

The Gabelli Utilities Fund

Shareholder Commentary – September 30, 2011



Mario J. Gabelli, CFA

To Our Shareholders,

For the quarter ended September 30, 2011, the net asset value (“NAV”) per Class AAA Share of The Gabelli Utilities Fund (the “Fund”) declined 8.47% compared with the Standard & Poor’s (“S&P”) 500 Utilities Index increase of 1.55%. See page 2 for additional performance information.

Through the first nine months of 2011 the S&P 500 Utilities Index returned 11%, compared with a negative 9% return in the S&P 500. Utility stock performance was flat in the third quarter compared to a 14% decline for the S&P 500 Composite. True to their nature, utility stocks delivered solid returns though continued volatile markets, challenging economic times, and natural disasters. The third quarter was highlighted by a U.S. budget crisis and historical downgrade of the U.S. credit rating as well as ongoing European debt concerns. Disappointing economic data showed the economic recovery was much weaker than thought and led to renewed concerns of another recession. Global investors looking for safety turned to U.S. treasury bonds, sending yields to ever lower lows, including a 10-year yield below 2.0%. We attribute the group’s solid performance to its strong fundamentals, defensive appeal, and to an increased appetite for income given historically-low interest rates.

While no major merger transactions were announced in the third quarter, utility stocks continue to benefit from anticipated deal activity. The fourth quarter of 2011 began with a blockbuster energy pipeline transaction announcement. On October 16, Kinder Morgan, one of the larger energy pipeline and storage companies in North America, agreed to buy El Paso Corporation (1.8% of net assets as of September 30, 2011), a major energy pipeline and exploration & production company, at a 37% premium. Several other high profile mergers were announced this year, including Duke Energy (0.4%)/Progress Energy (0.9%), Exelon (0.8%)/Constellation Energy (1.8%), AES Corp. (1.2%)/DPL Energy (1.5%), and Energy Transfer Partners appears to have won a bidding war with Williams Company for Southern Union Gas (2.2%). The first nine months of 2011 also saw several smaller deals announced at meaningful premiums, including Central Vermont (0.6%) agreeing to a cash offer by Gaz Metro at a 44% premium. We expect utility stocks to continue to benefit from deal activity.

Finally, the group continues to benefit from the extension of 15% qualified dividend tax through 2012 and favorable legislation allowing for 100% tax deduction (or bonus depreciation) for certain capital investments.

Comparative Results

Average Annual Returns through September 30, 2011 (a)

	Quarter	1 Year	5 Year	10 Year	Since Inception (8/31/99)
Class AAA (GABUX)	(8.47)%	5.14%	3.84%	6.58%	7.03%
S&P 500 Utilities Index	1.55	11.95	3.88	5.23	4.48
S&P 500 Index	(13.87)	1.14	(1.18)	2.82	0.54
Lipper Utility Fund Average	(6.15)	8.58	3.27	5.98	4.52
Class A (GAUAX)	(8.54)	5.14	3.85	6.61	7.06
With sales charge (b)	(13.80)	(0.91)	2.63	5.98	6.54
Class B (GAUBX)	(8.64)	4.40	3.07	5.87	6.44
With contingent deferred sales charge (c)	(13.20)	(0.60)	2.71	5.87	6.44
Class C (GAUCX)	(8.74)	4.36	3.04	5.89	6.46
With contingent deferred sales charge (d)	(9.65)	3.36	3.04	5.89	6.46
Class I (GAUIX)	(8.38)	5.45	4.01	6.67	7.11

In the current prospectus dated April 29, 2011, the expense ratios for Class AAA, A, B, C, and I Shares are 1.43%, 1.43%, 2.18%, 2.18%, and 1.18%, respectively. Class AAA and Class I Shares do not have a 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 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. 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 values of utility stocks generally changes as long-term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. 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, 2002 and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional 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 Utilities Index is a market capitalization-weighted index of large-capitalization stocks that may include facilities generation and transmission or distribution of electricity, gas, or water. 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 Lipper Utility Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.
- (b) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (c) 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.
- (d) Assuming payment of the 1% maximum CDSC imposed on redemptions made within one year of purchase.

Monthly Distributions – \$0.07 per share

The Gabelli Utilities Fund has a \$0.07 per share monthly distribution policy. 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. Distributions of capital 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.

Investment Outlook

We expect utility stocks to provide solid, low risk, total return potential over the next few years. The sector's 4.4% current return, or yield, represents an attractive investment consideration, given ten-year and thirty-year U.S. treasury yields of 2.0% and 3.1%, respectively. The dividends not only provide current and modestly growing income, but also support stock prices.

We continue to expect electric utilities to grow earnings 4% - 6% annually, with less volatility than many other industry groups. Over the last few years, the sector's earnings and dividend track records have reinforced its position as one of the more stable sectors of the stock market. Electric utilities reported positive earnings growth through the great recession, with growth of 0.8% in 2008 and 3.8% in 2009. Growth accelerated in 2010 to 8.7%, driven partially by more favorable weather, but also by recovering industrial sales, recent rate increases, and cost control efforts.

Our expectation for weather normalized earnings growth of 4% - 6% over the next several years is driven primarily by 6% - 8% annual growth in rate base, or infrastructure investment. Current 2011 consensus estimates call for 3% earnings growth, given the assumption of a return to a more normal summer weather following an unusually hot 2010 summer. Whether the economy continues to recover slowly or further stagnates, we expect utility earnings growth to be modestly higher than both the GDP growth rate and retail electric demand growth rate, primarily due to higher rates necessary to recognize heavy investment in rate base.

The positive impact of modestly higher electric sales, higher rates, and cost control efforts will be partially offset by financing costs associated with a continuation of heavy capital investment and potentially lower allowed profit levels. The electric utility industry expects to spend roughly \$80 billion per year over the next few years, which is double the amount spent in 2004. The bulk of investment is for environmental control equipment, transmission lines, and renewable generation. Given healthy balance sheets, solid credit ratings (with stable ratings outlooks), and the benefits of bonus depreciation, we do not see any challenges to raising capital.

Further, we expect these investments to be recognized through the regulatory process with relatively timely returns. Higher base rates have been made more politically palatable by depressed fuel prices. Utilities adjust customer bills to pass through the lower fuel costs, primarily natural gas, mitigating the net impact. Rate increases authorized in 2010 to 2011, various cost tracker mechanisms, and strong cash flows related to accelerated depreciation have provided some flexibility to delay general rate case filings. Regulators continued to award allowed returns on equity (ROEs) (profit levels) near the three year average of 10.5% in the latest round of decisions, despite low U.S. Treasury yields and borrowing costs. We expect to see some downward pressure on state regulated profit levels in future cases should interest rates remain at historical lows. However, we expect the Federal Energy Regulatory Commission ("FERC") to continue to encourage transmission investment via 12%-plus allowed ROEs on forward looking test years. As a result, electric utilities have ample opportunity to invest and earn returns on a growing rate base.

While utilities and power companies with non-regulated power plants face earnings challenges through 2012, we anticipate a power market recovery in 2013/2014 driven by recovering electric demand and coal plant retirements. One, two, and three year forward power prices in the Northeast have risen modestly in recent quarters with 2012, 2013, and 2014 prices showing 3%, 5%, and 5% improvement year over year, respectively. We believe many non regulated nuclear and gas-fired power plants offer material long-term value despite a lack of near-term visibility.

Current dividends represent a healthy average payout of approximately 60% of forecast 2011 earnings, which provides a comfortable margin for dividend maintenance and growth. Over the next several years, investors can expect dividend growth above recent historical inflation rates.

Through the first half of 2011, 65% of electric utilities paid higher annual dividend rates by a median of 4.7%, 75% of gas utilities by a median of 5.3%, and 90% of water utilities by a median of 2.8%. Including utilities that maintained annual dividend rates, the overall electric, gas, and water utility annual dividend rates were 2.4%, 3.8%, and 2.8% higher, respectively.

Our U.S. electric utility universe of sixty electric utilities and power companies currently trades at reasonable multiples, including 14.4X, 13.6X, and 12.8X for 2011, 2012, and 2013 earnings estimates, respectively. Forward Price/Earnings (P/E) multiples have ranged between 10X and 17X forward earnings over the past twenty years. Utilities with more regulated assets continue to trade at higher multiples than utilities with higher risk merchant power assets, given stronger near-term growth potential at a significantly lower risk. As interest rates are at historical lows and the sector's fundamentals appear strong, we believe the regulated utility sector is reasonably valued.

Deal Activity

Over the past couple of years, consolidation has re-emerged as an investment theme. This most recent round of consolidation is driven by increased pressure to deliver cleaner energy at reasonable prices. Environmental compliance, the need for cleaner large baseload generating plants, and the benefits of new transmission lines require significant investment. Larger players with greater financial resources and portfolios of assets are better equipped to meet these challenges. Economies of scale can help minimize the customer rate impact. The recent and growing success in developing the significant shale natural gas reserves in the U.S. requires new pipeline routes and more midstream infrastructure. These forces are driving mergers and placing greater value on strategic assets. We highlight some of the more significant or notable consolidation activity over the past twelve months below:

- Kinder Morgan, one of the larger energy pipeline and storage companies in North America, agreed to buy El Paso Corporation, a major energy pipeline and exploration & production company, at a 37% premium. The October 16, 2011 announcement highlights the value of owning pipeline footprints to connect new shale supplies and major consumption markets as well as the supporting the long-term viability of shale production.
- Energy Transfer Equity (ETE), a Dallas based diversified energy partnership, emerged as the winning bidder for Southern Union Gas (SUG), a Houston based diversified gas pipeline/distribution/midstream company, following a two-month and five round bidding war with Williams Company (WMB), a Tulsa based pipeline/midstream company. SUG agreed to be purchased by ETE for \$44.25 per share in cash and/or ETE stock (1-for-1 exchange ratio) on July 19th. As a result, WMB's final bid of \$44 per share in cash was withdrawn. The agreement represented over a 55% premium from SUG's pre-merger activity trading range.
- Central Vermont Public Service ("CV") agreed to accept a \$35.25 per share cash bid from Montreal based Gaz Metro on July 12, 2011. CV had initially agreed to be acquired by Fortis, another large Canadian utility, for \$35.10 per share. The bids represented 44% premiums to CV's pre-merger announcement stock price.

- Exelon, the nation's largest nuclear owner and Illinois/Pennsylvania electric utility, agreed to acquire Baltimore based Constellation Energy for an enterprise value of \$10.5 billion, or \$38.59 per share, on April 28, 2011. The bid represented a 12.5% premium to the pre-merger announcement stock price.
- DPL Inc (1.5%), the holding company for Dayton Power & Light, agreed to be acquired by Virginia based AES Corporation (1.2%), a global power company and owner of Indianapolis Power & Light, for \$30 in cash on April 20, 2011. The bid represented a 9% premium.
- FirstEnergy (1.2%), a multi state electric utility based in Akron, OH, completed its acquisition of Allegheny Energy on February 25, 2011, in a stock for stock transaction at a 32% premium.
- Progress Energy (0.9%), based in Raleigh, NC and serving the Carolinas and central Florida, agreed to be acquired by Duke Energy, a multi state utility based in Charlotte, NC, on January 10, 2011. The merger of equals will be accomplished in a stock for stock transaction at a modest 3% premium.
- Nova Scotia based Emera (0.3%) completed an acquisition of the small distribution utility, Maine & Maritimes, in December 2010, in an all cash transaction at a 40% premium.
- In December 2010, AGL, a multi state gas utility based in Atlanta, announced an agreement to acquire the northern Illinois gas utility Nicor (0.4%) in a cash and stock transaction at a 22% premium.
- Mirant merged with its power merchant peer RRI Energy to form the nation's second largest independent power company, now called GenOn Energy (less than 0.1%), in December 2010.
- PPL Corp. (less than 0.1%) completed its acquisition of the Kentucky utilities of German based E.ON (less than 0.1%) at over 9X EBITDA on November 1, 2010.
- Spanish company Iberdrola (0.1%) sold its non-core gas distribution utilities in Connecticut and Massachusetts to UIL Holdings (less than 0.1%) on November 17, 2010.
- In October 2010, Northeast Utilities (0.8%) and NSTAR (0.9%) agreed to a merger of equals to create the largest energy delivery company in New England.

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. The share prices of the following holdings are stated in U.S. dollars or U.S. dollar equivalent terms as of September 30, 2011.

Black Hills Corp. (1.0% of net assets as of September 30, 2011) (BKH - \$30.64 - NYSE) is a diversified energy company headquartered in Rapid City, SD. Roughly 70% of BKH's assets are related to the regulated electric and gas utility business, which generates roughly 90% of operating income. The remaining 30% of assets are associated with energy related non-regulated businesses, including oil and gas development, coal mining, merchant power generation, and energy marketing. The expected year-end 2011 completion of the two new Pueblo, CO gas fired generation facilities (280-MWs; \$487 million) will be significant 2012 earnings drivers for both the regulated utility and independent power businesses. Shares offer investors an attractive 4.8% return on the \$1.46 dividend, and, over the long-term, the non-regulated businesses of oil and gas production and energy marketing offer significant potential upside to regulated earnings should commodity prices improve.

DPL Inc. (1.5%) (DPL - \$30.14 - NYSE) is a regulated electric utility based in Dayton, OH, serving 500,000 customers in West Central Ohio with 3,800 MWs of generation. Other subsidiaries of DPL include DPL Energy, which operates merchant peaking generation plants and DPL Energy Resources, a competitive retail electric supplier in Ohio selling to major industrial and commercial customers. On April 20, 2011, DPL agreed to be acquired by AES Corp. (1.2%) for \$30 per share, which represented a 9% premium to the pre-announcement price, in a transaction expected to close in early 2012. AES owns 30,000 MWs of generation capacity in 28 countries and utility distribution systems serving over 12 million people, primarily in Latin America. The transaction requires approval from the Public Utilities Commission of Ohio (PUCO), FERC, and Hart-Scott-Rodino.

El Paso Electric Co. (1.1%) (EE - \$32.09 - NYSE) is a vertically-integrated electric utility serving 378,000 customers in and around El Paso, TX and Las Cruces, NM. We consider El Paso Electric to be a low risk traditional utility investment, with solid earnings growth potential. The company continues to experience strong customer growth and expects to benefit over the next few years from the expansion of the Fort Bliss military base where the total soldier count is expected to grow from the current 25,500 to roughly 30,000 by 2013. In addition, increased usage per customer has created favorable dynamics for EE. The company most recently announced a reinstatement of its dividend as well as the continuation of its large share repurchase program.

Great Plains Energy Inc. (1.2%) (GXP - \$19.30 - NYSE) is a mid-sized traditional regulated utility serving eastern Kansas and western Missouri as Kansas City Power & Light and KCP&L Greater Missouri Operations (GMO). In mid 2011, GXP received Missouri rate recognition of its recently completed clean coal plant, latan 2. Recognition of this highly efficient plant and other investments in environmental equipment are expected to lead to strongly enhanced earnings power. Over the long term, GXP has significant opportunity to invest in wind generation and transmission lines given its strategic location in the wind rich Midwest. Shares of GXP offer an attractive current return and solid near and long-term earnings growth potential.

National Fuel Gas Co. (4.0%) (NFG - \$48.68 - NYSE) is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, NY, gas pipelines that move gas from the Midwest and Canada down to New York City and to New England, and an oil and gas exploration and production business. NFG's ownership of 800,000 acres in the Marcellus Shale, including 745,000 acres in the shale fairway of Pennsylvania, holds enormous natural gas reserve potential that was made recoverable by recent advances in drilling technology. We expect significant earnings and cash flow growth from gas production and believe the position could be worth well over \$4 billion based on recent comparable transactions. NFG's August 2011 decision not to sell an ownership position or joint venture that could have accelerated shareholder value creation was disappointing, but we remain excited about the company's unrecognized value. The company has increased its dividend for forty consecutive years.

NextEra Energy Inc. (2.3%) (NEE - \$54.02 - NYSE) is the holding company for Florida Power & Light (FP&L), the largest electric utility in Florida, and NextEra Energy Resources (NER), a leading wholesale power generator. We consider FP&L to be one of the premier utility franchises in the nation with favorable long-term demographics and above average rate base growth potential. NextEra Energy Resources owns 18,800 megawatts of generation, including the nation's largest wind portfolio. We regard NextEra Energy as one of the better positioned power companies for growth in the evolving and "greening" environment. With over 8,000 megawatts of wind generating capacity, 2,600 megawatts of nuclear capacity, and a leading solar pipeline, NEE owns one of the nation's cleaner asset portfolios. We expect the addition of 1,400-2,000 megawatts of wind and solar projects per year over the next several years, with a significant development pipeline of potential projects.

SCANA Corp. (1.1%) (SCG - \$40.45 - NYSE) is the parent company of regulated utilities South Carolina Electric & Gas (SCE&G) and Public Service Company of North Carolina (PSNC), and a play on the build out of new nuclear plants. SCE&G, in a joint venture with the state owned utility Santee Cooper, is constructing two 1,117 megawatt nuclear units to be completed in 2016 and 2019. South Carolina legislative and regulatory principles allow for annual recovery and timely returns to be earned on the costs of the nuclear program. SCE&G continues to expect to receive a combined operating license (COL) from the NRC in late 2011 or early 2012. We regard SCG as a high quality electric and gas utility with above average long-term earnings growth potential.

Southern Union Co. (2.2%) (SUG - \$40.57 - NYSE) operates in the gathering, processing, transportation, storage and distribution of natural gas in Southern United States. The company distributes gas to 550,000 customers through its Missouri Gas Energy and New England Gas subsidiaries. It also has interests in gas storage facilities, including a large LNG terminal in Lake Charles, LA and over 20,000 miles of pipeline, mostly through its Panhandle Energy subsidiary and its 50% ownership of Florida Gas. Southern Union Gas Services is the company's transmission and gathering unit which operates 5,500 miles of natural gas and NGL pipelines in Texas and New Mexico. Following a two-month and five round bidding war between Williams Company (WMB) and Energy Transfer Equity (ETE), SUG agreed to be purchased by ETE for \$44.25 per share in cash and/or ETE (1-for-1 exchange ratio) stock on July 19th. As a result, WMB's final bid of \$44 per share in cash was withdrawn. The winning bid represented over a 55% premium from SUG's pre-merger activity trading range.

Southwest Gas Corp. (1.9%) (SWX - \$36.17 - NYSE) is a natural gas distribution utility serving 1,837,000 customers in geographically diverse portions of Arizona (991,000 customers), Nevada (664,000 customers), and California (182,000 customers). SWX also owns NPL Construction Company, which is a full-service underground piping contractor that provides trenching and installation, replacement, and maintenance services for energy distribution systems. The gas utility business contributed 88% of 2010 operating income and the construction business contributed 12%. Over the past couple of years, customer growth levels diminished due to the overall slowdown in the new housing market and increase in idle/vacant homes resulting from foreclosures and challenging economic conditions. However, in the long term, we expect the service area to return to higher growth rates as the favorable regional climate and lower housing prices attract customers to inhabit vacant homes. In addition, the pipeline construction business is growing strongly given the industry's focus on safety-related pipeline replacement programs. SWX is a high-quality gas utility with a solid earnings outlook and a focused, low-risk strategy.

Westar Energy Inc. (1.1%) (WR - \$26.42 - NYSE) is an electric utility serving 687,000 customers in central and northeastern Kansas. WR is well-positioned to finance its extensive capital investment and grow its earnings given constructive regulatory mechanisms in environmental and transmission investment, favorable regional dynamics and eventual rate recognition of larger environmental investments. A favorable FERC and Southwest Power Pool rate-setting process for transmission development investment offers exciting long-term growth opportunity. WR is expanding its 6,300 miles of transmission infrastructure by constructing smaller transmission projects in Kansas and it is a 50% partner in a joint venture to build a large \$225 million transmission project in southern Kansas. WR shares yield an attractive 4.7% on the \$1.28 annual dividend, which we consider secure and with growth potential.

COMMENTARY

In the third quarter and year-to-date periods, some of the best performers among the major holdings of the Fund were involved in merger activity as previously discussed. Southern Union, DPL Inc., and Constellation Energy have all agreed to be acquired at significant premiums and First Energy continues to receive investor recognition of the benefits of its February merger. National Fuel Gas was one of the weaker performers in the third quarter primarily due to its decision not to joint venture with a larger player. The stock had advanced strongly in anticipation that a transaction would accelerate development of its considerable and highly valuable Marcellus Shale acreage position. We remain excited about NFG's financial outlook and potential to achieve shareholder returns.

Future Green World Policies a Key Long-Term Consideration

Global warming remains an important public policy concern, but recessionary and economic challenges have indefinitely delayed federal climate change legislation. However, the Environmental Protection Agency ("EPA") is taking aggressive actions to reduce greenhouse gases and other pollutants, including sulfur and nitrogen oxides (SO_x and NO_x), and mercury, as well as more stringently regulating coal ash disposal, cooling towers, and water. In March of 2011, the EPA issued proposed rules to reduce fossil fired plant emissions of Mercury by 91%, SO₂ by 53%, and to restrict other hazardous air pollutants (HAP). The long anticipated HAP rules are scheduled to be finalized by November 16, 2011, with compliance required three years later. In July of 2011, the EPA finalized the Cross State Air Pollution (CSAP) rule to accelerate SO_x and NO_x reductions in the eastern U.S. to address air pollution in "downwind" states as well as eventual ozone attainment standards. In addition, the agency is considering several other sets of rules and regulations.

We consider it likely that the Congress will more closely evaluate the economic implications of forthcoming compliance obligations, and political pressure could cause the EPA to moderate its aggressive agenda. Nonetheless, utilities and power generators will continue significant efforts to address the inevitable change by retiring less efficient fossil plants and replacing the capacity with gas or renewable generation. We expect 30,000-40,000 megawatts of older and less efficient coal fired generation to be retired over the next several years, and minimal new coal capacity to come online.

Environmental concerns, as well as the recent events at Fukushima Daiichi, shine the spotlight on the long-term challenges that the power industry faces in meeting the public's demand for low cost and reliable electricity. Coal fired generation provides roughly 45% of U.S. electricity, natural gas 25%, nuclear 20%, and hydro, oil, wind, solar, and other sources contribute approximately 10%. However, output from coal fired generation is likely to diminish, due to global warming and other health concerns, and near-term hopes for a nuclear renaissance have been tempered. As a result, we expect natural gas to increase as a percentage of overall generation and represent the majority of new build.

Fortunately for utility customers, most regions of the U.S. have adequate generating capacity for the next couple of years, and natural gas prices remain depressed. Advances in drilling technology have made the enormous natural gas shale reserves drillable, and it appears that natural gas prices will remain low for some time. However, natural gas prices have historically proven to be volatile, and the marginal cost of gas fired generation is highly sensitive to changes in natural gas prices. Natural gas supply and prices also face ongoing environmental challenges associated with potential water table contamination caused by fracking.

While research and development efforts to capture carbon and sequester it underground continue to move forward, the technology has yet to be proven economically viable for commercial use. Over the long term, we expect new nuclear generation to be added. Actual construction of the first new nuclear plants in Georgia and South Carolina could begin as early as late 2011/early 2012, with commercial operation expected in 2016 and 2017. We believe that the value of existing nuclear plants, as well as those currently being developed, will only increase as the number of coal fired plants diminishes over time.

Over the long term, we anticipate increased utility investment in renewable generation, specifically wind and solar plants, smart grid technology, and long haul transmission lines. Smart grid technology and advanced meters allow for real time communication between power users and providers, which will ultimately lead to efficiencies, lower utility bills, and higher margins.

Advancing efforts and technology improvements offer longer term potential to develop an electric vehicle, which could lead to substantial increases in future electric consumption. Widespread use of an electric vehicle would provide a significant boon to the sector, given that a material portion of higher electric demand would take place in off-peak hours. In other words, power plants that normally sit unused at night would run around the clock and produce returns with minimal new investment.

Growing the Nation's Power Highway

Expanding the archaic U.S. electric grid to free up existing "bottlenecks" in the system, as well as moving power from unpopulated wind regions to load centers, represents one of the better investment opportunities for the sector. The FERC, not state public utility commissions, regulates transmission, and it wants more investment in the grid. Transmission investment generally receives higher profit levels, more incentives, and easier recovery than investment in the jurisdictions regulated by state public utility commissions. Utilities are building and have proposed billions of dollars in projects for longer "power highways" that will enhance future earnings growth potential.

Today's Investment Results in Tomorrow's Earnings

The utility sector remains in the early stages of another round of investment and consolidation. Utilities build, own, and operate infrastructure: power plants, transmission lines, gas pipelines, distribution systems, gas storage facilities, and water treatment plants. Utilities have increased capital investment to operate in a more environmentally friendly manner and replace aging infrastructure, while meeting growing demand. The politicians and general public are supportive, if not at least understanding, of the need for infrastructure investment.

Regulated utilities generate income when regulators set rates that allow utilities a reasonable opportunity to earn a return on their investment or rate base. Therefore, there is a direct correlation between accelerating capital budgets and long-term earnings prospects. The number of rate increase requests picked up significantly over the past couple of years, and resulting rate awards, as well as future awards, will drive earnings growth in the sector.

Our Approach

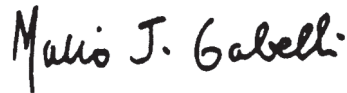
For several decades, utility companies have acquired other utilities and utility assets for the sake of gaining economies of scale and efficiency. The same forces that resulted in more than one hundred utility takeover announcements over the past two decades remain in place, and new forces have come into play, continuing to drive this long-term trend. Climate change and environmental policy have pressured marginal players. The pickup in merger activity reinforces the long-term bias of utilities to increase scale or gain a strategic benefit. The small companies are selling out at premium prices as the cost of staying in the game rises. The historical lengthy merger review and approval process appears to have eased as policy makers understand the new economic dynamics.

Despite over ninety completed utility mergers/acquisitions since 1993, the electric and gas utility sector remains fragmented, with over sixty electric utilities and thirty gas utilities. This is fifty more than we need from the standpoint of economic efficiency.

Our investments in regulated companies have primarily, though not exclusively, focused on fundamentally sound, reasonably priced mid cap and small cap utilities that are likely acquisition targets for large utilities seeking increased bulk. We prefer utilities that operate in more constructive regulatory environments, possess lower carbon footprints, and/or access to strategic geographies. We favor utilities with pending transmission line developments, and we focus on natural gas pipelines and storage operators as a way to take advantage of the growing demand for natural gas in the U.S.

The sector does face some headwinds. Should the low interest rate environment persist, Public Utility Commission (PUC) allowed profit levels (allowed ROEs) could decline. The potential for interest rates to rise would diminish investor demand for utility dividends. While utility stocks are sensitive to changes in interest rates, as are most investments, current valuations provide some cushion for higher rates. Further, unlike fixed income investments, growing dividend and earnings streams work to offset the negative impact of higher interest rates.

Sincerely,



Mario J. Gabelli, CFA
Portfolio Manager

October 17, 2011

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

National Fuel Gas Co. 4.0%	Constellation Energy Group Inc. 1.8%
NextEra Energy Inc. 2.3%	El Paso Corp. 1.8%
Southern Union Co. 2.2%	DPL Inc. 1.5%
Southwest Gas Corp. 1.9%	Consol Energy Inc. 1.5%
Edison International 1.8%	FirstEnergy Corp. 1.2%

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 Utilities Fund, Mr. Gabelli received \$2,470,410 in calendar 2010. Starting in August 1999, the Fund's first year of operation, Mr. Gabelli received less than \$25,000. As beneficial owner, he had \$313,159 invested in The Gabelli Utilities Fund as of December 31, 2010, which includes the holdings of GAMCO Asset Management, Inc. 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.

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.

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 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 GABUX for Class AAA Shares. 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, 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 Utilities Fund began offering additional classes of Fund shares on December 31, 2002. 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 Trustees 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, which is affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage 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.

GABELLI FAMILY OF FUNDS

VALUE

Gabelli Asset Fund

Seeks to invest primarily in a diversified portfolio of common stocks selling at significant discounts to their private market value. The Fund's primary objective is growth of capital. (Multiclass)

Team Managed

Gabelli Blue Chip Value Fund

Seeks long term growth of capital through investment primarily in the common stocks of established companies which are temporarily out of favor. The fund's objective is to identify a catalyst or sequence of events that will return the company to a higher value. (Multiclass)

Portfolio Manager: Barbara G. Marcin, CFA

GAMCO Westwood Equity Fund

Seeks to invest primarily in the common stock of well seasoned companies that have recently reported positive earnings surprises and are trading below Westwood's proprietary growth rate estimates. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Susan M. Byrne

FOCUSED VALUE

Gabelli Value Fund

Seeks to invest in securities of companies believed to be undervalued. The Fund's primary objective is long-term capital appreciation. (Multiclass)

Team Managed

SMALL CAP

Gabelli Small Cap Growth Fund

Seeks to invest primarily in common stock of smaller companies (market capitalizations at the time of investment of \$2 billion or less) believed to have rapid revenue and earnings growth potential. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood SmallCap Equity Fund

Seeks to invest primarily in smaller capitalization equity securities – market caps of \$2.5 billion or less. The Fund's primary objective is long-term capital appreciation. (Multiclass)

Portfolio Manager: Nicholas F. Galluccio

Gabelli Woodland Small Cap Value Fund

Seeks to invest primarily in the common stocks of smaller companies (market capitalizations generally less than \$3.0 billion) believed to be undervalued with shareholder oriented management teams that are employing strategies to grow the company's value. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Elizabeth M. Lilly, CFA

GROWTH

GAMCO Growth Fund

Seeks to invest primarily in large cap stocks believed to have favorable, yet undervalued, prospects for earnings growth. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Howard F. Ward, CFA

GAMCO International Growth Fund

Seeks to invest in the equity securities of foreign issuers with long-term capital appreciation potential. The Fund offers investors global diversification. (Multiclass)

Portfolio Manager: Caesar Bryan

AGGRESSIVE GROWTH

GAMCO Global Growth Fund

Seeks capital appreciation through a disciplined investment program focusing on the globalization and interactivity of the world's marketplace. The Fund invests in companies at the forefront of accelerated growth. The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

MICRO-CAP

GAMCO Westwood Mighty MitesSM Fund

Seeks to invest in micro-cap companies that have market capitalizations of \$500 million or less. The Fund's primary objective is long-term capital appreciation. (Multiclass)

Team Managed

EQUITY INCOME

Gabelli Equity Income Fund

Seeks to invest primarily in equity securities with above average market yields. The Fund pays monthly dividends and seeks a high level of total return with an emphasis on income. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood Balanced Fund

Seeks to invest in a balanced and diversified portfolio of stocks and bonds. The Fund's primary objective is both capital appreciation and current income. (Multiclass)

Co-Portfolio Managers: Susan M. Byrne

Mark R. Freeman, CFA

GAMCO Westwood Income Fund

Seeks to provide a high level of current income as well as long-term capital appreciation by investing in income producing equity and fixed income securities. (Multiclass)

Portfolio Manager: Barbara G. Marcin, CFA

SPECIALTY EQUITY

GAMCO Vertunus Fund (formerly GAMCO Global Convertible Securities Fund)

Seeks to invest principally in bonds and preferred stocks which are convertible into common stock of foreign and domestic companies. The Fund's primary objective is total return through a combination of current income and capital appreciation. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Global Opportunity Fund

Seeks to invest in common stock of companies which have rapid growth in revenues and earnings and potential for above average capital appreciation or are undervalued. The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

Gabelli SRI Green Fund

Seeks to invest in common and preferred stocks meeting guidelines for social responsibility (avoiding defense contractors and manufacturers of alcohol, abortifacients, gaming, and tobacco products) and sustainability (companies engaged in climate change, energy security and independence, natural resource shortages, organic living, and urbanization). The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

SECTOR

GAMCO Global Telecommunications Fund

Seeks to invest in telecommunications companies throughout the world – targeting undervalued companies with strong earnings and cash flow dynamics. The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

GAMCO Gold Fund

Seeks to invest in a global portfolio of equity securities of gold mining and related companies. The Fund's objective is long-term capital appreciation. Investment in gold stocks is considered speculative and is affected by a variety of worldwide economic, financial, and political factors. (Multiclass)

Portfolio Manager: Caesar Bryan

Gabelli Utilities Fund

Seeks to provide a high level of total return through a combination of capital appreciation and current income. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

MERGER AND ARBITRAGE

Gabelli ABC Fund

Seeks to invest in securities with attractive opportunities for appreciation or investment income. The Fund's primary objective is total return in various market conditions without excessive risk of capital loss. (No-load)

Portfolio Manager: Mario J. Gabelli, CFA

Gabelli Enterprise Mergers and Acquisitions Fund

Seeks to invest in securities believed to be likely acquisition targets within 12–18 months or in arbitrage transactions of publicly announced mergers or other corporate reorganizations. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

CONTRARIAN

GAMCO Mathers Fund

Seeks long-term capital appreciation in various market conditions without excessive risk of capital loss. (No-load)

Portfolio Manager: Henry Van der Eb, CFA

Comstock Capital Value Fund

Seeks capital appreciation and current income. The Fund may use either long or short positions to achieve its objective. (Multiclass)

Portfolio Managers: Charles L. Minter

Martin Weiner, CFA

FIXED INCOME

GAMCO Westwood Intermediate Bond Fund

Seeks to invest in a diversified portfolio of bonds with various maturities. The Fund's primary objective is total return. (Multiclass)

Portfolio Manager: Mark R. Freeman, CFA

CASH MANAGEMENT-MONEY MARKET

Gabelli U.S. Treasury Money Market Fund

Seeks to invest exclusively in short-term U.S. Treasury securities. The Fund's primary objective is to provide high current income consistent with the preservation of principal and liquidity. (No-load)

Co-Portfolio Managers: Judith A. Raneri

Ronald S. Eaker

An investment in the above Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

The Funds may invest in foreign securities which involve risks not ordinarily associated with investments in domestic issues, including currency fluctuation, economic, and political risks.

To receive a prospectus, call **800-GABELLI** (800-422-3554). Investors should carefully consider the investment objectives, risks, charges, and expenses of a fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.

Distributed by G.distributors, LLC, One Corporate Center, Rye, NY 10580.

The Gabelli Utilities Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

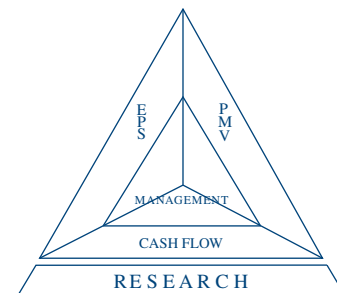
800-422-3554

fax: 914-921-5118

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e-mail: info@gabelli.com

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



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The Gabelli Utilities Fund

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

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SHAREHOLDER COMMENTARY
SEPTEMBER 30, 2011