Gabelli ESG Fund, Inc.

Shareholder Commentary
June 30, 2017

(Y)our Portfolio Management Team

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To Our Shareholders,

For the quarter ended June 30, 2017, the net asset value ("NAV") per Class AAA Share of the Gabelli ESG Fund increased 2.4% compared with increases of 3.1% and 3.0% for the Standard & Poor's ("S&P") 500 Index and the Russell 3000 Index, respectively. See page 2 for additional performance information.

Environmental, Social, and Governance (ESG) Investing

Environmental, social and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a business. Incorporating ESG factors into company research can help understand risks and opportunities that may otherwise have been overlooked, and improve the return profile of investment portfolios. ESG analysis differs from a traditional SRI screen in that it does not apply a "negative screen", excluding companies that engage in specific unwanted activities (such as selling tobacco or weapons). Instead, it takes a holistic approach, evaluating a company's performance in a variety of areas, including carbon emissions, energy efficiency, water stress, human capital development, chemical safety, board independence, management pay practices, and business ethics.

Politics, the Economy and the Markets

Stocks performed strongly during the first half of 2017. The S&P 500 Index rose 8.2% before dividends, despite a seemingly endless amount of noise from Washington and abroad. Markets responded positively to the election of Donald Trump in late 2016, partly in anticipation of a relaxation of the regulatory regime, reformation of corporate and individual taxes, and additional stimulus. To date, progress has only been made on the first of these items, which raises the possibility that what the market really desires is slow and

Comparative Results

Average Annual Returns through June 30, 2017 (a)(b)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (6/1/07)
Class AAA (SRIGX)	2.44%	11.01%	5.98%	10.63%	6.47%	6.30%
S&P 500 Index	3.09	17.90	9.61	14.63	7.18	6.90
Russell 3000 Index	3.02	18.51	9.10	14.58	7.26	6.95
Class A (SRIAX)	2.51	11.01	5.98	10.64	6.49	6.31
With sales charge (c)	(3.39)	4.63	3.91	9.34	5.86	5.69
Class C (SRICX)	2.27	10.18	5.16	9.81	5.69	5.51
With contingent deferred sales charge (d)	1.27	9.18	5.16	9.81	5.69	5.51
Class I (SRIDX)	2.58	11.36	6.25	10.91	6.74	6.57

In the current prospectuses dated July 29, 2016, the gross expense ratios for Class AAA, A, C, and I Shares are 1.68%, 1.68%, 2.43%, and 1.43%, 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%, and 1.00%, respectively. Class AAA and I Shares do not have a sales charge. The maximum sales charge for Class A Shares and Class C Shares is 5.75% 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, 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. 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 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.* 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. 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.

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. Both the commentary and the financial statements, including the portfolio of investments, are available on our website at www.gabelli.com.

incremental change, i.e., business as usual in Washington. Or perhaps the dissonance between the market's march forward and Washington's lurch sideways is an indication that fiscal policy really isn't as impactful as some believe.

Indeed, the most powerful market levitating force from Washington over the last decade did not originate from the White House or the Capitol, but from the Eccles Building, home to the Federal Reserve. Through open market activity and three rounds of quantitative easing (QE), the Federal Reserve slashed short term interest rates from 4.5% before the 2008-2009 financial crisis to nearly zero, lifting asset prices everywhere. The Fed began tapping the brakes by tapering QE in October 2014, and has now raised rates four times, the latest of which took the Federal Funds rate to a target range of 1.0%-1.25% in June 2017. The Federal Reserve has indicated it will begin shrinking its balance sheet later this year, and current expectations are for one additional quarter point increase in 2017 and three in each of 2018 and 2019, which would put the Federal Funds rate at 3.0%, still well below the prior peak.

Over the long term, the Federal Reserve's "normalization" of rates is healthy for the economy, but the timing of this process has been the subject of debate, given lackluster GDP growth and a lack of inflation. The last two rate hike cycles ended in market dislocations in 2001 and 2007, but the circumstances in each were very different from today. A future recession may be unavoidable, but it need not be triggered by the Federal Reserve anytime soon. What is unquestionably unavoidable is that monetary policy has gone from being a tailwind to being a headwind for the economy and the market. Further increases in stock prices are more likely to be driven by better earnings versus multiple expansions, as had been the case over the last several years. Ironically, some sources of future earnings growth – lower taxes, defense and infrastructure investment, and a general rekindling of a propensity to spend – depend on the events taking place a few blocks east of the Federal, so it remains worth watching what happens this summer in the swamp.

Deals, Deals and More Deals

Worldwide merger and acquisition (M&A) activity rose 2% to $1.6 trillion in the first half of 2017, as a vibrant Europe offset a 16% decline in U.S. M&A volume. Activity in the U.S., concentrated in the Energy, Healthcare, and Real Estate sectors, may have been impeded by uncertainty around tax reform and unfamiliarity with new faces at the Department of Justice and other regulatory agencies. We believe these elements will soon fall into place, and that the solid underpinnings of the Fifth Wave of M&A continue to exist.

Among the deals announced in the second quarter was Amazon's purchase of Whole Foods for $42 per share in cash. After several years of underperformance, Whole Foods (1.9% of net assets as of June 30, 2017) faced, and initially resisted, pressure from activist Jana Partners. It appears that founder and CEO John Mackey was eventually persuaded to sell because of the benefits of continuing to grow the chain with the cover and support of Amazon. This deal had far reaching repercussions, as fears that Amazon would increase competition and deflationary pressures weighed on grocers, pharmacies, food distributors, and consumer goods companies, among others. While Amazon's impact remains to be seen, we do believe its presence underscores the need for consolidation in the food space. Having shown a willingness to invest aggressively in the brick and mortar world, Amazon could also become an acquirer of other retailers and distributors.

Investment Scorecard

The largest contributor to performance in the second quarter was Whole Foods (1.9% of net assets as of June 30, 2017, +43%), due to its acquisition by Amazon, discussed above. European food companies Danone (3.4%, +13%) and Nestle (2.0%, +17%) also performed well in the quarter as Danone closed its acquisition of organic products maker WhiteWave Foods, and news that activist investor Third Point owned a $3.5 billion stake in Nestle. Nestle responded just days later with a CHF 20 billion share buyback program, and may look to make further acquisitions and divestitures going forward. Xylem (5.0%, +11%) saw strong growth as the need for water solutions globally continues. Paypal (2.6%, +25%), the payment technology spin-off from eBay, posted strong results as it benefits from the expansion of e-commerce. Finally, Sony (1.9%, +13%) rose in anticipation of a strong summer movie slate and inclusion of its chips on the next iPhone release.

The flipside of Amazon's purchase of Whole Foods was the negative impact it had on the stocks of food processors and distributors including United Natural Foods (1.4%, -15%), Conagra (4.0%, -11%) and Post Holdings (1.4%, -11%). The perception of further encroachment by Amazon into auto parts hurt retailers including O'Reilly Automotive (1.3%, -19%); subsequent to the quarter O'Reilly fell sharply after reporting Q2 same store sales grew 1.7% versus expectations of 3%+. Although mindful of Amazon's potential impact, we believe a warm winter was the biggest factor in O'Reilly's "miss" and continue to believe the stock is attractive. Detractors from performance also included media companies Twenty-First Century Fox (0.9%, -12%) and Viacom (0.5%, -22%) where concerns that a slowdown in advertising would add to pressures from a possible acceleration in cord cutting.

Conclusion

While valuations are somewhat elevated and interest rates are rising, we see some cause for continued optimism, as employment and the housing market are improving, and the consumer remains healthy. We continue to believe we are well positioned for almost any economic backdrop by focusing on companies possessing pricing power, skilled management, and flexible balance sheets that trade at meaningful discounts to the Private Market Values. Our investment environment remains catalyst rich with financial engineering and still low borrowing costs, driving acquisition activity.

July 20, 2017

Top Ten Holdings **(Percent of Net Assets)**
June 30, 2017

Xylem Inc.	5.0%	Johnson Controls International Plc	3.2%
Edgewell Personal Care Co.	4.2%	Paypal Holdings Inc.	2.6%
Mondelez International Inc.	4.2%	Kellogg Co.	2.5%
Conagra Brands Inc.	4.0%	Waste Connections Inc.	2.5%
Danone SA	3.4%	Macquarie Infrastructure Corp.	2.3%

Note: The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Shareholder Commentary represents the opinions of the Portfolio Managers 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 Managers 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.

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/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. See the prospectuses 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.

The Fund's daily NAVs are available in the financial press and each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). Please call us during the business day, between 8:00 AM – 7:00 PM (Eastern Time), for further information.

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.

e-delivery

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our mutual funds can elect to receive their Annual and Semiannual 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

Class AAA Shares are no-load shares offered directly through 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 directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. The Board of Directors determined that expanding the types of Fund shares available through various distribution options would enhance the ability of the Fund to attract additional investors.

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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 Company, a portfolio manager of Gabelli Funds, LLC, as well as the Director of Socially Responsive Investments. 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 SRI equity products. He is a graduate of Fairfield University with a B.A. in Economics.

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 Funds Complex. Mr. Dreyer received a B.S.E. from the University of Pennsylvania and an MBA from Columbia Business School.

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 Funds 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 with honors from Columbia Business School.

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