The Gabelli ABC Fund

Merger and Arbitrage – "The Deal Fund"

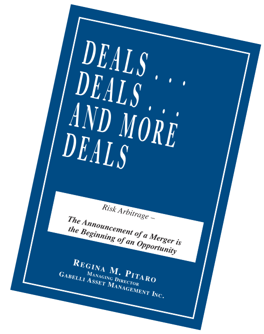
Shareholder Commentary – September 30, 2011

Mario J. Gabelli, CFA

Morningstar® rated The Gabelli ABC Fund Class AAA Shares 5 stars overall and 5 stars for the three and five year periods and 4 stars for the ten year period ended September 30, 2011 among 676, 676, 601, and 404 Mid-Cap Growth funds, respectively.†

"Give a man a fish and you feed him for a day.
Teach him how to arbitrage and you feed him forever."

– Warren Buffett



To Our Shareholders,

For the quarter ended September 30, 2011, the net asset value ("NAV") per Class AAA Share of The Gabelli ABC Fund (the "Fund") declined 3.3% compared with the Standard & Poor's ("S&P") 500 Index decrease of 13.9%. See page 2 for additional performance information.

COMMENTARY

Deal Environment and Outlook

With continued fears of the European debt situation weighing on the global financial markets, deal activity in the third quarter of 2011 fell from the prior quarter. Total global merger and acquisition ("M&A") activity, according to Thomson Reuters M&A Review, totaled $569.2 billion compared with $778 billion in the second quarter of the year. Ongoing concerns about the future of the euro zone, the outlook for the global economy, and the growing domestic fiscal deficit contributed to the stagnant M&A market.

During the first nine months of the year, global M&A increased by 21.7% from the same period in the previous year, to a total of $2.1 trillion. However, the third quarter decline of total announced deals represented the second consecutive quarterly decline since the first quarter of 2010. For the first nine months of 2011, cross border activity totaled $702.7 billion, which accounted for approximately 34.2% of all M&A volume, down from 38.3% in the first nine months of 2010.

† Morningstar Rating™ is based on risk-adjusted returns.

Energy was the leading sector in the U.S. M&A market, with deal volume totaling $167.7 billion for the first nine months of the year. It accounted for 20% of all U.S. M&A activity during that time period and an increase of 12% from the prior year. The financial sector followed, with $131.4 billion in deals announced.

With Greece on the verge of default, and fears over slowing growth in China, the outlook for the fourth quarter and the beginning of 2012 may seem quite bleak. Yet, with interest rates at record lows, companies trading at historically low multiples, and trillions of dollars in cash on corporate balance sheets, the wheels are in motion for a robust M&A environment. The slowdown in the economy should encourage companies to pay premiums for already established, cheaply priced competitors, and reduce investment in new infrastructure, which could be costly, time consuming, and risky. As this rollercoaster of a market continues to keep investors from sleeping at night, the non-market correlated, absolute return strategy of the Fund should keep our shareholders at ease during this turmoil.

(Continued on page 5)

Average Annual Returns through September 30, 2011 (a)

	Quarter	1 Year	5 Year	10 Year	Since Inception (5/14/93)
AAA Shares (GABCX)	(3.33)%	1.69%	3.46%	3.97%	6.47%
Advisor Shares (GADVX)	(3.55)	1.29	3.21	3.85	6.39
S&P 500 Index	(13.87)	1.14	(1.18)	2.82	7.32(b)
Lipper U.S. Treasury Money Market Fund Average	0.00	0.01	1.35	1.51	2.87(b)
3 Month U.S. Treasury Bill Index	0.01	0.08	1.46	1.83	3.20

In the current prospectus dated April 29, 2011, the expense ratios for the Class AAA and the Advisor Class Shares are 0.64% and 0.89%, respectively. The Fund does not have a sales charge.

(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. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. Current performance may be lower or higher than the performance data presented. Performance returns for periods of less than one year are not annualized. Returns would have been lower if certain expenses of the Fund had not been waived or reimbursed from April 1, 2002 through April 30, 2007. 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 information about these and other matters and should be read carefully before investing.*** *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 U.S. Treasury Money Market Fund Average reflects the average performance of mutual funds classified in this particular category. The 3 Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into the outstanding Treasury Bill that matures closest to, but not beyond three months from the re-balancing date. To qualify for selection, an issue must have settled on or before the re-balancing (month end) date. Dividends are considered reinvested except for the 3 Month U.S. Treasury Bill Index. 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 the Advisor Class Shares on May 1, 2007. The actual performance of the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.*

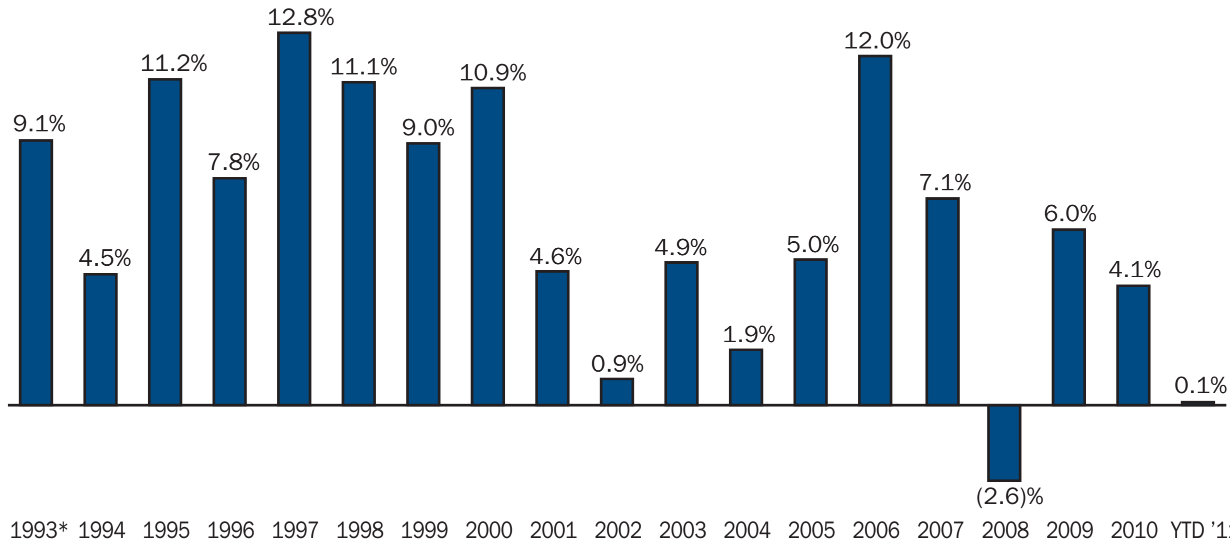
(b) *S&P 500 Index and the Lipper U.S. Treasury Money Market Fund Average since inception performance are as of April 30, 1993.*

GABELLI ABC FUND

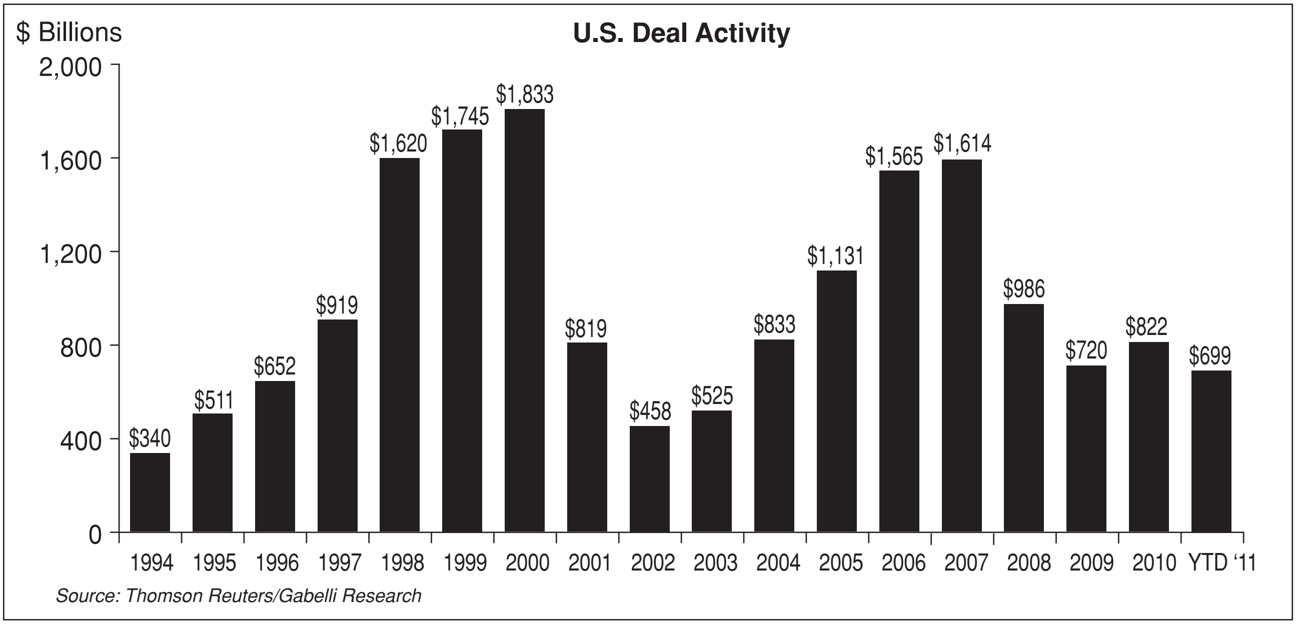
Absolute Returns

Gabelli ABC Fund is a **no-load**, open-end, non-diversified, management investment company whose investment objective is to achieve total returns that are attractive to investors in various market conditions without excessive risk of capital. Investments will be made based on management's perception of their potential for capital appreciation.

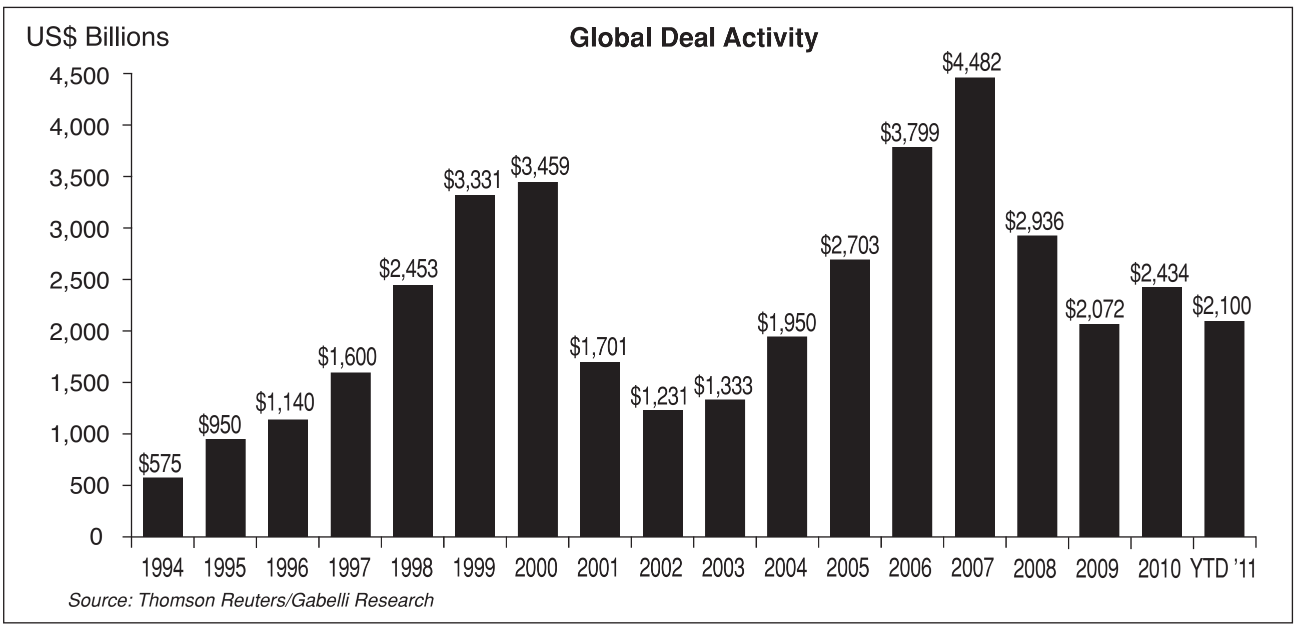
GABELLI ABC FUND (CLASS AAA SHARES)



Past performance is no guarantee of future results. *1.69%, 3.46%, 3.97%, and 6.47% are the one year, five year, ten year, and life of Fund average annual returns for the Gabelli ABC Fund AAA Shares through September 30, 2011. The expense ratio of the Class AAA Shares in the current prospectus is 0.64%. The average annual returns and total returns shown above are historical and reflect changes in share price, reinvested dividends and capital gains 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.* ***The Fund's investments are subject to market, economic, and business risks that cause their prices to fluctuate. As a non-diversified Fund, the Fund may have a larger portion of its assets in a single issuer than a more diversified fund. Because the Fund invests in announced mergers or acquisitions, the Fund is subject to the risk that the announced merger or acquisition may not be completed, may be negotiated at a less attractive price, or may not close on the expected date. The Fund may not achieve its objective and you may lose money by investing in the Fund.*** *Results from April 1, 2002 through April 30, 2007 have been enhanced by voluntary fee reductions initiated by the Adviser. 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. To obtain a prospectus and current performance, contact G.distributors, LLC, the Distributor, at 800-GABELLI.* ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about these and other matters and should be read carefully before investing.*** *The Class AAA Shares are offered only to investors who purchase shares directly through the Distributor or the Fund's transfer agent. "Absolute Returns" refers to an investment strategy that seeks to achieve positive total returns not correlated to the performance of stocks and bonds in both rising and falling markets. Advisor Class Shares are available through broker/dealers who have entered into selling agreements with the Distributor. *From commencement of operations on 5/14/93.*



$ Billions
U.S. Deal Activity
2,000
1,600
1,200
800
400
0
$340
$511
$652
$919
$1,620
$1,745
$1,833
$819
$458
$525
$833
$1,131
$1,565
$1,614
$986
$720
$822
$699
1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 YTD ‘11
Source: Thomson Reuters/Gabelli Research



US$ Billions
Global Deal Activity
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
$575
$950
$1,140
$1,600
$2,453
$3,331
$3,459
$1,701
$1,231
$1,333
$1,950
$2,703
$3,799
$4,482
$2,936
$2,072
$2,434
$2,100
1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 YTD ’11
Source: Thomson Reuters/Gabelli Research

Positions Closed in the Third Quarter 2011

BJ Wholesale Club Inc. (0.52%) is a wholesale warehouse chain that operates in the eastern United States. On June 29, 2011, the company announced that it had entered into an agreement to be acquired by private equity firms Leonard Green and CVC Capital Partners for $51.25 per share in cash. The total transaction was valued at approximately $2.8 billion. The deal was completed on October 3, 2011 for an annualized rate of return of 1.0%.

Lubrizol Corp. is a specialty chemical company. On March 14, 2011, the company announced that it had entered into an agreement with Berkshire Hathaway to be acquired for $135.00 per share in cash, valuing the entire transaction at approximately $9 billion. The merger was completed on September 16, 2011 for an annualized rate of return of 0.6%.

National Semiconductor Corp. designs, develops, and manufactures analog and mixed signal integrated circuits and sub-systems. On April 4, 2011, the company announced that it had entered into an agreement to be acquired by Texas Instruments for $25.00 per share in cash, valuing the total transaction at approximately $6.5 billion. The transaction was completed on September 23, 2011. The Fund realized an annualized rate of return of 7.4%.

Rhodia SA is a French based specialty chemicals company that develops and produces various polymers and plastics. On April 4, 2011, Belgium based Solvay announced that it had made an offer to purchase Rhodia for 31.60 euros per share in cash, valuing the company at 3.4 billion euros. In addition, shareholders would also be entitled to receive a dividend of 0.50 euros. After receiving all required regulatory approvals, on August 31, 2011, the Fund received the deal proceeds, equating to an annualized return of 3.3%.

Deals in the Pipeline – U.S. and Worldwide

Anvil Mining Ltd. (less than 0.1%) (AVM CN - $7.31 - Toronto) is an Australian based copper miner with operations focused in the Democratic Republic of Congo. The company is dual listed in both Australia and Canada. On September 29, 2011, Hong Kong based Minmetals Resources Ltd. announced that it had entered into an agreement to acquire Anvil for C$8.00 per share or C$1.3 billion in total. The deal is subject to customary foreign regulatory approvals and is expected to close by the end of 2011.

Autonomy Corp. plc (2.5%) (AU - $39.76 - London Stock Exchange) is a Cambridge, England based software development and distribution company whose technology allows computers to process information in "human friendly form," such as emails and web pages. On August 18, 2011, the company announced it had entered into an agreement to be acquired by U.S. computer giant Hewlett-Packard. Under the terms of the deal, Hewlett-Packard would pay shareholders of Autonomy GBP 25.50 per share, which valued the company at GBP 7.09 billion. Pending all required regulatory approvals, the deal is expected to close by mid October 2011.

Cephalon Inc. (3.0%) (CEPH - $80.70 - Nasdaq) is a biopharmaceutical company that develops products for the central nervous system, inflammatory diseases, pain, and oncology therapeutics. On May 2, 2011, the company announced that it had entered into an agreement with Teva Pharmaceuticals to be acquired for $81.50 per share in cash, valuing the entire transaction at roughly $6.8 billion. The merger is subject to regulatory approvals as well as a shareholder vote and is expected to close by the end of 2011.

Goodrich Corp. (4.4%) (GR - $120.68 - NYSE) makes a variety of aircraft components including landing systems, wheels and brakes, and systems for military aircraft. On September 21, 2011, the company announced that it entered into an agreement with United Technologies Corp. to be acquired for $127.50 per share in cash. The transaction, valued at approximately $16.4 billion, is subject to regulatory and shareholder approval and is anticipated to close in the second quarter of 2012.

Temple Inland Inc. (0.95%) (TIN - $31.37 - NYSE) is a manufacturing company focused on corrugated packaging and building products. The company rejected a hostile offer of $30.60 in cash on June 6, 2011 from International Paper Co. However, on September 6, the company agreed to be acquired for $32.00 a share. The transaction, valued at approximately $4.3 billion is subject to regulatory as well as shareholder approval and is anticipated to close by the end of 2011.

Sincerely,

Mario J. Gabelli

Mario J. Gabelli, CFA
Portfolio Manager and
Chief Investment Officer

October 6 , 2011

Top Ten Holdings **(Percent of Net Assets)**
September 30, 2011

Goodrich Corp. 4.4%	Arch Chemicals, Inc. 2.2%
NetLogic Microsystems, Inc. 3.2%	Ameron International Corp. 2.2%
Cephalon Inc. 3.0%	Autonomy Corp. plc 2.0%
Southern Union Co. 2.9%	Q-Med AB 1.6%
Varian Semiconductor Equipment Associates Inc. 2.5%	Nalco Holding Co. 1.2%

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.

Portfolio Manager Compensation

Mr. Gabelli’s incentive-based, variable compensation structure, and dollar amount have been fully disclosed each year since April of 2000 in GAMCO Investors, Inc.’s (NYSE: GBL) annual proxy statement. Mr. Gabelli receives no base salary, no annual bonus, and no options.

As founder and portfolio manager of The Gabelli ABC Fund, Mr. Gabelli received $518,833 in calendar 2010. Starting in May 1993, the Fund’s first year of operation, Mr. Gabelli received less than $60,000. As a direct and beneficial owner, he had $78,899,463 invested in The Gabelli ABC Fund as of December 31, 2010, which includes the holdings of GBL and its subsidiaries and GGCP, Inc., GBL’s parent holding company.

FOR THE BENEFICIAL OWNERS

The Gabelli ABC Fund remains open to new investors with the following characteristics:

Direct Ownership – Class AAA (GABCX)

- Purchases may be made through G.distributors, LLC or directly through the Fund's Transfer Agent; and
- The minimum *initial* investment is $10,000; and
- Investment accounts must be registered in the beneficial owner's name; and
- The Fund may involuntarily redeem shares through brokers or financial consultants in omnibus and individual accounts where the beneficial owner is not disclosed.

Ownership Through Intermediaries – Advisor Class (GADVX)

- The Advisor Share Class is available through unaffiliated brokers or financial consultants; and
- The minimum *initial* investment is $10,000.

www.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 GABCX for Class AAA Shares and GADVX for the Advisor Class Shares. Please call us during the business day between 8:00 AM - 7:00 PM (Eastern Time), for further information.

Please visit us on the Internet. Our homepage 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. 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 performances.

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, 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.

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund's three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund's monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA Share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative.

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, are available on our website at www.gabelli.com.

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Net Asset Value per share available daily by calling
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SHAREHOLDER COMMENTARY
SEPTEMBER 30, 2011