's prospectus, please contact Gabelli Funds at One Corporate Center, Rye, NY 10580, by calling 800-GABELLI (800-422-3554) or visit www.gabelli.com. Distributed by Gabelli & Company