

GAMCO Mathers Fund

Shareholder Commentary September 30, 2011

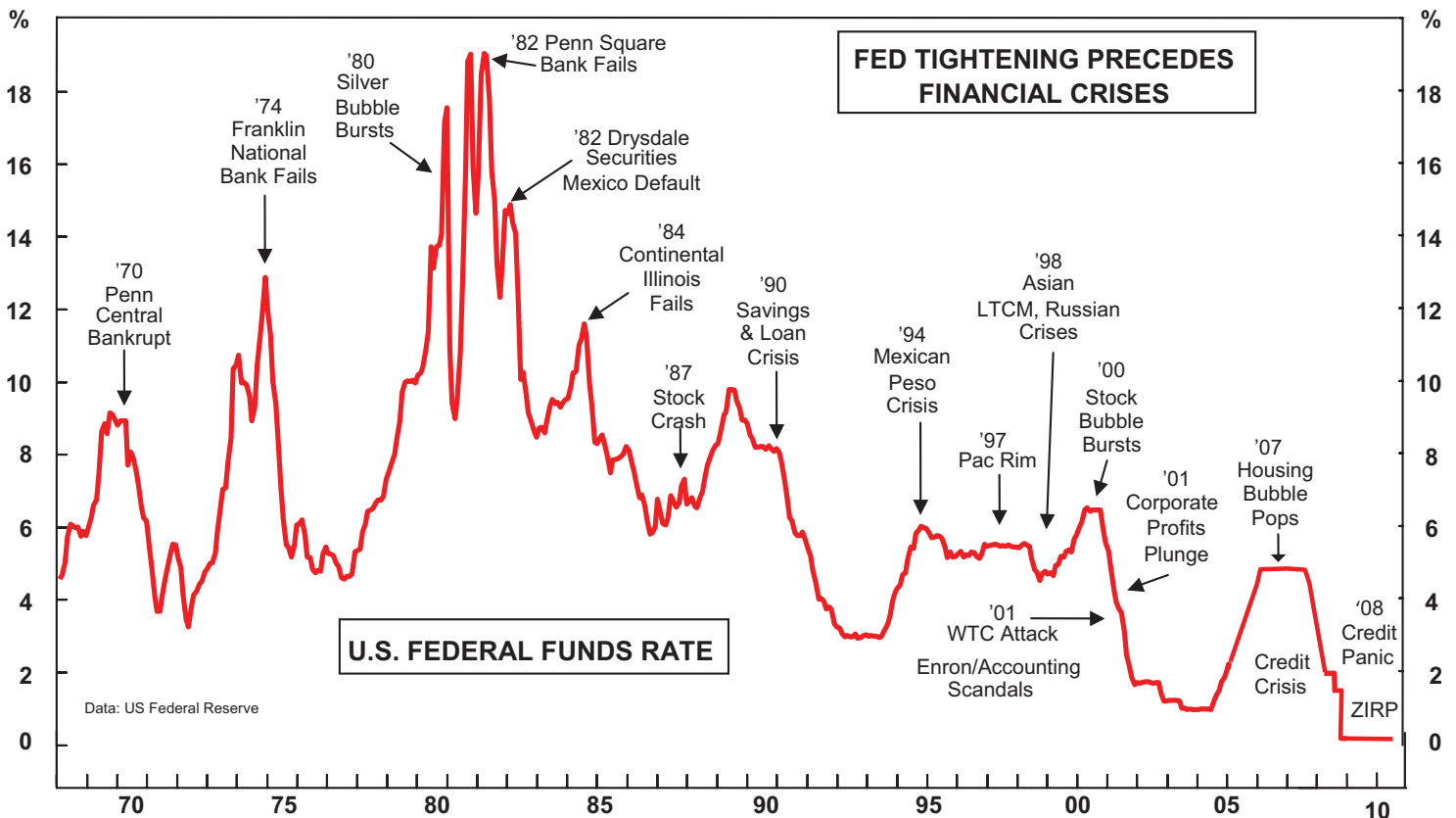


To Our Shareholders,

Henry G. Van der Eb, CFA

Fed Chairman Bernanke, despite peer criticism from both inside and outside the U. S. Federal Reserve, persists with his economically illogical and destructive experimental monetary policies of quantitative easing and zero percent interest rates aimed at generating rising goods, services and asset price inflation. The Fed and Washington, by promoting new debt and derivatives to 'cure' excessive leverage, have failed to make monetary and fiscal policy decisions that can support sustainable economic growth and job creation. The price levels of all asset classes are ultimately set by natural market forces. Zero percent interest rates and quantitative easing temporarily distort various asset class prices outside their natural equilibrium points. Moral hazard is at an extreme. Prices will drop sharply when the pump stops.

The decade ending December 31, 2009 was unique in two respects. According to Standard & Poor's data starting in 1927, the 2000s is the first negative total return decade as the S&P 500 Index lost 9.11% over this period. The second distinction is that two bear markets occurred, each hammering the S&P 500 with 50% declines, one lasting from March 2000 to October 2002, and the other that started in October 2007 is ongoing and is setting up to fall below the S&P 500's March 2009 low before ending.



Investment Performance and Portfolio Highlights

The GAMCO Mathers Fund total return for the three and nine months ended September 30, 2011 was 1.02% and (0.50)% versus (13.87)% and (8.68)% for the S&P 500 Index, respectively. At quarter end, the gross equity exposure was 16.80% (longs plus shorts), comprised of 0.00% long and 16.80% in short positions, with a 16.80% net short 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 fixed income, long, merger arbitrage and the short stocks portfolio segments all had positive returns for the nine months. During the nine months, the Fund held several small merger arbitrage stock positions in firms being acquired in all-cash takeovers. Near zero percent yields on short-term U.S. Treasury bills disadvantaged overall portfolio performance.

The Fund completed 46 years of operation in 2011 and since inception through September 30, 2011 its average annual total return was 8.26% versus 9.08% for its benchmark S&P 500 Index. During the 2008-09 credit crisis, the Fund's risk averse position preserved capital and outperformed the S&P 500 for the two, three, five, and ten year periods ended December 31, 2009. The Fund had positive returns for the one, two, three, five, and ten year periods ended December 31, 2008 versus the S&P 500, which had negative returns for each of those periods. Due to its high cash position, the Fund took substantially less risk and earned higher returns during those periods than a fully invested S&P 500 index fund.

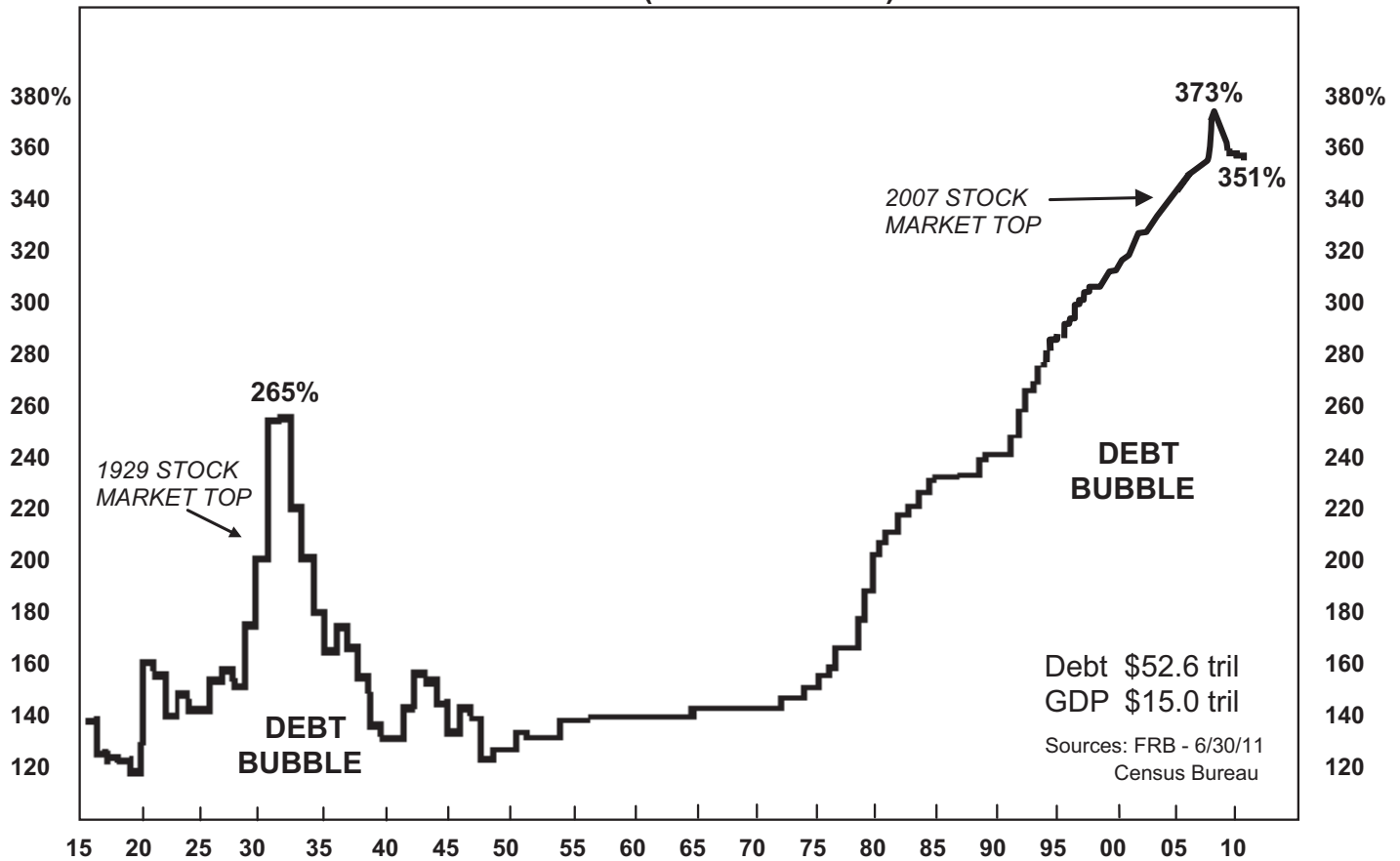
The Fund's gross and net equity exposures may vary significantly from day to day in an effort to control portfolio volatility under changing market conditions. Accordingly, the quarter-end figures may not be indicative of the range of gross and net equity exposures that precede or follow each reporting 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 2010. 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 2011 and beyond as high cash positions are used to control risk.

The GAMCO Mathers Fund performance for the 1-year, 5-year and 10-year periods ending September 30, 2011, was (1.49)%, (0.20)%, and (1.09)%, respectively. *The expense ratio reported in the April 30, 2011 prospectus was 2.55%. 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



Bernanke Economics 101

During Mr. Bernanke's news conference following the November FOMC meeting he said: "We are quite aware that very low interest rates, particularly for a protracted period, do have a cost for a lot of people, that have costs for savers... I think the response is though that there is a greater good here which is the health and recovery of the US economy... trying to support job creation."

What's wrong with this picture? Consumers are ~ 70% of US GDP...savers get zero percent interest... work ethic and thrift unrewarded...losses socialized - profits privatized...debtors rewarded...inflation is rising...real disposable income down...home prices are falling...confidence is very low...household savings rate is falling...Fed boosting inflation...true asset prices and risk obscured...investors forced into stocks - prices volatile...credit hard to get for small businesses...big firms can borrow at low rates - done minimal hiring - mergers cut jobs...low rates hurt pension funds and insurance company returns and depress bank net interest margins...derivative counterparty risk is high and transparency low...Fed pays big banks 0.25% interest on over \$1 trillion in unneeded excess reserves...size and concentration of too big to fail banks rising...mark to market accounting and re-regulation thwarted...U.S. deficit reduction Super Committee seems deadlocked...Fed driving money market funds out of business...Euro zone sovereign credit crises ongoing. Hope for the best.

Henry Vander Eb

President and Portfolio Manager

November 6, 2011

Tax Loss Carryforward Offsets Capital Gains

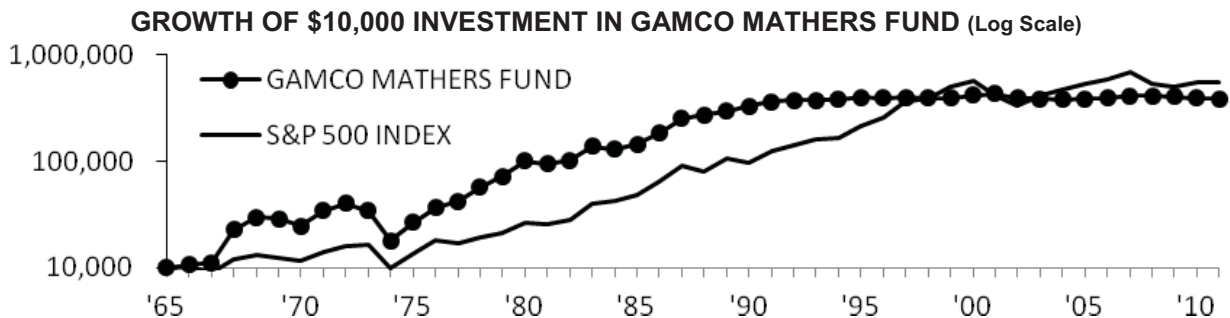
The Fund's tax loss carryforwards from prior years are expected to offset any net realized portfolio capital gains in 2011, as was the case in 2010. Net capital gains realized on investments in 2011 through 2018 are expected to be at least partially offset until the current carryforwards are either used 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 investment 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.



Percent Average Annual Total Returns through September 30, 2011*

	<u>1 YR</u>	<u>5 YRS</u>	<u>10 YRS</u>	<u>25 YRS</u>	<u>46 YRS †</u>
GAMCO MATHERS	(1.49)	(0.20)	(1.09)	3.04	8.26
Standard & Poor's 500	1.14	(1.18)	2.82	9.03	9.08

The current expense ratio is 2.55%. † 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 G.distributors, LLC.