

The Gabelli Small Cap Growth Fund

Shareholder Commentary September 30, 2011



Mario J. Gabelli, CFA

Morningstar® rated The Gabelli Small Cap Growth Fund Class AAA Shares 5 stars overall and 5 stars for the three, five, and ten year periods ended September 30, 2011 among 578, 578, 493, and 289 Small Blend funds, respectively.†

To Our Shareholders,

For the quarter ended September 30, 2011, the net asset value (“NAV”) per Class AAA Share of The Gabelli Small Cap Growth Fund (the “Fund”) declined 18.7% compared with the decrease of the Russell 2000 Index of 21.9%. See page 2 for additional performance information.

The Economy

“May you live in interesting times.”

– Chinese proverb

The third quarter of 2011 certainly qualified as an “interesting time.” While the proverb above may sound like a blessing, it was intended as a curse. We see elements of both in the current environment – while market gyrations stress investor psyches, these movements elicit real investment opportunities.

Macroeconomic news this year has been dominated by the “sovereigns” – primarily the governments of the European Union, the United States, and China. The formation of the EU under the Maastricht Treaty of 1992 was an historic step in unifying a continent that had been fragmented since the fall of the Roman Empire, including establishing the criteria for a single currency under the European Monetary Union (EMU). The legacy of the treaty – which left members with control over fiscal policy but centralized authority over monetary policy – is now in question as weaker governments lack the exchange rate tools that would allow adjustment to a more competitive footing. European leaders are working to balance the interests of distressed countries such as Greece and Portugal against those of healthier economies such as Germany and Finland within the current framework. The task is difficult and likely painful, but we believe at this point the EMU will survive.

The U.S. faces its own fiscal challenges as \$15 billion of federal debt, nearing 100% of GDP, reaches levels not seen since the end of World War II. Unlike captives of the EU, however, the U.S. can (for a time) improve competitiveness by devaluing the dollar and possesses the special privilege of repaying its debts in the currency it controls. That did not stop Standard & Poor’s on August 5th from issuing its first downgrade of U.S. debt, from AAA to AA+, citing the “political brinksmanship” of a summer budget debate that ultimately failed to reduce the country’s long-term debt load. We see little hope for reconciliation on the domestic front until after the 2012 elections. Political tensions and popular discontent parallel both sides of the Atlantic. Troubles in Athens, Greece may seem distant for Americans in Athens, Georgia, but global market movements spurred by the S&P downgrade and EU bailouts are proof as to how interconnected the world has become. We see efforts to diminish globalization as futile at best and a grave danger to recovery at worst.

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

Comparative Results

Average Annual Returns through September 30, 2011 (a)(b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	Since Inception (10/22/91)
Class AAA (GABSX)	(18.73)%	(2.70)%	3.10%	9.18%	11.91%
Russell 2000 Index	(21.87)	(3.53)	(1.02)	6.12	5.31(f)
Class A (GCASX)	(18.76)	(2.70)	3.10	9.17	11.91
With sales charge (c)	(23.43)	(8.30)	1.88	8.53	11.58
Class B (GCBSX)	(18.90)	(3.43)	2.31	8.54	11.58
With contingent deferred sales charge (d)	(22.96)	(8.26)	1.94	8.54	11.58
Class C (GCCSX)	(18.91)	(3.43)	2.34	8.55	11.59
With contingent deferred sales charge (e)	(19.72)	(4.40)	2.34	8.55	11.59
Class I (GACIX)	(18.67)	(2.45)	3.30	9.28	11.96

In the current prospectus dated January 28, 2011, the expense ratios for Class AAA, A, B, C, and I Shares are 1.44%, 1.44%, 2.19%, 2.19%, and 1.19%, respectively. Class AAA and Class I Shares have no sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.

(a) ***Returns represent past performance and do not guarantee future results.*** Total returns and average annual returns reflect changes in share prices, 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. 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 Class AAA Share NAVs 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 the Class I Shares on January 11, 2008. The actual performance for the Class A Shares, Class B Shares, and Class C Shares would have been lower and for 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. The Russell 2000 Index is an unmanaged indicator which measures the performance of the small-cap segment of the U.S. equity market. Dividends are considered reinvested. You cannot invest directly in an index.

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

(c) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.

(d) Assuming payment of the maximum contingent deferred sales charge ("CDSC"). The maximum CDSC for Class B Shares is 5% and is gradually reduced to 0% after six years.

(e) Assuming payment of the 1% maximum CDSC imposed on redemptions made within one year of purchase.

(f) Russell 2000 Index since inception performance is as of October 31, 1991.

In contrast to these macroeconomic dynamics, the picture painted by everyday participants in the economy, the companies we follow, appears less bleak. Demand is not robust, but reasonably stable. Margins remain high and balance sheets are stronger than before the 2008 crisis. Nevertheless, the market seems to be discounting a slowdown, the depth and length of which remains in question.

Against this backdrop, Mr. Market has returned to his hyperactive ways. Market volatility as measured by the VIX index ended the quarter with a reading of 43, below the reading of 80 at the height of the crisis in October 2008, but well-above the more “normal” 20-25 range into which the VIX settled during 2010. Large intraday moves and high correlations among stocks, which we suspect have been exacerbated by high frequency traders (HFTs) and exchange traded funds (ETFs), have at once made investment frustrating in the short-term but attractive for the patient-minded. Indeed if the mindless investing of HFTs and ETFs are setting the marginal prices for securities, then those focused on fundamental research, like (y)our team should deliver superior returns over the long term.

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 percentage of net assets and their share prices stated in U.S. dollars or U.S. dollar equivalent terms are presented as of September 30, 2011.

Casey's General Stores (0.8% of net assets as of September 30, 2011) (CASY - \$43.65 - Nasdaq) operates convenience and gas stores located mostly in small towns in eleven Midwestern states (primarily in Iowa, Missouri, and Illinois). Approximately 1,425 of CASY's 1,665 total stores are located in rural areas with populations of less than 20,000 persons, with 1,000 of those stores in communities where the population is less than 5,000 persons. CASY derives about half its gross profits from grocery and other merchandise sales, 30% from prepared foods, and 20% from gasoline sales, and owns the land and building at about 1,525 of its locations. The company self-distributes which provides both cost savings and ability to react quickly to changing consumer tastes.

Gorman-Rupp Co. (0.8%) (GRC - \$24.69 - AMEX) is a leading manufacturer of pumps and related equipment for use in water, wastewater, construction, industrial, fire protection, HVAC, and other liquid-handling applications. In the municipal market, Gorman manufactures a clean water and sewage handling pumping system that supplies fresh drinking water to near-by communities and removes sewage water for reuse. In the water and wastewater market, Gorman makes large pumps for flood control that can move large volumes of water continually and quickly. When Hurricane Katrina caused the flooding of New Orleans, the U.S. Army Corps of Engineers purchased eight pumps from Gorman-Rupp to reduce the water level. In the commercial market, the company makes an extensive line of centrifugal pumps, automatic sprinkler systems, fire hydrants, and pipes for the fire protection market. Gorman-Rupp products are extensively used in the replacement market. We believe the company has a bright future driven by the aging infrastructure in the U.S. that needs replacement or upgrade.

Kaman Corp. (1.1%) (KAMN - \$27.85 - Nasdaq) is a diversified company serving the aerospace, defense, and industrial markets. The aerospace segment manufactures aircraft bearings, precision fuses, helicopter components, and subcontract aerostructure work. Kaman's aerospace business is benefitting from the increased production of commercial aircraft and higher aftermarket sales driven by increased flying hours. In the Industrial segment, the company distributes power transmission, motion control, and material handling products to a broad range of industries. This segment is benefitting from the global economic and industrial recovery. We believe the company is well positioned for earnings growth, driven by its leading positions in various aerospace and defense programs and higher industrial distribution sales.

Midas, Inc. (0.2%) (MDS - \$8.20 - NYSE) headquartered in Itasca, IL, is one of the world's largest providers of automotive repair, including brake, maintenance, tires, steering, suspension, and exhaust services. The company is currently the franchisor of over 2,490 Midas and Speedee automotive repair shops worldwide, including 1,547 in the United States and Canada. Midas continues to benefit as weak new vehicle sales have caused aging of the light vehicle population within the United States, pushing consumers to repair and service providers like Midas to keep their cars on the road longer. Midas recently disclosed that it had hired investment bankers to pursue avenues to unlock shareholder value, including the potential sale of its real estate assets.

PNM Resources, Inc. (1.0%) (PNM - \$16.43 - NYSE) is a public utility holding company headquartered in Albuquerque, New Mexico. Regulated electric utility subsidiaries include Public Service Company of New Mexico and Texas-New Mexico Power Company and non-regulated subsidiaries include Optim Energy and First Choice Power. Historically, PNM has experienced above-average customer growth and below-average regulatory treatment. However, the New Mexico regulatory environment has improved and the company is awaiting a final decision on a constructive rate settlement that is likely to result in further earnings growth. First Choice Power has delivered strong earnings over the past several quarters while Optim Energy will benefit from improving Texas power markets over the next few years.

Quidel Corp. (0.5%) (QDEL - \$16.37 - Nasdaq) based in San Diego, CA, is a leading manufacturer of diagnostic healthcare solutions with a focus on infectious diseases, reproductive health, and gastrointestinal diseases. Founded in 1979, the company develops products that are primarily geared toward providing diagnoses for acute and chronic conditions in the areas of women's health and infectious diseases. The Company sells its products directly, to both end users and distributors, in each case, for professional use in physician offices, hospitals, clinical laboratories, reference laboratories, universities, retail clinics and wellness screening centers. The Company's Specialty Products Group (SPG) develops research products primarily in the fields of oncology, bone health, and autoimmune disease. This unique business segment adds value in the medical testing industry through rapid diagnostic in-vitro test products used at the point-of-care (POC), usually at a doctor's office or other outpatient setting. Unlike most tests, which need to be sent off to a lab to be analyzed, POC tests can be read on the spot. In 2010, Quidel acquired Diagnostic Hybrids (DHI) as a part of a continued focus on increasing its research and development efforts and to accelerate the rate of new product innovation. For fiscal 2010, the company did sales of \$113.3 million and currently has a market capitalization of \$544.37 million.

Strattec Security Corp. (0.3%) (STRT - \$23.98 - Nasdaq) headquartered in Milwaukee, WI, is one of the world's largest producers of automotive security products. Founded in 1994, Strattec designs, develops, manufactures, and markets mechanical locks, electronically enhanced locks and keys, and ignition lock housings; access control products, including latches, power sliding door systems, power lift gate systems, power deck lid systems, door handles, and related access control products. The company services customers in the U.S., Canada, Mexico, Europe, South America, Korea, and China. The company is a direct supplier to original equipment manufacturers (OEM), auto, and light truck manufacturers. For the past few years, Strattec has looked to grow its customer base by expanding its product offerings to manufacturers of over-the-road heavy truck and recreational vehicles. The company looks to grow on a global basis by establishing strategic partnerships around the world. Strattec generated revenues of \$260.93 million for fiscal 2010 (ended July 3, 2011), producing net income of \$5.42 million. Since the end of 2009, sales have more than doubled, signifying the robust growth potential for the company going forward. Furthermore, this expansion in customer base and substantial increase has been catalyzed solely through organic growth. Strattec's financial strength and prospects for continued revenue growth can be evidenced by the company announcing, on August 23, 2011, that it would be resuming the payment of a quarterly dividend of \$.10, which it had suspended in 2008. Currently the company has a market capitalization of \$75.66 million.

Investment Scorecard

The Fund's holdings of gold mining stocks including Barrick Gold (0.1%) (+4%) helped to stabilize returns in the quarter. Gold equities have been long-term holdings as we believe gold can act as ballast in times of instability or inflation. The performance of gold bullion continues to outstrip the performance of gold equities, which leaves them cash-flowing bargains in our view. The Fund's holdings of consumer staples stocks, including Church & Dwight (0.1%) (+9%) and Yakult Honsha (0.3%) (+9%), also contributed positively to returns.

Cablevision Systems (0.4%) (-37%), one of the largest positive contributors to performance in 2009 and 2010, declined after posting weak subscriber numbers, adding to anxiety over secular change, competitive pressure and economic sensitivity in the cable industry. While mindful of these dynamics, we believe Cablevision's subscription model and high free cash flow will prove resilient through this economic environment. Other detractors from performance included cyclically sensitive industrial stocks including Ametek (0.6%) (-26%) and Thomas & Betts (0.7%) (-26%). We believe these stocks would weather a possible downturn and remain well-positioned to benefit from an increase in economic activity.

Conclusion

We do not call market tops or bottoms – we pick stocks. In these difficult times, we think it is critical to adhere to our proven PMV with a Catalyst methodology. The glum psychology of Mr. Market dumping stocks gives us good price protection on sound assets run by solid managements.

Sincerely,



Mario J. Gabelli, CFA

Portfolio Manager and

Chief Investment Officer – Value Portfolios

October 10, 2011

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

O'Reilly Automotive Inc. 1.7%	CIRCOR International Inc. 0.8%
RPC Inc. 1.3%	Kikkoman Corp. 0.8%
Kaman Corp. 1.1%	The Gorman-Rupp Co. 0.8%
PNM Resources Inc. 1.0%	Crane Co. 0.8%
Casey's General Stores Inc. 0.8%	Curtiss-Wright Corp. 0.8%

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 Small Cap Growth Fund, Mr. Gabelli received \$4,415,654 in calendar 2010. Starting in October 1991, the Fund's first year of operation, Mr. Gabelli received less than \$120,000. As beneficial owner, he had \$6,359,422 invested in The Gabelli Small Cap Growth Fund as of December 31, 2010, 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, between 8:00 AM – 7:00 PM (Eastern Time), for further information.

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.

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 through selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions, directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. 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.

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. ©2011 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.

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.

Gabelli Equity Series Funds, Inc.
The Gabelli Small Cap Growth Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: 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.*

Robert J. Morrissey
*Attorney-at-Law
Morrissey, Hawkins & Lynch*

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.*

Anthony R. Pustorino
*Certified Public Accountant,
Professor Emeritus
Pace University*

John D. Gabelli
*Senior Vice President
Gabelli & Company, Inc.*

Anthonie C. van Ekris
*Chairman
BALMAC International, Inc.*

Salvatore J. Zizza
*Chairman
Zizza & Co., Ltd.*

Officers

Bruce N. Alpert
President and Secretary

Agnes Mullady
Treasurer

Peter D. Goldstein
Chief Compliance Officer

Custodian, Transfer Agent, and Dividend Agent

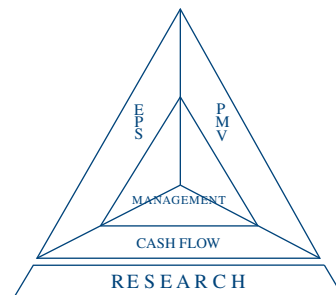
State Street Bank and Trust Company

Distributor

G.distributors, LLC

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP



The Gabelli Small Cap Growth Fund

Morningstar® rated The Gabelli Small Cap Growth Fund Class AAA Shares 5 stars overall and 5 stars for the three, five, and ten year periods ended September 30, 2011 among 578, 578, 493, and 289 Small Blend funds, respectively.†

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

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.

GAB443Q311SC

SHAREHOLDER COMMENTARY
SEPTEMBER 30, 2011