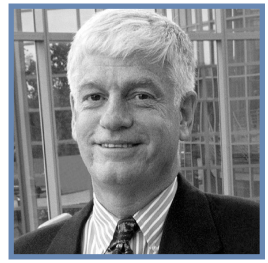
The Gabelli Small Cap Growth Fund

Shareholder Commentary – December 31, 2009

★ ★ ★ ★ ★

Morningstar® rated The Gabelli Small Cap Growth 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 566, 566, 467, and 243 Small Blend funds, respectively.



Mario Gabelli, CFA

To Our Shareholders,

For the fourth quarter of 2009, the net asset value ("NAV") per Class AAA Share of The Gabelli Small Cap Growth Fund rose 3.1%, versus an increase of 3.9% for the Russell 2000 Index. The Fund's annualized total returns for the one year, five year, ten year, fifteen year, and since inception periods were 29.7%, 3.9%, 8.4%, 11.2%, and 12.6%, respectively.

The Economy

One year ago, the demand shock triggered by the September 2008 collapse of Lehman Brothers had just begun to ripple through the economy. Visibility was limited and the near term bleak. The economy and the stock market were stuck in a negative feedback loop that was broken only when Federal Reserve Chairman Ben Bernanke pledged to stave off deflation by "starting the printing press." After bottoming at 666 on March 6, the S&P 500 staged a remarkable comeback, up 68% from this nadir.

Comparative Results

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

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception (10/22/91)
Gabelli Small Cap Growth Fund Class AAA	**3.10%**	**29.72%**	**(1.34)%**	**3.92%**	**8.38%**	**11.15%**	**12.56%**
Russell 2000 Index	3.87	27.17	(6.07)	0.51	3.51	8.56	8.56

The expense ratio in the current prospectus is 1.48% for the Fund's Class AAA Shares. Class AAA Shares do 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 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.*** *See page 7 for performance of other classes of shares. Investing in small capitalization securities involves special challenges because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 Index is an unmanaged indicator of stock market performance. Dividends are considered reinvested. You cannot invest directly in an index.*

(b) *The Fund's fiscal year ends September 30.*

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.

As governments formulated their rescue attempts, we noted two risks to the economy: one – that governments would do too little, leading to systemic collapse and a deflationary downward spiral, or two – that they would do too much, igniting inflation. We see growing evidence, gathered by our research team on a company-by-company and industry-by-industry basis, that asset prices have stabilized and that growth is returning. With this backdrop, it appears that risk is weighted toward governments doing too much. Ben Bernanke may have proven himself the true "maestro" in providing the liquidity to prevent the economy from falling into the abyss, but withdrawing this liquidity without stalling the recovery may be a more demanding task. Likewise, policymakers in the U.S. and other developed economies are faced with rising entitlements and growing deficits and the unsavory alternatives of raising taxes and/or letting fiscal stimulus lapse in an election year.

Ultimately, the discipline of the market will be felt. If central bankers and elected officials are unable to retrace their stimulus efforts with nearly perfect precision, inflation will emerge, private borrowing will be crowded out and interest rates will rise, posing renewed risk to the economy in 2011. And higher interest rates and taxes and greater levels of government regulation have historically not been recipes for rising stock market multiples. Thus we begin the year with a cautionary tone. We think near-term corporate profits will be robust and the economic rebound could exceed expectations, but we wonder how long the recovery will last before new signs of trouble emerge. We believe stock selection will become increasingly important in this market, especially as much of the "easy money" has already been made.

Deals, Deals, Deals – The Fifth Wave

As we wrote here last quarter, we believe a "Fifth Wave" of global takeovers is underway. Deals were done in the 1960s by conglomerates to offset economic cycles. In the 1980s, deals were a way to energize lazy assets. The 1990s saw serial acquirers and a technology fueled boom. More recently, the M&A scene was dominated by private equity.

Today corporate buyers are using acquisitions to add global growth and scale. The strong are taking advantage of low valuations and excess corporate cash to get stronger. This thesis was highlighted by Kraft's unsolicited bid for Fund holding, Cadbury plc (0.1%). After some textbook M&A tactics, Cadbury eventually agreed to a sweetened $20 billion offer from Kraft. In January 2010, Fund holding Broadview Security, the second largest alarm monitoring company in the U.S., announced it had reached a definitive agreement to be acquired by market leader Tyco International (0.6%) for $42.50 per share. We identified Broadview as an acquisition candidate upon its spin-off from The Brink's Company in October 2008. We believe additional financial engineering (e.g. spin-offs) among companies in the Fund will facilitate further deal making in the future.

Investment Scorecard

Some of the largest contributors to return in the fourth quarter included Dana Holding Corp., (+59%) (0.6% of net assets as of December 31, 2009), CNH Global (+56%) (0.8%), and the Fund's second largest holding, SSL International (+24%) (1.3%).

Detractors from performance were limited in the fourth quarter. They included the the global manufacturer, Ferro Corp. (–7%) (1.2%); fluid control company, CIRCOR International (–11%) (0.7%); and newspaper publisher/broadcaster Media General (–8%) (0.4%), which had rebounded in the third quarter.

Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the share prices are stated in U.S. dollar equivalents as of December 31, 2009.

BorgWarner, Inc. (0.4% of net assets as of December 31, 2009) (BWA - $33.22 - NYSE), headquartered in Auburn Hills, MI, is a Tier 1 supplier of engine and drivetrain products for OEMs of light vehicles, as well as commercial vehicles, such as heavy duty trucks, buses, and agricultural and off-highway vehicles. As rising production schedules invariably help all automotive suppliers, we are more attracted to companies like BorgWarner that focus on enabling automakers to meet challenges for next generation vehicle technology. Exposure to these high growth areas reinforces our confidence that BWA sales will outpace overall vehicle production in the coming years.

CIRCOR International Inc. (0.7%) (CIR - $25.18 - NYSE) is the largest manufacturer of domestic regulators and marine products for the steam market, the second largest provider of domestic ball valves, and the third largest maker of industrial valves and fittings for the instrumentation market. Major competitors of CIRCOR's products include Parker Hannifin, Eaton, Moog, and Cooper Cameron. Since CIRCOR was spun off from Watts Water Technologies in 1999, CIRCOR has continued to be an attractive company in a consolidating industry. We believe the rationale for the spin-off was for management to pursue its own strategy, which included acquisitions or a possible merger with another company.

CLARCOR Inc. (0.8%) (CLC - $32.44 - NYSE), based in Franklin, TN, is a manufacturer of mobile, industrial, and environmental filtration products, as well as consumer and industrial packaging products in domestic and international markets. We are attracted to CLARCOR's "razor blade" business model, in which recurring revenues derived from aftermarket sales help mitigate end market cyclicality. Additionally, the company has positioned itself to benefit from growth markets, such as highway and infrastructure expansion in China.

Curtiss-Wright Corp. (0.8%) (CW - $31.32 - NYSE) is a manufacturer of actuation and electronic devices for the aerospace and industrial markets. The company makes high performance actuation systems used in airplane wings, pumps, and valves for the nuclear power generation industry and provides laser and shot peening services to the aerospace, automotive, and general industrial markets. An area of strong growth for Curtiss-Wright is the nuclear power generation business to which the company provides critical controlled pumps and valves. Currently, CW's growth is based on the plant life extension and maintenance of the 103 nuclear power plants in the U.S. Plant life extensions provide CW with substantial spare, repair, and engineering systems business. About thirty-nine plants have received licenses for an extended life. Another thirty-nine plants will be seeking plant life extension from now to 2012, and the remainder is expected to come afterwards. The company's nuclear business should increase CW's future earnings growth.

The Gorman-Rupp Co. (0.6%) (GRC - $27.64 - AMEX) is a manufacturer of pumps for use in the construction, industrial, and sewage and waste handling fields for boosting low residential water pressure, pumping refined petroleum products, heating and cooling applications, and various agricultural purposes. GRC pumps are also used for fire protection in sprinkler systems and fire hydrants and for dewatering and flood control purposes. The company operates in the water industry that has a history of consolidation. A few years ago, ITT purchased WEDECO, a manufacturer of ultraviolet and ozone oxidation water treatment systems for about 236 million euros ($270 million) or 11.2 times EBITDA. This deal was followed by Danaher's acquisition of Trojan Technologies, another manufacturer of ultraviolet water treatment systems for about 239 million Canadian dollars ($185 million) or 13.3 times EBITDA. Then, General Electric completed the purchase of Ionics, a leader in water purification and desalination for about $1.2 billion or 15.4 times EBITDA. As the multiples for water companies escalate, they are increasing GRC's private market value.

GrafTech International Ltd. (1.0%) (GTI - $15.55 - NYSE) sells its products through a direct sales force, independent sales representatives, and distributors in North America, South America, Africa, Europe, and Asia. GrafTech International was founded in 1886 and is headquartered in Parma, Ohio. It develops and manufactures graphite and carbon material science based solutions. The company operates in two segments, Industrial Materials and Engineered Solutions. GrafTech continues to execute on productivity initiatives and remains focused on maximizing flow-through of sales dollars to bottom line results. On the cash flow front, this discipline has allowed the company to remain cash flow positive in a very difficult operating environment. As a result, GrafTech exited the quarter virtually debt free. On the operating income front, second half of 2009 results are expected to be approximately double the first half of 2009 as a result of increased sales and continued tight cost control.

Greif Inc. (0.7%) (GEF - $53.98 - NYSE), formerly known as Greif Bros. Corporation, changed its name to Greif, Inc. in 2001. Greif, Inc., founded in 1877 and headquartered in Delaware, OH, engages in the manufacture and sale of industrial packaging, containerboard, and corrugated products worldwide. It operates in three segments: Industrial Packaging, Paper Packaging, and Land Management. As of October 31, 2009, Greif, Inc. owned approximately 268,000 acres of timber properties in the southeastern United States and approximately 25,050 acres of timber properties in Canada. During fiscal year ended October 31, 2009, Greif rapidly and decisively adapted to difficult global market conditions and volatile raw material prices, achieved over $150 million in contingency savings, and completed several tuck-in acquisitions. The company expects to realize further benefits in 2010 from actions taken during 2009.

Griffon Corp. (0.9%) (GFF - $12.22 - NYSE), based in Jericho, NY, operates three businesses: Clopay Garage Doors, which manufactures residential garage doors; Specialty Plastic Films, which develops plastic films used as moisture barriers in baby diapers and adult incontinence products; and Telephonics, which manufactures a variety of electronic systems used in defense and commercial markets worldwide. For fiscal year ended September 30, 2009, Griffon generated revenues of $1.2 billion and EBITDA of approximately $70 million. Currently, Griffon trades at a significant discount to its private market value. The company's adult incontinence products should benefit as the number of baby boomers in the 65+ age group grows at the fastest rate in history. Additionally, an improvement in housing market fundamentals should provide tailwinds to the company's garage door business. Finally, CEO Ron Kramer could help surface value by spinning off or selling some businesses or through streamlining existing operations.

Herley Industries, Inc. (0.2%) (HRLY - $13.89 - Nasdaq) makes microwave products and systems used to receive, transmit, and process wireless data signals in command and control, flight instrumentation, weapon sensors, and electronic warfare products for the military and defense markets. The U.S armed forces are now fighting irregular wars, like the conflicts in Iraq and Afghanistan. Snipers, improvised electronic devices, booby traps, and house-to-house combat with an unidentified enemy are the hallmarks of this warfare. To effectively fight this kind of war, the military needs unmanned airborne vehicles, robots, counter-improvised electronic devices (IEDs), sensors, surveillance, intelligence gathering, and networking of communications. Herley's components are embedded in these products making the company more valuable over time.

Kaman Corporation (1.0%) (KAMN - $23.09 - Nasdaq) is a diversified company operating in five business units. These businesses include the Specialty Bearings group that manufactures self-lubricating ball and roller bearings for aircraft flight controls and hydropower installations; the Aerostructures operation offers build-to-print manufacturing and production services; the Precision Products group makes fuzing devices for missiles and bombs, the Helicopters segment performs subcontract work for other aerospace manufacturers, and Industrial Distribution distributes power transmission, motion control, and material handling products to general industries. The company is well positioned for earnings growth driven by its leading position in self-lubricating ball bearings, a new unmanned aerial helicopter for use in Afghanistan and in other irregular warfare, new business contracts in manufacturing and production services, and a distribution business that should benefit from infrastrucutre spending and a broad base economic recovery.

SSL International (1.3%) (SSL - $8.52 - London Stock Exchange). Whether it's a new condom designed to provide greater sensation, a cream that helps repair cracked heels, or a pair of shoes that make walking more comfortable, SSL strives to create better experiences for people around the world. SSL has operations in thirty-five countries across Europe, Asia Pacific, and the Americas, which sell into over 100 countries worldwide and also has manufacturing operations in India, Thailand, China, and the UK. SSL employs around 5,000 people globally. SSL core brands, Durex and Scholl, help people enjoy more satisfying sex lives, keep their nails and feet healthy, and offer comfortable and stylish shoes that help posture.

Conclusion

We think an environment in which generally flat market performance is punctuated by occasional corporate transactions is ideal for our Private Market Value (PMV) with a Catalyst™ investment approach. We first and foremost select stocks based on their fundamentals. We seek an adequate margin of safety and one or more catalysts that can surface the intrinsic value of a security. To the extent that a takeover provides that catalyst, it adds an extra element of return to the portfolio.

Sincerely,

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

January 29, 2010

Note: The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Portfolio Managers' Shareholder Commentary represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Managers and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

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 Small Cap Growth Fund, Mr. Gabelli received $3,034,974 in calendar 2008. In 1991, the Fund's first year of operation starting in October, Mr. Gabelli received less than $3,200,000. As beneficial owner, he had $5,094,926 invested in The Gabelli Small Cap Growth Fund as of December 31, 2009, which includes the holdings of GBL and GGCP, Inc., GBL's parent holding company.

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.

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.

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 GABSX for Class AAA Shares. Please call us during the business day for further information.

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.

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

O'Reilly Automotive Inc. 1.4%	Kaman Corp. 1.0%
SSL International plc 1.3%	PNM Resources Inc. 1.0%
Ferro Corp. 1.2%	The Interpublic Group of Companies Inc. 1.0%
Vimpel-Communications, ADR 1.0%	Flowserve Corp. 1.0%
GrafTech International Ltd. 1.0%	Waddell & Reed Financial Inc., Cl. A 0.9%

Multi-Class Shares

The Gabelli Small Cap 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 that invest directly with the Fund. The minimum initial investment amount for Class I Shares is $500,000. The Board of Directors determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

Gabelli Small Cap Growth Fund Average Annual Returns – December 31, 2009 (a)(b)

	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	29.72%	29.66%	28.69%	28.79%	30.02%
		22.20(c)	23.69(d)	27.79(e)	
5 Year	3.92	3.92	3.14	3.16	4.03
		2.69(c)	2.78(d)	3.16	
10 Year	8.38	8.38	7.90	7.91	8.44
		7.74(c)	7.90	7.91	
Life of Fund (f)	12.56	12.56	12.28	12.29	12.59
		12.19(c)	12.28	12.29	
Current Expense Ratio	**1.48**	**1.48**	**2.23**	**2.23**	**1.23**
Maximum Sales Charge	**None**	**5.75**	**5.00**	**1.00**	**None**
Ticker Symbols	**GABSX**	**GCASX**	**GCBSX**	**GCCSX**	**GACIX**

(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 Shares' NAVs 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 for the Class B Shares and Class C Shares would have been lower and Class I Shares would have been higher due to the differences in expenses associated with these classes of shares. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities.*

(b) *The Fund's fiscal year ends September 30.*

(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 charge 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.*

(f) *Performance is calculated from inception of Class AAA Shares on October 22, 1991.*

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 Equity Series Funds, Inc.

The Gabelli Small Cap Growth Fund

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

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

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The Gabelli Small Cap Growth Fund

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SHAREHOLDER COMMENTARY
DECEMBER 31, 2009