

Gabelli ESG Fund, Inc.

Shareholder Commentary December 31, 2017

(Y)our Portfolio Management Team



Christopher C. Desmarais



Kevin V. Dreyer



Christopher J. Marangi

To Our Shareholders,

For the quarter ended December 31, 2017, the net asset value (“NAV”) per Class AAA Share of the Gabelli ESG Fund increased 2.9% compared with increases of 6.6% and 6.3% for the Standard & Poor’s (“S&P”) 500 Index and the Russell 3000 Index, respectively. See page 2 for additional performance information.

Environmental, Social, and Governance (ESG) Investing

Environmental, social and governance (ESG) refers to the three main areas of concern that have developed as central factors in measuring the sustainability and ethical impact of an investment in a business. Incorporating ESG factors into company research can help understand risks and opportunities that may otherwise have been overlooked, and improve the return profile of investment portfolios. ESG analysis differs from a traditional socially responsive investing (SRI) screen in that it does not apply a “negative screen”, excluding companies that engage in specific unwanted activities (such as selling tobacco or weapons). Instead, it takes a holistic approach, evaluating a company’s performance in a variety of areas, including carbon emissions, energy efficiency, water stress, human capital development, chemical safety, board independence, management pay practices, and business ethics.

In a year marred by acts of man and acts of nature, the prices for assets, including equities, real estate, art, and cryptocurrencies marched to record highs in 2017. This growth in U.S. equities has been accompanied by surprisingly little drama, and without even a 5% correction, for over 14 months. On the surface, it would appear the world suffers from a severe case of cognitive dissonance. A closer look at the global economic data – low unemployment, improving trade, housing and consumer trends and rising corporate profits – would suggest that optimism is not misplaced, however. Although not always efficient, the market is an effective

Comparative Results

Average Annual Returns through December 31, 2017 (a)(b)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (6/1/07)
Class AAA (SRIGX)	2.89%	13.29%	6.55%	9.95%	7.87%	6.52%
S&P 500 Index	6.64	21.83	11.41	15.79	8.50	7.66
Russell 3000 Index	6.34	21.13	11.12	15.58	8.60	7.69
Class A (SRIAX)	2.82	13.23	6.53	9.95	7.89	6.52
With sales charge (c)	(3.09)	6.72	4.45	8.65	7.26	5.92
Class C (SRICX)	2.66	12.43	5.74	9.12	7.08	5.72
With contingent deferred sales charge (d)	1.66	11.43	5.74	9.12	7.08	5.72
Class I (SRIDX)	2.97	13.52	6.82	10.22	8.14	6.78
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With sales charge (e)	0.27	10.41	5.64	9.39	7.59	6.26

In the current prospectuses dated July 28, 2017, the gross expense ratios for Class AAA, A, C, I, and T Shares are 1.67%, 1.67%, 2.42%, 1.42%, and 1.67%, respectively, and the net expense ratios for these share classes after contractual reimbursements by Gabelli Funds, LLC, (the "Adviser") are 1.25%, 1.25%, 2.00%, 1.00%, and 1.25%, respectively. 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. 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 Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class T Shares on July 28, 2017. The actual performance of the Class T Shares would have been lower due to the additional fees and expenses associated with the class of shares. 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 Russell 3000 Index is an unmanaged indicator that measures the performance of the 3,000 largest U.S. traded stocks, in which the underlying companies are incorporated in the U.S.. The MSCI AC World Index is an unmanaged market capitalization weighted index representing both developed and emerging markets. Dividends are considered reinvested. You cannot invest directly in an index.*

(b) The Fund's fiscal year ends March 31.

(c) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.

(d) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

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

We have separated the portfolio managers' 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 managers' commentary is unrestricted. Both the commentary and the financial statements, including the portfolio of investments, are available on our website at www.gabelli.com.

discounting machine capable of separating meaningful signals from distracting noise. Our job is similar: to identify securities that are improperly reflecting future prospects and trading with a Margin of Safety relative to Private Market Values (PMV).

Absolute returns in (y)our Fund were strong in 2017, and we look forward to an acceleration in earnings growth and deal activity in 2018. Volatility, while present in many industrial stocks but absent in the general market, will at some point return, driven by real or imagined noise. Market corrections and economic recessions are inevitable and indeed necessary for the proper functioning of our capitalist system. We remain alert and prepared for most eventualities, and believe our PMV with a Catalyst™ approach should continue to deliver superior risk-adjusted results over the long term.

The Political Economy of 2017

State of the Consumer

After a sluggish start to the year, the U.S. economy grew at a faster than anticipated 3.1% and 3.3% in the second and third quarters, respectively. At 4.1%, unemployment stands at a ten-year low, while consumer wealth of nearly \$97 trillion is at an all-time high. Housing starts of 1.3 million units continue their steady increase, but remain comfortably below the prior peak of 2.2 million units. The U.S. is in its ninth year of economic expansion, making this the third longest expansion at 101 months, trailing only 1961-1969 and 1991-2001 (those expansions were 106 and 120 months, respectively). Perhaps as important, the global economy is in synchronized expansion. For all of 2017, the eurozone is set to grow 2.2%, its fastest since 2007, while Japan has accelerated to 1.5%; China (by design), is likely to post growth of 6.7%. All of this bodes well for U.S. exporters and their employees.

State of the “Swamp”

Last year we wrote that the “Trump bump” in the market was premised on (a) tax reform (b) deregulation and (c) fiscal stimulus. To date, the Trump administration appears to be delivering on the first two objectives, with an infrastructure bill planned for early 2018. Deregulation in the energy, financial, and media/telecom sectors has already unleashed corporate animal spirits. A change to the existing tax regime – we will resist calling the imperfect bill “reform” – should make U.S. corporate taxes more competitive with other OECD countries. Many individuals will see lower taxes with reduced rates and an increased standard deduction, but higher income households in higher state and local tax (SALT) locations could see an increase. The government has picked a new set of winners and losers (tax lawyers remain winners). The impact this change in taxes could have on the economy is dependent on myriad factors: will the marginal propensity of the “winners” to spend offset that of the “losers”? How will corporations redeploy increased cash flow? Will lower corporate taxes be competed away, lowering prices to customers but also profits to companies? Will increased government deficits cause interest rates to rise, “crowding out” other investment? For now, we would put these factors in the knowable unknowns category.

All else being equal, corporate earnings would rise in 2018 as a result of lower tax rates. However, the market likely anticipated most of this increase in the 30% rally since the November 2016 election. In addition, all else is never equal and, depending on the answers to the questions posed above, growth could either accelerate or slow. Long term, demographics and productivity growth, which are not necessarily altered by corporate tax regimes, are far more important drivers of GDP. That being said, in the near term, higher profits and a higher market are the base case, and fortunately (y)our portfolio is well positioned to capture the benefits of lower corporate taxes, as it includes a disproportionate weighting of small and mid-sized U.S. firms which are currently paying higher effective rates and whose revenues are centered on domestic operations.

State of the Fed

Notwithstanding excitement about potential tax windfalls, the most powerful market levitating force from Washington over the last decade did not originate from the White House or the Capitol, but from the Eccles Building, home to the Federal Reserve. Through open market activity and three rounds of quantitative easing (QE), the Federal Reserve slashed short-term interest rates from 4.5% before the 2008-2009 financial crisis to nearly zero, lifting asset prices everywhere. The Federal Reserve began tapping the brakes by tapering QE in October 2014, and has now raised rates five times, the latest of which took the Federal Funds rate to a range of 1.25%-1.50% in December 2017. The Federal Reserve started shrinking its balance sheet, with current expectations for three additional increases in each of 2018 and 2019, which would ratchet the Federal Reserve Funds rate to 3.0%, still well below the prior peak. Newly appointed Fed Chair Jerome H. (“Jay”) Powell, a centrist and former banker, will likely continue this path.

Over the long term, the Federal Reserve’s “normalization” of rates is healthy for the economy, but the timing of this process has been the subject of debate, given a lack of inflation. The last two rate hike cycles ended in market dislocations in 2001 and 2007, but the circumstances in each were very different from today. A future recession may be unavoidable, but it need not be triggered by the Federal Reserve anytime soon. What is unquestionably unavoidable is that monetary policy has gone from being a tailwind to being a headwind for the economy and the market.

Mr. Market

Global Stocks

For 2017 the S&P 500 Index rose 20%. Since the March 9, 2009 low, the U.S. market is up 360%. At approximately 18x forward earnings, the market is not cheap by historical standards. Taken in the context of low interest rates, with the added prospect of lesser-taxed earnings, valuation seems less stretched. Importantly, we are not buying “the market” on your behalf. We pick individual stocks, and we can still uncover bargains, though admittedly with the need to turn over more stones than a few years ago.

Among the areas that worked in (y)our Fund were Industrials, which benefited from some combination of higher capital investment (e.g., water infrastructure company Xylem (4.7% of net assets as of December 31, 2017). Other areas were challenged by changing consumer preferences, including Consumer Staples and Media.

In any given year, certain areas are more in favor than others, and 2017 saw the third highest concentration in market movers (after 1999 and 2004) in over two decades. The five stocks of the FAANG – Facebook, Apple, Amazon, Netflix, and Google (now Alphabet – comprised an average S&P 500 weighting of 10% and drove nearly five points (25%) of performance. The current period strikes us more akin to the “one decision” stocks of the Nifty Fifty of the late 1960’s than the Internet Bubble of 1999, in that the FAANG as a whole are generating large and accelerating amounts of cash flow and possess deep moats. Apple, Google, and Facebook are merely expensive with no “absurdly” or “outrageously” attached. In our view, the biggest threats to those businesses are the law of large numbers (Google and Facebook already account for 40% of U.S. advertising spend) and regulatory/antitrust pressure. Google and Facebook are under investigation in Europe and facing scrutiny over their roles in the Presidential election in the U.S.; we imagine that Amazon may be on the radar as well. Just as we look for bargains, there are pockets of exuberance in this market that we normally avoid.

A Bit on Bitcoin

Speaking of exuberance, it may be worth mentioning Bitcoin, which over the last year has risen 2,200%. All the bitcoin mined to date would be worth \$295 billion, a large number to be sure, but a mere shade of the \$8 trillion value of all gold mined to date. Bitcoin and other cryptocurrencies are based on the “blockchain,” a secure, distributed method of storing information that could be valuable across many functions. Bitcoin itself may have a place in the future as a store of value in an environment of eroding faith in central banks. Like gold, Bitcoin is in limited supply and is no one else’s liability; it is cheaper to store, transport, and handle than gold, though it lacks a few thousand years of gold’s history. For the moment, however, its usefulness as a currency or asset class is limited by its extreme volatility and lack of wide acceptance. Bitcoin’s explosion in value seems based on a greater fool being willing to pay more for it – almost the very definition of a bubble. Much like the Tulip Mania of 1637 or the Mississippi Bubble of 1720, this bubble will also pop. Unlike those classic bubbles of yore, Bitcoin is a global phenomenon, as accessible as a touch of one’s cellphone, which gives it the potential to get much bigger, but perhaps limits the collateral damage to any one economy. Bitcoin and blockchain will be with us in some shape or form for a very long time, and are certainly worth monitoring.

Deals, Deals, Deals

U.S. deal activity has slowed slightly to \$1.1 trillion in the fourth quarter. Nevertheless, as we look into 2018, the underpinnings of “merger mania” – low interest rates, scarce organic growth, and rising corporate confidence – are even more powerful. Uncertainty around tax structures (now resolved) and a challenge to the

AT&T/Time Warner (0.6% of net assets as of December 31, 2017) merger may have given some pause. Historically, the Department of Justice has been loath to challenge vertical combinations, like distributor AT&T buying supplier Time Warner. The transaction was cruising for approval until Makan Delrahim, President Trump's nominee as Assistant Attorney General for Antitrust who took office in September, rejected proposed behavioral remedies and is suing to block the merger. If the cynics are right and this is motivated by Time Warner-owned CNN's negative coverage of the President, then this may not be worrisome for future mergers (albeit a blow to the rule of law); if the attempted block is a broader populist backlash against big corporations, it may be a problem. Nevertheless, the controversy did not dissuade Disney from attempting a purchase of Fox's assets. With Disney and AT&T's potentially broader reach and the entry into the entertainment arena by tech companies, including Amazon and Facebook, the need for scale becomes an even stronger impetus for consolidation in media. These same forces are being felt in other industries undergoing change, in particular consumer products. We are well represented in those sectors, and expect to see more deals in the new year.

Conclusion

Surmounting a Wall of Worry

Our process tends to be very respectful of risk – we look down before we look up. A list of things that could go wrong in the larger economy is easy to compose, but, short of a hot war, major terrorist attack, or social unrest, the two biggest risks to the U.S. economy would seem to be an inflationary spike and a Federal Reserve that raises rates too fast because it finds itself behind the curve, and/or a 1930's style trade war. A little inflation might be good for the economy and (y)our Fund, as we tend to own companies with pricing power. The impact of a collapse of NAFTA or an escalation of trade tensions with China and Europe (which are not happy with the new tax plan) is difficult to gauge, and the fallout for most companies would be hard to avoid. One would hope that good sense prevails on the topic.

A different kind of risk is underestimating what could go right. What if deregulation and changes to the tax code really do spur renewed investment, while inflation is kept at bay by technology and globalization (basically the goldilocks scenario of the last year)? Ultimately the health of the U.S. economy is not reliant on who occupies the White House; the stock market is not the President's report card. Growth and markets are driven by the collective efforts of entrepreneurs and hardworking individuals, and we remain as bullish as ever on those factors. We also remain confident that our time-tested investment process and methodology should ensure you share in this prosperity.

Investment Scorecard

Xylem Inc. (4.7% of net assets as of December 31, 2017, +40%) was the largest contributor to return in 2017 as the company benefited from increased global investment in water infrastructure. PayPal Holdings (3.4%, +39%), spun-off from eBay in 2015, continues to ride the shift to e-commerce and secure peer-to-peer

payments. Sony Corp. (2.3%, +61%) continued its resurgence under CEO Kaz Hirai with robust PlayStation activity, a rebirth in music sales, and a position as a leading supplier of mobile phone camera chips. Finally, (y)our Fund was the beneficiary of Amazon's June 2017 purchase of Whole Foods (+31%).

The largest detractor from performance in 2017 was Edgewell Personal Care (3.2% of net assets as of December 31, 2017, -19%), which faced headwinds in its Schick wet shave business resulting from a shift in consumer purchasing habits to online, and unusually aggressive promotional activity by its chief branded competitor. Pay television operators DISH Network (1.2%, -18%) and Altice USA (0.8%, -35%) were hurt by concerns over accelerated cord-cutting. Finally, Macquarie Infrastructure (2.0%, -15%) suffered from weak performance in its power portfolio and uncertainty around the naming of a new CEO.

January 31, 2018

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

Xylem Inc.	4.7%	Edgewell Personal Care Co.	3.2%
Conagra Brands Inc.	4.3%	Johnson Controls International	2.9%
Mondelez International Inc.	4.3%	Waste Connections Inc.	2.7%
Danone SA	3.9%	Watts Water Technologies Inc.	2.7%
Paypal Holdings Inc.	3.4%	Comcast Corp.	2.5%

Note: The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Shareholder Commentary represents the opinions of the Portfolio Managers 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 Managers 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

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 Directors determined that expanding the types of Fund shares available through various distribution options would 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.

GABELLI ESG FUND, INC.
One Corporate Center
Rye, NY 10580-1422

Portfolio Management Team Biographies

Christopher C. Desmarais joined GAMCO Investors, Inc. in 1993. Currently he is a Managing Director of GAMCO Asset Management Company, a portfolio manager of Gabelli Funds, LLC, as well as the Director of Socially Responsive Investments. His responsibilities also include marketing and client service of GAMCO's Value, Growth, and International capabilities for institutional, endowment, and family office clients as well as direct oversight of all of the Firm's SRI equity products. He is a graduate of Fairfield University with a B.A. in Economics.

Kevin V. Dreyer joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Dreyer received a B.S.E. from the University of Pennsylvania and an MBA from Columbia Business School.

Christopher J. Marangi joined Gabelli in 2003 as a research analyst. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a B.A. in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

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

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



GABELLI
FUNDS

GABELLI ESG FUND, INC.

Shareholder Commentary
December 31, 2017

Gabelli ESG Fund, Inc.

Third Quarter Report — December 31, 2017

(Y)our Portfolio Management Team



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Enclosed is the schedule of investments as of December 31, 2017.

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

Gabelli ESG Fund, Inc.
Schedule of Investments — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	COMMON STOCKS — 97.5%			Energy and Utilities — 1.0%	
	Automotive: Parts and Accessories — 6.3%			NextEra Energy Inc.	\$ 624,760
15,000	Genuine Parts Co.	\$ 1,425,150	4,000		
5,000	O'Reilly Automotive Inc.†	1,202,700		Entertainment — 1.9%	
25,000	Tenneco Inc.	<u>1,463,500</u>	4,000	Time Warner Inc.	365,880
		4,091,350	10,000	Viacom Inc., Cl. B.	308,100
			20,000	Vivendi SA.	<u>538,011</u>
					1,211,991
	Beverage — 6.3%			Environmental Services — 2.7%	
30,000	Danone SA	2,517,878	25,000	Waste Connections Inc.	<u>1,773,500</u>
10,000	PepsiCo Inc.	1,199,200			
9,000	Suntory Beverage & Food Ltd.	<u>400,178</u>		Equipment and Supplies — 4.5%	
		4,117,256		Flowserve Corp.	631,950
			15,000	Mueller Water Products Inc., Cl. A.	563,850
	Broadcasting — 3.8%		45,000	Watts Water Technologies Inc., Cl. A.	<u>1,746,850</u>
12,000	Liberty Broadband Corp., Cl. C†	1,021,920	23,000		2,942,650
20,000	Liberty Media Corp.-				
	Liberty Braves, Cl. C†	444,400		Financial Services — 6.9%	
25,000	Liberty Media Corp.-		14,000	American Express Co.	1,390,340
	Liberty SiriusXM, Cl. C†	<u>991,500</u>	8,000	Kinnevik AB, Cl. B.	270,434
		2,457,820	30,000	PayPal Holdings Inc.†	2,208,600
			11,000	The Bank of New York Mellon Corp.	<u>592,460</u>
	Building and Construction — 6.8%				4,461,834
20,000	Armstrong Flooring Inc.†	338,400		Food — 20.7%	
20,000	Fortune Brands Home & Security Inc.	1,368,800	75,000	Conagra Brands Inc.	2,825,250
13,000	Herc Holdings Inc.†	813,930	20,000	General Mills Inc.	1,185,800
50,000	Johnson Controls International plc	<u>1,905,500</u>	20,000	Kellogg Co.	1,359,600
		4,426,630	25,000	Lamb Weston Holdings Inc.	1,411,250
			20,000	Maple Leaf Foods Inc.	569,928
	Business Services — 3.4%		65,000	Mondelēz International Inc., Cl. A.	2,782,000
20,000	Macquarie Infrastructure Corp.	1,284,000	15,000	Nestlé SA	1,289,958
12,000	ServiceMaster Global Holdings Inc.†	615,240	12,000	Post Holdings Inc.†	950,760
15,000	The Interpublic Group of Companies Inc.	<u>302,400</u>	20,000	Unilever plc, ADR	<u>1,106,800</u>
		2,201,640			13,481,346
	Cable and Satellite — 7.2%			Health Care — 1.1%	
40,000	Comcast Corp., Cl. A.	1,602,000		Zoetis Inc.	720,400
17,000	DISH Network Corp., Cl. A†	811,750			
12,000	EchoStar Corp., Cl. A†	718,800	10,000	Machinery — 6.1%	
45,000	Liberty Global plc, Cl. C†	<u>1,522,800</u>	65,000	CNH Industrial NV	871,000
		4,655,350	45,000	Xylem Inc.	<u>3,069,000</u>
					3,940,000
	Computer Software and Services — 4.3%			Retail — 1.9%	
35,000	eBay Inc.†	1,320,900	25,000	United Natural Foods Inc.†	<u>1,231,750</u>
70,000	Hewlett Packard Enterprise Co.	1,005,200		Specialty Chemicals — 2.4%	
11,250	Internap Corp.†	176,738	15,000	H.B. Fuller Co.	808,050
8,000	Micro Focus International plc, ADR†	<u>268,720</u>	5,000	International Flavors & Fragrances Inc.	<u>763,050</u>
		2,771,558			1,571,100
	Consumer Products — 7.4%			Telecommunications — 2.8%	
35,000	Edgewell Personal Care Co.†	2,078,650	25,000	Altice USA Inc., Cl. A†	530,750
25,000	Energizer Holdings Inc.	1,199,500	15,000	Loral Space & Communications Inc.†	660,750
34,000	Sony Corp., ADR.	<u>1,528,300</u>			
		4,806,450			

See accompanying notes to schedule of investments.

Gabelli ESG Fund, Inc.

Notes to Schedule of Investments (Unaudited)

The Fund's schedule of investments is prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), which may require the use of management estimates and assumptions. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its schedule of investments.

Security Valuation. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Directors (the "Board") so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the "Adviser").

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market, but prior to the close of business on the day the securities are being valued. Debt obligations for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Certain securities are valued principally using dealer quotations. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded. OTC futures and options on futures for which market quotations are readily available will be valued by quotations received from a pricing service or, if no quotations are available from a pricing service, by quotations obtained from one or more dealers in the instrument in question by the Adviser.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

- Level 1 — quoted prices in active markets for identical securities;
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 — significant unobservable inputs (including the Board's determinations as to the fair value of investments).

Gabelli ESG Fund, Inc.
Notes to Schedule of Investments (Unaudited) (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities by inputs used to value the Fund's investments as of December 31, 2017 is as follows:

	Valuation Inputs		Total Market Value at 12/31/17
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	
INVESTMENTS IN SECURITIES:			
ASSETS (Market Value):			
Common Stocks (a)	\$63,316,885	—	\$63,316,885
Closed-End Funds	1,047,750	—	1,047,750
U.S. Government Obligations	—	\$587,429	587,429
TOTAL INVESTMENTS IN SECURITIES – ASSETS	\$64,364,635	\$587,429	\$64,952,064

(a) Please refer to the Schedule of Investments for the industry classifications of these portfolio holdings.

There were no Level 3 investments at December 31, 2017 or March 31, 2017.

Additional Information to Evaluate Qualitative Information.

General. The Fund uses recognized industry pricing services – approved by the Board and unaffiliated with the Adviser – to value most of its securities, and uses broker quotes provided by market makers of securities not valued by these and other recognized pricing sources. Several different pricing feeds are received to value domestic equity securities, international equity securities, preferred equity securities, and fixed income securities. The data within these feeds are ultimately sourced from major stock exchanges and trading systems where these securities trade. The prices supplied by external sources are checked by obtaining quotations or actual transaction prices from market participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

Fair Valuation. Fair valued securities may be common or preferred equities, warrants, options, rights, or fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. When fair valuing a security, factors to consider are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

The Adviser reports quarterly to the Board the results of the application of fair valuation policies and procedures. These may include backtesting the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

Foreign Currency Translations. The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange

Gabelli ESG Fund, Inc.
Notes to Schedule of Investments (Unaudited) (Continued)

rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gain/(loss) on investments.

Foreign Securities. The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the inability to repatriate funds, less complete financial information about companies, and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than securities of comparable U.S. issuers.

Foreign Taxes. The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

Restricted Securities. The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At December 31, 2017, the Fund held no restricted securities.

Tax Information. The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

GABELLI ESG FUND, INC.
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Portfolio Management Team Biographies

Christopher C. Desmarais joined GAMCO Investors, Inc. in 1993. Currently he is a Managing Director of GAMCO Asset Management, Inc., a portfolio manager of Gabelli Funds, LLC, as well as the Director of Socially Responsive Investments. He is a co-portfolio manager of the Fund, and his responsibilities also include marketing and client service of GAMCO's Value, Growth, and International capabilities for institutional, endowment, and family office clients as well as direct oversight of all of the Firm's ESG equity products. He is a graduate of Fairfield University with a B.A. in Economics.

Christopher J. Marangi joined Gabelli in 2003 as a research analyst. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a B.A. in Political Economy from Williams College and holds an MBA degree with honors from Columbia Business School.

Kevin V. Dreyer joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA degree from Columbia Business School.

We have separated the portfolio managers' 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 managers' 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.

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

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GABELLI ESG FUND, INC.

*Third Quarter Report
December 31, 2017*