The Gabelli Equity Income Fund

Shareholder Commentary
September 30, 2017

Mario J. Gabelli, CFA
Portfolio Manager

To Our Shareholders,

For the quarter ended September 30, 2017, the net asset value ("NAV") per Class AAA Share of The Gabelli Equity Income Fund increased 3.3% compared with an increase of 4.5% for the Standard & Poor's ("S&P") 500 Index. See page 2 for additional performance information.

The Quarter in Review

The third quarter of 2017 was full of newsworthy events, some alternatively scary and sad. Although we usually do not discuss the weather on these pages, a total of three hurricanes impacted the United States during the quarter: Harvey, which hit Texas; Irma, which hit Florida; and Maria, which hit Puerto Rico. All three hurricanes were major events that caused tens of billions of dollars in damages and impacted millions of people. The Federal government agreed to pay billions of dollars in emergency funds to help the affected areas and we hope this will serve as a catalyst to help a new infrastructure bill pass Congress over the next year.

On the geopolitical front, the quarter was also full of newsworthy events. The saber rattling with North Korea continued unabated during the quarter. The British continued to move forward with Brexit, and the Catalonian region of Spain is trying to see if it would like to break away from Spain. But despite all of these geopolitical concerns, the stock market continued its upward trend. Surprisingly, volatility was relatively low, with the average daily change during the quarter being only 0.3%, its lowest since 1968.

In Washington, the Trump administration was not able to move forward with any legislation regarding health care reform, but, right at quarter end, the administration did propose an outline for much needed tax reform. We are hopeful that Congress will come together in a bipartisan manner and pass most, although probably not all, of the reforms proposed by the administration.

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 September 30, 2017 (a) (b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (1/2/92)
Class AAA (GABEX)	3.29%	13.91%	10.40%	6.07%	9.71%	9.99%
S&P 500 Index	4.48	18.61	14.22	7.44	10.04	9.43(c)
Nasdaq Composite Index	6.06	23.85	17.36	10.46	13.32	9.78(c)
Lipper Equity Income Fund Average	3.82	15.90	11.92	5.93	9.07	8.52
Class A (GCAEX)	3.30	13.92	10.40	6.07	9.71	9.99
With sales charge (d)	(2.64)	7.37	9.10	5.45	9.27	9.74
Class C (GCCEX)	3.07	13.04	9.58	5.28	8.97	9.56
With contingent deferred sales charge (e)	2.07	12.04	9.58	5.28	8.97	9.56
Class I (GCIEX)	3.33	14.19	10.68	6.34	9.90	10.10
Class T (GCTEX)	3.29	13.90	10.40	6.07	9.71	9.99
With sales charge (f)	0.70	11.06	9.84	5.80	9.53	9.82

In the current prospectuses dated January 27, 2017, the expense ratios for Class AAA, A, C, I, and T Shares are 1.39%, 1.39%, 2.14%, 1.14%, and 1.39%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A Shares, Class C Shares, and Class T Shares is 5.75%, 1.00%, and 2.50%, 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, Class I Shares on January 11, 2008, and Class T Shares on July 5, 2017. The actual performance of the Class A Shares, Class C Shares, and Class T 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.
(f) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

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.

Specifically, the Trump administration is proposing that corporate tax rates decrease dramatically, from 35% under current law to 20%. Right now, the 35% corporate tax rate of U.S. based companies is the highest in the developed world, and it is a major reason many companies are choosing to relocate to different countries. Due to the large number of tax loopholes, U.S. companies in aggregate, however, usually only pay an effective tax rate just below 25%. The administration hopes to get rid of most of those tax loopholes and make the statutory rate much closer to the effective tax rate, which most economists agree would be good for the economy.

On the personal tax front, the administration hopes to bring the top individual rate down from 39.6% to 35%, and reduce the number of tax brackets to just three. In addition, the standard deduction would almost double from the current $12,600 to $24,000. The top tax rate on dividends would remain at 23.8%.

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. We are happy to report that second quarter 2017 real gross domestic product was calculated to be 3.1% versus the 1.2% that was calculated for the first quarter of 2017. 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 of 2009. 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 once again probably be about 2%. The bad news is this is the slowest expansion on record. The good news is that 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, some of which the Trump administration is advancing, such as tax reform and infrastructure spending, but whether such legislation will get through Congress remains to be seen.

The Markets

The Federal Reserve has been on a path of slowly raising short term interest rates to a more normalized level. After the financial crisis, The Federal Reserve slashed short term interest rates to near zero, but now rates are at 1.25%, after three increases over the past four quarters. We expect that gradual increases will continue, and that by this time next year, short term rates will be around 2%. 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 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, we believe stocks must play a larger role overall in meeting investors' income needs. At this writing, 37% of the stocks in the S&P 500 have dividend yields that are higher than the 10-year U.S. Treasury yield, which is currently around 2.3%. Stocks offer compelling current income and growth of income for investors who 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 third quarter of 2017, the S&P 500 was up about 4.5% on a total return basis, and all of the sectors that make up the S&P 500 index were also up, with the one exception of consumer staples, which was down about 1.3%. The best performing sector during the third quarter was technology, which was up 8.6%, followed by energy and telecom, both of which were up 6.8% on a total return basis.

Some of the stocks that helped the performance of the Fund during the third quarter were Navistar (0.6% of net assets as of September 30, 2017), Verizon (0.1%), and Diageo (0.9%), all of which were up well into the double digits during the quarter. Navistar is a manufacturer of class 4 through 8 trucks, buses, and military vehicles. Recently, its profitability outlook has improved meaningfully. Likewise, Verizon, the telecommunications company, and Diageo, the global alcoholic beverage company, both benefitted in the quarter from investors becoming more interested in companies with steady and strong free cash flows.

Of course, not all the stocks in the portfolio did well during the quarter. In fact, a number were also down double digits. For example, CBS (1.4%), the media company, and General Electric (1.0%), a broadly diversified conglomerate, were both underperformers during the 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 September 30, 2017.

American Electric Power Co. Inc. (less than 0.1% of net assets as of September 30, 2017) (AEP – $70.24 – NYSE) is one of the nation’s largest electric utilities. It serves more than 5.4 million retail customers in eleven states (Ohio and Texas are the largest), owns approximately 26 GW of generating capacity, 40,000 miles of transmission lines (the nation’s largest), and 223,000 miles of distribution lines. Following recent non-regulated power plant sales, AEP is focused on the regulated utility business with plans to invest $17 billion over the 2017-2019 time period in regulated assets, including 74% to transmission and distribution. Management expects 5%-7% annual earnings growth, driven by capital investment and rate recovery, and sustainable cost controls. AEP Transco, a transmission development subsidiary, expects to grow earnings to $0.89-$0.92 per share by 2019 from $0.54 per AEP share in 2016, driven by a $4.5 billion transmission capital investment plan for 2017-2019. AEP currently pays an annual dividend of $2.36 per share representing a payout ratio of roughly 65% (using $3.65 per share, midpoint of the 2017 earning guidance of $3.55-3.75 per share), right at the targeted payout ratio of 60%-70%.

Bank of New York Mellon Corp. (3.4%) (BK – $53.02 – 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 June 2017, the firm had $31.1 trillion in assets under custody and $1.8 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.

CBS Corp. (1.4%) (CBS – $58.41 – NYSE) operates the CBS television network and the premium cable network Showtime. It also owns 29 local television stations and 130 radio stations. We believe that CBS has a number of opportunities to generate incremental non-advertising revenue from the sale of existing content through its over-the-top (OTT) platforms, online video distributors and retransmission agreements with traditional distributors. In addition, we expect a continued recovery in advertising to contribute to earnings growth. Finally, we believe that financial engineering, including the split-off of its radio business, could act as a catalyst for shares.

Genuine Parts Co. (2.3%) (GPC – $95.65 – NYSE) is an Atlanta, Georgia-based distributor of automotive and industrial replacement parts, office products, and electrical and electronic components. We expect GPC's well known NAPA Auto Parts group to benefit as an aged vehicle population, which includes the highest percentage of off warranty vehicles in history, helps drive sales of automotive aftermarket products over the next several years. Additionally, economic indicators remain supportive of the company's industrial and electrical parts distribution businesses amid steady economic expansion. Finally, GPC's management has shown consistent dedication to shareholder value via share repurchases and dividend increases.

Home Depot Inc. (1.3%) (HD – $163.56 – NYSE) based in Atlanta, Georgia, is the world's largest home improvement retailer, with fiscal 2016 revenue of $94.6 billion and EBITDA of $15.2 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 and pay dividends.

JPMorgan Chase & Co. (1.5%) (JPM – $95.51 – 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.

Merck & Company, Inc. (1.4%) (MRK – $64.03 – NYSE), headquartered in Whitehouse Station, New Jersey, is a major international drug and pharmaceutical manufacturing company and the second largest U.S. based pharmaceutical manufacturer with global revenue of $39.8 billion in 2016. The company provides health solutions through its prescription medicines, vaccines, and biologic therapies for both human and animal health. Merck brings its products to market through sales and distribution to drug wholesalers and retailers, hospitals, government agencies, physicians, physician distributors, veterinarians, and managed health care providers in the U.S. and worldwide. Merck is a leader in emerging field of immuno-oncology with the blockbuster cancer drug, Keytruda.

Mondelez International Inc. (2.1%) (MDLZ – $40.66 – 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. 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, 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 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. The company continues to execute against its plan to accelerate growth and to improve margins, targeting 17%-18% in 2018. In August, CEO Irene Rosenfeld announced her retirement effective November 2017, she will be succeeded by Dirk Van de Put, who joins the company after eight years as CEO of McCain Foods.

Wells Fargo & Co. (2.1%) (WFC – $55.15 – NYSE) is a diversified financial services company. Headquartered in San Francisco, California, the firm provides banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores and 12,000 ATMs. Wells Fargo serves one in three households in America and, as of June 2017, it had $2.0 trillion in customer assets. Longer term, we expect Wells Fargo to continue to grow market share of domestic deposits due to its strong brand and diversified product base.

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.

October 23, 2017

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

Bank of New York Mellon Corp.	3.4%	CVS Health Corp.	1.9%
Swedish Match AB	2.4%	Citigroup Inc.	1.9%
Genuine Parts Co.	2.3%	Marsh & McLennan Cos Inc.	1.8%
Wells Fargo & Co.	2.1%	Bristol-Myers Squibb Co.	1.7%
Mondelez International Inc.	2.1%	JPMorgan Chase & Co.	1.5%

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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