The Gabelli Utilities Fund

Shareholder Commentary
December 31, 2017

To Our Shareholders,

For the quarter ended December 31, 2017, the net asset value ("NAV") per Class AAA Share of The Gabelli Utilities Fund increased 0.7% compared with an increase of 0.2% for the Standard & Poor's ("S&P") 500 Utilities Index (SPU). See page 2 for additional performance information.

Commentary

In 2017, the S&P 500 Utilities Index (SPU) returned 12.1%, including dividends, compared with a 21.8% total return for the S&P 500 Index. The SPU reached an all-time high (287.8, up 20.0%) on November 14, 2017, but corrected over 7% by year end. Utility stocks continue to benefit from strong fundamentals, above-average earnings growth, merger activity, and low interest rates. We attribute the healthy correction to relatively full valuations, and concerns over the potential for a higher U.S. Treasury yield curve. In addition, the California utilities, Edison International and PG&E Corp., declined significantly on potential liabilities associated with October and November wildfires.

At year end 2017, electric utilities traded at 19x-20x 2018 earnings estimates. The 10-year and 30-year U.S. Treasuries yielded 2.41% and 2.74%, close to the 2016 levels of 2.45% and 3.1%, respectively. On December 13, 2017, the Federal Reserve raised the Federal Funds rate 0.25% to a 1.25%-1.5% range, marking the fifth rate increase in two years (three increases in 2017). In the face of the "rate hikes" since the end of 2015, the two-year U.S. Treasury yield climbed to 1.9% (the highest since 2008), the S&P Utilities Index returned 34.7%, the S&P 500 returned 36.6%, and the long end of the yield curve flattened. 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: Infrastructure Investment Drives Earnings and Dividend Growth

The fundamentals of the sector are as strong as ever, and include focused strategies, opportunities for infrastructure investment, improved regulatory principles, low natural gas prices, healthy balance sheets, and investment grade credit ratings. Electric utility stocks offer a median current return of 3.2% and 5%-6% annual earnings and dividend growth, which is higher than forecast inflation and historical 3%-4% growth rates. Nonetheless, our fundamental enthusiasm is tempered by macro concerns, specifically that the lower corporate tax could accelerate economic growth and lead to higher long term interest rates, which would negatively

Comparative Results

Average Annual Returns through December 31, 2017 (a)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (8/31/99)
Class AAA (GABUX)	0.73%	8.93%	8.87%	5.93%	9.41%	7.77%
S&P 500 Utilities Index	0.21	12.11	12.62	6.31	11.15	6.86
S&P 500 Index	6.64	21.83	15.79	8.50	9.92	5.94
Lipper Utility Fund Average	0.35	11.46	10.12	5.58	10.44	6.63
Class A (GAUAX)	0.61	8.79	8.85	5.93	9.43	7.78
With sales charge (b)	(5.17)	2.53	7.57	5.30	9.00	7.44
Class C (GAUCX)	0.57	8.04	8.07	5.14	8.61	7.12
With contingent deferred sales charge (c)	(0.43)	7.04	8.07	5.14	8.61	7.12
Class I (GAUIX)	0.80	9.11	9.13	6.18	9.58	7.91
Class T (GAUTX)	0.62	8.81	8.85	5.92	9.41	7.77
With sales charge (d)	(1.89)	6.09	8.30	5.65	9.22	7.76

In the current prospectuses dated April 28, 2017, the expense ratios for Class AAA, A, C, I, and T Shares are 1.38%, 1.38%, 2.13%, 1.13%, and 1.38%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A Shares, Class C Shares and Class T Shares is 5.75%, 1.00%, and 2.50%, respectively.

(a) *Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. 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 Class A Shares and Class C Shares on December 31, 2002, Class I Shares on January 11, 2008, and Class T Shares on July 5, 2017. The actual performance of the Class A Shares, Class C Shares, and Class T Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 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.

(d) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

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.

impact historically high utility valuation multiples. We take some comfort in the Fed's ongoing and vigilant fight to balance growth and inflation, as well as the low global interest rate environment. The Fed remains in a tightening mode and committed to shrinking its portfolio, which puts downward pressure on the longer end of the yield curve (i.e., flattens the curve). We also highlight that the defensive nature of utility stocks provides ballast to portfolios, should geopolitical risk heighten.

2017 Performance Snapshot

In 2017, most electric, gas and water utility stocks saw high single digit returns, with top performances from renewable developers, including NextEra Energy Partners (0.07% of net assets as of December 31, 2017) NEP $41.39-buy-up 62%), Avangrid Inc. (0.41%)(AGR-$50.58- buy-up 34%), and NextEra Energy (4.4%) (NEE $156.19-buy- up 31%). The utility sector continued to consolidate (seven deals announced, three completed), resulting in takeover premiums and added growth opportunities.

However, we were more surprised by significant declines from SCANA (0.88%)(SCG $39.78-hold- down 46%), Edison International (1.8%) (EIX $63.24-down 12%) and PG&E (0.3)%) (PCG $44.83-down 26%). SCG's decline resulted from political fallout and potential lack of investment recovery following its decision to abandon the Virgil C. Summer Nuclear Generating Station expansion, after investing $4.9 billion ($9.0 billion total) in the project. On January 3, 2018, SCG agreed to be purchased by Dominion Energy (0.6%)(D $81.06-hold) for 0.6690 Dominion shares, or $55 per share. PCG and EIX declined on potential liabilities associated with the October northern California and December southern California wildfires. These events highlight the significance of diversifying utility portfolios.

U.S. Tax Reform Positive for the Utility Industry

We view U.S. tax reform as a modest positive for utilities. The lower corporate tax rate of 21%, down from 35%, does not directly help utility earnings, as the benefits will be passed onto customers through lower rates. Lower rates create "headroom" for future rate increases to recognize investment and grow earnings. In addition, the lower tax rate will help the non-regulated businesses of some utility companies.

The reform includes a "carve out" for regulated utilities to continue to deduct interest expense, as well as state and local taxes. In addition, utilities will not be required to expense 100% of capital investments like other sectors, and thus can continue to grow rate base. Finally, the late 2015 renewable tax credit extension and phase-out were left unchanged. On the negative side, the deductibility of holding company interest expense is subject to the 30% of EBITDA parameter, and tax equity financing for renewable projects can only offset 80% of the Base Erosion Abuse Tax (BEAT) with renewable credits. We believe the dynamics favoring renewable energy are strong, and we expect renewable development to continue in earnest, regardless of a dampened demand for tax equity financing from foreign corporations. Also, the renewable development landscape is highly fragmented, and large developers with tax appetites and balance sheets will likely increase market share.

Merger and Acquisition Activity Update

On January 3, 2018, SCANA Corp (SCG) agreed to be purchased by Dominion Energy (D) for 0.6690 D shares, or $55.35 per share. In 2017, the utility sector saw 7 mergers announced (2 for Oncor), including two gas utilities (WGL and DGAS), two independent producers (CPN and DYN) and two electric utilities (AVA and Oncor).

Date	Buyer	Target Entity	Enterprise Value	Premium**
1/3/2018	Dominion Energy (0.6%*)	SCANA (0.8%)	$14.6 billion	31%
10/30/2017	Dynegy	Vistra Energy	$11.1 billion	12%
8/21/2017	Sempra Energy	Oncor	$18.8 billion	NA
8/18/2017	Energy Capital Partners	Calpine (0.03%)	$5.6 billion	23%
7/19/2017	Hydro One	Avista (0.7%)	$5.3 billion	24%
7/6/2017	Berkshire Energy	Oncor	$18.5 billion	NA
2/21/17	Steel River	DeltaGas	$258 million	17%
1/26/17	AltaGas	WGL Resources (0.4%)	$6.4 billion	12%
10/10/16	First Reserve	Gas Natural	$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 Energy	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 (1.3%)	Source Gas	$1.89 billion	Private

* of net assets as of December 31, 2017.

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

Calpine (0.03% of net assets as of December 31, 2017) (Houston, Texas) agreed to be bought by private equity Energy Capital Partners, and Avista (0.7%) (Spokane, Washington) agreed to be a bought by Hydro One (Toronto, Canada). In addition, Sempra Energy (San Diego, California) became the fourth potential buyer (Hunt, NextEra Energy, and Berkshire Energy) of Texas' largest (but bankrupt) distribution utility, Oncor (Dallas, Texas). In the first half of 2017, two gas utilities agreed to be purchased by infrastructure funds: WGL Holdings (Washington, D.C.) by Canadian infrastructure fund AltaGas (Calgary, Canada), and Delta Gas (Winchester, Kentucky) by Steel River Infrastructure. In 2016, eight regulated utility acquisitions were announced, nine were completed (including four of those announced in 2016), and one deal was terminated.

For several decades, utility companies have acquired other utilities and utility assets for the sake of gaining economies of scale and efficiency. Since 1995, the electric utility sector has experienced over 140 acquisition announcements and over 100 completed deals. The electric and gas utility sector remains fragmented, with over fifty electric utilities and twenty gas utilities. The long term consolidation trend has benefited shareholders, as some premiums have been significant. 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.

Our Fund's portfolio includes small-to-mid-cap utilities, with earnings and dividend growth potential that could attract premiums. 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 stressful 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 the strong earnings outlook remains: Investment Opportunities + Constructive Regulation = Earnings Growth. In 2017, electric utilities grew dividends 5.9%, which is higher than historical averages of roughly 3%-4%. In 2016, electric utilities grew EPS 6.1%, and consensus estimates call for 4.4% EPS growth in 2017, followed by 5.7% in 2018 and 5.8% in 2019. We expect regulated electric, gas, and water utilities to grow 2017-2020 EPS and dividends at the high end of the recent 4%-6% CAGR, driven by ongoing infrastructure investment. Edison Electric Institute (EEI) member utilities expect to invest a record $123 billion in 2017, which will mark the fifth consecutive year of record investment. The Edison Electric Institute projects industry investment of $114 billion in 2018 and $109 billion in 2019, but we expect higher levels, given that individual company forecasts only reflect visible projects.

Public and political support of investment, combined with the low cost of natural gas, have allowed for an increasingly constructive regulatory environment. State Public Utility Comissions (PUC) 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-through" for fuel, healthcare, and pension expenses. Given flattish demand growth, and in order 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. We expect this level of investment to lead to the high end of 4%-6% annual earnings growth, which is in line with most utility management target growth rates.

Allowed Returns Lower but Favorable Relative to Interest Rates and Cost-of-Capital

Driven by declines in long term interest rates, allowed-ROEs have gradually declined over the past two decades to below 10.0%. In 2017, the average authorized allowed-ROE was 9.6%, which is the lowest in thirty years, compared to 9.75% in 2016. Despite the declining ROE, the decreases in the utility cost-of-capital have been even greater. The spread between the allowed-ROE and the 10-year U.S. Treasury yield has ranged from 700-850 basis points over the past few years, which is significantly better than the 400-600 basis point spread experienced in the 1990s.

The Great Power Generation Transformation; Renewable Flood

Despite a more relaxed EPA, withdrawal from the Paris Agreement on climate change, an end to the Clean Power Plan, and federal/state efforts to subsidize older baseload coal and nuclear generation, the nation's power sector is experiencing an accelerated "greening," including the rapid development of wind and solar generation and the retirement of older coal and nuclear units.

In 2017, 36% (33% in 2016) of U.S. generation came from zero-carbon emitting nuclear (20%), hydro (7%), and renewables (9%), 32% from low emitting natural gas, and 31% was derived from coal. In 1986, 58% of generation was from coal. In 2016, CO2 was 25% below 2005 levels, SO2 down 91% and NOX down 82%. 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. Some forecasts show $700 billion, or $30 billion per year, of investment in renewable generation resulting in 40% of total generation by 2040.

From 2018-2021, we expect 75 GW's (60 GW's in 2017-2020) of wind and 21 GW's of solar to be added to the roughly 1,200 GW's current generating capacity. Cleaner generation is driven by the economics and efficiency of new gas plants and low gas prices, increasing state renewable portfolio standards, federal tax credits, public demands, and technology improvement. Cost declines have made large scale wind and solar farms competitive with new combined cycle gas plants.

Currently, 29 states have renewable portfolio standards, including California (80%) and Hawaii, which will require 100% by 2045. Many utilities and developers are rushing to meet safe harbor provisions of the late 2015 tax credit extensions, which allow the wind production tax credit (PTC) to continue, but phase-out through 2020 (2016-100%, 2017-80%, 2018-60%, 2019-40%). Importantly, the safe harbor feature allows a project started in 2016/2017/2018/2019 and finished in 2020/2021/2022/2023 to qualify for 100%/80%/60%/40% PTC. The 30% solar investment tax credit extends through 2019, and will decline to 26% in 2020, 22% in 2021, and then permanently to 10% for commercial and 0% for residential.

Finally, the large commercial and industrial customer base is increasingly seeking to advertise progressive sustainable strategies, including owned or contracted renewable generation. The RE100 is a collaborative, global initiative uniting more than 100 influential businesses, including Apple, AB InBev, Bank of America, and Bloomberg, which are committed to 100% renewable electricity.

Battery Storage to 'Disrupt' the Power Sector

We believe large scale battery storage has the potential to revolutionize the power sector, driven by the proliferation of intermittent renewable generation and declining costs of both technologies. Storage's unique beneficial qualities include the ability to absorb excess renewable energy and discharge that same energy when renewable resources are less available. Storage can provide peaking power, frequency, and voltage support, as well as seasonal load shifting capabilities. The pace of development and deployment is accelerating, and lithium ion battery prices have declined significantly over the last several years.

New FERC Commissioners and Pending FERC Issues FERC

In December 2017, Kevin McIntyre was sworn in as the new chairman of the FERC, marking the first time in two years that FERC will operate with the full roster of five Commissioners. Political gridlock had slowed (or halted) interstate gas and electric transmission development, given a lack of a "quorum" to rule on major items. We expect the newly-appointed FERC commissioners to be more constructive in approving interstate gas and electric transmission development, as well as addressing electric transmission ROE complaints. We expect a more relaxed regulatory atmosphere and loosened development restrictions to lead to accelerated infrastructure investment.

FERC's favorable, incentive oriented regulation make transmission investment one of the more compelling uses of capital for electric utilities. However, complaints for lower returns on equity (ROE) have dampened enthusiasm for over the last few years. We consider it likely that the new FERC commissioners will award constructive ROE's as well as implement policy to end the pancaking of complaints, which would be favorable for future utility earnings growth.

Grid Modernization and Electrification

Electric demand growth has been relatively flat for several years, due primarily to conservation and efficiency efforts. However, an increased push for electric vehicles (EVs) could create new demand for electricity, which will require a modernized electric grid. California is on pace to have a total of 2.8-4.2 million light-duty, zero-emission vehicles on the road by 2030 (according to a December 2017 forecast from the California Energy Commission), compared to ~350,000 in use in 2017.

Electric and gas distributions systems have aged, and require replacement even before the modernization required for renewable development, reliability concerns, power storage, and electric vehicles. In January 2017, PCG, SRE, and EIX proposed investing more than $1 billion on transportation electrification projects. In New England, the Massachusetts Department of Public Utilities authorized Eversource Energy (2.3%) subsidiaries to invest $45 million in electric vehicle infrastructure in the state, and fifteen electric utilities have teamed with General Motors to promote electric vehicles and utility-owned charging infrastructure to state governments. The governors of California, Connecticut, Maryland, Massachusetts, New York, Oregon, Rhode Island, and Vermont have agreed to a combined goal of 3.3 million zero emission vehicles in their states by 2025, and promised to work together to create the necessary charging infrastructure. Utilities and customers would experience significant benefits (savings and higher revenues) from large scale off-peak charging.

Separately, natural gas distribution pipeline replacement is accelerating, in light of recent explosions and new standards. Given that many states are moving to frequent rate adjustments to replace pipe, it becomes a great source of consistent earnings growth.

Interest Rates, the Fed and Utility Stocks

The low interest rate environment has aided the utility multiple expansion. Utility share prices are a function of earnings and dividend growth rates, risk profile, and the discount rate (interest rate) used to discount future cash flows. Utility dividend yield and 10-year U.S. Treasury Note yield are highly correlated, and will likely remain so in the future, but utility stock prices, unlike Treasury bond prices, are likely to rise should earnings and dividends grow over time. Factors that mitigate the negative impact of higher interest rates on utility share prices include:

- **Annual dividend hikes:** Utilities target annual dividend increases, which serve to mitigate the negative impact of higher rates. In 2017, electric utilities increased the annual dividend by a median of 5.9%.
- **ROE is set based on interest rates:** A utility's cost-of-capital, including equity returns (ROEs), is set by state PUCs and increases (decreases) as interest rates rise (fall).
- **Annual riders minimize inflation risk:** State PUCs 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 3.16% utility dividend return is more than 131% of the 2.41% yield on the 10-year U.S. Treasury Note, which is right at the twenty year median level. On December 13, 2017, the Fed raised the Federal Funds rate 0.25% to 1.25%-1.5%, marking the fifth rate increase in two years. We expect the Fed to continue its vigilant fight against inflation, which puts downward pressure on the mid-to-longer end of the yield curve. However, should economic growth accelerate, we expect inflation concerns and higher 10- and 30-year Treasury yields, which would pressure utility valuation multiples.

The fundamentals of the sector are as strong as ever, including focused strategies, opportunities for infrastructure investment, improved regulatory principles, low natural gas prices, healthy balance sheets, and investment grade credit ratings. Electric utility stocks offer a median current return of 3.2% and 5%-6% annual earnings and dividend growth, which is higher than forecast inflation and historical 3%-4% growth rates. Nonetheless, our fundamental enthusiasm is tempered by macro concerns, specifically that the lower corporate tax could accelerate economic growth and lead to higher long term interest rates, which would negatively impact historically high utility valuation multiples.

Let's Talk Stocks

American Electric Power Co. Inc. (2.3%of net assets as of December 31, 2017.) (AEP – $73.57– 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 GWs 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 reansmisison 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 $2.48 per share representing a payout ratio of roughly 68% (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%.

El Paso Electric Co. (2.0%) (EE – $55.35 – 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% 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 February of 2017, EE requested an additional $42.5 million revenue increase for its Texas jurisdiction to recognize investment in its new peaking power plants (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 new peaking Units 3 and 4 and a stronger cash flow position.

Eversource Energy (2.3%) (ES – $63.18 – NYSE) is New England's largest electric and gas distribution utility and delivery system. ES is the product of a 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. The company targets 5%–7% long term earnings growth driven by transmission investment, cost cutting opportunities, and oil-to-gas heat conversions in the northeast. ES expects its 192-mile, $1.6 billion Northern Pass electric transmission line to be completed in late 2020, with construction to begin early 2018, following a final environmental impact statement and New Hampshire siting approval. In late 2017, ES completed the acquisition of Aquarion water company in Connecticut, Massachusetts, and New Hampshire for $1.6 billion. The company expects further transmission development as aging nuclear and coal facilities are replaced with renewables, including offshore wind generation.

National Fuel Gas Co. (4.7%) (NFG – $54.91 – 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. Natural gas prices have been depressed over the past few years, but NFG's net ownership of 785,000 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.

National Grid plc (0.1%) (NGG – $58.81 – NYSE), based in London, England, is an electricity and gas utility company focused on transmission and distribution activities in electricity and gas in both the United Kingdom (65% of assets) and the U.S (35%). The company's segments include U.K. Electricity Transmission, which is engaged in high voltage electricity transmission networks in Great Britain; U.K. Gas Transmission, which is the gas transmission network in Great Britain and United Kingdom liquefied natural gas (LNG) storage activities; U.K. Gas Distribution, which includes four of the eight regional networks of Great Britain's gas distribution system, and U.S. Regulated, which includes gas distribution networks, electricity distribution networks and high voltage electricity transmission networks in New York, and New England and electricity generation facilities in New York.

NextEra Energy Inc. (4.4%) (NEE – $156.19 – 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 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, NER owns and operates the nation's largest renewable power portfolio, with a significant pipeline of future growth opportunities, and owns 65% of the NextEra Energy Partners, a yieldco focused on renewable develpment and acquisitions. 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 (2.91%) (PNM – $40.45 – NYSE) (Albuquerque, NM) 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 regualtory 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 provides 2018 and 2019 earnings guidance of $1.70-$1.78 per share and $2.00-$2.16 per share, respectively.

Severn Trent plc (0.4%) (SVT – $29.19/£21.62 – London Stock Exchange) is an international provider of water and wastewater services. Severn Trent Water, the UK-based utility, provides water to 8 million people and wastewater services to 9 million people in the Midlands and Mid-Wales. Severn Trent operates under a 2015-2020 five year rate plan that provides inflation adjusted annual rates increases approved by OFWAT, the U.K. water regulator. The plan allows SVT to achieve efficiencies and modestly growing returns. Additionally, as one of the U.K.'s premier water and wastewater providers, Severn Trent is well positioned to provide expertise and infrastructure investment opportunities in less developed regions of the world. Severn Trent Services, the non-regulated water and waste water service division of the company, which focuses on water purification projects and operating plants and systems for municipalities, has a growing presence in Europe, the Middle East, and Asia.

Southwest Gas Corp. (3.3%) (SWX – $80.48 – 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 serves one of the faster growing 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.

WEC Energy Group Inc. (1.8%) (WEC – $66.43 – NYSE) is based in Milwaukee, Wisconsin. Following Wisconsin Energy Company's mid-2015 acquisition of Integrys Energy Group, the combined company's assets include Wisconsin Electric, the state's largest electric utility, with over 1.1 million electric customers and 1.1 million gas customers in southeastern, east central, and northern Wisconsin, and 400,000 electric customers and 1.7 million gas customers in Illinois, Michigan, Minnesota, and Wisconsin. Management forecasts the combined company growth rate at 5%-7% over the long term. Additionally, WEC has a 60% ownership stake in the American Transmission Corp., which provides another investment opportunity as well as financial engineering optionality.

Westar Energy, Inc. (2.2%) (WR – $52.80 – NYSE) (Topeka, Kansas) is an electric utility serving 700,000 customers in central and northeastern Kansas, including the cities of Topeka, Lawrence, Manhattan, and Hutchinson; and south-central and southeastern Kansas, including the city of Wichita. WR's 6,800 MW generation portfolio includes coal (75% of output), nuclear (13%), natural gas (10%) and wind. On May 31, 2016, WR announced a definitive agreement to be acquired by GXP for an enterprise value of $12.2 billion, or $60.00 per share. On July 10, 2017, WR and GXP amended the merger agreement where the two companies would combine via a merger of equals (MOE). WR shareholders would receive one share of the new company and GXP shareholders would receive 0.5891 shares. We expect this transaction to be approved, accretive in the first year, produce a higher growth rate, stronger credit profile and result in a higher dividend of $1.84 per share (from $1.60 per share) to WR holders. The companies expect the transaction to close in the first half of 2018 and be accretive (to respective stand-alone earnings) in the first year after closing and then generate 6%-to-8% annual earnings growth from 2016-2021, which is higher than the previous transaction projection of 5%-7% and stand-alone 4%-6% projections. GXP expects to have $1.25 billion in cash on its balance sheet which the combined company plans to use to buy-back 30 million shares per year over the following two years. We consider the $60 per share price to be fair-to-full value and represents healthy multiples, including 2016 and 2017 P/E's of 24.0x and 23.1x, 2016 and 2017 EV/EBITDA of 11.1x and 10.6x, and price to book of 230% ($23.60 per share). We believe the combination makes great strategic sense given that the two companies have contiguous service areas, own and operate the Wolf Creek Nuclear Generating Station, the La Cygne and Jeffrey power plants and together would own one of the largest portfolios of wind generation in the country. We expect significant synergies and economies of scale

January 22, 2018

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

National Fuel Gas Co.	4.7%	EverSource Energy	2.3%
NextEra Energy Inc.	4.4%	Westar Energy Inc.	2.2%
Southwest Gas Holdings Inc.	3.3%	El Paso Electric Co.	2.0%
PNM Resources Inc.	2.9%	WEC Energy Group Inc.	1.8%
American Electric Power Co Inc.	2.3%	Edison International	1.8%

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, Class C, and Class T 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.

THE GABELLI UTILITIES FUND
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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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Shareholder Commentary
December 31, 2017