The GAMCO Growth Fund

Shareholder Commentary
June 30, 2017

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Portfolio Manager

To Our Shareholders,

Thank you for your investment in the GAMCO Growth Fund.

For the quarter ended June 30, 2017, the net asset value ("NAV") per Class I Share of The GAMCO Growth Fund increased 4.9% compared with increases of 3.1% and 4.7% for the Standard & Poor's ("S&P") 500 Index and the Russell 1000 Growth Index, respectively. See page 2 for additional performance information.

The stock market continued to trend higher in the second quarter, supported by continued low interest rates, better than expected earnings and reasonably good global economic data. The market's lack of volatility has been surprising given the escalation in tensions with North Korea and President Trump's failure to deliver, thus far, on important campaign promises. Trade policy is likely to be front and center during the third quarter, as President Trump has hinted strongly at the imposition of new tariffs on imported steel. Both China and the European Union have promised to retaliate.

The Economy

According to the Bloomberg Economic Survey, the consensus estimate for real GDP growth this year remains unchanged at 2.2%. The most recent revision of Q1 growth stands at 1.4%, which is expected to be the weakest quarter of the year. Growth in Q2 is expected to reach 2.4%, which is regarded as the strongest quarter of the year. Earnings growth expectations for this year, measured by S&P 500 operating earnings, have been revised higher, from about $128 per share to $130 per share, which would represent a gain of 15% year over year. Recall that S&P operating earnings were essentially flat the past two years and understand that 15% gains are not sustainable.

The current consensus estimate for 2018 earnings is $146, which represents a nice 12% advance. Note the government's measure of total U.S. corporate profits, which includes all public and private companies, is flashing yellow, as total corporate profits actually fell in Q1 (while S&P profits rose 12%). In the past, total

Average Annual Returns through June 30, 2017 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (4/10/87)
Class I (GGCIX)	4.90%	19.13%	9.48%	14.39%	6.95%	10.06%
S&P 500 Index	3.09	17.90	9.61	14.63	7.18	9.69(b)
Russell 1000 Growth Index	4.67	20.42	11.11	15.30	8.91	9.27(b)
Class AAA (GABGX)	4.84	18.84	9.20	14.09	6.71	9.97
Class A (GGCAX)	4.82	18.84	9.20	14.10	6.71	9.98
With sales charge (c)	(1.21)	12.01	7.06	12.75	6.08	9.77
Class C (GGCCX)	4.62	17.93	8.38	13.24	5.91	9.61
With contingent deferred sales charge (d)	3.62	16.93	8.38	13.24	5.91	9.61

In the current prospectuses dated April 28, 2017, the expense ratios for Class AAA, A, C, and I Shares are 1.44%, 1.44%, 2.19%, and 1.19%, 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. 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 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 Class I Shares on January 11, 2008. The actual performance of the Class A Shares and Class C Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. 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 1000 Growth Index measures the performance of the large cap growth segment of the U.S. equity market. Dividends are considered reinvested. You cannot invest directly in an index.

(b) S&P 500 Index and Russell 1000 Growth Index since inception performance results are as of March 31,1987.

(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 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.

profits have usually held predictive power for S&P profits several quarters out. S&P profits have a heavy contribution from exports (about 40%) and this has given a boost to profits so far this year.

Beneath the surface of headline data there are some concerns. President Trump elevated consumer and CEO confidence. But the wheels of Congress are stuck in the Washington swamp as we continue to wait for tax cuts and reform, health care reform and infrastructure spending. The result is confidence measures are rolling over. The Citigroup Economic Surprise Index fell precipitously over the past three months. Auto sales have weakened and production cuts have been announced. Housing activity has slowed. Banks have tightened lending standards, slowing commercial and industrial loan growth. Delinquencies are rising across the credit chain. Consumers have moderated spending, sending inventories higher relative to sales. Durable goods orders – non-defense, ex aircraft are unimpressive. Finally, while payroll gains are still healthy, they are decelerating, as are gains in average hourly earnings.

The Markets

After lagging the broader market in 2016, large cap growth stocks have been at the front of the pack so far in 2017. Technology and health-care have been the strongest industry sectors. Energy continues to be the worst performing sector of 2017. The stock market has now logged seven consecutive quarters of gains. We are overdue for a pullback. The market averages three 5% pullbacks each year and we had four in both 2015 and 2016. We haven't had so much as a 3% pullback since the election last November. The market has a 10% correction pretty much every year. Our last one was August of 2015. We average one 15% correction every two years. The last 15% downturn was October of 2011. Pullbacks and corrections are a normal occurrence and should not instill fear and panic, although for some they always do.

There are several obvious potential catalysts for a downturn. The budding North Korean missile crisis is one. There are no good answers to this sticky problem and China has failed to negotiate an easing of tensions. Trade policy is another issue of concern, as we believe President Trump is on the verge of starting a trade war. Trade wars will hurt global growth, what with trade accounting for 60% of global GDP. Monetary policy is yet another potential pitfall. The Federal Reserve is in tightening mode, having raised rates four times since December of 2015. Expect another increase in December, and the Federal Reserve has expressed interest in beginning the process of shrinking its balance sheet soon. Given the lag in monetary policy, it is not uncommon for the Federal Reserve to continue to tighten beyond the optimal point. Yes, interest rates are low but investors are now "fighting the Fed", so to speak, and that is a dangerous indoor sport.

Despite the Federal Reserve raising rates this past December, March and June, the 10 year Treasury sits at 2.35%, precisely where it sat 3 months ago as well as 19 months ago when the Federal Reserve made its first move to pull rates up. So the yield curve has flattened during this tightening cycle, raising the question of whether the Federal Reserve has already moved too aggressively this year.

The S&P first hit 2400 on March 1. Four months later, on June 30, it closed at 2423, just 1% higher. At face value that represents a loss of price momentum, but not yet an inflection point in terms of direction. Stock valuations can be defended but are not cheap. The S&P is selling at 18.6 times this year's estimate of $130 in earnings and about 16.5 times the 2018 estimate of $146. To me this is pretty fully priced in an environment where the Federal Reserve is raising rates and there is significant uncertainty regarding fiscal, trade, and health care policies. Absent a meaningful corporate tax cut, which seems increasingly less likely, the overall stock market may struggle to make much headway near term. As a percentage of GDP, the stock market has only been higher once, and that was in 2000 (140% now, 167% then). So the yellow caution light is flashing.

Portfolio Observations

We continued to tilt the portfolio in a defensive direction during the second quarter. We sold 12 holdings and bought 5 new positions for a net reduction of 7 names. Some holdings were sold due to pending mergers (Time-Warner, Panera Bread) and others due to an increasingly difficult retail environment (TJX, Walgreens, AutoZone, and O'Reilly Automotive). Colgate was sold as it was priced for perfection. We wanted to reduce the economic sensitivity of the portfolio so we eliminated 5 producer durable companies (Dover, Parker-Hannifin, Roper, Snap-on, and FedEx) in favor of 4 new health care holdings (Abbott Labs (1.3% of net asset as of June 30, 2017), C.R. Bard (0.5%), Humana (1.0%) and Stryker (0.4%)) and a major cable TV franchise (Charter Communications (3.5%)).

We took profits by trimming a number of positions, especially some of our largest technology investments. While they all remain among our largest holdings, we trimmed Adobe (2.8%), Alphabet (5.5%), Amazon (3.4%), Facebook (5.1%) and Microsoft (5.2%). We made significant increases to other holdings, including Comcast (3.9%), Disney (2.7%), PepsiCo (3.7%), Crown Castle (2.5%) and American Tower Corporation (3.1%).

At quarter's end, after accounting for the semi-annual Russell Index re-weighting, we were overweight (relative to the Russell 1000 Growth Index) health care, consumer discretionary, and financial services. We were underweight technology, consumer staples, materials, and producer durables. We were essentially market weight utilities and energy.

Performance Commentary

Holdings that had the most positive impact on performance for the second quarter (based upon price change and the size of the holding) were, in order, UnitedHealth Group (4.2% of net asset as of June 30, 2017), Zoetis (3.1%), Amazon (3.4%), Facebook (5.4%), Microsoft (5.2%), Alphabet (5.5%), Adobe Systems (2.8%), Mastercard (3.4%), American Tower (3.1%) and Thermo Fisher Scientific (1.5%). Clearly our big tech holdings did some heavy lifting. Holdings that hurt us the most for the quarter were, in order, Disney, CBS (1.4%), TJX Companies (sold), Twenty-First Century Fox (0.4%), EOG Resources (0.5%), Texas Instruments (0.7%), Snap-on (sold), O'Reilly Automotive (sold), Walgreens (sold), and AutoZone (sold).

For the first half of the year, holdings helping us the most were, in order, Facebook (5.4%), Apple (6.3%), Amazon (3.4%), Adobe (2.8%), Microsoft (3.2%), UnitedHealth Group (4.2%), Mastercard (3.4%), Alphabet (6.5%), Zoetis (3.1%) and American Tower (3.1%). The ten worst contributors were AutoZone (sold), Palo Alto Networks (sold), EOG Resources (0.5%), Snap-on (sold), Sabre Corp. (sold), O'Reilly Automotive (sold), QUALCOMM (sold), General Electric (sold), Blue Buffalo Pet Products (0.4%), and TJX Companies (sold).

In Conclusion

Despite our relatively defensive posture relative to the Russell 1000 Growth Index, we have modestly outperformed the index for the first 6 months of the year. We will watch the data closely to see if the economy is slowing or starting to reaccelerate. If the latter, we will reassess our "defensive" positioning. The unfolding trade friction is our biggest single economic concern given wide global repercussions. Once it starts it may be hard to contain, leaving no winners. Monetary policy is another major concern. After years of extraordinary monetary accommodation, it will be hard to unwind or to "normalize" rates smoothly. It is a bit of an experiment, after all. North Korea is a wild card. How do we handicap that? For that matter, how do we account for the FBI investigation into President Trump's inner circle?

Stocks continue to offer the best estimated total returns over longer periods of time. But that return comes with the cost of market volatility. We haven't seen much downside volatility lately so don't be surprised if and when it happens. Lighten up if you need the money soon. Lighten up if market related anxiety keeps you awake at night. Just remember the biggest mistake most people make with the stock market is not staying with it (but only if you can truly afford to make that commitment). Have a great summer!

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 percentages of net assets, and their share prices are stated as of June 30, 2017.

Apple (6.3% of net asset as of June 30, 2017) (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. Perhaps Apple's greatest innovation has been its integrated ecosystem, which retains customers and produces a "halo effect" for other Apple devices. At about 11% of total revenue, Apple's less cyclical Services business is growing at a 20% run rate and is accretive to margins.

Alphabet (5.5%) (GOOG/GOOGL – $908.73/$929.68 – NASDAQ) is the parent company of Google, the world's leading Internet search engine. Google's stated mission is to organize the world's information and make it universally accessible and useful. The company generates revenue by providing advertisers with the opportunity to deliver targeted and measurable advertising. Alphabet's healthy core search revenue allows the company to pursue new market opportunities such as streaming video (YouTube Red), life sciences (Verily), autonomous driving (Waymo) and a variety of other "moonshot" projects.

Facebook's (5.4%) (FB – $150.98 – NASDAQ) mission is to give people the power to share and make the world more open and connected. Facebook's unique cache of user profiles creates a powerful targeted advertising platform. As of December 31, 2016, Facebook had 1.9 billion monthly active users (MAUs) worldwide, including 1.7 billion mobile MAUs. Facebook continues to grow its worldwide user base at a mid-teens rate, largely driven by the proliferation of mobile devices in the emerging markets. Users are spending more time on the platform, driven largely by the recent emphasis on video. Facebook is able to drive pricing power by continuously improving the effectiveness of its ads. Meanwhile, there remains runway to further monetize Facebook properties Instagram, Messenger and WhatsApp.

Microsoft (5.2%) (MSFT – $68.93 – NASDAQ) is the world's largest software company, and develops software products for computing devices ranging from PC's to servers to its Xbox game console. Microsoft's Azure is a fast growing public cloud service that competes with Amazon's AWS. The recent acquisition of LinkedIn will allow Microsoft to integrate data from LinkedIn's economic graph with Microsoft's professional cloud.

UnitedHealth Group (4.2%) (UNH – $185.42– NYSE) is one of the largest and most diversified managed care companies in the United States. It's high growth Optum services business provides wellness and care management programs, financial services, information technology solutions and pharmacy benefit management (PBM) services to an additional 115 million customers.

Comcast (3.9%) (CMCSA – $38.92 – NASDAQ) is a global media and technology company that operates Comcast Cable and NBCUniversal. The cable business is the largest provider of high-speed internet, video and voice services under the XFINITY brand. The broadcast television business consists primarily of NBC and Telemundo. Comcast also produces filmed entertainment under Universal Pictures and Dreamworks Animation. Lastly, Comcast operates Universal theme parks. Comcast recently introduced Xfinity Mobile, which is their wireless initiative aimed at driving bundling and increasing customer retention.

PepsiCo (3.7%) (PEP – $115.49 – NYSE) is a leading food and beverage company with a global footprint in over 200 countries. The company's portfolio includes Frito-Lay, Gatorade, Pepsi-Cola, Quaker and Tropicana. As consumer demand continues to shift towards nutritious products, PepsiCo is responding by improving the nutritional profile of many of their products by reducing sodium, added sugars and saturated fat.

Charter Communications (3.5%) (CHTR – $336.85 – NASDAQ) is the second largest cable operator in the United States and a leading broadband communications services company. Charter provides video, Internet and voice services to over 26 million residential and business customers. Additionally, Charter sells advertising inventory to local and national advertising customers. Charter offers fiber-delivered communications and managed IT solutions to larger enterprise customers. Charter recently expanded its footprint and market share with acquisition of the Time Warner Cable and Brighthouse assets.

Amazon.com (3.4%) (AMZN – $968.00 – NASDAQ) launched in 1995 as an online book retailer and has evolved into a dominant e-commerce platform. CEO Jeff Bezos guides the company on customer obsession rather than competitor focus and is long-term oriented. Amazon's competitive advantage within e-commerce is Amazon Prime, which benefits from a virtuous cycle as the continuously expanding selection of inventory drives traffic, which attracts more sellers, who add yet more selection. Amazon continues to invest in the Prime value proposition (free and faster shipping, free video and music streaming, libraries of free books and magazines, and a host of other benefits). Prime members spend more than non-Prime customers and their purchasing volume tends to increase over time. In addition to its retailing operations, Amazon pioneered the concept of hyperscale public cloud with its Amazon Web Services (AWS) and continues to be the dominant market share leader within that rapidly growing industry.

MasterCard (3.4%) (MA – $121.45 – NYSE) is a technology company in the global payments industry that operates the world's fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. MasterCard's products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient.

July 20, 2017

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

Apple Inc.	6.3%	Comcast Corp.	3.9%
Alphabet Inc.	5.5%	Pepsico Inc.	3.7%
Facebook Inc.	5.4%	Charter Communications Inc.	3.5%
Microsoft Corp.	5.2%	Amazon.com Inc.	3.4%
Unitedhealth Group Inc.	4.2%	Mastercard Inc.	3.4%

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

The GAMCO Growth Fund began offering additional classes of Fund shares on December 31, 2003. 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 will enhance the ability of the Fund to attract additional investors.

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.

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Portfolio Manager Biography

Howard F. Ward, CFA, joined Gabelli Funds in 1995 and currently serves as GAMCO's Chief Investment Officer of Growth Equities as well as a Gabelli Funds, LLC portfolio manager for several funds within the Gabelli/GAMCO Funds Complex. Prior to joining Gabelli, Mr. Ward served as Managing Director and Lead Portfolio Manager for several Scudder mutual funds. He also was the Investment Officer in the Institutional Investment Department with Brown Brothers, Harriman & Co. for four years. Mr. Ward received his B.A. in Economics from Northwestern University.

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Net Asset Value per share available daily
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