The Gabelli Utilities Fund

Shareholder Commentary
December 31, 2009

★ ★ ★ ★

Morningstar® rated The Gabelli Utilities Fund Class AAA Shares 4 stars overall and 5 stars for the three year period and 4 stars for the five and ten year periods ended December 31, 2009 among 97, 97, 80, and 52 Specialty-Utilities funds, respectively.

Mario J. Gabelli, CFA

To Our Shareholders,

For the fourth quarter of 2009, the net asset value ("NAV") per share of The Gabelli Utilities Fund Class AAA Shares rose 4.6% versus an increase of 7.3% for the Standard & Poor's ("S&P") 500 Utilities Index. The Fund's annualized total returns for the one year, five year, ten year, and since inception periods were 15.5%, 5.8%, 5.2%, and 7.1%, respectively.

Average Annual Returns through December 31, 2009 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (8/31/99)
Gabelli Utilities Fund Class AAA	**4.64%**	**15.48%**	**(0.28)%**	**5.75%**	**5.18%**	**7.07%**
S&P 500 Utilities Index	7.26	11.91	(1.74)	6.05	4.88	3.69
Lipper Utility Fund Average	5.76	16.43	(2.80)	5.43	3.38	4.18

The expense ratio is 1.43% for the Fund's Class AAA Shares. Class AAA Shares do not have a sales charge.

(a) ***Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share price and 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. 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 more information about this and other matters and should be read carefully before investing.*** *Other share classes are available and have different performance characteristics. See page 11 for performance of other classes of shares. 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 S&P 500 Utilities Index is an unmanaged indicator of electric and gas utility stock performance, while the Lipper Average reflects the average performance of mutual funds classified in this particular category. You cannot invest directly in an index.*

(b) *From commencement of investment operations on August 31, 1999.*

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund's three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund's monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA Share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative.

The utility sector provided investors with total returns of approximately 10% to 12% in 2009, and with returns of over 40% since March 2009. Roughly half of this annual total return came in the form of dividends, and nearly all of the annual price appreciation occurred with the fourth quarter's 6% price advance. As expected, the sector's recovery lagged the overall market recovery in the second and third quarters as initial investor optimism regarding an economic recovery was directed toward the higher beta cyclical and growth sectors. However, the group advanced solidly in the fourth quarter as it has become more likely that the U.S. will experience a slower and more prolonged recovery than many had predicted. A slowly recovering economy provides a better macroeconomic environment for the near-term relative performance of the defensive utility sector, and we continue to believe that utility stocks offer attractive, low risk, total return potential. While the group was decidedly cheap in the second quarter and provided easier opportunities for value investing, the recent appreciation has resulted in more normalized valuation multiples, and future performance will become more dependent upon stock selection.

The 4.6% current yield on the electric utility sector is still 80 basis points higher than the yield on the ten year U.S. Treasury note. In addition, utility stocks offer the potential for annual dividend increases. In 2009, electric utilities increased the annual dividend rate by an average of 2%. The current dividend represents an average payout of 64% of forecasted 2009 earnings, which provides a comfortable margin for dividend maintenance and growth. Given that we expect sector earnings growth of roughly 7% in 2010 and five year annual earnings growth of 4% to 6%, investors can expect dividend growth above recent historical inflation rates.

The fundamentals of the group are solid and offer the likelihood of further improvement. Balance sheets and credit ratings are generally strong, and the return of investor confidence has allowed capital raising activity to resume at a measured pace. Early 2009 investor concern that climate change legislation could penalize the sector has faded. The climate change bill that passed the House in mid 2009, and then stalled in the Senate in late 2009 was the result of significant compromise and was generally considered "utility friendly." While the timing of the inevitable climate change legislation remains uncertain, it appears that utilities will be provided with a sufficient transition period to address legislated requirements.

Our expectation for mid-to-high single digit utility earnings growth in 2010 and 2011 is driven by rate recognition of investments, recovering load growth, and cost controls. Rate increases are necessary to offset declines in the earned profit levels associated with economically impacted retail sales as well as to recognize investments made in utility infrastructure. Over the past twelve to eighteen months, utilities have dramatically increased their rate filing activity. Recent, pending, and future rate recognition of the increased capital spending in utility infrastructure is made more politically palatable by depressed fuel prices, which lowers the fuel portion (charge) of the customer bill and mitigates the net impact of the customer bill. In addition, 2010 earnings comparisons will likely be made easier by the negative earnings impact of mild temperatures in the summer of 2009.

Should the economy experience a stronger than expected recovery, we would expect an equally positive recovery in retail electric sales, which would enhance earnings growth. Long-term natural gas prices remain an important variable, and higher prices would improve depressed non-regulated merchant power generation margins, which would be significant for the independent power generating companies. Finally, we expect the benefits of significant cost cutting efforts from the sector to materialize in 2010.

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.

Utility stocks do face some challenges. Economic factors, which include depressed natural gas and power prices, will likely result in 2009 EPS results roughly 5% to 7% below 2008 results. We expect the recessionary declines in revenue from larger industrial customers, whose consumption declined as much as 15% in some regions, to take a couple of years to recover fully. In addition, for the first time in decades, residential 2009 consumption per capita declined, albeit modestly, driven by conservation related to household budgetary constraints and global warming concerns. Nonetheless, utilities remain one of the more recession resistant sectors of the stock market, and earnings are more stable during economic weakness because the volume of electricity and natural gas sold to residential and commercial customers tends to be less sensitive to economic cycles. Electricity, natural gas, and water are not discretionary purchases for consumers. Industrial demand is more cyclical, but industrial revenues make up only about 25% of total revenues. In addition, these customers usually buy their electricity and natural gas under long-term contracts that require them to pay the utility a fixed amount regardless of consumption. As a result, the bottom line net income impact is significantly less than the top line decline in unit sales.

Lack of clarity regarding the eventual rules governing climate change, as well as lower electric demand, have temporarily slowed renewable generation development and associated long haul transmission projects. As rules are firmly established in the near future, utility managements can strategically invest in the necessary infrastructure, and the appropriate regulatory bodies, such as the Federal Energy Regulatory Commission ("FERC") and individual state public utility commissions, can recognize these investments in customer rates.

In 2009, the long-term trend of utility consolidation slowed to a tepid pace. In the fourth quarter, Chesapeake Utilities purchased Florida Public Utilities, TransAlta purchased Canadian Hydro Developers, and EDF Development closed on the purchase of a 49.9% interest in the nuclear generation assets of Constellation Energy. While Exelon abandoned its hostile bid for NRG in the third quarter, the action reinforces the long-term tendency of utilities to increase scale.

The same forces that resulted in more than one hundred utility takeover announcements over the past two decades remain in place, and some new forces have come into play to continue to drive the long-term trend. As rules for climate change policy are clarified, utilities will face increased pressure to meet renewable portfolio standards and emission reduction standards, as well as to generate baseload power. Given that it is easier to buy assets than build them, utility investors can expect more acquisitions in the years to come. Pending details of important climate change policy will likely lead utility managements to make long-term strategic decisions, such as acquisitions. We look for larger European utilities, especially the Iberian utilities, to pursue growth in North America and Latin America. In early 2010, these companies expect to receive over €10 billion in cash refunds relating to previous under-recoveries from the Spanish government.

We expect utility stocks to provide solid, low risk total return potential over the next few years. Their relatively safe, high dividends provide support to stock prices, and their stable, predictable earnings should be much less volatile than many other industry groups. In addition, the material "pick-up" in rate case activity is expected to drive earnings growth in 2010. Economic stimulus plans continue to enhance cash flows of many companies in the utility industry and provide some assurance of rate recognition of higher capital investments. We are particularly encouraged by the administration's emphasis on increased infrastructure investment to modernize the electric grid and on accelerated investment in alternative energy, which will provide more efficient products for customers as well as new base rates on which utility companies will be allowed to earn a return for their investors.

COMMENTARY

In the upcoming year, we believe that investors will continue to look for dividend paying stocks with low betas and low fundamental risk. Utility stocks fit this description. Across the utilities sector, we see many opportunities to buy the stocks of good companies with strong earnings growth potential and relatively safe and growing dividends, trading at attractive valuations.

Some of the best performers among the major holdings of the Fund during the fourth quarter were: NSTAR (NST) (1.3% of net assets as of December 31, 2009), TECO Energy (TE) (0.3%), and El Paso Electric (EE) (1.0%). TE and EE benefited from recent and anticipated constructive rate relief while NST sold a non-core asset, which further improved its future cash flow outlook.

Future Green World Policies a Key Long-Term Consideration

Global warming is an overwhelming public policy concern, and we believe climate change legislation to lower carbon dioxide emissions and slow down global warming is inevitable. Like many large countries, over half of U.S. electricity is produced from coal fired generation, and nearly three-quarters from fossil fuels. President Obama and the Democratic majority in both houses of Congress are pushing for aggressive reductions in carbon dioxide emissions from power plants, compared with the views of the previous administration. It appears likely that a “cap-and-trade” system for greenhouse gas emissions (“GHGs”) will be implemented sometime in the near future, as well as federal and state mandates to increase the percentage of electric output to be derived from renewable energy such as wind farms and solar plants. This is more in line with the policies already in place in Europe.

Legislation passed in the fall of 2008, combined with the February 2009 American Recovery and Reinvestment Act, permits U.S. utilities to accelerate the use of tax credits from investment in alternative energy power plants and provides for more than $60 billion in loan guarantees for companies to pursue investments in the electric grid and alternative energy. While wind generation makes up less than 3% of total U.S. generation, this percentage is expected to increase dramatically over the next decade as wind farms are built throughout Montana, the Dakotas, Minnesota, Wyoming, Iowa, Kansas, Texas, and other wind rich states.

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. The investments are likely to be received favorably by utility regulators and offer the opportunity for long-term earnings growth. The FERC regulates transmission investment and also promotes it via higher allowed profit levels, including 12.5%+ allowed ROEs. 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. Moreover, we expect a second wave of nuclear generation to be added over the 2020-2030 time period. Advancing efforts and technology improvements offer longer term potential to develop an electric vehicle, which could lead to substantial increases in future electric consumption.

Cap and Trade

A cap-and-trade system would call for a mandatory reduction in total emissions, most importantly carbon. Utilities unable to meet the reduction requirements would be allowed to purchase the preset number of credits made available by the government. A market based trading system would develop for such emission credits, and the number of credits would decline in future years. The bill that cleared the House called for roughly 35% of the credits made available to be allocated to the industry in the initial years of the program. Fortunately for utilities, the “free” allocation of credits would act to delay and/or mitigate the initial negative financial impact. In addition, state public utility regulators will likely allow cost of compliance, which includes the purchase of credits, to be passed on to customers.

Growing the Nation's Power Highway

Expanding the archaic U.S. electric grid to move power from unpopulated wind regions to load centers as well as freeing up existing "bottlenecks" in the system 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 have proposed billions of dollars in projects for longer "power highways" that will enhance future earnings growth potential.

Another Wave of Nuclear Plants

Over the long term, large baseload generation plants that can operate at low marginal costs will be needed to meet growing demand and replace older coal fired units. Given that wind farms only run when the wind blows, solar plants only run when the sun shines, and natural gas prices have proven volatile, it appears that a new wave of nuclear plants will be needed. Incentives from the 2005 energy legislation already provide generous loan guarantees for companies that build new nuclear plants, and more than two dozen nuclear construction license requests are now awaiting approval from the Nuclear Regulatory Commission. Actual construction on the first new wave of plants is expected to begin in 2011, with operations starting 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. The inherent value of nuclear plants will become more evident should natural gas prices recover from their current cyclical depression.

Today's Investment Results in Tomorrow's Earnings

The utility sector remains in the early stages of another round of investment. Utilities build, own, and operate infrastructure: power plants, transmission lines, gas pipelines, distribution systems, gas storage facilities, and water treatment plants. After a five year lull in capital spending, 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 long-term earnings prospects and accelerating capital budgets. Given generally strong balance sheets, utilities are well positioned to meet their investment obligations. The number of rate increase requests has picked up significantly over the past twelve months, and rate increases authorized recently and in the near future will drive earnings growth in the sector.

Our Approach

There are nearly seventy publicly traded, investor owned electric utilities in the U.S. This is fifty more than we need from the standpoint of economic efficiency. Small natural gas distribution companies make no economic sense either. The balkanized structure of the industry is inherently inefficient and competitive forces are now putting pressure on the marginal players. The big companies feel the need to be bigger to achieve scale economies, and the small companies are selling out as the cost of staying in the game rises. It is only because of a complex and lengthy merger review and approval process that the industry remains as fragmented as it currently is. 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 also like the beneficiaries of developing trends. This has led to our ongoing focus on nuclear power utilities and utilities with material wind development pipelines as a way to benefit from the need for more power from carbon free generation. We favor utilities with pending transmission line developments and also 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.

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 December 31, 2009.

Allegheny Energy Inc. (2.0% of net assets as of December 31, 2009) (AYE - $23.48 - NYSE), based in Greensburg, Pennsylvania, owns three electric utility companies serving parts of Pennsylvania, West Virginia, Maryland, and Virginia. AYE also owns unregulated generating assets located primarily in the Mid-Atlantic region. AYE shares have been oversold due to unwarranted fear concerning its large unregulated coal fired generation fleet, which happens to be among the lowest cost units in the region. Earnings are expected to grow materially over the next few years due to higher wholesale power profit margins as most of AYE's power plants transition from selling power at fixed prices to selling power at much higher, market based prices. Climate change legislation, in its current form, will not hurt this generation portfolio as much as feared. Completion of major transmission lines by AYE also should add to earnings.

El Paso Electric (1.0%) (EE - $20.28 - NYSE) is a vertically integrated electric utility serving 365,000 customers in and around El Paso, Texas and Las Cruces, New Mexico. We consider El Paso Electric to be a low risk traditional utility investment with solid earnings growth potential after its increased effort in both of its regulatory jurisdictions. During December 2009, EE filed its first Texas rate case in fifteen years and achieved a new rate order in New Mexico.

FPL Group Inc. (2.3%) (FPL - $52.82 - NYSE) is expected to be one of the biggest beneficiaries of the pending climate change policy. FPL's non-regulated subsidiary, NextEra Energy Resources, is the nation's largest builder, owner, and operator of wind farms. NextEra benefits from a competitive advantage in wind development and a pipeline of future wind farms totaling roughly 30,000 megawatts. FPL's regulated utility, Florida Power & Light Company, is one of the largest, best operated, and historically fastest growing utilities in the U.S. While the recession has hit Florida's economy hard, a pending rate case could reset rates based on current sales levels, recognize the sizeable investments the company has made, and lead to strong regulated utility growth in 2010. In addition, FPL has one of the strongest balance sheets in the utility industry and it is one of the few companies in the sector to raise its dividend every year for the past decade.

Maine & Maritimes (0.4%) (MAM - $34.80 - AMEX) is the parent company of Maine Public Service Company, a regulated electric transmission and distribution utility serving approximately 36,000 electricity customer accounts in Northern Maine. MAM is also the parent company of MAM Utility Services Group, an unregulated corporation that provides electrical services including transmission line and substation design and construction. Maine & Maritimes has recently been focusing on a transmission solution linking northern Maine to the rest of the state and that would create essential access to the New England power market for future renewable resources.

National Fuel Gas Co. (3.6%) (NFG - $50.00 - NYSE) is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, NY. It also owns major gas pipelines that move gas from the Midwest and Canada down to New York City and to New England. However, NFG's largest business, providing more than 40% of earnings, is its domestic production of natural gas and oil. Under the name Seneca Resources, NFG and its joint venture partner EOG Resources have been successfully drilling for natural gas in a very promising region of the Northeast called the Marcellus Shale. It has continued to increase its dividend for almost forty years.

Northeast Utilities (0.8%) (NU - $25.79 - NYSE), the holding company for four regulated distribution utilities in the Northeast, is a transmission play. NU expects that a significant portion of its capital investment over the next several years will be for transmission infrastructure, and projects its total transmission rate base to more than double to nearly $5.0 billion by year end 2013. In May 2009, FERC conceptually approved NU's proposed 150-200 mile transmission line that would deliver about 1,200 megawatts of "no carbon" hydroelectric power from Quebec to New England. The company is moving forward on several other transmission projects in Connecticut that will relieve bottlenecks and improve reliability in the heavily populated region. NU's business model is somewhat desensitized to the economy given numerous adjustment clauses and other mechanisms.

NSTAR (1.3%) (NST - $36.80 - NYSE) is a consolidation play in the New England region. NST is primarily an electric transmission and distribution utility serving the Boston and Cape Cod regions of Massachusetts. NST also owns a small gas utility. The northeast region of the U.S. has been the most active area for consolidation activity among utilities, including the acquisition of KeySpan by National Grid in August 2007 and the takeover of Energy East by Iberdrola in September 2008. In the interim, the company benefits from a relatively strong Boston economy, constructive annual rate adjustments, and significant transmission projects such as the proposed 1,200 megawatt hydroelectric transmission line the company is jointly pursuing with Northeast Utilities.

PNM Resources (1.6%) (PNM - $21.72 - NYSE) is a public utility holding company headquartered in Albuquerque, New Mexico. Regulated electric utility subsidiaries include Public Service Company of New Mexico (PSNM) and Texas-New Mexico Power Company (TNMP) and non-regulated subsidiaries include Optim Energy (Optim) and First Choice Power (FCP). PNM is a solid turnaround story driven by an improved New Mexico regulatory environment and significant focus on improving operations of non-regulated businesses. Historically, PNM has experienced above average customer growth and below average regulatory treatment. However, it appears as though the New Mexico regulatory environment is improving and legislation recently passed allowing for a forward looking test year.

SCANA Corp. (0.9%) (SCG - $37.68 - NYSE) is the parent company of regulated utilities South Carolina Electric & Gas (SCE&G) and Public Service Company of North Carolina (PSNC). It is a play on the buildout of new nuclear plants, as the company has a constructive regulatory environment that will allow it to recover ongoing construction financing costs. In May of 2007, the Base Load Review Act (BLRA) became law in South Carolina and established a procedure allowing an investor owned electric utility to recover some of the costs of constructing a new large generating facility prior to the completion of the project, as long as the plant is constructed in accordance with the schedules, estimates, and projections set forth in the approved application. Currently, SCE&G, in a joint venture with the state owned utility South Carolina Public Service Authority (Santee Cooper), is set to build two 1,117 megawatt nuclear units, to be completed in 2016 and 2019.

Westar Energy Inc. (2.0%) (WR - $21.72 - NYSE) is another turnaround story since its large divestiture of non-core assets, which enabled it to reduce a significant amount of debt. The balance sheet is solid, with common equity representing 45% of total capitalization. Westar is building several smaller transmission projects in Kansas and has joint venture to build a large $400 million transmission project in southern Kansas. The company benefits from its ability to recover transmission costs through several automatic mechanisms.

Wisconsin Energy Corp. (1.4%) (WEC - $49.83 - NYSE) is the holding company for Wisconsin Electric, that state's largest electric utility. WEC shares offer a near term outlook of free cash flow, above average EPS and dividend growth, nearly completed new baseload coal plants from its "Power the Future" plan, and significant opportunities for renewable rate base growth. Over the next few years, WEC's capital program is projected to decline, and "already granted" rate recognition of its investments should drive earnings and cash flow growth mechanisms.

Sincerely,

Mario J. Gabelli

Mario J. Gabelli, CFA
Team Portfolio Manager

January 29, 2010

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 $1,956,850 in calendar 2008. In 1999, the Fund's first year of operation starting in August, Mr. Gabelli received less than $25,000. As beneficial owner, he had $399,049 invested in The Gabelli Utilities Fund as of December 31, 2009, 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.

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 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 open end mutual funds can now 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 by 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 which invest directly with the Fund. 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.

Average Annual Returns – December 31, 2009 (a)

	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	15.48%	15.57%	14.65%	14.55%	15.78%
		8.93(c)	9.65(d)	13.55(e)	
5 Year	5.75	5.79	4.97	4.98	5.84
		4.54(c)	4.64(d)	4.98	
10 Year	5.18	5.22	4.61	4.65	5.22
		4.59(c)	4.61	4.65	
Life of Fund (b)	7.07	7.10	6.51	6.54	7.11
		6.49(c)	6.51	6.54	
Current expense ratio	**1.43**	**1.43**	**2.18**	**2.18**	**1.18**
Maximum sales charge	**None**	**5.75**	**5.00**	**1.00**	**None**
Ticker Symbols	**GABUX**	**GAUAX**	**GAUBX**	**GAUCX**	**GAUIX**

(a) ***Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share price and 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.* ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.***

The value of utility stocks change 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 per share 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.

(b) *Performance is calculated from inception of Class AAA Shares on August 31, 1999.*

(c) *Includes the effect of the maximum 5.75% sales charge at the beginning of the period.*

(d) *Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the one year and five year periods of 5% and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.*

(e) *Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the one year period of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.*

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/funds.

The Gabelli Utilities Fund
One Corporate Center
Rye, New York 10580-1422
800-GABELLI
800-422-3554
fax: 914-921-5118
website: www.gabelli.com
e-mail: info@gabelli.com
Net Asset Value per share available daily by calling
800-GABELLI after 7:00 P.M.

★ ★ ★ ★

The Gabelli Utilities Fund

Morningstar® rated The Gabelli Utilities Fund Class AAA Shares 4 stars overall and 5 stars for the three year period and 4 stars for the five and ten year periods ended December 31, 2009 among 97, 97, 80, and 52 Specialty-Utilities funds, respectively.

SHAREHOLDER COMMENTARY
DECEMBER 31, 2009