The Gabelli Equity Income Fund

Shareholder Commentary
June 30, 2017

Mario J. Gabelli, CFA
Portfolio Manager

To Our Shareholders,

For the quarter ended June 30, 2017, the net asset value ("NAV") per Class AAA Share of The Gabelli Equity Income Fund increased 2.6% compared with an increase of 3.1% for the Standard & Poor's ("S&P") 500 Index. See page 2 for additional performance information.

Performance

The second quarter represented the first full quarter of President Trump's new administration and the stock market continued on its rise to new all-time highs. Ever since the election of President Trump, the market has been on an upswing, powered by investors hope that there will be more pro-growth policies coming out of Washington, such as tax reform, less burdensome regulation and stimulus spending centered around infrastructure spending.

Unfortunately, these policies has not actually happened yet, as the administration has been having trouble getting new health care legislation through the Congress. Of course, to the extent that investors do not have to worry about higher taxes and more burdensome regulations, that alone is a plus for most investors. Although we feel the administration will have trouble actually passing into legislation much of what it hopes to propose, we do feel modest tax reform and increased infrastructure spending will ultimately happen in Washington D.C.

As difficult as it is to try to predict the future here in the U.S., it is not easier to try and predict in Europe. The process of figuring out how the British will withdraw from the European Union (EU) (Brexit), still needs to be worked on and various other countries are debating if they too, want to break away from the EU. The French recently re-affirmed their desire to stay within the EU and anti-EU rhetoric seems to be on the wane for now.

Monthly Distributions – $0.10 per share

The Gabelli Equity Income Fund has a $0.10 per share monthly distribution policy in place. For more specific dividend and tax information, please visit our website at www.gabelli.com or call 800-GABELLI (800-422-3554). **Shareholders should be aware that a portion of the distribution may represent a non-taxable return of capital.** Such distributions will reduce the cost basis of your shares if you hold them in a taxable account. The distributions should not be confused with the yield or total return of the Fund.

Comparative Results

Average Annual Returns through June 30, 2017 (a) (b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (1/2/92)
Class AAA (GABEX)	2.59%	11.93%	10.75%	5.89%	8.42%	9.96%
S&P 500 Index	3.09	17.90	14.63	7.18	8.34	9.34(c)
Nasdaq Composite Index	4.20	28.37	17.45	10.23	11.22	9.64(c)
Lipper Equity Income Fund Average	2.17	14.43	12.30	5.54	7.46	8.45
Class A (GCAEX)	2.58	11.95	10.76	5.90	8.41	9.95
With sales charge (d)	(3.32)	5.51	9.46	5.27	7.99	9.70
Class C (GCCEX)	2.41	11.11	9.94	5.11	7.70	9.53
With contingent deferred sales charge (e)	1.41	10.11	9.94	5.11	7.70	9.53
Class I (GCIEX)	2.68	12.25	11.04	6.16	8.60	10.06

In the current prospectuses dated January 27, 2017, the expense ratios for Class AAA, A, C, and I Shares are 1.39%, 1.39%, 2.14%, and 1.14%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A Shares and Class C Shares is 5.75% 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 price, 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. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com.* The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance of the Class A Shares and Class C Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. 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 Nasdaq Composite Index is an unmanaged indicator of stock market performance. The Lipper Equity Income Fund Average includes the 30 largest equity funds in this category tracked by Lipper, Inc. Dividends are considered reinvested, except for the Nasdaq Composite Index. You cannot invest directly in an index.

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

(c) S&P 500 Index and Nasdaq Composite Index since inception performance are as of December 31, 1991.

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

(e) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

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. Both the commentary and the financial statements, including the portfolio of investments, are available on our website at www.gabelli.com.

The Economy

The U.S. economy continues to grow at a modest pace. The days of 4% real gross domestic product (GDP) growth are over and it has been a long time since we saw a year of 3% growth. Part of the slowdown in real GDP growth can be attributed to demographics, slower population growth and an aging workforce. We seem to be stuck in a yearly real growth range of 1.5% to 2.5%. That has been the case since this recovery commenced in July 2009 and nothing in the forecast suggests anything different. Although the Trump administration would like to get the economy growing at a 3% real rate once again, the odds of that happening in 2017 are very dim. Growth this year will be about 2%, once again. The bad news is this is the slowest expansion on record. The good news is it is one of the longest. Slow and steady is a recipe for enduring growth. There are certainly policy prescriptions that could elevate us out of this 2% growth range, some of which the Trump administration is advancing, but debating the merits of those is beyond the scope of this commentary (for that you should be glad).

The Markets

The Federal Reserve has been on a path of slowly rising short term interest rates back up to a more normalized level. After the financial crisis, The Federal Reserve slashed short term interest rates down to about zero, but now rates are at 1.25%, after three increases over the past three quarters by the Federal Reserve. We expect that gradual increases will continue and that by this time next year, short term rates will be around 2.0%. In addition to gradually raising short term interest rates, the Federal Reserve will also probably start to unwind its massive $4.5 trillion asset portfolio, which it built up during the QE, or quantitative easing, period. We expect the unwinding will be a very gradual approach whereby some maturing securities will not be reinvested and the whole process will go on for many years.

Investors are facing an acute shortage of good income generating opportunities. While not a realistic choice for some investors, stocks must play a larger role overall in meeting investors' income needs. At this writing, a majority of the stocks in the S&P 500 have dividend yields that are equal to or higher than the 10-year Treasury yield, which is right around 2.2%. The overall S&P 500 has a dividend yield of right around 2%, not much different from that of the U.S. 10-year Treasury yield. Stocks offer compelling current income and growth of income for investors that can tolerate stock market volatility. Stocks also offer the potential for growth in capital over time. It is hard to imagine growing capital by investing in bonds at historically low interest rates. We are probably in the final inning of a 35 year bull market in bonds.

Investment Scorecard

During the second quarter of 2017, the S&P 500 was up about 3% on a total return basis and most of the sectors that make up the S&P 500 index were also up. In fact, there were only two S&P 500 sectors that were down in the second quarter: telecom and energy, both down just over 6%. Declining oil prices during the quarter weighted down the energy sector. The best performing sector was the health care sector, up about 7% and the industrial sector was the second best performing, up almost 5%.

Some of the stocks that helped performance the most in The Gabelli Equity Income Fund during the second quarter were Whole Foods Inc. (0.3% of net asset as of June 30, 2017), Bank of New York Corp. (3.1%) and Citigroup (1.6%). Whole Foods Inc., which is a supermarket for natural and organic foods, and has over 450 stores, agreed to be acquired by Amazon.com Inc. in an all-cash transaction. During the quarter, Whole Foods Inc. was actually the best performing stock in the S&P 500. Both Bank of New York Corp. and Citigroup Inc. are financial companies that we believe will benefit from rising interest rates. In addition, both companies are large positions in (y)our portfolio and performed well in the second quarter as short term interest rates did move up.

A few of the worst performing stocks in the Fund during the second quarter were, Halliburton Co.(0.9%), Anadarko Petroleum Corp. (0.5%), and Schlumberger LTD (0.2%). These three stocks were each down over 10%, and each stock is an energy company. Both Halliburton Co. and Schlumberger LTD are oil service companies, meaning that they help the exploration and production energy companies drill for oil and natural gas. These stocks were pulled down with the overall sector in the second 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 listed first in United States dollars (USD) and second in the local currency, where applicable, and are presented as of June 30, 2017.

American Express Co. (1.2% of net asset as of June 30, 2017) (AXP – $84.24 – NYSE) is the largest closed loop credit card company in the world. The company operates its eponymous premiere branded payment network and lends to its largely affluent customer base. American Express Co. has 112 million cards in force and nearly $65 billion in loans, while its customers charged $1.0 trillion of spending on their cards in 2016. The company's strong consumer brand has allowed American Express Co. to enter the deposit gathering market as an alternate source of funding, while the company's affluent customers have picked up spending. Longer term, American Express Co. should capitalize on its higher spending customer base and continue to expand into other payment related businesses, such as corporate purchasing, while also growing in emerging markets. Similarly, the company is looking at the growing success of social media as an opportunity to expand its product base and payment options.

Bank of New York Mellon Corp. (3.1%) (BK – $51.02 – NYSE) is a global leader in providing financial services to institutions and individuals. The company operates in more than 100 markets worldwide and strives to be the global provider of choice for investment management and investment services. As of March 2017, the firm had $30.6 trillion in assets under custody and $1.7 trillion in assets under management. Going forward, we expect BK to benefit from rising global incomes and the cross border movement of financial transactions. We believe Bank of New York Mellon Corp. is also well positioned to grow earnings in a rising interest rate environment, given its large customer cash deposits and significant loan book.

Brown-Forman Corp. (1.1%) (BF – $49.30 – NYSE) is a leading global distilled spirits producer. Spirits is an advantaged category that enjoys high margins, low capital requirements, strong free cash flow generation and good pricing power. The company's global brands include Jack Daniel's Tennessee whiskey, Finlandia vodka, Woodford Reserve bourbon, and el Jimador and Herradura tequilas. Jack Daniel's is one of the world's most valuable spirits brands, enjoying strong growth both in the U.S. and internationally as consumers increasingly choose to drink American whiskies. The company has also successfully expanded the brand into the fast growing flavored whiskey category. While Brown-Forman Corp. does face some near term headwinds from negative foreign currency exposure and a slowdown in emerging markets, the company is positioned to grow revenues and profits substantially over the next several years, and has significant balance sheet flexibility. While the company is family controlled, we believe that if it ever became available for sale it would be highly coveted by other large global spirits players. This was evidenced during the quarter when the stock rose on news that Constellation Brands made an overture for the company, which was rejected by Brown Forman's board.

CVS Health Corp. (1.9%) (CVS – $80.46 – NYSE) is the leading pharmacy and pharmacy benefits manager in the country, with over $150 billion in annual revenue. This year is a challenging one for CVS as they deal with stronger competition from Walgreens and respond to attacks on the value of pharmacy benefits managers (PBM) in the industry. We believe that PBM's do help lower costs and they have successfully responded to these attacks in the past, improving the transparency of their business models. CVS should return to strong earnings growth in 2018 and continues to return its prodigious free cash flow to shareholders via dividends and share repurchases.

Halliburton Co. (0.9%%) (HAL – $42.71 – NYSE), based in Houston, Texas, is one of the leading providers of services and products to the energy industry related to the exploration, development, and production of oil and natural gas. As West Texas Intermediate crude prices recovered from a low of $26 in February 2016 to near $45 currently, U.S. independent exploration and production operators have resumed drilling. U.S. rig count increased from a low of 380 rigs in May 2016 to near 920 rigs currently while drilled but uncompleted wells have increased for six consecutive months and stand at nearly 6,000 wells across the seven key U.S. basins. HAL is well positioned to benefit from the upcoming surge in well completion activity. The company accelerated equipment and service line activations in the first half of 2017 to meet demand, lock in more attractive contract terms and roll its current customers' fleets onto leading edge pricing. Accordingly, North America land is expected to drive HAL's near term growth and offset stagnant activity on international land and declining activity in offshore markets. Our Private Market Value for Halliburton Co. is $63 per share

Honeywell International Inc.(1.2%) (HON – $133.29 – NYSE) operates as a diversified technology company with highly engineered products, including turbine propulsion engines, auxiliary power units, turbochargers, brake pads, environmental and combustion controls, sensors, security and life safety products, resins and chemicals, nuclear services, and process technology for the petrochemical and refining industries. One of the key drivers of HON's growth is acquisitions that increase the company's growth profile globally, creating both organic and inorganic opportunities. The company recently acquired Elster Industries, a leading provider of thermal gas solutions, smart meters, software and data analytics for the commercial, industrial and residential heating market. Elster's gas business offers products in high demand among natural gas customers and brings a strong, global distribution network and numerous cross-selling opportunities for existing Honeywell

International Inc. technologies to new customers. Elster's gas, electric, and water meters are highly valued for their reliability, safety and accuracy. The company maintains an installed base of more than 200 million meter modules deployed over the course of the last 10 years that generate significant recurring revenues. We believe acquisitions such as Elstershould drive meaningful and sustained growth for Honeywell International Inc. spurred by global energy efficiency initiatives and natural resource management.

JPMorgan Chase & Co. (1.3%) (JPM – $91.40 – NYSE) is one of the oldest financial institutions in the U.S. The firm, with assets of over $2.5 trillion, provides services to millions of consumers, small businesses, and many of the world's largest corporate, institutional, and government clients. The bank is divided into several reporting segments, including investment banking, commercial banking, financial transaction processing, asset management, and private equity. CEO Jamie Dimon is well regarded among corporate leaders, and he has positioned the company for future growth, despite the recent challenges related to the financial crisis, increased regulations, and low interest rates

Mondelez International Inc. (2.1%) (MDLZ – $43.19 – NASDAQ), headquartered in Deerfield, Illinois, is the renamed Kraft Foods Inc. following the tax-free spin-off to shareholders of the North American grocery business on October 1, 2012. Following the contribution of coffee into a new joint venture, nearly 85% of Mondelez's $26 billion of revenue is derived from snacking, including leading brands such as Oreo, LU and Ritz biscuits, Trident gum, and Cadbury and Milka chocolates. On July 2, 2015 Mondelez combined its coffee business with D.E Master Blenders 1753 to form a new coffee company, Jacobs Douwe Egberts. Subsequently, Mondelez International Inc. exchanged part of its stake in this coffee joint venture for 24% ownership in Keurig Green Mountain, which was acquired by an investor group led by JAB Holding Co. in March 2016. This narrows the company's product focus, as only 15% of revenue will be outside snacks — mostly Tang beverages and other products including Philadelphia cream cheese, which management may look to divest in the future as it executes on its plan to accelerate growth and improve margins in the faster growing snack business.

In Conclusion

While change is constant, the fundamental underpinnings of common stock value investing remain unchanged. Our stock selection process is based on the investment principles first articulated in 1934 by the fathers of security analysis, Benjamin Graham and David Dodd. Their work provided the framework for value investing. Our firm contributed to the academic and empirical research on value investing by introducing the concept of Private Market Value (PMV) with a Catalyst™. This is our proprietary research methodology that focuses on individual stock selection by identifying stocks of firms selling at a discount to intrinsic value per share with a reasonable probability of realizing their PMVs. We define PMV as the price a strategic acquirer would likely be willing to pay for the entire enterprise. Catalysts are specific events or circumstances with varying time horizons that can trigger a narrowing of the difference between the market price of a stock and its estimated PMV per share. Price appreciation can occur instantly, as in the case in an announced takeover, or more gradually over time. There are a variety of catalysts that can cause change. Some general categories include: company specific, industry, regulatory, demographic, political and economic. We continue to find good value in many companies that have some combination of long term growth prospects, strong cash flow generation, good balance sheets as well as shareholder friendly management teams. We thank you for your investment in the Fund and we look forward to serving you in the future.

July 21, 2017

Top Ten Holdings **(Percent of Net Assets)**
June 30, 2017

Bank of New York Mellon Corp.	3.1%	CVS Health Corp.	1.9%
Swedish Match AB	2.2%	Marsh & Mclennan Cos Inc.	1.6%
Genuine Parts Co.	2.0%	Citigroup Inc.	1.6%
Mondelez International Inc.	2.0%	Bristol-Myers Squibb Co.	1.4%
Wells Fargo & Co.	1.9%	CBS Corp.	1.4%

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

Minimum Initial Investment – $1,000

The Fund's minimum initial investment for regular accounts is $1,000. There are no subsequent investment minimums. No initial minimum is required for those establishing an Automatic Investment Plan. Additionally, the Fund and other Gabelli/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. See the prospectuses for more details.

www.gabelli.com

Please visit us on the Internet. Our homepage at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at info@gabelli.com.

The Fund's daily NAVs are available in the financial press and each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). Please call us during the business day, between 8:00 AM – 7:00 PM (Eastern Time), for further information.

You may sign up for our e-mail alerts at www.gabelli.com and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

e-delivery

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our mutual funds can elect to receive their Annual and Semiannual Reports, Manager Commentaries, and Prospectus 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 Equity Income 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 directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. 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.

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Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC and GAMCO Asset Management Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries and affiliates that provide investment advisory services for a variety of clients.

What kind of non-public information do we collect about you if you become a fund shareholder?

If you apply to open an account directly with us, you will be giving us some non-public information about yourself. The non-public information we collect about you is:

- *Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.
- *Information about your transactions with us, any transactions with our affiliates, and transactions with the entities we hire to provide services to you.* This would include information about the shares that you buy or redeem. If we hire someone else to provide services—like a transfer agent—we will also have information about the transactions that you conduct through them.

What information do we disclose and to whom do we disclose it?

We do not disclose any non-public personal information about our customers or former customers to anyone other than our affiliates, our service providers who need to know such information, and as otherwise permitted by law. If you want to find out what the law permits, you can read the privacy rules adopted by the Securities and Exchange Commission. They are in volume 17 of the Code of Federal Regulations, Part 248. The Commission often posts information about its regulations on its website, www.sec.gov.

What do we do to protect your personal information?

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the fund and to ensure that we are complying with the laws governing the securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

Portfolio Manager Biography

Mario J. Gabelli, CFA, is Chairman, Chief Executive Officer, and Chief Investment Officer – Value Portfolios of GAMCO Investors, Inc. that he founded in 1977, and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. He is also Executive Chairman of the Board of Directors of Associated Capital Group, Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School, and Honorary Doctorates from Fordham University and Roger Williams University.

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Net Asset Value per share available daily
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