The Gabelli Equity Income Fund

Shareholder Commentary
March 31, 2017

Mario J. Gabelli, CFA
Portfolio Manager

To Our Shareholders,

For the quarter ended March 31, 2017, the net asset value ("NAV") per Class AAA Share of The Gabelli Equity Income Fund increased 4.2% compared with an increase of 6.1% for the Standard & Poor's ("S&P") 500 Index. See page 2 for additional performance information.

Performance

Of the eleven sectors in the S&P 500, the top two performers were the consumer discretionary and utility sectors, both with returns of 6%, while the two lowest performing sectors were the energy sector and the telecommunications sector, with losses of 7.9% and 4.3%, respectively. The energy sector gave back its gain of the fourth quarter, which occurred after OPEC reached a surprise agreement to reintroduce quotas.

The top five contributors to performance in the Fund in the first quarter were positions in, Apple (0.2% of net assets as of March 31, 2017), Legg Mason (0.7%), Allergan (.06%), Honeywell (1.1%), and Delphi. Those that subtracted the most from the overall return were in the two worst performing sectors, telecommunications and energy – Verizon (0.9%), Halliburton (1.0%) and Occidental Petroleum (0.2%). The contribution of a position to performance is a function of the position's size and its gains or losses in the quarter.

The Economy and Markets

The chaos of the first few months of the Trump presidency has cast doubt on the ability of the Republican Party, which in addition to the presidency has control of the House and the Senate, to pass constructive legislation. The Republicans and President Trump had promised to immediately repeal and replace the Affordable Care Act. President Trump briefly tried to persuade and then gave an ultimatum to Congress.

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 March 31, 2017 (a) (b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (1/2/92)
Class AAA (GABEX)	4.21%	13.38%	9.64%	6.31%	7.74%	9.95%
S&P 500 Index	6.07	17.17	13.30	7.51	7.09	9.31(e)
Nasdaq Composite Index	10.13	22.93	15.38	10.60	9.23	9.58(e)
Lipper Equity Income Fund Average	4.03	16.09	11.34	5.93	6.60	8.45
Class A (GCAEX)	4.23	13.39	9.65	6.32	7.74	9.95
With sales charge (c)	(1.76)	6.87	8.35	5.70	7.31	9.69
Class C (GCCEX)	4.04	12.52	8.82	5.53	7.04	9.52
With contingent deferred sales charge (d)	3.04	11.52	8.82	5.53	7.04	9.52
Class I (GCIEX)	4.28	13.67	9.92	6.57	7.91	10.05

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

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

(e) S&P 500 Index and Nasdaq Composite Index since inception performance are as of December 31, 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, are available on our website at www.gabelli.com.

However, it quickly became evident that it would be difficult to put together a plan with enough support and the vote was withdrawn just seventeen days after the start of the effort. An earlier initiative, a ban on immigrants from countries perceived as threats, was blocked by federal judges after state attorneys filed lawsuits saying it was a ban on Muslims, and therefore unconstitutional.

While some of the initiatives that President Trump campaigned on, such as tax reform, lower taxes, and infrastructure spending, have broad appeal and could stimulate economic growth and corporate profits, it very much remains to be seen what detailed plans will emerge and whether or not they can get passed.

We reserve some optimism that some of these initiatives will be undertaken in a serious way, and that they could possibly be positive for growth in two or three years. We are not yet incorporating any positives or negatives from new trade policy, as many things have been said but no concrete proposal has emerged. We have also seen various members of the cabinet, and even President Trump himself, say contradictory things on trade, so we must wait to see what emerges.

The Federal Reserve, whose mandate is maximizing employment and managing inflation, is succeeding on both of those goals. Unemployment fell to 4.5% in March and inflation rose over the past twelve months to the Federal Reserve's 2% goal. As a result, the Federal Reserve raised its target interest rate for the second time in three months in March, and at the moment, is expected to raise the rate twice more this year.

Interest rates have risen over the past six months, which is already having a slowing effect on consumer spending. Over the past six months, the 30-year mortgage rate is up 70 basis points. This is equivalent to a 9%, or $100 increase in the mortgage payment on an average U.S. house. The last time interest rates surged was in 2013, the so-called “taper tantrum”. This resulted from a panicked withdrawal of money from the bond market in response to the Federal Reserve announcing that it would be tapering the money it was feeding to the economy. At that time, we saw a surge in home buying for a few months as people anticipated higher rates, but three months later demand began a slide that lasted six months. We expect this decline in affordability to be a headwind on the housing market this year.

We are seeing the same headwind already affecting vehicle sales. Ford Motor raised this red flag in an announcement last week, saying that the increase in auto loan interest rates of 50 basis points has raised the average monthly car payment to over $500, which in the past has been followed by lower car sales.

Higher interest rates, if they hold, will also crimp spending of the nation's largest borrower, the federal government, over the next few years. The Congressional Budget Office is projecting that federal interest payments will double over the next decade, with less money available to fund mandatory programs and discretionary spending.

Investment Scorecard

During the first quarter of 2017, the overall market was up low single digits, but there were a number of stocks in the portfolio that were up over 10% during the quarter. One of those stocks was one of the largest holdings in (y)our portfolio, Rockwell Automation (0.9%) (ROK). During the most recent fiscal quarter, ROK continued to perform well and in addition to reporting quarterly results ahead of most expectations, the company also raised its guidance for the full fiscal year. Other companies that were up double digits in the quarter included Viacom (0.9%) (VIA), where the new CEO continues to make changes, and Legg Mason (0.7%) (LM) which was up on improved investment performance at the money manager and improved client flows.

Of course not all stocks in (y)our portfolio were up in the quarter. A number of them were actually down, some of them down double digits. One of the Fund's larger holdings, Halliburton (1.0%) (HAL) was down about 8% on general weakness in the oil services sector, as the outlook for the price of oil weakened. A couple of the stocks that were down by at least double digits, included Hess (0.3%) (HES), which was also hurt by the weakness in the energy sector, and Macy's (0.8%) (M), the large retailer which has faced headwinds from more shoppers moving to on-line shopping, especially with Amazon.

Let's Talk Stocks

The following are 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 March 31, 2017.

Bank of New York Mellon Corp. (2.9% of net assets as of March 31, 2017) (BK – $47.23 – 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 December 31, 2016, the firm had $30.0 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 BK is also well positioned to grow earnings in a rising interest rate environment, given its large customer cash deposits and significant loan book.

Deere & Co. - Deere & Co. (0.6%) (DE – $108.86 - NYSE), headquartered in Moline, IL, is a leading global manufacturer of machinery for agricultural, construction, and forestry usage. Its dominant position in North American agricultural equipment markets optimally positions the company for what is expected to be an increase in demand for agricultural equipment both in the near term given cycle dynamics as well as for the long term, as global population and income growth drive crop demand in the coming decades.

Home Depot Inc. (1.5%) (HD – $146.83 – NYSE) based in Atlanta, Georgia, is the world's largest home improvement retailer, with fiscal 2016 revenue of $94.6 billion. Home Depot has 2,278 retail stores, which sell a range of building materials, home improvement products, and lawn and garden products, to do-it-yourself, do-it-for-me, and professional customers. We expect the continued improvement in the housing market to provide uplift to Home Depot's business, encouraging consumers to invest in their homes. Notably, the company generates significant cash flow, has a strong balance sheet, and will continue to benefit as the housing recovery improves. To make use of its available cash flow, we expect Home Depot will continue to repurchase stock.

Honeywell International Inc. (1.4%) (HON – $124.87 – 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 HON 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 Elster should drive meaningful and sustained growth for HON spurred by global energy efficiency initiatives and natural resource management.

JPMorgan Chase & Co. (1.3%) (JPM – $87.84 – 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.

Legg Mason Inc. (0.7%) (LM – $36.11 – NYSE) is a consortium of investment managers, known as affiliates, which operate under separate brand names, including Royce & Associates in small cap equities, Western Asset Management in fixed income, and Permal in alternative strategies. As of December 2016, the firm had approximately $710 billion of assets under management. The company has generated strong investment performance while improving operating fundamentals. Using free cash flow, the company continues to actively retire shares through repurchases.

Mondelēz International Inc. (2.0%) (MDLZ – $43.08 – 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 Mondelēz'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 Mondelēz combined its coffee business with D.E Master Blenders 1753 to form a new coffee company, Jacobs Douwe Egberts. Subsequently, MDLZ 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.

National Fuel Gas Co. (0.7%) (NFG – $59.62 – NYSE) is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, New York, gas pipelines that move gas between the Midwest and Canada and from the Marcellus to the Northeast, gathering and processing systems, and an oil and gas exploration and production business. NFG's regulated utility and pipeline businesses, as well as its California oil production business, provide stable earnings and cash flows to support the dividend, while the natural gas production business offers significant upside potential. While natural gas prices have been depressed over the past few years, NFG's ownership of 780,000 acres in the Marcellus Shale, holds enormous natural gas reserve potential and the company has proven to be among the lower cost producers. We continue to expect above average long term earnings and cash flow growth from improving gas prices, growing gas production and strategically located pipeline expansion. The company has increased its dividend for 46 consecutive years.

PNC Financial Services Group Inc. (0.8%) (PNC – $120.24 – NYSE) is one of the nation's largest diversified financial services organizations, providing retail and business banking, residential mortgage banking, specialized services for corporations and government entities, including corporate banking, real estate finance, asset backed lending, wealth management, and asset management. As of September 30, 2016, the asset management division had approximately $266 billion under management. The firm has strong corporate leadership with a conservative approach to balance sheet management.

Rockwell Automation - Rockwell Automation Inc. (0.9%) (ROK – $155.71 – NYSE), headquartered in Milwaukee, provides industrial automation, control, and information solutions. Its Architecture & Software segment offers control platforms that perform multiple control disciplines and monitoring of applications, including discrete, batch, and continuous process. Control Product & Solutions provides electronic motors starters and variable frequency drives, along with more project oriented automation solutions. Rockwell stands out as a pure play automation company with an unmatched focus, a technology orientation, and key strategic partnerships, facilitating above peer growth and margins. Rockwell should continue to outgrow the global automation industry, which, in turn, is outgrowing global industrial production as manufacturers replace labor with capital and embrace machine data to optimize their plants and ensure uptime. Emerging market demand for automation in consumer and automotive industries has also been strong in recent years, aligning well with Rockwell's strengths. The company generates healthy free cash flows, almost all of which it returns to shareholders through dividends and repurchases. Under new CEO Blake Moret, acquisitions could become use of capital, but here too we expected a disciplined and focused approach

In Conclusion

The rise in the stock market over the past two months will ultimately only be justified by a very positive effect from new policies on corporate earnings. The trailing and forward price earnings multiples are at the upper ends of their longer term ranges. Although we have had strong upwards adjustments for financials and energy, two sectors expected to be winners under Trump, and downward revisions for rate sensitive sectors such as utilities and real estate, we do not yet have policies in place or even outlined that would affect these sectors. We will have to wait to see what new plans or priorities might emerge.

At the same time, companies do not have enough information as to how tax changes, infrastructure spending, changes in regulations, or new tariffs, or health insurance reforms, will affect their sales and earnings, and this uncertainty will continue to hold back capital spending. We can only remain hopeful of the idea that the current aging business cycle and bull market can be extended.

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.

April 20, 2017

Top Ten Holdings (Percent of Net Assets)
March 31, 2017

Bank of New York Mellon Corp.	2.9%	CVS Health Corp.	1.8%
Swedish Match Ab	2.0%	CBS Corp.	1.5%
Genuine Parts Co.	2.0%	Marsh & Mclennan Cos Inc.	1.5%
Mondelēz International Inc.	2.0%	Home Depot Inc.	1.5%
Wells Fargo & Co.	2.0%	Citigroup Inc.	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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GABELLI FUNDS

THE GABELLI EQUITY INCOME FUND

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