# The GAMCO Growth Fund

## Shareholder Commentary
## December 31, 2009

**Howard F. Ward, CFA**

**To Our Shareholders,**

Thank you for your investment in The GAMCO Growth Fund.

The economy continues to improve, although it remains premature to declare victory. Getting to this point required an enormous injection of monetary and fiscal stimulus. Victory will only come when the economy is growing without stimulus and the unemployment rate is well into single digits. Still, we appear to be in a much stronger position than a year ago, and for that we are grateful. The trends are positive. Job growth is just around the corner and that is a good thing. Without job growth, the recovery will falter. Both business and consumer confidence has turned up and spending has followed suit. We expect a strong profit recovery in 2010. Whether that is enough to sustain the bull market in stocks remains to be seen.

**The Economy**

The economy began to grow again in the third quarter of 2009. When an economy rebounds from a violent decline as we saw in 2008 and the first half 2009, it typically snaps back with growth of 7% or more for several quarters. So far we are not seeing that. We are seeing and expect to see growth in the 2% to 4% range. This is consistent with long-term trend line growth of 3.3% in GDP, but well short of what would be considered normal for an economy pulling out of recession. This begs the question of what happens to growth once the stimulus is removed. What level of growth are we capable of producing and sustaining given our historically high level of indebtedness?

With total debt equal to a record 370% of GDP, the private sector is working to pay down debt while the public sector is piling on debt at a faster clip. There are consequences to this developing fiscal train wreck. The most important one is the concern that we are edging closer to the tipping point, a level of indebtedness tied to entitlements that will outgrow our capacity to service and retire the associated debt, like an individual that keeps getting further behind on their credit card balance. Sort of like California (sorry), you might say, but on a national scale. Should we reach this point, it will result in slower growth, fewer services, and a weaker currency, and that is an optimistic view. Let us hope that Washington wakes up and gets serious about deficit reduction before we drown in our own red ink.

For now, we can bask in the sunshine and glory of the developing economic momentum, however mild it may be, and marvel at how close we came to our nation's second Great Depression. Of course, delinquency rates at commercial banks are still deteriorating and many homeowners are either under water on their mortgage or close to it. Housing is arguably the weakest link in the recovery and a pause in the housing recovery would not sit well with investors, especially those invested in bank shares. On a more positive note, we expect increased consumer and government spending, rising exports, and rebounding private investment to drive close to 4% growth in real GDP in 2010. Standard & Poor's 500 (S&P 500) operating profits should advance between 25% and 30%, driven by enhanced productivity and increased consumption. Inflation should remain below 2%, especially at the core level, although inflation may be trending higher before the year is out. Some say this will be a jobless recovery. That is too pessimistic. We do not know who repealed the economic notion that companies should produce, and hire, until their marginal cost equals their marginal profit. The unemployment rate, currently 10%, should recede over the course of the year.

The big test for the economy will be weathering the ultimate withdrawal of Fed induced liquidity. Most Fed watchers view this as a mid 2010 event, but the Fed is in no hurry and could easily avoid tightening until 2011. The Fed is not worried about inflation and would ideally not tighten until the unemployment rate falls below 9%, at a minimum. The sharply positive slope to the yield curve, fostered by the Fed's free money policy, has the added benefit of helping banks generate profits and build capital. At some point, Dr. Bernanke will don his surgical gown and gloves and drain the massive pool of liquidity from the belly of this economic beast. Just as was the case with Dr. Greenspan, "The Maestro", it will be years before we can accurately score Dr. Bernanke's performance. Of course, they do not call him "Helicopter Ben" for nothing.

**Average Annual Returns through December 31, 2009 (a)**

| | Quarter | 1 Year | 3 Year | 5 Year | 10 Year | 15 Year | 20 Year | Since Inception (4/10/87) |
|---|---|---|---|---|---|---|---|---|
| **GAMCO Growth Fund Class AAA** | **6.74%** | **45.71%** | **(2.36)%** | **1.76%** | **(3.86)%** | **7.34%** | **7.54%** | **9.54%** |
| S&P 500 Index | 6.04 | 26.47 | (5.62) | 0.42 | (0.95) | 8.04 | 8.20 | 8.41 |
| Russell 1000 Growth Index | 7.94 | 37.21 | (1.89) | 1.63 | (3.99) | 6.87 | 7.48 | 7.84(b) |

(a) ***The expense ratio in the current prospectus is 1.40% for the Fund's Class AAA Shares. Class AAA Shares do not have a sales charge. Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share price and reinvestment of dividends 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. Performance returns for periods of less than one year are not annualized. 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.* ***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.*** *The S&P 500 Index and the Russell 1000 Growth Index are unmanaged indicators of stock market performance. Dividends are considered reinvested. See page 9 for performance of other classes of shares.*

(b) *From commencement of investment operations on April 10, 1987.*

## The Stock Market

For investors that managed to remain committed to stocks despite the hysteria, this past year was a pleasant surprise. The upturn in stocks that began in early March did in fact lead the upturn in the economy by several months, which is more typical than not. Unfortunately, industry data confirms that many investors, professionals and amateurs alike, went into risk aversion mode during the fourth quarter of 2008 and first quarter of 2009. Consequently, they missed the rally that propelled the S&P 500 over 60% above its March 2009 low. Some investors embraced an "anything but stocks" mentality, preferring bonds, money market funds, and gold. These decisions had mixed results, depending on timing and security selection. We understand the emotional toll extracted by stocks during the financial crises. As mentioned last quarter, the collapse in share prices left investors dazed, suffering from a form of blunt force trauma to the head. It is a trauma that continues to feed skepticism with regard to both the economic recovery and the stock market rally. It has given the rally a surreal quality.

Investors can thank the Fed and its extraordinary measures of liquidity, including Quantitative Easing, for the rally that has defied the skeptics thus far. As in all investment cycles, at some point the Fed must take its punch bowl away, or risk an overheating of the economy and an undesired increase in inflation expectations. This is unlikely to happen before mid year and may not happen until 2011. Stocks often, but not always, encounter increased selling when the Fed tightens credit and there is no compelling reason to suggest that it will not happen this time too. No doubt some investors will reduce exposure to stocks in anticipation of a change in Fed policy. However, any flurry of selling connected to a Fed tightening does not usually signal an end to a bull market. This should be true during the current cycle given the exceptionally low base level of interest rates. Still, a 5% to 10% correction, coincident to an initial Fed tightening move, should not be a surprise.

Importantly, stock valuations are quite average. Using the mean First Call estimate of 2010 S&P 500 earnings of $76, the market is selling at 15 times forward earnings (S&P 500 at 1140), exactly in line with the historical average. This is similar to last quarter, yet the market has moved higher, in tandem with rising earnings estimates. Last quarter, the mean earnings estimate was $71. As stated last quarter, we expect rising earnings estimates to continue to pull stocks higher. As stocks moved higher in the fourth quarter, assets in money market funds declined from $3.4 trillion to $3.3 trillion. This level of cash represents 25% of the market value of all common stocks in the U.S. and this remains a high level by historical standards. On signs of improving economic growth, we believe more investors will move some of their cash into bonds or stocks in order to increase current yield and/or total return.

**Portfolio Observations**

Directionally, we became more defensive at the margin in the fourth quarter. We sold the balance of several Financial Service issues (Goldman Sachs, Bank of New York Mellon, BlackRock, Northern Trust and State Street Corp.). We also sold our remaining shares of some Producer Durables (Deere, Lockheed Martin, L-3 Communications, Fluor, and McDermott), two Energy names (Schlumberger and Weatherford International), and one in Materials (BHP).

Additions to the portfolio were several Consumer Staples: Coca-Cola (1.0% of net assets as of December 31, 2009), Colgate-Palmolive (0.8%), Nestlé (1.2%), and Walgreen (0.5%), two Healthcare issues, Novo Nordisk (0.4%) and Roche Holdings (0.3%), and two energy issues, Anadarko Petroleum (0.7%) and EOG (0.8%).

There were a number of positions that were trimmed and others that were increased. In most cases, changes were geared to taking profits and reducing our significant cyclical exposure. Although there was a defensive thrust to our portfolio positioning at the margin during the quarter, we remain biased toward companies that are economically sensitive. It is not so much that we became defensive as it was that we became less offensive. The biggest change was our reduction in Financials, based on our view that housing was the weakest link in the recovery and any housing setback would be relatively more negative for the banks. About 20% of the portfolio remains invested in foreign companies.

Relative to the Russell 1000 Growth Index, we are overweight Technology, Energy, and Materials. We are underweight Healthcare, Consumer Staples, Consumer Discretionary, Producer Durables, Financial Services, Telecom Services, and Utilities. Approximately 5% of the portfolio is invested in Green Technology companies.

**Performance Commentary**

The fourth quarter continued the trend of relative strength in Technology, Materials, Energy, Consumer Discretionary, and some Financials. While additive to absolute performance, the relative returns of Producer Durables, Healthcare, and Consumer Staples lagged. We expect the fourth quarter to bring favorable earnings comparisons, year over year, for the majority of our more economically sensitive issues. It is our hope that their favorable relative earnings growth will continue into 2010 and result in superior share price performance.

For the fourth quarter, the ten holdings with the most positive impact on performance were Google (4.8%), Microsoft (4.6%), Apple (5.0%), MasterCard (1.7%), Rio Tinto (1.5%), Visa (1.4%), Amazon.com (0.6%), Freeport-McMoRan Copper & Gold (1.5%), Hess (2.2%), and Mosaic (0.8%).

For the fourth quarter, the ten holdings with the most negative impact on performance were Agnico-Eagle Mines (1.8%), Vestas Wind Systems (1.2%), Northern Trust Co., SunPower (0.5%), Goldman Sachs, Gilead Sciences (0.8%), Murphy Oil (1.0%), ITT Corp. (1.8%), First Solar (1.5%), and State Street Corp. (Goldman Sachs, Northern Trust, and State Street were not held at quarter end).

For the year, our pro-cyclical stance had a positive impact on performance, with Technology, Materials, and Energy making the largest contribution to our results. In general, stocks that had declined the most in 2008 had the greatest rebound in 2009. For the most part, these were the most economically sensitive stocks, including Financials.

For the year, the ten holdings with the most positive impact on performance were Apple, Google, Rio Tinto, Freeport-McMoRan Copper & Gold, MasterCard, Petrobras (1.3%), Amazon.com, Goldman Sachs, National Oilwell Varco (0.4%), and Joy Global (0.4%).

For the year, the ten holdings with the most negative impact on performance were SunPower, Gilead Sciences, Caterpillar, Siemens (1.3%), Nestlé, Medtronic, Walgreen, EDP Renovaveis (0.2%), and Novo Nordisk. (Caterpillar and Medtronic were not held at year end).

**Looking Ahead**

Market timing is not easy (just ask those who sold stocks at the bottom last March). The outlook for stocks is favorable relative to bonds and money market funds, but returns are not likely to be as strong as in 2009. We expect upward pressure on interest rates, which means bond returns on Treasuries will be less than 5%, and could be negative. The pressure will come from a growing supply, fewer purchases by the Fed and commercial banks, and a gradual rekindling of inflationary expectations. Money market funds will return less than 1%, as the upward pressure on rates will be focused on longer dated bonds. If the market's forward price to earnings ratio remains at 15, which is to say average, then stocks will rise to reflect and discount the growth in earnings expected for 2011. In the back half of 2010, the market will increasingly be focused on 2011 earnings prospects. As we write, the market is selling at 15 times the expected earnings of $76 for 2010. Come December 2010, it should be selling at 15 times the currently expected earnings of $86 for 2011. That gives us a price target of 1290 for the S&P 500, 13% above current levels. Add the market's 2% dividend yield and you would have a total return of 15%. Of course, the market will make adjustments as dictated by changes in earnings expectations, for better or worse. Multiples could change too, to account for changes in inflation expectations, interest rates, and tax rates. A 15% return is above the historical average for stocks (9.7%) and would dwarf returns from Treasuries and money market funds.

Capital gains taxes will continue to have a tax advantage over interest income after tax rates rise in 2011, so this favors stocks, unless current income is a priority. In fact, the capital gains tax advantage over interest income may actually widen for top wage earners after 2011, although that has yet to be determined. Of course, with stocks comes risk, too. There can be no assurance regarding returns this year. An individual's risk tolerance plays a role here as well. Corporate buyers will be a source of demand for stocks this year. Strategic cross border deals, driven by the decline in the dollar, low funding costs, and stock prices relative to 2007 peak, make U.S. companies tempting targets. It is reasonable to expect many U.S. companies with significant inside ownership to be interested in selling their businesses before the increase in capital gains taxes in 2011.

Outside the realm of traditional security analysis, Washington presents investors with its own set of policy concerns. Exactly what tax rates will apply to whom in 2011? What does healthcare reform mean? Will Congress ever get serious about tackling the budget deficit? What will financial regulatory and banking reform look like? What happens with Cap and Trade? What about Iraq, Iran, Afghanistan, and Pakistan? Yemen? What about trade frictions with the Chinese? Who will finance our budget deficit? We expect some anxious moments this year, but we do not know what they will entail nor when they will arrive.

**In Conclusion**

A few forecasters predicted the downturn. A few other forecasters predicted the upturn. Did anyone predict the downturn and the upturn? These have been and continue to be difficult and emotional times. This translates into volatility and volatility brings opportunity. The last time the nation deleveraged was the twenty years between 1933 and 1953, during which time total debt to GDP was reduced from 260% to 130%. This did not stop stocks from compounding at about 11% over this period, above the historical average of 9.7%. While many factors contributed to these results, it is significant that deleveraging does not appear to have been an obstacle to economic growth and above average stock returns. If anything, the evidence points the other way. This is confirmed by returns over the most recent twenty years, which was a period when total debt to GDP increased from around 220% of GDP to about 370%, and stocks returned 5% per annum, roughly one half the historical average.

With interest rates so low today, even a 5% compound return from stocks over the next twenty years is likely to beat a buy and hold approach to twenty year Treasuries, which are currently priced at a yield to maturity of about 4.5%. Of course, interest rates will not always be this low and who has the luxury of a twenty year investment horizon? Still, equities, warts and all, offer investors a vehicle to build capital over time. It is this desire to create wealth that leads investors to accept a high level of uncertainty with respect to shorter-term equity returns in exchange for a more predictable longer-term return, which is largely a function of earnings growth and dividend payments.

It has been a tumultuous couple of years, to say the least. As we usher in a new decade, we once again thank you for entrusting your assets to us and want to wish you and your family good health, good returns, and a happy new year!

**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 December 31, 2009.

*Abbott Labs (2.2% of net assets as of December 31, 2009) (ABT - $53.99 - NYSE)* is a global, broad based healthcare company devoted to the discovery, development, manufacture, and marketing of pharmaceuticals and medical products, including nutritionals, devices, and diagnostics. The company employs more than 72,000 people and markets its products in more than 130 countries.

*Apple (5.0%) (AAPL - $210.86 - OTC)* ignited the personal computer revolution in the 1970s with the Apple II and reinvented the personal computer in the 1980s with the Macintosh. Today, Apple continues to lead the industry in innovation with its award winning computers, OS X operating system and iLife and professional applications. Apple is also spearheading the digital media revolution with its iPod portable music and video players and iTunes online store, and has entered the mobile phone market with its revolutionary iPhone.

*Baxter International (2.4%) (BAX - $58.68 - NYSE)* is a global healthcare company that, through its subsidiaries assists healthcare professionals and their patients with treatment of complex medical conditions including hemophilia, immune disorders, kidney disease, trauma, and other conditions. With 2008 sales of $12.3 billion, and approximately 48,500 employees, Baxter applies its expertise in medical devices, pharmaceuticals, and biotechnology to make a meaningful difference in patients' lives.

*Google (4.8%) (GOOG - $619.98 - OTC)* is widely recognized as the world's largest search engine. Google's stated mission is to organize the world's information and make it universally accessible and useful. Google generates revenue by providing advertisers with the opportunity to deliver measurable, cost effective online advertising that is relevant to the information displayed on any given webpage. This makes the advertising useful to consumers as well as to the advertiser placing it. We believe this highly innovative and fast growing company is uniquely positioned to create new market opportunities while maintaining its lead in online search.

*Hess Corporation (2.2%) (HES - $60.5 - NYSE)* is a leading global independent energy company, engaged in the exploration and production of crude oil and natural gas, as well as in refining and in marketing refined petroleum products, natural gas, and electricity. Exploration and production is the engine of future income and growth, currently representing nearly 80% of capital employed and over 95% of annual capital expenditures. The Company has operations in the United States, United Kingdom, Norway, Denmark, Russia, Equatorial Guinea, Algeria, Libya, Gabon, Egypt, Ghana, the Joint Development Area of Malaysia and Thailand, Indonesia, Thailand, Azerbaijan, Australia, Brazil, and St. Lucia. They continue to increase reserves outside the mature regions of the United States and North Sea. The Company operates about 1,360 Hess branded sites in sixteen states along the East Coast of the United States.

*IBM (3.7%) (IBM - $130.90 - NYSE)* is a globally integrated enterprise that targets the intersection of technology and effective business. The company's major operations comprise a Global Technology Services segment; a Global Business Services segment; a Systems and Technology segment; a Software segment; and a Global Financing segment. We feel IBM is a growth company that also exhibits defensive characteristics, including a large services business that provides more stable recurring revenues and a broad geographic diversification with operations in 170 countries.

*Microsoft (4.6%) (MSFT - $30.49 - OTC)*, the world's leading software company, develops, manufactures, and licenses a range of software products for a variety of computing devices from PCs to servers to its Xbox game console. While the company's core desktop operating system and applications software franchise (Windows/MS Office) is maturing, Microsoft is gaining share in the enterprise market and, with its Internet and Xbox efforts, in the consumer markets also. With gross margins near 80%, Microsoft is one of the most profitable companies in history. The company's newest operating system for PCs, Windows 7, was released on October 22, 2009.

*Procter & Gamble Co. (2.0%) (PG - $60.63 - NYSE)* touches the lives of people around the world four billion times a day. The company has one of the strongest portfolios of trusted, quality, leadership brands, including Pampers®, Tide®, Ariel®, Always®, Whisper®, Pantene®, Mach3®, Bounty®, Dawn®, Gain®, Pringles®, Charmin®, Downy®, Lenor®, Iams®, Crest®, Oral-B®, Duracell®, Olay®, Head & Shoulders®, Wella®, Gillette®, Braun®, and Fusion®. The P&G community includes approximately 135,000 employees working in about 80 countries worldwide.

*QUALCOMM (3.2%) (QCOM - $46.56 - OTC)* is a leader in developing and delivering innovative digital wireless communications products and services based on CDMA and other advanced technologies. The company has over 65,000 patents issued or applied for, over 175 CDMA licensees, and approximately 16,100 employees working in 146 worldwide locations. The world leader in next generation mobile technologies, QUALCOMM ideas and inventions are driving wireless growth and helping to connect people to information, entertainment, and one another.

*Teva Pharmaceutical Industries Ltd. (2.6%) (TEVA - $56.18 - OTC)* is a global pharmaceutical company specializing in the development, production, and marketing of generic and proprietary branded pharmaceuticals and active pharmaceutical ingredients. Teva is among the top twenty pharmaceutical companies and among the largest generic pharmaceutical companies in the world. With more than a century of experience in the healthcare industry, the Company enjoys a firmly established international presence, operating through a carefully tailored network of worldwide subsidiaries. Headquartered in Israel, above 80% of Teva's sales, which totaled U.S. $11.1 billion in 2008, are in North America and Europe. Teva has over 36,600 employees worldwide and production facilities in Israel, North America, Europe, and Latin America.

Sincerely,

**Howard F. Ward, CFA**
Portfolio Manager
The GAMCO Growth Fund

January 29, 2010

**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 in seven days or less of a purchase. See the prospectus 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 net asset value is available in the financial press and each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). The Fund's Nasdaq symbol is GABGX for Class AAA Shares. Please call us during the business day 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 open end mutual funds can now elect to receive their Annual, Semiannual, and Quarterly Fund 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 by 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 solely to certain institutions which initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is $500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options would enhance the ability of the Fund to attract additional investors.

**GAMCO Growth Fund – Average Annual Returns — December 31, 2009 (a)**

| | Class AAA Shares | Class A Shares | Class B Shares | Class C Shares | Class I Shares |
|---|---|---|---|---|---|
| 1 Year | 45.71% | 45.63% | 44.59% | 44.53% | 46.02% |
| | | 37.26(c) | 39.59(d) | 43.53(e) | |
| 5 Year | 1.76 | 1.75 | 0.99 | 0.98 | 1.84 |
| | | 0.55(c) | 0.60(d) | 0.98 | |
| 10 Year | (3.86) | (3.86) | (4.29) | (4.30) | (3.82) |
| | | (4.43)(c) | (4.29) | (4.30) | |
| Life of Fund (b) | 9.54 | 9.54 | 9.32 | 9.32 | 9.56 |
| | | 9.26(c) | 9.32 | 9.32 | |
| **Current Expense Ratio** | **1.40** | **1.40** | **2.15** | **2.15** | **1.15** |
| **Maximum Sales Charge** | **None** | **5.75** | **5.00** | **1.00** | **None** |
| **Ticker Symbols** | **GABGX** | **GGCAX** | **GGCBX** | **GGCCX** | **GGCIX** |

(a) ***Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share price and 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.* ***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.***
*The Class AAA Share net asset values ("NAV") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional 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.*

(b) *Performance is calculated from inception of Class AAA Shares on April 10, 1987.*

(c) *Includes the effect of the maximum 5.75% sales charge at the beginning of the period.*

(d) *Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the one year and five year periods of 5% and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.*

(e) *Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the one year period of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.*

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/funds.

## 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 or Teton Advisors, Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients. Teton Advisors, Inc. is a publicly held company that provides investment advisory services to the GAMCO Westwood Funds.

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

# GABELLI FAMILY OF FUNDS

**VALUE**

**Gabelli Asset Fund**
Seeks to invest primarily in a diversified portfolio of common stocks selling at significant discounts to their private market value. The Fund's primary objective is growth of capital. *(Multiclass)*
*Portfolio Manager: Mario J. Gabelli, CFA*

**Gabelli Blue Chip Value Fund**
Seeks long term growth of capital through investment primarily in the common stocks of established companies which are temporarily out of favor. The fund's objective is to identify a catalyst or sequence of events that will return the company to a higher value. *(Multiclass)*
*Portfolio Manager: Barbara Marcin, CFA*

**GAMCO Westwood Equity Fund**
Seeks to invest primarily in the common stock of well seasoned companies that have recently reported positive earnings surprises and are trading below Westwood's proprietary growth rate estimates. The Fund's primary objective is capital appreciation. *(Multiclass)* *Portfolio Manager: Susan M. Byrne*

**FOCUSED VALUE**

**Gabelli Value Fund**
Seeks to invest in securities of companies believed to be undervalued. The Fund's primary objective is long-term capital appreciation. *(Multiclass)*
*Portfolio Manager: Mario J. Gabelli, CFA*

**SMALL CAP VALUE**

**Gabelli Small Cap Fund**
Seeks to invest primarily in common stock of smaller companies (market capitalizations at the time of investment of $2 billion or less) believed to have rapid revenue and earnings growth potential. The Fund's primary objective is capital appreciation. *(Multiclass)*
*Portfolio Manager: Mario J. Gabelli, CFA*

**GAMCO Westwood SmallCap Equity Fund**
Seeks to invest primarily in smaller capitalization equity securities – market caps of $2.5 billion or less. The Fund's primary objective is long-term capital appreciation. *(Multiclass)*
*Portfolio Manager: Nicholas F. Galluccio*

**Gabelli Woodland Small Cap Value Fund**
Seeks to invest primarily in the common stocks of smaller companies (market capitalizations generally less than $3.0 billion) believed to be undervalued with shareholder oriented management teams that are employing strategies to grow the company's value. The Fund's primary objective is capital appreciation. *(Multiclass)* *Portfolio Manager: Elizabeth M. Lilly, CFA*

**GROWTH**

**GAMCO Growth Fund**
Seeks to invest primarily in large cap stocks believed to have favorable, yet undervalued, prospects for earnings growth. The Fund's primary objective is capital appreciation. *(Multiclass)*
*Portfolio Manager: Howard F. Ward, CFA*

**GAMCO International Growth Fund**
Seeks to invest in the equity securities of foreign issuers with long-term capital appreciation potential. The Fund offers investors global diversification. *(Multiclass)* *Portfolio Manager: Caesar Bryan*

**AGGRESSIVE GROWTH**

**GAMCO Global Growth Fund**
Seeks capital appreciation through a disciplined investment program focusing on the globalization and interactivity of the world's marketplace. The Fund invests in companies at the forefront of accelerated growth. The Fund's primary objective is capital appreciation. *(Multiclass)* *Team Managed*

**MICRO-CAP**

**GAMCO Westwood Mighty Mites℠ Fund**
Seeks to invest in micro-cap companies that have market capitalizations of $300 million or less. The Fund's primary objective is long-term capital appreciation. *(Multiclass)* *Team Managed*

**EQUITY INCOME**

**Gabelli Equity Income Fund**
Seeks to invest primarily in equity securities with above average market yields. The Fund pays monthly dividends and seeks a high level of total return with an emphasis on income. *(Multiclass)*
*Portfolio Manager: Mario J. Gabelli, CFA*

**GAMCO Westwood Balanced Fund**
Seeks to invest in a balanced and diversified portfolio of stocks and bonds. The Fund's primary objective is both capital appreciation and current income. *(Multiclass)*
*Co-Portfolio Managers: Susan M. Byrne*
*Mark Freeman, CFA*

**GAMCO Westwood Income Fund**
Seeks to provide a high level of current income as well as long-term capital appreciation by investing in income producing equity and fixed income securities. *(Multiclass)* *Portfolio Manager: Barbara Marcin, CFA*

**SPECIALTY EQUITY**

**GAMCO Global Convertible Securities Fund**
Seeks to invest principally in bonds and preferred stocks which are convertible into common stock of foreign and domestic companies. The Fund's primary objective is total return through a combination of current income and capital appreciation. *(Multiclass)*
*Team Managed*

**GAMCO Global Opportunity Fund**
Seeks to invest in common stock of companies which have rapid growth in revenues and earnings and potential for above average capital appreciation or are undervalued. The Fund's primary objective is capital appreciation. *(Multiclass)* *Team Managed*

**Gabelli SRI Green Fund**
Seeks to invest in common and preferred stocks meeting guidelines for social responsibility (avoiding defense contractors and manufacturers of alcohol, abortifacients, gaming, and tobacco products) and sustainability (companies engaged in climate change, energy security and independence, natural resource shortages, organic living, and urbanization). The Fund's primary objective is capital appreciation. *(Multiclass)*
*Co-Portfolio Managers: Christopher C. Desmarais*
*John M. Segrich, CFA*

**SECTOR**

**GAMCO Global Telecommunications Fund**
Seeks to invest in telecommunications companies throughout the world – targeting undervalued companies with strong earnings and cash flow dynamics. The Fund's primary objective is capital appreciation. *(Multiclass)* *Team Managed*

**GAMCO Gold Fund**
Seeks to invest in a global portfolio of equity securities of gold mining and related companies. The Fund's objective is long-term capital appreciation. Investment in gold stocks is considered speculative and is affected by a variety of worldwide economic, financial, and political factors. *(Multiclass)*
*Portfolio Manager: Caesar Bryan*

**Gabelli Utilities Fund**
Seeks to provide a high level of total return through a combination of capital appreciation and current income. *(Multiclass)* *Team Managed*

**MERGER AND ARBITRAGE**

**Gabelli ABC Fund**
Seeks to invest in securities with attractive opportunities for appreciation or investment income. The Fund's primary objective is total return in various market conditions without excessive risk of capital loss.
*(No-load)* *Portfolio Manager: Mario J. Gabelli, CFA*

**Gabelli Enterprise Mergers and Acquisitions Fund**
Seeks to invest in securities believed to be likely acquisition targets within 12–18 months or in arbitrage transactions of publicly announced mergers or other corporate reorganizations. The Fund's primary objective is capital appreciation. *(Multiclass)*
*Portfolio Manager: Mario J. Gabelli, CFA*

**CONTRARIAN**

**GAMCO Mathers Fund**
Seeks long-term capital appreciation in various market conditions without excessive risk of capital loss.
*(No-load)* *Portfolio Manager: Henry Van der Eb, CFA*

**Comstock Capital Value Fund**
Seeks capital appreciation and current income. The Fund may use either long or short positions to achieve its objective. *(Multiclass)*
*Portfolio Manager: Martin Weiner, CFA*

**FIXED INCOME**

**GAMCO Westwood Intermediate Bond Fund**
Seeks to invest in a diversified portfolio of bonds with various maturities. The Fund's primary objective is total return. *(Multiclass)*
*Portfolio Manager: Mark Freeman, CFA*

**CASH MANAGEMENT-MONEY MARKET**

**Gabelli U.S. Treasury Money Market Fund**
Seeks to invest exclusively in short-term U.S. Treasury securities. The Fund's primary objective is to provide high current income consistent with the preservation of principal and liquidity. *(No-load)*
*Co-Portfolio Managers: Judith A. Raneri*
*Ronald S. Eaker*

*An investment in the above Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the Fund.*

*The Funds may invest in foreign securities which involve risks not ordinarily associated with investments in domestic issues, including currency fluctuation, economic, and political risks.*

*To receive a prospectus, call **800-GABELLI** (422-3554). 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.*

**The GAMCO Growth Fund**
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Net Asset Value per share available daily by calling
**800-GABELLI** after 7:00 P.M.



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**GAMCO**

# The GAMCO Growth Fund

SHAREHOLDER COMMENTARY
DECEMBER 31, 2009