

The Gabelli Utilities Fund

Shareholder Commentary

June 30, 2017



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Portfolio Manager

To Our Shareholders,

For the quarter ended June 30, 2017, the net asset value (“NAV”) per Class AAA Share of The Gabelli Utilities Fund increased 0.7% compared with an increase of 2.2% for the Standard & Poor’s (“S&P”) 500 Utilities Index (SPU). See page 2 for additional performance information.

Solid Utility Returns and Continued Fed Vigilance Keep Long Rates Low

Through the first half of 2017, the S&P Utilities Index provided an 8.8% total return, compared to a 9.3% return for the S&P 500 Index. Utility stocks benefited from lower interest rates, strong fundamentals, merger activity, and defensive appeal.

The slow but steady U.S. economic growth rate, combined with ongoing low interest rates, bodes well for the equity markets, including utility stocks. Initial optimism that the Trump administration would enact profound change leading to strong economic growth, (and potentially inflation) has been replaced with congressional gridlock, geopolitical risk, and a vigilant Federal Reserve. On June 15, 2017, the Federal Reserve raised the federal funds rate target range by another 25 basis points, to 1.00%-1.25%, and stated intentions to start shrinking its \$4.5 trillion portfolio. Following seven years of a 0% overnight lending rate through December of 2015, the Fed has raised the benchmark rate four times in eighteen months, including three hikes in a six month period. The actions help harness the economy, mitigate inflation, and put downward pressure on the longer end of the yield curve. The 10 and 30 year U.S. Treasuries yielded 2.31% and 2.84% at the end of the second quarter, lower than the year-end 2016 levels of 2.45% and 3.1%, respectively.

Comparative Results

Average Annual Returns through June 30, 2017 (a)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (8/31/99)
Class AAA (GABUX)	0.69%	4.27%	8.67%	5.96%	8.18%	7.80%
S&P 500 Utilities Index	2.21	2.47	11.17	6.97	9.42	6.88
S&P 500 Index	3.09	17.90	14.63	7.18	8.34	5.47
Lipper Utility Fund Average	1.56	3.10	9.82	5.75	9.46	6.60
Class A (GAUX)	0.82	4.35	8.68	5.98	8.21	7.82
With sales charge (b)	(4.98)	(1.65)	7.41	5.36	7.78	7.46
Class C (GAUCX)	0.70	3.63	7.88	5.19	7.42	7.15
With contingent deferred sales charge (c)	(0.30)	2.63	7.88	5.19	7.42	7.15
Class I (GAUIX)	0.80	4.56	8.95	6.20	8.34	7.94

In the current prospectuses dated April 28, 2017, the expense ratios for Class AAA, A, C, and I Shares are 1.38%, 1.38%, 2.13%, and 1.13%, 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. Returns would have been lower had Gabelli Funds, LLC, the Adviser not reimbursed certain expenses of the Fund for periods prior to December 31, 2002. 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 value 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 the Class A Shares and Class C Shares on December 31, 2002 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 Utilities Index is an unmanaged 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 1% maximum contingent deferred sales charge 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 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.

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, will be available on our website at www.gabelli.com.

Over the past few years, some investors avoided utility stocks due to concern over the potential for higher interest rates. In the face of the four “rate hikes”, the S&P Utilities Index returned 30.7% and the S&P 500 returned 22.6% since the Fed’s initial action in December 2015. We continue to emphasize that, while utility stocks are sensitive to interest rates, they are by no means bond proxies. Earnings and dividend growth rates primarily determine long term total returns and mitigate the negative impact of higher interest rates.

Outlook: Earnings Growth Through Cycles and Regardless of Politics

Our universe of forty-four electric utility stocks offers a median current return of 3.2% and 4%-6% annual earnings and dividend growth, which is higher than forecast inflation. In 2016, median utility earnings growth was 6.1%, and forty of the forty-four electric utility stocks, or 91%, raised the annual dividend, with a median increase of 5.6%. The fundamentals of the sector remain healthy, and include strong balance sheets and credit ratings, improving regulatory principles, focused strategies, low natural gas prices, and opportunities to invest in infrastructure.

Republican control of the White House and both chambers of Congress has resulted in a less stringent EPA, withdrawal from the Paris Agreement on climate, and an end to the Clean Power Plan (March 2017 Executive Order), but utility infrastructure investment continues in earnest. In 2016, capital investment rose 8% to a record level of \$113 billion and is expected to rise further to \$120 billion in 2017, driving ongoing earnings growth.

Gridlock has hampered material changes in policy thus far, but we continue to expect changes in fiscal policy, including lower corporate and personal income tax rates, as well as other changes in tax policy. Items of particular interest include: (1) lowering the corporate tax rate; (2) revising the tax deductibility of interest expense; and (3) allowing the expensing of capital investments. A lower corporate tax rate would be passed on directly to customers through lower bills, and create some positive “goodwill” for utilities and Public Utility Commissions (PUC). After running various scenarios, most utility managements concluded that the aforementioned policy changes would not have a material impact on utility financials.

Finally, the sector continues to consolidate, resulting in takeover premiums and added growth opportunities. Electric (19.7x and 18.4x), gas (22.5x and 21.6x) and water (25.9x and 24.5x) utilities trade near historically high absolute P/E multiples of forward earnings estimates (2017E and 2018P), respectively. Adjusted for interest rates, the P/E multiples appear reasonable and, considering the strong fundamental outlook, which includes stronger than historical growth rate and lower risk profiles, valuations could be considered attractive.

Merger and Acquisition Activity Update

During the second quarter of 2017, two utility mergers were rejected by PUC’s. On April 13, 2017, the PUC of Texas rejected NextEra Energy’s \$18.5 billion acquisition of Oncor Electric, on the basis that Oncor would lack independence from NEE. On April 21, 2017, the Kansas Corporation Commission rejected the Great Plains Energy (GXP) (Kansas City, Missouri) and the Westar Energy (Topeka, Kansas) merger on the

grounds that GXP is using excessive leverage and paying too large a premium. The companies are negotiating new deals to bring to their respective PUCs.

In the first quarter of 2017, two gas utilities agreed to be purchased by infrastructure funds: WGL Holdings of Washington, D.C. by Canadian infrastructure fund AltaGas, and Delta Gas of Winchester, Kentucky by Steel River Infrastructure.

In 2016, eight regulated utility acquisitions were announced, ten were completed (including four announced in 2016), and one deal was terminated.

The long term consolidation trend has benefited shareholders, with average and median premiums ranging from 3% to 57%. We attribute the recent acceleration of activity to the low interest rate environment, desire for scale in the face of ongoing infrastructure investment, and the emergence of the Canadian utilities. However, we expect that consolidation activity could moderate over the near term, given uncertainty related to the potential for comprehensive tax law changes. A revision in the tax-deductibility of interest expense would discourage leverage and result in a higher cost of capital. However, once there is some clarity, consolidation will likely continue. Consolidation activity is outlined below:

Deals Rejected in the Second Quarter

Announced

Date	Buyer	Target Entity	Enterprise Value	Premium**
7/29/16	NextEra Energy (4.1%*)	Oncor Electric	\$18.4 billion	Private
5/31/16	Great Plains Energy (1.2%)	Westar Energy (2.2%)	\$12.2 billion	13%

*of net assets as of June 30, 2017

Announced Deals Currently Pending

Date	Buyer	Target Entity	Enterprise Value	Premium**
2/21/17	Steel River	DeltaGas (0.2%)	\$258 million	17%
1/26/17	AltaGas	WGL Resources (0.4%)	\$6.4 billion	12%
10/10/16	First Reserve	Gas Natural (0.1%)	196 million	39%

Deals Closed in 2016/2017

Date	Buyer	Target Entity	Enterprise Value	Premium**
1/2/2017	Algonquin PU (0.2%)	Empire District Electric	\$2.4 billion	21%
10/14/16	Fortis (0.3%)	ITC Holdings	\$11.3 billion	14%
10/3/16	Duke Energy (1.1%)	Piedmont Natural Gas	\$6.7 billion	42%
9/16/16	Dominion Res.	Questar Corp.	\$6.0 billion	22%
9/12/16	Spire (0.4%)	Energy South	\$344 million	Private
7/1/16	Emera (0.3%)	TECO Energy	\$10.4 billion	31%

7/1/16	Southern Co. (0.9%)	AGL Resources	\$12 billion	38%
3/30/16	Macquarie (0.1%)	CLECO	\$4.7 billion	15%
3/23/16	Exelon (0.6%)	Pepco Hldgs.	\$11.9 billion	20%
2/12/16	Black Hills (1.5%)	Source Gas	\$1.89 billion	Private

On 7/18/16, NextEra Energy terminated its deal to acquire Hawaiian Electric for \$4.3 billion.

**Represents the premium to the closing share price on the last trading day prior to the announcement of the deal.

With nearly 80 North American utilities and power companies, 60 electric, and 20 gas companies, we recommend that investors purchase a portfolio of small-to-mid-cap utilities with earnings and dividend growth potential. More significant takeover premiums are normally associated with fundamentally sound, reasonably priced, mid-cap and small-cap utilities. Attractive takeover characteristics include constructive regulatory environments, healthy service areas, transmission growth potential, low carbon footprints, strategic geographies, or a particularly stressed situation. Given the significant long term demand for natural gas, we consider most gas distribution utilities, particularly those with pending pipeline development projects, to be highly coveted.

Earnings and Dividend Growth Driven By Infrastructure Investment

The successful formula driving our strong fundamental and earnings outlook remains: Investment Opportunities + Constructive Regulation = Earnings Growth. The \$113 billion invested by the Edison Electric Institute (EEI) member utilities in 2016 was 8% higher than the \$104 billion spent in 2015, and it marked the fourth consecutive year of record investment. EEI projects industry investment at \$120 billion in 2017, \$114 billion in 2018, and \$109 billion in 2019. We expect 2018-2019 investment to be higher than the EEI's forecast, as the forecast normally only includes more significant visible projects.

We continue to expect this level of investment to lead to 4% to 6% annual earnings growth, which is in line with most utility management target growth rates. In 2016, utility group median EPS grew 6.1%, and consensus estimates call for 5.2% median growth in 2017 and 5.7% in 2018.

Economics Driving Gas and Renewables Investment

In March 2017, President Trump signed an executive order to dismantle the Clean Power Plan ("CPP"). The CPP was the crowning environmental achievement of the previous administration, because it was the first regulation on greenhouse gases, including carbon. It called for a 30% plus reduction in carbon by 2030 from 2005 levels, with the first compliance period in 2022. The absence of climate change legislation and withdrawal from the Paris Agreement on climate will do very little to slow the "greening of the U.S. power generation fleet". The U.S. electric and gas utility industry is undergoing a dramatic transformation to cleaner and more efficient energy usage, including the rapid development of wind and solar generation and the retirement of older coal and nuclear units.

The December 2015 renewable tax extension, which extended wind production tax credits through 2019 and solar investment tax credits through 2020, is temporarily driving renewable development. The credit allows for the full \$0.023/kilowatt hour credit in 2016, and phases out in 20% increments from 2017 (80%), 2018 (60%), and 2019 (40%). More importantly, the safe harbor provision allows the commercial operation date to occur up to four calendar years after construction began (2020-2023). The 30% solar investment tax credit was extended through 2019, and will decline to 26% in 2020, 22% in 2021, and then permanently to 10% for commercial and 0% for residential. In addition, state mandates and customer demands are also significant drivers of renewable investment over the near term. At its June 21, 2017 analyst day, leading renewable developer NextEra Energy (4.14%) highlighted that technology improvement and cost declines will make wind and solar competitive with new combined cycle gas plants post 2020. Over time, battery storage technological improvements will likely render coal plants extinct.

According to the U.S. Energy Information Administration (EIA), renewable generation (wind and solar) represented a record 10% of total generation in March of 2017. In 2016, the U.S. added 33 GW's of new electric capacity, including a record 13 GW's of solar, 9.2 GW's of wind and 9.1 GW's of natural gas. Over 2017-2020, we expect 60 GW's of wind and solar to be added to the roughly 1,000 current GW generating capacity. Cleaner generation is driven by the economics and efficiency of new gas plants and low gas prices relative to older inefficient coal plants, increasing state renewable portfolio standards, and political and public demands.

Since 1990, the power industry has reduced sulfur dioxide (SO₂) emissions by 80%, nitrogen oxides (NO_x) by 74% and mercury by 90%, primarily due to the EPA's Clean Air Act (1973 and amended 1990), as well as the 2015 Mercury Air Toxin Standards. In 2016, 33% of U.S. generation came from zero carbon emitting nuclear (20%), hydro (6%), and renewables (7%), 33% from low emitting natural gas, and 33% was derived from coal. In 1986, 58% of generation was from coal. There hasn't been a coal plant built in more than five years, and, absent technological breakthroughs, there may never be another built. The nation's nuclear plants continue to age, and the low cost of natural gas and renewables challenge the ongoing economics of upgrades.

Electric and Gas Transmission Development

Political gridlock has temporarily slowed (or halted) interstate gas and electric transmission development, given that the Federal Energy Regulatory Commission (FERC) does not have enough commissioners to rule on major items, including gas pipeline and electric transmission development. However, two members are currently awaiting approval and, going forward, we expect a more relaxed regulatory atmosphere and loosened development restrictions to lead to accelerated infrastructure investment. Natural gas and oil pipelines, long distance transmission lines, modernized electric grid, and accelerated water and gas distribution pipeline replacement all stand to benefit.

As natural gas becomes a more integral part of the electric utility industry, electric utilities are building and developing natural gas pipelines and investing in natural gas midstream assets and reserves. In 2016, electric

utility industry leaders The Southern Company (0.9% of net assets as of June 30, 2017), Dominion Resources, and Duke Energy Corp. (1.1%) bought local gas utilities, while DTE Resources and Consolidated Edison purchased midstream assets and pipelines. Dominion (0.6%), Duke Energy, and The Southern Company have ventured to build the \$5 billion Atlantic Coast Pipeline; The Southern Company, Spectra Energy, New Jersey Resources Corp. (.03%), UGI Corp.(0.8%), Public Service Enterprise Group (0.4%), and South Jersey Industries (0.2%) have teamed to build the \$1 billion PennEast Pipeline; Eversource Energy (2.2%), National Grid (0.1%), and Spectra have teamed up to build the \$3 billion Access Northeast (to be completed in late 2020); and NextEra Energy has ventured to build several pipeline projects. Numerous other pipelines have been delayed pending various regulatory approvals. We expect the permitting and approval process to become somewhat easier under the new administration.

Over the past couple of years, complaints and the potential for lower returns on equity (ROE) dampened enthusiasm for FERC regulated electric transmission. Given FERC's favorable, incentive oriented regulation, transmission investment is one of the more compelling uses of capital for electric utilities, as FERC's favorable formulaic and forward looking regulation was designed to help the nation repair, modernize, and expand its aging transmission network. Allowed ROEs have ranged as high as approximately 14%, though recent FERC rate decisions reset the benchmark at a lower level. In June, 2014, FERC lowered New England transmission base ROEs to 10.57% from 11.14%, and capped incentive ROEs at 11.74%. On September 28, 2016, FERC set the allowed ROE for the Midcontinent Independent System Operator (MISO) at 10.32%, with an upper end of reasonableness of 11.35%. A decision related to a second MISO complaint is expected in mid-2017. We consider it likely that a new set of FERC commissioners will award constructive ROEs, as well as implement policy to end the pancaking of complaints.

State Regulators Support Rate Base Investment

Over the past few years, public and political support of investment, combined with the low cost of natural gas, have allowed for an increasingly constructive regulatory environment. State PUCs' regulatory principles have evolved to include numerous adjustments and mechanisms to address infrastructure investment, as well as rate design changes to address efficiency and distributed generation. Many state PUCs allow frequent (quarterly, semi-annual, or annual) rate adjustments for environmental, transmission, renewable, and other items, as well as "pass-throughs" for fuel, health care, and pension expenses. Given flattish demand growth, and to encourage distributed generation and efficiency, many regulators have "decoupled," or separated revenues from sales. The improved regulatory treatment results in a greater opportunity to earn the ROEs allowed, and results in "stair-step" earnings growth.

Interest Rates

Utility dividend returns become less compelling when returns on other investments increase, including U.S. Treasury yields. The utility dividend yield and ten-year U.S. Treasury bond yield are highly correlated, but utility stock prices, unlike Treasury bond prices, are likely to rise if earnings and dividends grow over time. The factors below mitigate the negative impact of higher interest rates.

- **Annual dividend hikes:** Utilities target annual dividend increases which serve to mitigate the negative impact of higher rates. In 2016, electric utilities increased the annual dividend by a median of 5.5%.
- **ROE is set based on interest rates:** A utility's cost-of-capital, including equity returns (ROEs), is set by state PUCs and increase (decrease) as interest rates rise (fall).
- **Annual riders minimize inflation risk:** State Public Utilities Commissions and FERC regulatory principles have improved to include more frequent rate adjustments, which mitigate inflation risk.
- **Utility stocks pay higher dividends than other sectors:** The present value of a higher near-term dividend stream is less impacted by changes in interest rates than a lower near-term dividend stream.

The current 3.3% utility dividend return is 135% of the 2.38% yield on the ten-year U.S. Treasury bond, which is right at the 20 year median level. The spread between utility current returns (utility yields) and Treasury yields has recently reverted from being relatively high (or attractive) to a more normal range (fairly valued), driven by the 100 basis point rise in the ten-year Treasury yield.

Conclusion

We continue to expect the utility sector to provide a low risk, 7%-9% annual total return over the long term, based on the median current return of 3.2% and 4%-6% annual earnings and dividend growth. We believe valuation multiples are supported by strong fundamentals, low interest rates, and ongoing takeover potential. Solid fundamentals include healthy balance sheets, credit ratings, improved regulatory principles, focused strategies, low natural gas prices and opportunities to invest in rate base, as well as the potential for takeovers.

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 percentages of net assets, and their share prices are stated as of June 30, 2017.

American Electric Power Co. Inc. (2.2% of net assets as of June 30, 2017) (AEP – \$69.47 – 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 retransmission 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%.

AVANGRID Inc. (0.4%) (AGR – \$44.15 – NYSE), based in New Haven, Connecticut, consists of eight regulated utilities in four states: New York State Electric & Gas, Rochester Gas and Electric, Central Maine Power, United Illuminating, Southern Connecticut Gas, Connecticut Natural Gas, Maine Natural Gas, and Berkshire Gas, serving approximately 2.2 million electric and 1.0 million gas customers. The company also operates 6.5 GWs of generation, including 5.9 GWs of renewables. AGR is the product of the December 2015 merger between Iberdrola USA and UIL Holdings Corp. Iberdrola, based in Madrid, Spain, owns an 81.5% share of the company. We believe AGR has the scale and geographic diversity to grow the low risk networks rate base, expand the leading renewable portfolio, compete for new transmission, and achieve ongoing merger synergies. Our 2017-2018 earnings estimates are \$2.25 and \$2.45 per share, respectively, and represent the mid-point of 8%-10% earnings growth. Above average earnings growth is driven by rate base growth, renewable development, and synergies. AGR plans to grow its renewable portfolio materially by 1.8GW's by 2020, including 800 MW's of secured contracted capacity. AGR also secured two GWs of wind turbines to capitalize on the PTC credit extension through 2020.

Edison International (2.3%) (EIX – \$78.19 – NYSE) is one of the nation's largest regulated electric distribution utilities through Southern California Edison (SCE), serving 15 million residents (five million customers) in central, coastal, and southern California. We consider EIX to be a relatively low risk, high quality utility operating in a constructive regulatory environment. SCE filed for its 2018-2020 general rate case (GRC) with a decision expected by year end 2017. EIX targets 8.6% annual rate base growth, based on a 10.45% allowed ROE, dropping to 10.3% in 2018-19, a \$19.3 billion 2017-2020 capital program, and progressive regulatory principles. The capital program is directed toward replacing, upgrading, and modernizing the distribution and transmission system to incorporate renewables, storage, electric vehicle charging stations, and various smart grid applications. EIX currently pays an annual dividend of \$2.17 per share, representing a SCE earnings payout ratio of roughly 52% (using \$4.15 per share, midpoint of the earning guidance range).

El Paso Electric Co. (1.9%) (EE – \$51.70 – NYSE) is a vertically integrated electric utility serving approximately 411,000 customers in and around El Paso, Texas and Las Cruces, New Mexico. Roughly 70% of capacity is natural gas and 30% is nuclear. We consider El Paso Electric to be a well managed, low risk, traditional utility investment, with solid earnings growth potential. We expect above average annual customer and sales growth, driven by military base expansion, increased cross border trade, customer additions, as well as an increased use of refrigerated air conditioning. Only 35% of El Paso residences have refrigerated air conditioning, but 99% of new residences install central air conditioning. In August 2016, EE implemented a \$37 million annual rate increase, based on a 9.7% allowed ROE, and EE's New Mexico jurisdiction implemented a \$1.1 million rate increase effective July 1, 2016. Higher rates were to recover \$1.3 billion of investments made since its last rate case in 2009, including the completed Unit 1 and 2 of the gas-fired Montana Power Station. In February of 2017, EE requested an additional \$42.5 million revenue increase for its Texas jurisdiction to recognize investment in MPS Units 3 and 4, with rates effective early 2018. A rate request in New Mexico is planned for the second quarter of 2017. Full earnings power of \$2.80 per share reflects rate recognition of the Montana Units 3 and 4 and the stronger cash flow position.

Eversource Energy (2.2%) (ES – \$60.71 – NYSE) is New England’s largest electric and gas distribution utility and delivery system. ES, formerly known as Northeast Utilities, is the product of the April 2012 merger between Northeast Utilities, headquartered in Hartford, Connecticut, and NSTAR, headquartered in Boston, Massachusetts, creating a premier New England distribution utility. ES serves 3.6 million customers in Connecticut, New Hampshire, and Massachusetts. We consider ES to be one of the better long term growth stories, driven by transmission investment, cost cutting opportunities, and oil-to-gas heat conversions in the Northeast. The company targets a 5%–7% long term earnings growth rate. ES expects its 192 mile, \$1.6 billion Northern Pass electric transmission line to be completed in late 2019, with construction to begin early 2018 following a final environmental impact statement and New Hampshire siting approval. In early June 2017, ES announced the acquisition of Aquarion water company in Connecticut, Massachusetts, and New Hampshire for \$1.6 billion. The company’s joint venture with Spectra Energy and National Grid to construct Access Northeast, a \$3 billion gas pipeline to supply the region’s electric generators with natural gas, has been delayed, and will likely be a post 2020 project. The company expects further transmission development as aging nuclear and coal facilities are replaced with renewables, including offshore wind generation.

National Fuel Gas Co. (4.9%) (NFG – \$55.84 – 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.

NextEra Energy Inc. (4.1%) (NEE – \$140.13 – NYSE) is the holding company for Florida Power & Light (FP&L), the largest electric utility in Florida, and NextEra Energy Resources, a leading wholesale renewables operator. Florida Power & Light operates one of the premier utility franchises in the nation, with favorable long term demographics and above average rate base growth potential, due to the power plant rate adjustments, flexible amortization, and other regulatory mechanisms. In late 2016, FP&L implemented a four year rate plan (2017-2020) based on a 10.6% (+/- 100 basis points) allowed ROE. Additionally, NEE owns and operates the nation’s largest renewable power portfolio, with a significant pipeline of future growth opportunities. NEE is also developing several gas pipeline projects designed to bring more natural gas into Florida. We regard NEE as one of the better positioned electric companies to grow earnings and dividends over the next several years.

PNM Resources (2.8%) (PNM – \$38.25 – NYSE) (Albuquerque, New Mexico) is the holding company for regulated electric utilities Public Service Company of New Mexico (PSNM) and Texas-New Mexico Power Company (TNMP). PSNM serves 520,000 customers in and around Albuquerque, Rio Rancho and Santa Fe and owns 2,800 MWs (15% nuclear) of generation. TNMP is a distribution/transmission company and serves

247,000 customers in three non-contiguous areas of Texas. PSNM is awaiting regulatory approval of a rate settlement calling for a \$32 million revenue increase in 2018 and an additional \$30 million in 2019 based on a 9.575% allowed ROE. Higher rates are necessary to recognize its environmental plan, the addition of Palo Verde 3 at \$1,118/kW (\$150 million) into rate base, other investments, and declining sales. Importantly, the request was based on a future 2018 test year. PNM targets earnings growth of 7%-8% and outlines 2018 and 2019 earnings power ranges of \$1.68-\$1.76 per share and \$2.00-\$2.18 per share, respectively, based on an earned 9.575% ROE.

Southwest Gas Corp. (3.1%) (SWX – \$73.06 – NYSE) is a natural gas distribution utility serving 1.9 million customers in geographically diverse portions of Arizona (1.0 million, or 53%), Nevada (700,000, or 37%), and California (185,000, or 10%). SWX operates in one of the stronger service areas with above-average long-term customer growth potential. SWX also owns Centuri Construction Group, a full service underground piping contractor that provides trenching and installation, replacement, and maintenance services for energy distribution systems. The pipeline construction business is growing strongly, given the industry’s focus on safety related pipeline replacement programs and has broken the \$1 billion revenue milestone. We consider SWX to be a high quality gas utility with a focused, low risk strategy and solid earnings outlook, driven by recent and future rate increases, expanded infrastructure tracking mechanisms, customer growth, and cost controls.

July 20, 2017

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

National Fuel Gas Co.	4.9%	Westar Energy Inc.	2.2%
Nextera Energy Inc.	4.1%	American Electric Power Co Inc.	2.2%
Southwest Gas Holdings Inc.	3.1%	Eversource Energy	2.2%
PNM Resources Inc.	2.8%	El Paso Electric Co.	1.9%
Edison International	2.3%	WEC Energy Group Inc.	1.7%

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 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 directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. 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 and GAMCO Asset Management Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries 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.

THE GABELLI UTILITIES FUND
One Corporate Center
Rye, NY 10580-1422

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
by calling 800-GABELLI after 7:00 P.M.

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shareholders of The Gabelli Utilities Fund. It is not
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preceded or accompanied by an effective prospectus.



GABELLI
FUNDS

THE GABELLI UTILITIES FUND

Shareholder Commentary
June 30, 2017