

# The Gabelli ABC Fund

## Merger and Arbitrage – “The Deal Fund”

### Shareholder Commentary – December 31, 2009



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 December 31, 2009 among 369, 369, 303, and 152 Mid-Cap Blend 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,

The Gabelli ABC Fund was created for conservative investors desiring to participate in the equity markets without assuming the risk of portfolios fully invested in equities. Our objective is to achieve positive returns in the various market environments. Our approach to this mandate has been to build a portfolio consisting of undervalued stocks, stable risk arbitrage positions, and risk free short-term U.S. Treasury securities.

Throughout the Fund's history, this portfolio mix has produced respectable returns in up markets and preserved capital during down markets.

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. ©2009 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

## 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 Gabelli & Company, 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.

## COMMENTARY

### Deals... Deals... Where are the Deals?

In the fourth quarter of 2009, the merger and acquisition (“M&A”) market continued to show signs of a recovery that shadowed the overall markets. Following increased M&A activity in the third quarter, the beginning of the fourth quarter saw cash rich companies taking advantage of target companies trading at depressed earnings multiples, coupled with record low interest rates. As reported by Citi in its “Executive M&A Summary,” global announced M&A volume in the fourth quarter totaled \$626 billion, up about 20% compared with the fourth quarter of 2008.

*(Continued on page 5)*

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

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception (5/14/93)
<b>Gabelli ABC Fund</b>							
AAA Shares .....	1.03%	6.03%	3.41%	5.38%	4.98%	6.74%	6.90%
Advisor Shares .....	0.93	5.83	3.19	5.25	4.91	6.70	6.86
S&P 500 Index .....	6.04	26.47	(5.62)	0.42	(0.95)	8.04	7.81
Lipper U.S. Treasury Money Market Average	0.01	0.03	1.69	2.26	2.25	3.13	3.16(c)

**The Fund’s expense ratios in the current prospectus are 0.64% for the Class AAA Shares and 0.89% for the Advisor Class Shares. 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. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. 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](http://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 is an unmanaged indicator of stock market performance, while the Lipper U.S. Treasury Money Market 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 Shares’ net asset values are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance for the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.

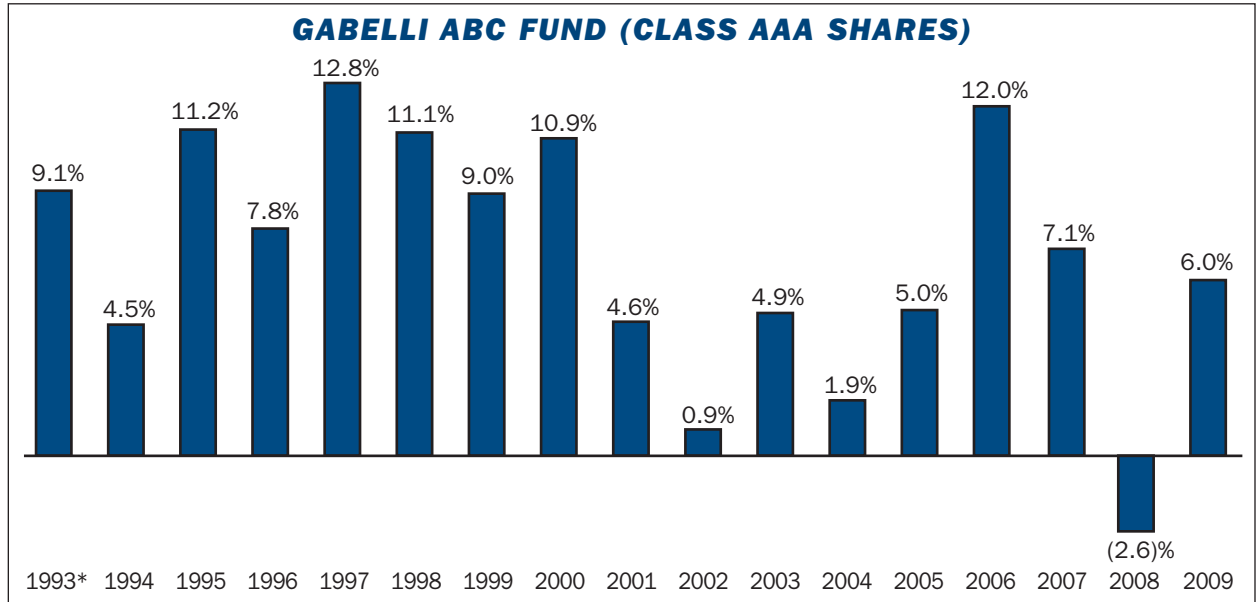
(b) From commencement of investment operations on May 14, 1993.

(c) From April 30, 1993, the date closest to the Fund’s inception for which data is available.

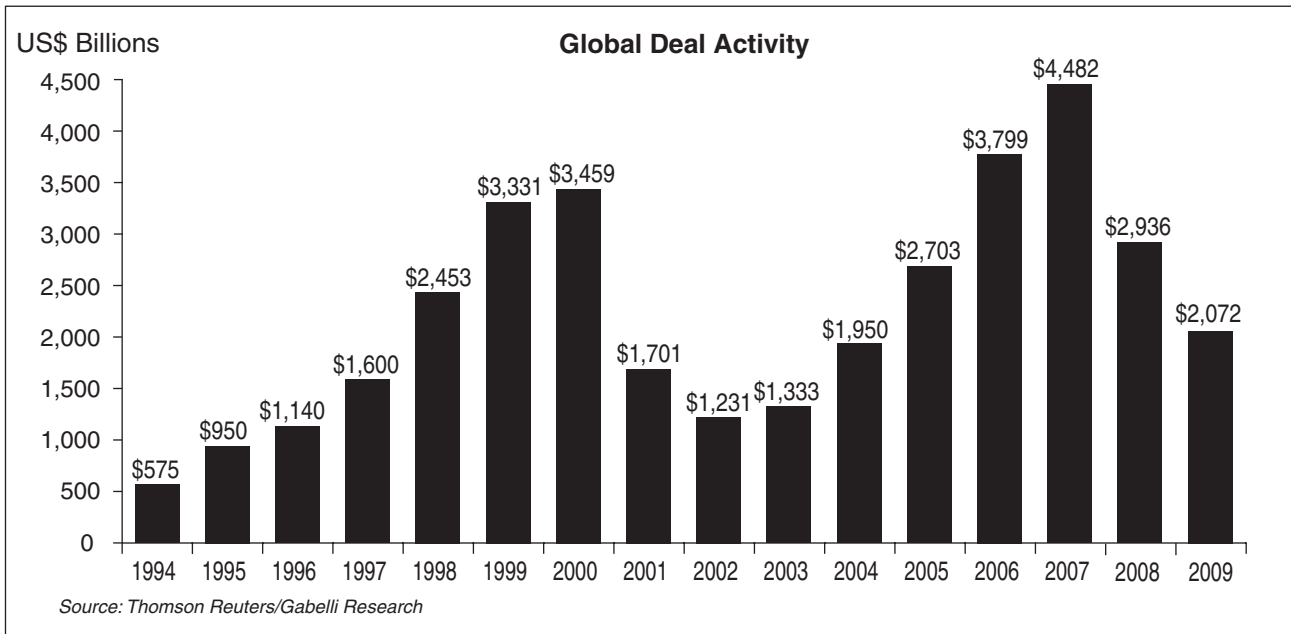
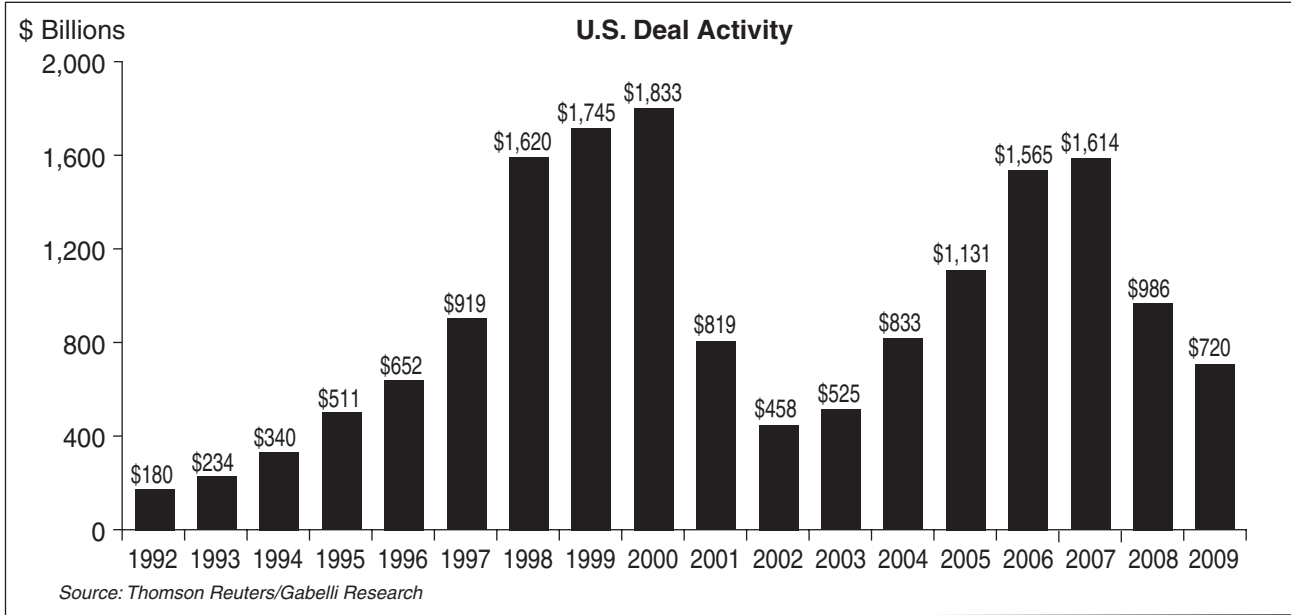
# GABELLI ABC FUND

## 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.



**Past performance is no guarantee of future results.** 6.03%, 5.38%, 4.98%, and 6.90% are the one year, five year, ten year, and life of Fund average annual returns for the Gabelli ABC Fund AAA Shares through December 31, 2009. The expense ratio of the Fund 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](http://www.gabelli.com) for performance information as of the most recent month end. To obtain a prospectus and current performance, contact Gabelli & Company, Inc., 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 this 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, Gabelli & Company 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 Gabelli & Company, Inc. \*From commencement of operations on 5/14/93.



November proved to be the strongest month of the quarter with \$259 billion worth of deals announced, which contributed to making the fourth quarter the most active of 2009. From a global perspective, North America led fourth quarter activity with 45% of all global M&A, followed by Europe, which contributed 23% of the total. Following the pattern of the prior three months, the technology and industrial sectors provided the most deal activity.

The majority of the deals were initiated by companies with cash-rich balance sheets seeking to take advantage of the depressed valuations of competitors. We expect that these opportunities will continue to emerge as companies look to strategic acquisitions to expand their businesses and give themselves a greater foothold in their sectors.

### **Positions Closed in the Fourth Quarter 2009**

The following are stock specifics on selected holdings of our Fund whose shares were tendered at a profit during the fourth quarter of 2009. Individual securities, profits, and annualized rates of return mentioned are not necessarily representative of the entire portfolio or of future returns.

*Perot Systems Corp.* provides information technology services and business solutions. Perot delivers custom solutions that enable clients to accelerate growth, streamline operations, and create new levels of customer value. On September 21, the company announced that it had entered into an agreement with Dell to be acquired for \$30.00 per share in cash. The transaction, carried out by tender offer, was valued at \$3.9 billion and closed on November 2 after a thirty-four day weighted average holding period. The annualized rate of return on our investment was 11.71%.

*Sepracor Inc.* is a fully integrated specialty pharmaceutical company. On September 3, the company announced that it entered into an agreement to be acquired by Dainippon Sumitomo, a Japanese pharmaceutical company, for \$23.00 per share, a premium of 28% over the price at which the stock had been previously trading. The deal was valued at \$2.6 billion and carried out by tender offer. It was completed on October 13, with an annualized rate of return of 7.75% and a weighted average holding period of twenty-eight days.

### **Selected Stock Holdings**

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 percentage of net assets and their share prices stated in U.S. dollar equivalent terms are presented as of December 31, 2009.

*3Com Corp. (2.2% of net assets as of December 31, 2009) (COMS - \$7.50 - Nasdaq)* provides worldwide enterprise networking solutions. On November 11, Hewlett-Packard announced that it had entered into an agreement with 3Com to acquire the company for \$7.90 per share, a 32% premium to where the stock had been trading. The deal, valued at \$2.7 billion, is subject to regulatory approvals and a shareholder vote. We anticipate that the merger will be completed in the second quarter of 2010.

*Burlington Northern Santa Fe Corp. (1.4%) (BNI - \$98.62 - NYSE)* BNSF's subsidiary, BNSF Railway Company, operates one of the largest North American rail networks, with about 32,000 route miles in 28 states and two Canadian provinces. BNSF Railway Company is among the world's top transporters of intermodal traffic, moves more grain than any other American railroad, carries the components of many of the products we depend on daily, and hauls enough low sulfur coal to generate about ten percent of the electricity produced in the United

States. Burlington Northern Santa Fe Corporation shareholders are expected to vote in favor of the company's acquisition by Berkshire Hathaway Inc. in early 2010, securing a path for BNSF Railway to continue to build upon its position as one of America's premier freight transportation companies.

*Chattem Inc. (4.0%) (CHTT - \$93.30 - Nasdaq)* is a manufacturer and marketer of a broad portfolio of branded over the counter healthcare products, toiletries, and dietary supplements. On December 21, the company entered into an agreement to be acquired by Sanofi-aventis for \$93.50 per share, a 33.6% premium from where the stock was trading previously. The tender offer deal was valued at a total of \$1.9 billion and closed on February 9, 2010.

*Diedrich Coffee Inc. (0.6%) (DDRX - \$34.85 - Nasdaq)*, founded in 1972, specializes in sourcing, roasting, and selling the world's finest coffees and is one of only four roasters under license to produce K-Cups® for the top selling single-serve Keurig brewing system. The company markets its three leading brands of specialty coffees, Diedrich Coffee, Coffee People, and Gloria Jean's Coffees, through specialty retailers, office coffee service distributors, and restaurants across the United States and Canada. Green Mountain Coffee roasters and Diedrich Coffee announced a definitive cash merger agreement at \$35 per Diedrich Coffee share, valuing the transaction at \$290 million.

*IMS Health Inc. (1.5%) (RX - \$21.06 - NYSE)*, operating in more than 100 countries, is the world's leading provider of market intelligence to the pharmaceutical and healthcare industries. With \$2.2 billion in 2009 revenue and more than fifty years of industry experience, IMS Health offers leading-edge market intelligence products and services that are integral to clients' day-to-day operations. In November 2009, IMS announced that it would become a private company, agreeing to be acquired by investment funds managed by TPG Capital and the CPP Investment Board in a transaction with a total value of \$5.2 billion. With the backing of world class private equity partners, IMS will continue its focus on expanding into new markets, further improving the quality and depth of offerings delivered to clients, and playing a bigger role in the healthcare market. The transaction is expected to close in the first quarter of 2010.

*SanDisk (0.7%) (SNDK - \$20.48 - Nasdaq)*, headquartered in Milpitas, CA, manufactures NAND based flash memory cards. The company generated \$3.35 billion in sales in 2008. The NAND flash memory cards are widely used in consumer electronics products, e.g., digital cameras, multimedia players, handsets, smartphones, and solid state drives. SanDisk's major end markets are mobile devices and imaging applications, which accounted for 33% and 25% of 2008 revenue, respectively. The NAND flash memory market has seen oversupply, excess inventories, and up to 60% average annual selling price decline (based on memory size) until early 2009. The oversupplied market and global macroeconomic recession had driven major flash memory manufacturers to lower their production significantly. This is leading to a more balanced demand/supply market and reversing the pricing trend to a sequential price increase starting in the second quarter of 2009. Market research predicts that even if all major players gear their production levels back to 100% levels, the NAND flash memory market will still end up in supply shortage by the end of 2009. SanDisk is working toward large volume production of its advanced NAND memory chips, memory chips that can store higher capacity of 3-bits (X3) and 4-bits (X4) of memory in one cell, versus one bit and 2-bits of memory chips widely used today. SanDisk set a goal of producing 50% of its total bit production in X3 and X4 in 2009. Management expects large volume production of X3 and X4 chips will generate 15-20% extra margins. Strategically, SanDisk is also shifting its business model toward a mix of captive and non-captive production. This will reduce capital expenditure significantly and help SanDisk manage the cyclical nature of demand/supply imbalance in its memory market. Lastly, SanDisk has a strong balance sheet, with \$1.11 billion in cash (\$4.90/share).

*Tandberg ASA (2.9%) (TAA - \$28.50 - Oslo Stock Exchange)* is a leading provider of telepresence, high definition videoconferencing and mobile video products and services. Tandberg has reached an agreement with Cisco whereby Cisco is launching a recommended voluntary cash offer for 100% of the shares of Tandberg. A cash consideration of NOK 153.50 will be offered per share, valuing the total share capital of Tandberg at approximately NOK 17.2 billion. The offer represents a premium of 11% to the closing price on September 30, 2009, the last trading day prior to the announcement of the offer, a premium of 25.2% to the three month volume weighted average share price ending on September 30, 2009, and a premium of 38.3% to the closing share price on July 15, 2009, one day prior to reports appearing in news publications that another party was preparing an offer for the Company. The offer also represents a premium to the all time high share price of Tandberg.

*Varian Inc. (3.0%) (VARI - \$51.54 - Nasdaq)* is a worldwide supplier of scientific instruments and vacuum technologies for life science, environmental, energy, applied research, and other applications. On July 26 the company entered into an agreement to be acquired by Agilent Technologies Inc. Under the terms of the merger agreement, Agilent will acquire all outstanding shares of Varian for \$52.00 per share, valuing the transaction at \$1.5 billion. The merger is subject to regulatory approval as well as a shareholder vote and is expected to be completed in early 2010.

Sincerely,



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

February 20, 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.

### **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 \$193,183 in calendar 2008. For the Fund's first twelve months of operation starting in May 1993, Mr. Gabelli received less than \$60,000. As a direct and beneficial owner, he had \$160,736,215 invested in The Gabelli ABC Fund as of December 31, 2009, which includes the holdings of GBL and its subsidiaries and GGCP, Inc., GBL's parent holding company.

### **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. Please call us during the business day 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](mailto:info@gabelli.com). You may sign up for our e-mail alerts at [www.gabelli.com](http://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 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](http://www.gabelli.com).

#### **Top Ten Holdings (Percent of Net Assets) December 31, 2009**

Chattem Inc. 4.0%	OCE NV 1.8%
Sun Microsystems Inc. 3.6%	IMS Health Inc. 1.5%
Varian Inc. 3.0%	Burlington Northern Santa Fe Corp. 1.4%
Tandberg ASA 2.9%	MPS Group Inc. 1.3%
3Com Corp. 2.2%	SanDisk Corp. 0.7%

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](http://www.gabelli.com/funds).

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## **Gabelli/GAMCO Funds and Your Personal Privacy**

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### **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](http://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<sup>SM</sup> 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)

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## 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 Gabelli ABC Fund

One Corporate Center  
Rye, New York 10580-1422

**800-GABELLI**

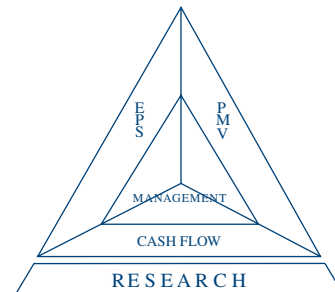
**800-422-3554**

**fax: 914-921-5118**

**website: [www.gabelli.com](http://www.gabelli.com)**

**e-mail: [info@gabelli.com](mailto:info@gabelli.com)**

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



### Board of Directors

Mario J. Gabelli, CFA  
*Chairman and Chief  
Executive Officer  
GAMCO Investors, Inc.*

Mary E. Hauck  
*Former Senior Portfolio Manager  
Gabelli-O'Connor Fixed Income  
Mutual Fund Management Co.*

Anthony J. Colavita  
*President  
Anthony J. Colavita, P.C.*

Kuni Nakamura  
*President  
Advanced Polymer, Inc.*

Vincent D. Enright  
*Former Senior Vice President  
and Chief Financial Officer  
KeySpan Corp.*

Werner J. Roeder, MD  
*Medical Director  
Lawrence Hospital*

### Officers

Bruce N. Alpert  
*President and Secretary*

Peter D. Goldstein  
*Chief Compliance Officer*

Agnes Mullady  
*Treasurer*

### Distributor

Gabelli & Company, Inc.

### Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

### Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

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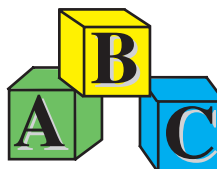
This report is submitted for the general information of the shareholders of The Gabelli ABC Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

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GAB408Q409SC



# The Gabelli



# Fund

*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 December 31, 2009 among 369, 369, 303, and 152 Mid-Cap Blend funds, respectively.*

## SHAREHOLDER COMMENTARY DECEMBER 31, 2009