The Gabelli Utilities Fund

Shareholder Commentary
March 31, 2017

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Portfolio Manager

To Our Shareholders,

For the quarter ended March 31, 2017, the net asset value ("NAV") per Class AAA Share of The Gabelli Utilities Fund increased 4.6% compared with an increase of 6.4% 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

For the first quarter of 2017, the S&P Utilities Index provided a 6.4% total return, compared to a 6.1% return for the S&P 500 Index. Utility stocks benefited from ongoing merger activity, defensive appeal, strong fundamentals, and somewhat diminished interest rate concerns. Initial optimism that the Trump administration could enact profound change leading to economic growth appears to have faded with congressional gridlock, geopolitical risk, and a vigilant Federal Reserve.

Following seven years of a 0% overnight lending rate, the Federal Reserve raised the federal funds rate three times in fifteen months, including a March 15, 2017, increase of 25 basis points to 0.75%-1.00%. The Fed 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 2.38% and 3.01% at the end of the first quarter, relatively unchanged compared to year–end 2016 levels of 2.45% and 3.1%, respectively. While most investors expect additional rate hikes in 2017, the Fed Chair noted that it is important for the public to understand that the Fed is getting close to reaching its objectives. We consider a stable and low interest rate environment to be favorable for the equity markets, including utility stocks.

Comparative Results

Average Annual Returns through March 31, 2017 (a)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (8/31/99)
Class AAA (GABUX)	4.57%	9.91%	8.68%	5.89%	7.59%	7.87%
S&P 500 Utilities Index	6.39	7.06	12.10	6.69	7.92	6.84
S&P 500 Index	6.07	17.17	13.30	7.51	7.09	5.37
Lipper Utility Fund Average	5.80	8.85	10.32	5.97	8.34	6.60
Class A (GAUAX)	4.50	9.88	8.71	5.89	7.61	7.88
With sales charge (b)	(1.51)	3.56	7.43	5.27	7.19	7.52
Class C (GAUCX)	4.25	9.04	7.87	5.09	6.83	7.22
With contingent deferred sales charge (c)	3.25	8.04	7.87	5.09	6.83	7.22
Class I (GAUIX)	4.60	10.20	8.97	6.12	7.75	8.00

In the current prospectuses dated April 29, 2016, the expense ratios for Class AAA, A, C, and I Shares are 1.39%, 1.39%, 2.14%, and 1.14%, 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 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. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

Outlook: Infrastructure Investment Drives Earnings and Dividend Growth

Our universe of 44 electric utility stocks offer a median current return of 3.3% and 4%-6% annual earnings and dividend growth, which is much higher than forecast inflation. We expect a more relaxed regulatory environment, including diminished coal regulations, repeal of the Clean Power Plan (March 2017 Executive Order,) and a more constructive Federal Energy Regulatory Commission (FERC). Despite a less aggressive EPA and a repeal of the Clean Power Plan, utility infrastructure investment, including renewable development, new gas-fired generation, coal plant retirements, transmission development, and grid upgrades will continue in earnest and drive earnings growth.

The fundamentals of the sector remain healthy, and include strong balance sheets, credit ratings, improving regulatory principles, focused strategies, low natural gas prices, and opportunities to invest in infrastructure. Finally, the sector continues to consolidate, resulting in takeover premiums and added growth opportunities. Electric (19.0x and 18.1x), gas (23.4x and 22.0x) 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 potentially attractive, considering the strong fundamental utility outlook.

Trump "Wild Cards" Not So Wild

Utility managements and investors appear to have grown more comfortable with potential Trump administration "wild cards" and fears of higher interest rates. With Republicans in control of the White House and both chambers of Congress, 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.

Over the past few years, some investors avoided utility stocks due to concern over the potential for higher interest rates. In the face of three "rate hikes" and the 10 and 30 year U.S. Treasury yields rising to current levels, the S&P Utilities Index returned 27.9% and the S&P 500 returned 18.9% 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.

Merger and Acquisition Activity Update

During the first quarter of 2017, two gas utilities agreed to be purchased by infrastructure funds: WGL Holdings (0.4% of net assets as of March 31, 2017) of Washington, D.C. by Canadian infrastructure fund, AltaGas, and Delta Gas (0.2%) 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%-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:

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%
7/29/16	NextEra Energy (4.0%)	Oncor Electric	$18.4 billion	Private
5/31/16	Great Plains Energy (1.2%)	Westar Energy (2.3%)	$12.2 billion	13%

*of net assets as of March 31, 2017

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. (0.6%)	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. (1.1%)	AGL Resources	$12 billion	38%
3/30/16	Macquarie (0.2%)	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 aquire 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 eighty North American utilities and power companies, sixty electric, and twenty 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 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 our strong fundamental and earnings outlook remains: Investment Opportunities + Constructive Regulation = Earnings Growth. Utility sector capital investment doubled from $41.1 billion in 2004 to $82.8 billion in 2008, with major investment on environmental control equipment, renewable generation, and transmission. In 2013, 2014, and 2015 utility capital expenditures were $90.3 billion, $96.1 billion, and $103.3 billion, respectively. The Edison Electric Institute (EEI) projects industry investment at $117.8 billion in 2016, $100.5 billion in 2017, and $94.2 billion in 2018.

Repeal of the Clean Power Plan (CPP) and less environmental restrictions likely augurs for less environmental rate base investment. At the same time, we expect a more relaxed regulatory atmosphere and loosened development restrictions to lead to accelerated infrastructure investment in other areas. Natural gas and oil pipelines, long distance transmission lines, modernized electric grid, and accelerated water and gas distribution pipeline replacement all stand to benefit. We expect 2017-2018 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 of 2017, President Trump signed an executive order to dismantle the 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. Despite CPP repeal and a weakened EPA, the U.S. electric and gas utility industry is undergoing a dramatic transformation to cleaner and more efficient energy usage. 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 (SO_2) emissions by 80%, nitrogen oxides (NOx) 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 (MATS). 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. While some coal plants will likely experience a modest lifeline extension, most owners are unlikely to make significant long term investment. In addition, the nation's nuclear plants continue to age, and the low cost of natural gas and renewables are challenging the ongoing economics of upgrades.

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. Electric utility industry leaders The Southern Company, Dominion Resources (0.6%), and Duke Energy Corp. (1.1%) recently completed acquisitions of local gas utilities, while DTE Resources (.02%) and Consolidated Edison (0.2%) purchased midstream assets and pipelines. 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); Dominion, Duke Energy and The Southern Company have ventured to build the $5 billion Atlantic Coast Pipeline (2019); 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; and NextEra Energy (4.0%) 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.

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, healthcare, 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, though the relationship was disturbed during the 2008-2010 Great Recession. However, utility stock prices, unlike Treasury bond prices, are likely to rise, should 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% (or 3.5%) 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 March 31, 2017.

American Electric Power Company Inc. (2.2% of net assets as of March 31, 2017) (AEP – $67.13 – 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 31,000 MW 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 periods in regulated assets, including 74% to transmission and distribution. Management expects 5%-7% annual earnings growth, driven by capital investment and rate recovery, and sustainable cost controls. AEP Transco, a transmission development subsidiary, expects to grow earnings to $0.89-$0.92 per share by 2019 from $0.54 per AEP share in 2016, driven by a $4.5 billion transmission capital investment plan for 2017-2019. AEP currently pays an annual dividend of $2.36 per share representing a payout ratio of roughly 65% (using $3.65 per share, midpoint of the 2017 earning guidance of $3.55-$3.75 per share), right at the targeted payout ratio of 60%-70%.

Edison International (2.4%) (EIX – $79.61 – NYSE) is one of the nation's largest regulated electric distribution utilities through Southern California Edison (SCE), serving fifteen 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 – $50.50 – NYSE) is a vertically integrated electric utility serving ~400,000 customers in and around El Paso, Texas and Las Cruces, New Mexico. 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. Given the July 2016 sale of its remaining interest in a coal plant, EE is a "coal-free" utility. On August 18, 2016, EE's Texas jurisdiction was awarded a $37 million annual rate increase, based on a 9.7% allowed ROE, and EE's New Mexico jurisdiction was awarded 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 a $42.5 million revenue increase for its TX jurisdiction to recognize investment in MPS Units 3 and 4, with rates effective early 2018. A rate request in NM 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 – $58.78 – 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. The company's JV 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. (5.4%) (NFG – $59.62 – 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. (4.0%) (NEE – $128.37 – NYSE) is the holding company for Florida Power & Light (FP&L), 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, NER owns and operates the nation's largest renewable power portfolio, with a significant pipeline of future growth opportunities. On July 29, 2016, NEE agreed to acquire an 80% equity interest in the Oncor of Dallas, Texas for $18.4 billion, but is facing regulatory approval challenges. 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 of Albuquerque, New Mexico (2.7%) (PNM – $37.00 – NYSE) is the holding company for regulated electric utilities Public Service Company of New Mexico (PSNM) and Texas-New Mexico Power Company (TNMP). PSNM serves 513,000 customers in and around Albuquerque, Rio Rancho and Santa Fe and owns 2,700 MWs (15% nuclear) of generation. TNMP is a distribution/transmission company and serves 240,000 customers in three non-contiguous areas of TX. On December 6, 2016, PSNM requested a $99 million annual rate increase (Phase 1 of $50 million 2018; Phase 2 of $49 million in 2019) 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, a 10.125% allowed ROE and a rate design to include higher fixed charges. PNM targets earnings growth of 7%-8% and outlines 2018 and 2019 earnings power ranges of $2.02-$2.10 per share and $2.05-$2.23 per share, respectively, based on an earned 9.575%% ROE.

Southwest Gas Holdings Inc. (3.6%) (SWX – $82.91 – 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%). From 2008 to 2010, customer growth slowed due to the overall slowdown in the new housing market but continues to improve, and over the long term, we expect that the service area will return to higher growth rates as the favorable regional climate and lower housing prices attract customers to inhabit vacant homes. 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. (1.7%) (WEC – $60.63 – 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. of Topeka, Kansas (2.3%) (WR – $54.27 – NYSE) 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, including total equity value of ~$8.6 billion and the assumption of ~$3.6 billion in debt. WR shareholders will receive $60.00 per share, consisting of $51.00 in cash and $9.00 in Great Plains Energy Incorp. (NYSE – GXP) common stock, subject to a 7.5% collar. The exchange ratio of 0.2709 to 0.3148 shares of GXP per one share of WR for the stock portion protects WR shareholders between GXP share prices of $28.59-$33.23 per share. The merger is facing some regulatory challenges in Kansas and a final decision is expected by the end of April 2017. 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 Generating Station and Jeffrey power plants and together would own one of the largest portfolios of wind generation in the country.

April 17, 2017

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

National Fuel Gas Co.	5.4%	Westar Energy Inc.	2.3%
Nextera Energy Inc.	4.0%	Eversource Energy	2.2%
Southwest Gas Holdings Inc.	3.6%	American Electric Power Co Inc.	2.2%
PNM Resources Inc.	2.7%	El Paso Electric Co.	1.9%
Edison International	2.4%	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.

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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.

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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.

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

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Shareholder Commentary
March 31, 2017