# The Gabelli Dividend Growth Fund

## 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 Dividend Growth Fund increased 1.2% compared with an increase of 3.1% for the Standard & Poor's ("S&P") 500 Index. See page 2 for additional performance information.

**Performance**

The second quarter represented the first full quarter of President Trump's new administration and the stock market continued on its rise to new all-time highs. Ever since the election of President Trump, the market has been on an upswing, powered by investors hope that there will be more pro-growth policies coming out of Washington, such as tax reform, less burdensome regulation, and stimulus spending centered around infrastructure spending.

Unfortunately, these policies have not actually happened yet, as the administration has been having trouble getting new health care legislation through Congress. Of course, to the extent that investors do not have to worry about higher taxes and more burdensome regulations, that alone is a plus for most investors. Although we feel the administration will have trouble actually passing into legislation much of what it hopes to propose, we do feel modest tax reform and increased infrastructure spending will ultimately happen in Washington D.C.

## Comparative Results

**Average Annual Returns through June 30, 2017 (a) (Unaudited)**

| | Quarter | 1 Year | 5 Year | 10 Year | 15 Year | Since Inception (8/26/99) |
|---|---|---|---|---|---|---|
| **Class AAA (GABBX)** | 1.23% | 16.89% | 10.24% | 4.55% | 8.28% | 5.69% |
| S&P 500 Index | 3.09 | 17.90 | 14.63 | 7.18 | 8.34 | 5.29 |
| Lipper Large Cap Value Fund Average | 2.06 | 17.98 | 13.55 | 5.38 | 7.32 | 5.22 |
| **Class A (GBCAX)** | 1.23 | 16.87 | 10.25 | 4.56 | 8.31 | 5.71 |
| With sales charge (b) | (4.59) | 10.15 | 8.95 | 3.94 | 7.88 | 5.36 |
| **Class C (GBCCX)** | 1.04 | 16.07 | 9.39 | 3.77 | 7.56 | 5.10 |
| With contingent deferred sales charge (c) | 0.04 | 15.07 | 9.39 | 3.77 | 7.56 | 5.10 |
| **Class I (GBCIX)** | 1.44 | 17.80 | 10.63 | 4.87 | 8.56 | 5.92 |

**In the current prospectuses dated April 28, 2017, the expense ratios for Class AAA, A, C, and I Shares are 2.00%, 2.00%, 2.75%, and 1.75% respectively, and the net expense ratios for these share classes after contractual reimbursements by Gabelli Funds, LLC, (the "Adviser") are 2.00%, 2.00%, 2.75%, and 1.00%, respectively. Class AAA and Class 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 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 Lipper Large Cap Value 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. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003 and the Class I Shares on June 30, 2004.The actual performance of the Class A and Class C Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance for the Class I Shares would have been higher due to the lower expenses related to this class of shares.

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

(c) 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. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, are available on our website at www.gabelli.com.

As difficult as it is to predict the future here in the U.S., it is not easier to predict in Europe. The process of figuring out how the British will withdraw from the European Union (EU) (Brexit), still needs to be worked on and various other countries are debating if they too, want to break away from the EU. The French recently re-affirmed their desire to stay within the EU and anti-EU rhetoric seems to be on the wane for now.

**The Economy**

The U.S. economy continues to grow at a modest pace. The days of 4% real gross domestic product (GDP) growth are over and it has been a long time since we saw a year of 3% growth. Part of the slowdown in real GDP growth can be attributed to demographics, slower population growth, and an aging workforce. We seem to be stuck in a yearly real growth range of 1.5% to 2.5%. That has been the case since this recovery commenced in July of 2009 and nothing in the forecast suggests anything different. Although the Trump administration would like to get the economy growing at a 3% real rate again, the odds of that happening in 2017 are very dim. Growth this year will be about 2.0% again. The bad news is this is the slowest expansion on record. The good news is it is one of the longest. Slow and steady is a recipe for enduring growth. There are certainly policy prescriptions that could elevate us out of this 2% growth range, some of which the Trump administration is advancing, but debating the merits of those is beyond the scope of this commentary (for that you should be glad).

**The Markets**

The Federal Reserve has been on a path of slowly raising short term interest rates back up to a more normalized level. After the financial crisis, the Federal Reserve slashed short term interest rates down to about zero, but now rates are at 1.25%, after three increases over the past three quarters by the Federal Reserve. We expect that gradual increases will continue and that by this time next year, short term rates will be around 2.0%. In addition to gradually raising short term interest rates, the Federal Reserve will also probably start to unwind its massive $4.5 trillion asset portfolio, which it built up during the QE, or quantitative easing, period. We expect the unwinding will be a very gradual approach whereby some maturing securities will not be reinvested and the whole process will go on for many years.

Investors are facing an acute shortage of good income generating opportunities. While not a realistic choice for some investors, stocks must play a larger role overall in meeting investors' income needs. At this writing, a majority of the stocks in the S&P 500 have dividend yields that are equal to or higher than the 10-year Treasury yield, which is right around 2.2%. The overall S&P 500 has a dividend yield of right around 2%, not much different from that of the U.S. 10-year Treasury yield. Stocks offer compelling current income and growth of income for investors that can tolerate stock market volatility. Stocks also offer the potential for growth in capital over time. It is hard to imagine growing capital by investing in bonds at historically low interest rates. We are probably in the final inning of a 35 year bull market in bonds.

**Let's Talk Stocks**

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the share prices are listed first in United States dollars (USD) and second in the local currency, where applicable, and are presented as of June 30, 2017.

*American Express Co. (2.6% of net assets as of June 30, 2017) (AXP – $84.24 – NYSE)* is the largest closed loop credit card company in the world. The company operates its eponymous premiere branded payment network and lends to its largely affluent customer base. American Express has 112 million cards in force and nearly $65 billion in loans, while its customers charged over $1.0 trillion on their cards in 2016. The company's strong consumer brand has allowed American Express to enter the deposit gathering market as an alternate source of funding, while the company's affluent customers have picked up spending. Longer term, American Express should capitalize on its higher spending customer base and continue to expand into other payment related businesses, such as corporate purchasing, while also growing in emerging markets. Similarly, the company is looking at the growing success of social media as an opportunity to expand its product base and payment options.

*American International Group Inc. (4.6%) (AIG – $62.52 – NYSE)* is a multi-line insurance company offering property and casualty and life insurance, and serving customers in more than 130 countries and jurisdictions. The company is well positioned as it has excess capital, sophisticated products, and broad global distribution. In addition, the company is committed to returning capital to shareholders with dividends and share buybacks. We believe it can increase these capital returns to shareholders, given greater stability of the business lines.

*Apple Inc. (4.1%) (AAPL – $144.02 – NASDAQ)* designs computers, mobile phones and other hardware, along with personal and professional software. Apple inspired the digital music revolution with the iPod and iTunes, redefined the mobile phone with the iPhone and App Store, invented an entirely new category (tablets) with the iPad, and continues to be at the forefront of mobile technology with the Apple Watch, Apple Pay and Apple Music. Late in the third quarter, Apple is expected to release a new generation of iPhones. Because the installed base of iPhones is 60% larger in this cycle, replacement demand is expected to be strong, fueled by a retail channel eager for innovative products and equipped to finance their purchase at extremely low interest rates. These conditions should propel significant earnings growth for the next few years, augmented by likely new applications for the devices designed by an enthusiastic and growing developer community.

*Diageo plc (1.8%) (DEO – $119.83 – NYSE)* is the leading global producer of alcoholic beverages, with brands including Smirnoff, Johnny Walker, Ketel One, Captain Morgan, Crown Royal, J&B, Baileys, Tanqueray, and Guinness. The company has a balanced geographic presence in both mature and emerging markets, and it benefits from the trend of consumers around the world trading up to premium products. Over the past several years, Diageo made acquisitions that enhanced its presence in emerging markets: a majority stake in United Spirits, the leading spirits producer in India; Mey Icki, the leading spirits company in Turkey; Shui Jing Fang, a leading Chinese baiju producer; Ypioca, the leading cachaca producer in Brazil; and an increased stake in Halico, the leading domestic spirits producer in Vietnam. While economic conditions in emerging markets have caused some of these investments to struggle recently, the long term fundamentals of the spirits industry remain very favorable, and Diageo will be one of the largest beneficiaries of industry growth.

*Honeywell International Inc. (2.8%) (HON – $133.29 – NYSE)* operates as a diversified technology company with highly engineered products, including turbine propulsion engines, auxiliary power units, turbochargers, brake pads, environmental and combustion controls, sensors, security and life safety products, resins and chemicals, nuclear services, and process technology for the petrochemical and refining industries. One of the key drivers of HON's growth is acquisitions that increase the company's growth profile globally, creating both organic and inorganic opportunities. The company recently acquired Elster Industries, a leading provider of thermal gas solutions, smart meters, software and data analytics for the commercial, industrial and residential heating market. Elster's gas business offers products in high demand among natural gas customers and brings a strong, global distribution network and numerous cross-selling opportunities for existing HON technologies to new customers. Elster's gas, electric, and water meters are highly valued for their reliability, safety and accuracy. The company maintains an installed base of more than 200 million meter modules deployed over the course of the last 10 years that generate significant recurring revenues. We believe acquisitions such as Elster should drive meaningful and sustained growth for HON spurred by global energy efficiency initiatives and natural resource management.

*Mondelez International Inc. (2.4%) (MDLZ – $43.19 – NASDAQ)*, headquartered in Deerfield, Illinois, is the renamed Kraft Foods Inc. following the tax-free spin-off to shareholders of the North American grocery business on October 1, 2012. Following the contribution of coffee into a new joint venture, nearly 85% of Mondelez's $26 billion of revenue is derived from snacking, including leading brands such as Oreo, LU and Ritz biscuits, Trident gum, and Cadbury and Milka chocolates. On July 2, 2015 Mondelez combined its coffee business with D.E Master Blenders 1753 to form a new coffee company, Jacobs Douwe Egberts. Subsequently, MDLZ exchanged part of its stake in this coffee joint venture for 24% ownership in Keurig Green Mountain, which was acquired by an investor group led by JAB Holding Co. in March 2016. This narrows the company's product focus, as only 15% of revenue will be outside snacks — mostly Tang beverages and other products including Philadelphia cream cheese, which management may look to divest in the future as it executes on its plan to accelerate growth and improve margins in the faster growing snack business.

*National Fuel Gas Co. (1.6%) (NFG – $55.84 – NYSE)* is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, New York, gas pipelines that move gas between the Midwest and Canada and from the Marcellus to the Northeast, gathering and processing systems, and an oil and gas exploration and production business. NFG's regulated utility and pipeline businesses, as well as its

California oil production business, provide stable earnings and cash flows to support the dividend, while the natural gas production business offers significant upside potential. While natural gas prices have been depressed over the past few years, NFG's ownership of 780,000 acres in the Marcellus Shale holds enormous natural gas reserve potential and the company has proven to be among the lower cost producers. We continue to expect above average long term earnings and cash flow growth from improving gas prices, growing gas production and strategically located pipeline expansion. The company has increased its dividend for 46 consecutive years.

**In Conclusion**

While change is constant, the fundamental underpinnings of common stock value investing remain unchanged. Our stock selection process is based on the investment principles first articulated in 1934 by the fathers of security analysis, Benjamin Graham and David Dodd. Their work provided the framework for value investing. Our firm contributed to the academic and empirical research on value investing by introducing the concept of Private Market Value (PMV) with a Catalyst™. This is our proprietary research methodology that focuses on individual stock selection by identifying stocks of firms selling at a discount to intrinsic value per share with a reasonable probability of realizing their PMVs. We define PMV as the price a strategic acquirer would likely be willing to pay for the entire enterprise. Catalysts are specific events or circumstances with varying time horizons that can trigger a narrowing of the difference between the market price of a stock and its estimated PMV per share. Price appreciation can occur instantly, as in the case in an announced takeover, or more gradually over time. There are a variety of catalysts that can cause change. Some general categories include: company specific, industry, regulatory, demographic, political and economic. We continue to find good value in many companies that have some combination of long term growth prospects, strong cash flow generation, good balance sheets as well as shareholder friendly management teams. We thank you for your investment in the Fund and we look forward to serving you in the future.

July 27, 2017

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

| | | | |
|---|---|---|---|
| Citigroup Inc. | 5.2% | Merck & Co. Inc. | 3.2% |
| JPMorgan Chase & Co. | 4.6% | Allergan PLC | 3.1% |
| American International Group Inc. | 4.6% | General Electric Co. | 2.9% |
| Pfizer Inc. | 4.4% | Microsoft Corp. | 2.9% |
| Apple Inc. | 4.1% | Dow Chemical Co. | 2.8% |

**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 Portfolio Managers' Shareholder Commentary represents the opinions of the individual 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 Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

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## Gabelli/GAMCO Funds and Your Personal Privacy

**Who are we?**

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC and GAMCO Asset Management Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries and affiliates that provide investment advisory services for a variety of clients.

**What kind of non-public information do we collect about you if you become a fund shareholder?**

If you apply to open an account directly with us, you will be giving us some non-public information about yourself. The non-public information we collect about you is:

- *Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.
- *Information about your transactions with us, any transactions with our affiliates, and transactions with the entities we hire to provide services to you.* This would include information about the shares that you buy or redeem. If we hire someone else to provide services—like a transfer agent—we will also have information about the transactions that you conduct through them.

**What information do we disclose and to whom do we disclose it?**

We do not disclose any non-public personal information about our customers or former customers to anyone other than our affiliates, our service providers who need to know such information, and as otherwise permitted by law. If you want to find out what the law permits, you can read the privacy rules adopted by the Securities and Exchange Commission. They are in volume 17 of the Code of Federal Regulations, Part 248. The Commission often posts information about its regulations on its website, www.sec.gov.

**What do we do to protect your personal information?**

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the fund and to ensure that we are complying with the laws governing the securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

## Portfolio Management Team Biographies

**Barbara G. Marcin, CFA,** joined GAMCO Investors, Inc. in 1999 and currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Prior to joining GAMCO, Ms. Marcin was head of value investments at Citibank Global Asset Management. Ms. Marcin graduated with Distinction as an Echols Scholar from the University of Virginia and holds an MBA degree from Harvard University's Graduate School of Business.

**Robert D. Leininger, CFA,** joined GAMCO Investors, Inc. in 1993 as an equity analyst. Subsequently, he was a partner and portfolio manager at Rorer Asset Management before rejoining GAMCO in 2010 where he currently serves as a portfolio manager of Gabelli Funds, LLC. Mr. Leininger is a magna cum laude graduate of Amherst College with a degree in Economics and holds an MBA from the Wharton School at the University of Pennsylvania.

**Justin Bergner, CFA,** is currently a Vice President at Gabelli & Company and a portfolio manager for Gabelli Funds, LLC, having rejoined Gabelli & Company in June 2013 as a research analyst covering Diversified Industrials, Home Improvement, and Transport companies. He began his investment career at Gabelli & Company in 2005 as a metals and mining analyst, and subsequently spent five years at Axiom International Investors as a senior analyst focused on industrial and healthcare stocks. Mr. Bergner graduated cum laude from Yale University with a B.A. in Economics & Mathematics and received an M.B.A. in Finance and Accounting from Wharton Business School.

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