

The Gabelli Equity Income Fund

Annual Report — September 30, 2016



Mario J. Gabelli, CFA
Portfolio Manager

To Our Shareholders,

For the year ended September 30, 2016, the net asset value (“NAV”) per Class AAA Share of The Gabelli Equity Income Fund increased 11.3% compared with an increase of 15.4% for the Standard & Poor’s (“S&P”) 500 Index. See page 3 for additional performance information.

Enclosed are the financial statements, including the schedule of investments, as of September 30, 2016.

Performance Discussion (Unaudited)

Our stock selection process is based on the investment principles of Graham and Dodd, the first investors to articulate the fundamentals of value investing. Their work provided the framework for value investing, and we contributed to this framework with the discipline of Private Market Value with a Catalyst[®]. This proprietary research and valuation method identifies companies whose shares are selling at a discount to intrinsic value, with an identifiable path to realizing, or surfacing, that private market value. We define private market value as the price an informed acquirer would pay for an entire enterprise. The catalyst comprises identifiable events or circumstances that might reasonably result in the narrowing of the difference between the public market price of the stock and our estimate of the private market value. This realization of value can take place gradually or suddenly, with company specific changes such as management changes or restructurings, sale of assets or of the business as a whole, or industry changes such as changes in regulation or changes in competition.

The market volatility exhibited in 2015 continued into the quarter ending March 31, 2016, as a sharply negative January preceded a flattish February, followed by a March recovery. Driving much of these rotations were uneven economic data, global concerns (namely the Chinese economy and oil production), and speculation about interest rate increases and their timing. Near the close of the quarter, the Federal Reserve left short term interest rates unchanged in its March meeting and suggested a cautious approach to rate hikes for the rest of the year.

During the quarter ended June 30, investors’ worries shifted from a collapse in China, to a recession in the U.S. and increasing oil prices, and finally, to Brexit; the United Kingdom’s vote to exit the European Union (EU). The vote to leave the EU sparked a market correction, amplifying economic uncertainty, increasing volatility, and driving down the pound. However, these events were quickly followed by a strong bounce back to earlier, more stable levels.

The quarter ending September 30 saw a mixed set of data, including an improvement in consumer spending. The overall market was up low single digits. However, core income growth, meaning wages and salaries, has been in a slowing trend for over a year. The long term slow growth in GDP has resulted in low sales growth for corporations, which has put downward pressure on profits and capital spending. This has been part of the circle of low growth and more accommodative monetary and fiscal policies, not just in the United States, but globally.

Among the better performing stocks for the fiscal year were: Navistar International Corp. (0.3% of net assets as of September 30, 2016), an American holding company and manufacturer and marketer of medium and heavy trucks and mid-range diesel engines. In September, Navistar and Volkswagen Truck & Bus announced a long anticipated strategic alliance in which the two truck manufacturers would share technology and purchasing efforts in exchange for VW taking a \$256 million stake (16.6%) in Navistar. Natural gas company Spectra Energy Corp. (0.1%); and gold producer Freeport-McMoRan Inc. (0.1%) also performed well. On September 6, 2016, Enbridge announced an agreement to merge with Spectra Energy Corp. for \$40 per share, or \$28 billion enterprise value, to create the largest energy infrastructure company in North America. All three holdings returned over 60% for the year.

Some of our weaker performers were Weatherford International plc (0.1%); asset manager Waddell & Reed Financial Inc. (0.1%); and tax preparation company H&R Block Inc. (0.3%). Waddell & Reed's investment performance has been weaker which has led to outflows in their funds. The company has announced restructuring to cut costs. H&R Block had poor execution during tax season and lost market share due to tax preparation software Turbo Tax.

We appreciate your confidence and trust.

Comparative Results

Average Annual Returns through September 30, 2016 (a)(b) (Unaudited)

	1 Year	5 Year	10 Year	15 Year	Since Inception (01/02/92)
Class AAA (GABEX)	11.31%	12.25%	6.46%	7.87%	9.84%
S&P 500 Index	15.43	16.37	7.24	7.15	9.08(e)
Nasdaq Composite Index	16.45	18.62	10.15	9.92	9.31(e)
Lipper Equity Income Fund Average	14.61	13.94	5.87	6.69	8.24
Class A (GCAEX)	11.31	12.24	6.47	7.87	9.83
With sales charge (c)	4.91	10.92	5.84	7.44	9.57
Class C (GCCEX)	10.51	11.42	5.67	7.20	9.42
With contingent deferred sales charge (d)	9.51	11.42	5.67	7.20	9.42
Class I (GCIEX)	11.59	12.54	6.70	8.04	9.94

In the current prospectuses dated January 28, 2016, the expense ratios for Class AAA, A, C, and I Shares are 1.37%, 1.37%, 2.12%, and 1.12%, respectively. See page 14 for the expense ratios for the year ended September 30, 2016. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A and 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. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. 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 www.gabelli.com. 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, 2003 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 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Nasdaq Composite Index is an unmanaged indicator of stock market performance. The Lipper Equity Income Fund Average includes the 30 largest equity funds in this category tracked by Lipper, Inc. Dividends are considered reinvested, except for the Nasdaq Composite Index. You cannot invest directly in an index.

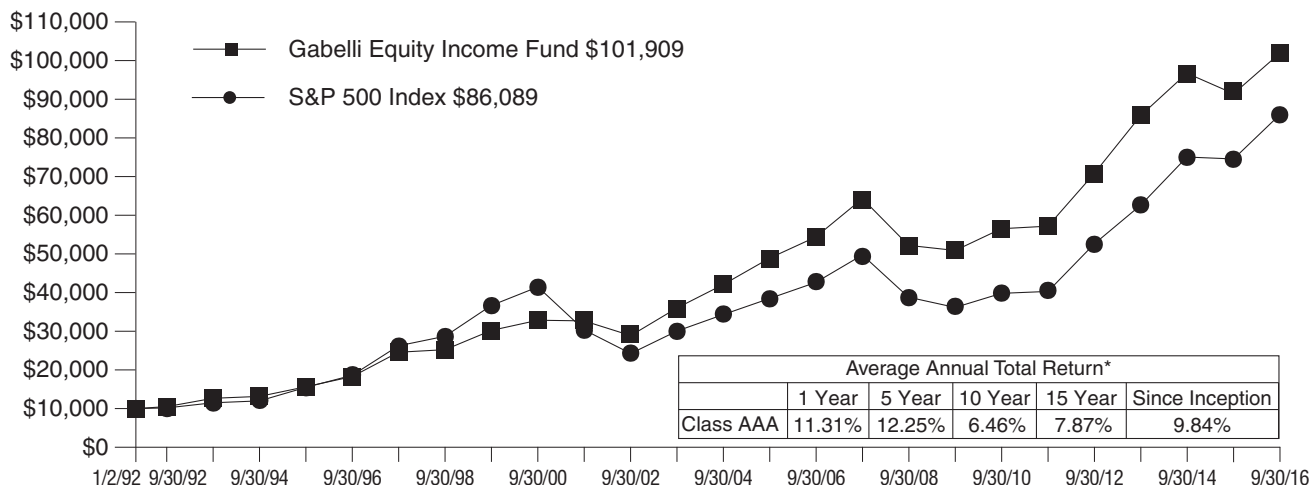
(b) The Fund's fiscal year ends September 30.

(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) S&P 500 Index and Nasdaq Composite Index since inception performance is as of December 31, 1991.

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI EQUITY INCOME FUND CLASS AAA SHARES AND S&P 500 INDEX (Unaudited)



* Past performance is not predictive of future results. The performance tables and graph do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares.

The Gabelli Equity Income Fund Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from April 1, 2016 through September 30, 2016 **Expense Table**

We believe it is important for you to understand the impact of fees and expenses regarding your investment. All mutual funds have operating expenses. As a shareholder of a fund, you incur ongoing costs, which include costs for portfolio management, administrative services, and shareholder reports (like this one), among others. Operating expenses, which are deducted from a fund's gross income, directly reduce the investment return of a fund. When a fund's expenses are expressed as a percentage of its average net assets, this figure is known as the expense ratio. The following examples are intended to help you understand the ongoing costs (in dollars) of investing in your Fund and to compare these costs with those of other mutual funds. The examples are based on an investment of \$1,000 made at the beginning of the period shown and held for the entire period.

The Expense Table below illustrates your Fund's costs in two ways:

Actual Fund Return: This section provides information about actual account values and actual expenses. You may use this section to help you to estimate the actual expenses that you paid over the period after any fee waivers and expense reimbursements. The "Ending Account Value" shown is derived from the Fund's **actual** return during the past six months, and the "Expenses Paid During Period" shows the dollar amount that would have been paid by an investor who started with \$1,000 in the Fund. You may use this information, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for your Fund under the heading "Expenses Paid During Period" to estimate the expenses you paid during this period.

Hypothetical 5% Return: This section provides information about hypothetical account values and

hypothetical expenses based on the Fund's actual expense ratio. It assumes a hypothetical annualized return of 5% before expenses during the period shown. In this case – because the hypothetical return used is **not** the Fund's actual return – the results do not apply to your investment and you cannot use the hypothetical account value and expense to estimate the actual ending account balance or expenses you paid for the period. This example is useful in making comparisons of the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended September 30, 2016.

	Beginning Account Value 04/01/16	Ending Account Value 09/30/16	Annualized Expense Ratio	Expenses Paid During Period*
<i>The Gabelli Equity Income Fund</i>				
Actual Fund Return				
Class AAA	\$1,000.00	\$1,054.90	1.38%	\$ 7.09
Class A	\$1,000.00	\$1,054.70	1.38%	\$ 7.09
Class C	\$1,000.00	\$1,050.80	2.13%	\$10.92
Class I	\$1,000.00	\$1,056.20	1.13%	\$ 5.81
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,018.10	1.38%	\$ 6.96
Class A	\$1,000.00	\$1,018.10	1.38%	\$ 6.96
Class C	\$1,000.00	\$1,014.35	2.13%	\$10.73
Class I	\$1,000.00	\$1,019.35	1.13%	\$ 5.70

* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (183 days), then divided by 366.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of net assets as of September 30, 2016:

The Gabelli Equity Income Fund

Financial Services	18.8%	Machinery	1.0%
Food and Beverage	14.6%	Metals and Mining	1.0%
Health Care	12.0%	Cable and Satellite	0.9%
Retail	8.6%	Communications Equipment	0.9%
Consumer Products	4.8%	Energy and Utilities: Integrated	0.8%
Diversified Industrial	4.2%	Environmental Services	0.7%
Energy and Utilities: Oil	3.7%	Wireless Communications	0.7%
Telecommunications	3.5%	Agriculture	0.7%
Automotive: Parts and Accessories	2.8%	Hotels and Gaming	0.6%
Specialty Chemicals	2.6%	Automotive	0.5%
Aerospace	2.6%	Transportation	0.4%
Entertainment	1.7%	Aviation: Parts and Services	0.3%
Broadcasting	1.7%	Energy and Utilities: Electric	0.3%
Building and Construction	1.6%	Consumer Services	0.2%
Computer Software and Services	1.5%	Energy and Utilities: Water	0.2%
Equipment and Supplies	1.5%	Paper and Forest Products	0.0%*
Energy and Utilities: Services	1.4%	Publishing	0.0%*
Energy and Utilities: Natural Gas	1.4%	Real Estate	0.0%*
Electronics	1.3%	Other Assets and Liabilities (Net)	(2.9)%
Business Services	1.3%		<u>100.0%</u>
Real Estate Investment Trusts	1.1%		
Computer Hardware	1.0%		

* Amount represents less than 0.05%

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the "SEC") for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the twelve months ended June 30, no later than August 31 of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at www.sec.gov.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2016

Shares		Cost	Market Value	Shares		Cost	Market Value
	COMMON STOCKS (Continued)						
	Consumer Products (Continued)						
2,000	National Presto Industries Inc.	\$ 60,046	\$ 175,580	18,000	Dominion Resources Inc.	\$ 609,314	\$ 1,336,860
50,000	Philip Morris International Inc.	1,501,172	4,861,000	7,000	Duke Energy Corp.	326,055	560,280
97,000	Reckitt Benckiser Group plc	2,997,050	9,133,982	210,000	Energy Transfer Equity LP	1,351,030	3,525,900
19,000	Svenska Cellulosa AB, Cl. A	326,762	564,321	29,000	Eni SpA	304,221	417,641
1,100,000	Swedish Match AB	14,470,956	40,364,620	14,000	Eversource Energy	211,873	758,520
155,000	The Procter & Gamble Co	8,880,238	13,911,250	6,500	Iberdrola SA, ADR	98,020	176,475
81,000	Unilever NV - NY Shares	1,639,778	3,734,100	2,000	NextEra Energy Inc.	80,620	244,640
		<u>34,663,298</u>	<u>85,145,133</u>	65,000	OGE Energy Corp.	866,906	2,055,300
				59,000	PNM Resources Inc.	607,016	1,930,480
				55,000	Westar Energy Inc.	624,753	3,121,250
						<u>5,189,735</u>	<u>14,196,246</u>
	Consumer Services — 0.2%				Energy and Utilities: Natural Gas — 1.4%		
3,500	Allegion plc	50,080	241,185	2,000	Atmos Energy Corp.	52,608	148,940
122,000	Rollins Inc.	293,512	3,572,160	90,000	Kinder Morgan Inc.	2,890,350	2,081,700
		<u>343,592</u>	<u>3,813,345</u>	210,000	National Fuel Gas Co.	9,311,949	11,354,700
				17,000	ONE Gas Inc.	72,951	1,051,280
	Diversified Industrial — 4.1%			120,000	ONEOK Inc.	1,199,557	6,166,800
100,000	Crane Co.	3,402,503	6,301,000	24,000	Piedmont Natural Gas Co. Inc.	394,017	1,440,960
80,000	Eaton Corp. plc	3,769,548	5,256,800	14,000	Southwest Gas Corp.	288,512	978,040
640,000	General Electric Co.	10,618,388	18,956,800	46,000	Spectra Energy Corp.	1,043,458	1,966,500
192,000	Honeywell International Inc.	6,196,527	22,385,280			<u>15,253,402</u>	<u>25,188,920</u>
50,000	ITT Inc.	1,004,526	1,792,000		Energy and Utilities: Oil — 3.7%		
50,000	Jardine Matheson Holdings Ltd.	2,372,853	3,030,500	179,000	Anadarko Petroleum Corp.	9,017,310	11,341,440
180,000	Jardine Strategic Holdings Ltd.	4,227,653	5,886,000	1,500	Apache Corp.	83,360	95,805
120,000	Textron Inc.	763,372	4,770,000	95,000	BP plc, ADR	3,954,774	3,340,200
350,000	Toray Industries Inc.	2,392,238	3,379,025	121,000	Chevron Corp.	5,275,194	12,453,320
26,000	Trinity Industries Inc.	376,576	628,680	145,000	ConocoPhillips	2,955,952	6,303,150
		<u>35,124,184</u>	<u>72,386,085</u>	16,000	Denbury Resources Inc.†	47,450	51,680
				39,000	Devon Energy Corp.	1,150,716	1,720,290
	Electronics — 1.3%			112,000	Exxon Mobil Corp.	3,217,018	9,775,360
20,000	Dolby Laboratories Inc., Cl. A	787,104	1,085,800	111,000	Hess Corp.	6,722,409	5,951,820
8,173	Fortive Corp.	150,615	416,006	28,000	Marathon Oil Corp.	652,294	442,680
45,000	Sony Corp.	1,174,377	1,461,318	36,000	Marathon Petroleum Corp.	588,886	1,461,240
85,000	Sony Corp., ADR	2,025,391	2,822,850	87,000	Occidental Petroleum Corp.	3,357,100	6,344,040
74,000	TE Connectivity Ltd.	2,500,525	4,764,120	3,000	PetroChina Co. Ltd., ADR	234,161	200,400
175,000	Texas Instruments Inc.	4,531,094	12,281,500	108,000	Royal Dutch Shell plc, Cl. A, ADR	4,778,015	5,407,560
		<u>11,169,106</u>	<u>22,831,594</u>	17,000	Total SA, ADR	282,789	810,900
						<u>42,317,428</u>	<u>65,699,885</u>
	Energy and Utilities: Electric — 0.3%				Energy and Utilities: Services — 1.4%		
12,000	American Electric Power Co. Inc.	412,710	770,520	350,000	Halliburton Co.	10,342,941	15,708,000
7,000	Avangrid Inc.	137,482	292,460	93,000	Oceaneering International Inc.	2,001,490	2,558,430
45,000	El Paso Electric Co.	351,450	2,104,650	60,000	Schlumberger Ltd.	2,723,820	4,718,400
50,000	Korea Electric Power Corp., ADR	650,030	1,219,000	455,000	Weatherford International plc†	5,769,370	2,557,100
105,000	The AES Corp.	518,708	1,349,250			<u>20,837,621</u>	<u>25,541,930</u>
		<u>2,070,380</u>	<u>5,735,880</u>		Energy and Utilities: Water — 0.2%		
	Energy and Utilities: Integrated — 0.8%			22,500	Aqua America Inc.	166,116	685,800
5,512	California Resources Corp.	109,927	68,900				

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2016

Shares		Cost	Market Value	Shares		Cost	Market Value
	COMMON STOCKS (Continued)						
	Publishing (Continued)						
3,000	Value Line Inc.	\$ 41,976	\$ 48,720	32,000	BT Group plc, ADR.	\$ 469,025	\$ 813,760
		<u>172,920</u>	<u>337,542</u>	40,000	CenturyLink Inc.	1,274,072	1,097,200
	Real Estate — 0.0%			360,000	Cincinnati Bell Inc.†	1,052,736	1,468,800
10,000	Griffin Industrial Realty Inc.	224,290	316,900	320,000	Deutsche Telekom AG, ADR ...	4,884,975	5,372,800
	Real Estate Investment Trusts — 1.1%			16,000	Harris Corp.	1,279,244	1,465,760
45,600	Ryman Hospitality Properties			33,000	Loral Space &		
	Inc.	1,742,930	2,196,096		Communications Inc.†	1,317,447	1,290,630
520,000	Weyerhaeuser Co.	11,929,414	16,608,800	25,000	Orange SA, ADR	424,798	389,500
		<u>13,672,344</u>	<u>18,804,896</u>	48,000	Proximus SA	1,497,748	1,433,492
	Retail — 8.6%			45,010	Telefonica SA, ADR	428,921	453,701
16,000	Compagnie Financiere			325,000	Telephone & Data Systems		
	Richemont SA.	540,728	974,987		Inc.	9,369,960	8,833,500
24,562	Copart Inc.†	433,098	1,315,541	24,000	TELUS Corp.	185,454	791,920
105,000	Costco Wholesale Corp.	5,333,616	16,013,550	30,000	TELUS Corp., New York	687,084	990,000
452,000	CVS Health Corp.	15,841,773	40,223,480	333,000	Verizon Communications Inc. .	11,932,780	17,309,340
39,000	Hertz Global Holdings Inc.† ...	1,825,034	1,566,240			<u>43,785,079</u>	<u>60,840,635</u>
100,000	Ingles Markets Inc., Cl. A.	1,788,883	3,954,000		Transportation — 0.4%		
408,000	J.C. Penney Co. Inc.†	4,275,735	3,761,760	162,000	GATX Corp.	5,650,976	7,217,100
442,000	Macy's Inc.	6,498,602	16,376,100		Wireless Communications — 0.7%		
90,000	Seven & i Holdings Co. Ltd. ...	2,692,986	4,221,981	9,000	Millicom International Cellular		
333,000	The Home Depot Inc.	9,409,534	42,850,440		SA	513,014	469,800
26,000	Tractor Supply Co.	205,119	1,751,100	36,000	Millicom International Cellular		
119,000	Walgreens Boots Alliance Inc. .	3,723,320	9,593,780		SA, SDR	2,473,395	1,867,394
75,000	Wal-Mart Stores Inc.	3,418,796	5,409,000	228,000	NTT DoCoMo Inc.	3,309,462	5,760,426
10,000	Weis Markets Inc.	300,480	530,000	78,000	Turkcell İletisim Hizmetleri		
198,000	Whole Foods Market Inc.	3,364,027	5,613,300		A/S, ADR†	1,151,785	628,680
		<u>59,651,731</u>	<u>154,155,259</u>	22,914	United States Cellular Corp.† ..	951,456	832,695
	Specialty Chemicals — 2.6%			125,000	Vodafone Group plc, ADR.	5,777,281	3,643,750
24,000	Albemarle Corp.	345,659	2,051,760			<u>14,176,393</u>	<u>13,202,745</u>
6,000	Ashland Global Holdings Inc. ...	275,062	695,700		TOTAL COMMON STOCKS	983,280,464	1,830,888,834
60,000	E. I. du Pont de Nemours and				CONVERTIBLE PREFERRED STOCKS — 0.1%		
	Co.	2,567,312	4,018,200		Telecommunications — 0.1%		
254,000	Ferro Corp.†	1,677,848	3,507,740	30,000	Cincinnati Bell Inc., 6.750%,		
8,000	FMC Corp.	186,076	386,720		Ser. B	625,446	1,504,800
46,000	H.B. Fuller Co.	950,216	2,137,620		RIGHTS — 0.0%		
184,000	International Flavors &				Retail — 0.0%		
	Fragrances Inc.	8,446,784	26,306,480	250,017	Safeway Casa Ley, CVR,		
2,400	NewMarket Corp.	9,263	1,030,368		expire 01/30/19†	27,343	87,506
2,000	Quaker Chemical Corp.	31,167	211,860	250,017	Safeway PDC, CVR,		
23,500	Sensient Technologies Corp. ...	469,542	1,781,300		expire 01/30/17†	1,313	12,201
20,000	The Chemours Co.	210,932	320,000		TOTAL RIGHTS	28,656	99,707
80,000	The Dow Chemical Co.	2,640,288	4,146,400		WARRANTS — 0.0%		
		<u>17,810,149</u>	<u>46,594,148</u>		Energy and Utilities: Natural Gas — 0.0%		
	Telecommunications — 3.4%			310,000	Kinder Morgan Inc.,		
10,000	AT&T Inc.	241,201	406,100		expire 05/25/17†	553,864	4,805
400,000	BCE Inc.	8,534,720	18,472,000				
50,000	BT Group plc	204,914	252,132				

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2016

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
WARRANTS (Continued)		
Retail — 0.0%		
105		
Sears Holdings Corp., expire 12/15/19†	\$ 522	\$ 359
TOTAL WARRANTS	554,386	5,164
Principal Amount		
CONVERTIBLE CORPORATE BONDS — 0.1%		
Building and Construction — 0.1%		
\$ 1,025,000		
Layne Christensen Co., 4.250%, 11/15/18	1,018,395	909,047
CORPORATE BONDS — 0.1%		
Diversified Industrial — 0.1%		
2,000,000		
Griffon Corp., Sub. Deb., 4.000%, 01/15/17(a)	1,997,838	2,412,500
Energy and Utilities: Electric — 0.0%		
200,000		
Texas Competitive Electric Holdings Co. LLC, Ser. B, 10.250%, 11/01/16†	12,850	13,750
Retail — 0.0%		
3,000		
Sears Holdings Corp., 8.000%, 12/15/19	2,634	2,659
TOTAL CORPORATE BONDS ..	2,013,322	2,428,909
TOTAL		
INVESTMENTS — 102.9%	\$ 987,520,669	1,835,836,461
Other Assets and Liabilities (Net) — (2.9)%		(51,435,256)
NET ASSETS — 100.0%		\$1,784,401,205

(a) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2016, the market value of the Rule 144A security amounted to \$2,412,500 or 0.14% of net assets.

† Non-income producing security.

ADR American Depositary Receipt

CVR Contingent Value Right

SDR Swedish Depositary Receipt

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Assets and Liabilities September 30, 2016

Assets:	
Investments, at value (cost \$987,520,669)	\$1,835,836,461
Receivable for Fund shares sold	2,624,197
Receivable for investments sold	2,020,042
Dividends and interest receivable	3,865,892
Prepaid expenses	38,923
Total Assets	<u>1,844,385,515</u>

Liabilities:	
Payable to custodian	4,179
Payable for Fund shares redeemed	3,615,865
Payable for investment advisory fees	1,510,339
Payable for distribution fees	473,812
Payable for accounting fees	7,500
Line of credit payable	53,838,000
Other accrued expenses	534,615
Total Liabilities	<u>59,984,310</u>

Net Assets	
(applicable to 75,457,564 shares outstanding)	<u>\$1,784,401,205</u>

Net Assets Consist of:	
Paid-in capital	\$ 944,133,739
Undistributed net investment income	2,280,726
Distributions in excess of net realized gain on investments and foreign currency transactions	(10,301,918)
Net unrealized appreciation on investments	848,315,792
Net unrealized depreciation on foreign currency translations	(27,134)
Net Assets	<u>\$1,784,401,205</u>

Shares of Capital Stock, each at \$0.001 par value:

Class AAA:	
Net Asset Value, offering, and redemption price per share (\$833,153,706 ÷ 34,628,434 shares outstanding; 150,000,000 shares authorized)	<u>\$24.06</u>

Class A:	
Net Asset Value and redemption price per share (\$160,592,688 ÷ 6,702,440 shares outstanding; 50,000,000 shares authorized)	<u>\$23.96</u>
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price)	<u>\$25.42</u>

Class C:	
Net Asset Value and offering price per share (\$306,349,644 ÷ 14,596,821 shares outstanding; 50,000,000 shares authorized)	<u>\$20.99(a)</u>

Class I:	
Net Asset Value, offering, and redemption price per share (\$484,305,167 ÷ 19,529,869 shares outstanding; 50,000,000 shares authorized)	<u>\$24.80</u>

(a) Redemption price varies based on the length of time held.

Statement of Operations For the Year Ended September 30, 2016

Investment Income:	
Dividends (net of foreign withholding taxes of \$1,472,764)	\$ 47,606,343
Interest	178,705
Other income*	330,507
Total Investment Income	<u>48,115,555</u>

Expenses:	
Investment advisory fees	20,228,367
Distribution fees - Class AAA	2,306,948
Distribution fees - Class A	443,949
Distribution fees - Class C	3,367,173
Shareholder services fees	1,728,235
Shareholder communication expenses	311,111
Custodian fees	226,905
Legal and audit fees	141,102
Registration expenses	96,697
Interest expense	93,699
Directors' fees	70,865
Accounting fees	45,000
Miscellaneous expenses	135,579
Total Expenses	<u>29,195,630</u>

Less:	
Expenses paid indirectly by broker (See Note 6)	(13,831)

Net Expenses	<u>29,181,799</u>
Net Investment Income	<u>18,933,756</u>

Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:

Net realized gain on investments	185,447,272
Net realized loss on foreign currency transactions	(24,567)
Net realized gain on investments and foreign currency transactions	<u>185,422,705</u>
Net change in unrealized appreciation/depreciation: on investments	10,945,651
on foreign currency translations	(1,762)
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	<u>10,943,889</u>

Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency	<u>196,366,594</u>
Net Increase in Net Assets Resulting from Operations	<u>\$215,300,350</u>

* The Fund received a one time reimbursement of custody expenses paid in prior years.

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Changes in Net Assets

	<u>Year Ended</u> <u>September 30, 2016</u>	<u>Year Ended</u> <u>September 30, 2015</u>
Operations:		
Net investment income	\$ 18,933,756	\$ 22,527,371
Net realized gain on investments, securities sold short, and foreign currency transactions	185,422,705	165,930,458
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	<u>10,943,889</u>	<u>(299,630,836)</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>215,300,350</u>	<u>(111,173,007)</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(9,078,082)	(10,878,119)
Class A	(1,758,236)	(1,801,369)
Class C	(1,304,743)	(3,397,674)
Class I	<u>(7,020,663)</u>	<u>(6,350,097)</u>
	(19,161,724)	(22,427,259)
Net realized gain		
Class AAA	(83,259,250)	(69,951,446)
Class A	(16,104,680)	(13,005,643)
Class C	(34,165,941)	(25,979,180)
Class I	<u>(51,342,435)</u>	<u>(46,112,598)</u>
	(184,872,306)	(155,048,867)
Return of capital		
Class AAA	(32,303,440)	—
Class A	(6,305,011)	—
Class C	(16,125,596)	—
Class I	<u>(14,445,009)</u>	—
	(69,179,056)	—
Total Distributions to Shareholders	<u>(273,213,086)</u>	<u>(177,476,126)</u>
Capital Share Transactions:		
Class AAA	(127,327,265)	(491,853,048)
Class A	(17,529,218)	(1,515,615)
Class C	(4,788,500)	58,551,145
Class I	<u>(170,384,648)</u>	<u>97,181,640</u>
Net Decrease in Net Assets from Capital Share Transactions	<u>(320,029,631)</u>	<u>(337,635,878)</u>
Redemption Fees	<u>3,762</u>	<u>4,168</u>
Net Decrease in Net Assets	<u>(377,938,605)</u>	<u>(626,280,843)</u>
Net Assets:		
Beginning of year	<u>2,162,339,810</u>	<u>2,788,620,653</u>
End of year (including undistributed net investment income of \$2,280,726 and \$2,994,832, respectively)	<u>\$1,784,401,205</u>	<u>\$2,162,339,810</u>

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Financial Highlights

Selected data for a share of capital stock outstanding throughout each year:

Year Ended September 30	Income from Investment Operations				Distributions			Ratios to Average Net Assets/ Supplemental Data						
	Net Asset Value, Beginning of Year	Net Investment Income (a)	Net Unrealized Gain/(Loss) on Investments	Total from Investment Operations	Net Realized Gain on Investments	Return of Capital	Total Distributions	Redemption Fees (a)/(b)	Net Asset Value, End of Year	Total Return †	Net Assets End of Year (in 000's)	Net Investment Income	Operating Expenses	Portfolio Turnover Rate
Class AAA														
2016	\$25.08	\$0.26	\$ 2.72	\$ 2.98	\$(2.35)	\$(1.39)	\$(4.00)	\$0.00	\$24.06	11.31%	\$ 833,154	0.99%	1.39%(c)	1%
2015	28.55	0.25	(1.71)	(1.46)	(1.83)	—	(2.01)	0.00	25.08	(5.40)	985,647	0.88	1.37(c)	3
2014	26.68	0.30	3.05	3.35	(0.38)	(0.66)	(1.48)	0.00	28.55	12.64	1,604,629	1.06	1.37	4
2013	22.54	0.29	4.49	4.78	—	—	(0.64)	0.00	26.68	21.38	1,726,724	1.15	1.39	6
2012	18.52	0.25	4.13	4.38	—	(0.01)	(0.36)	0.00	22.54	23.78	1,603,696	1.17	1.40	6
Class A														
2016	\$24.99	\$0.26	\$ 2.71	\$ 2.97	\$(2.35)	\$(1.39)	\$(4.00)	\$0.00	\$23.96	11.31%	\$ 160,593	0.99%	1.39%(c)	1%
2015	28.45	0.26	(1.71)	(1.45)	(1.83)	—	(2.01)	0.00	24.99	(5.38)	183,418	0.90	1.37(c)	3
2014	26.59	0.30	3.04	3.34	(0.38)	(0.66)	(1.48)	0.00	28.45	12.64	209,501	1.07	1.37	4
2013	22.47	0.28	4.48	4.76	—	—	(0.64)	0.00	26.59	21.36	215,353	1.14	1.39	6
2012	18.47	0.25	4.11	4.36	—	(0.01)	(0.36)	0.00	22.47	23.73	164,177	1.19	1.40	6
Class C														
2016	\$22.48	\$0.06	\$ 2.45	\$ 2.51	\$(2.35)	\$(1.56)	\$(4.00)	\$0.00	\$20.99	10.51%	\$ 306,349	0.24%	2.14%(c)	1%
2015	25.99	0.04	(1.54)	(1.50)	(1.83)	—	(2.01)	0.00	22.48	(6.10)	329,846	0.15	2.12(c)	3
2014	24.59	0.08	2.80	2.88	(0.38)	(0.85)	(1.48)	0.00	25.99	11.78	321,772	0.31	2.12	4
2013	20.97	0.09	4.17	4.26	—	—	(0.64)	0.00	24.59	20.50	224,804	0.38	2.14	6
2012	17.38	0.09	3.86	3.95	—	(0.15)	(0.36)	0.00	20.97	22.85	161,842	0.46	2.15	6
Class I														
2016	\$25.68	\$0.33	\$ 2.79	\$ 3.12	\$(2.35)	\$(1.33)	\$(4.00)	\$0.00	\$24.80	11.59%	\$ 484,305	1.24%	1.14%(c)	1%
2015	29.11	0.34	(1.76)	(1.42)	(1.83)	—	(2.01)	0.00	25.68	(5.15)	663,429	1.15	1.12(c)	3
2014	27.11	0.38	3.10	3.48	(0.38)	(0.59)	(1.48)	0.00	29.11	12.92	652,719	1.28	1.12	4
2013	22.84	0.35	4.56	4.91	—	—	(0.64)	0.00	27.11	21.67	382,333	1.38	1.14	6
2012	18.71	0.33	4.16	4.49	—	—	(0.36)	0.00	22.84	24.13	309,157	1.54	1.15	6

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the year and sold at the end of the year and does not reflect applicable sales charges.

(a) Per share amounts have been calculated using the average shares outstanding method.

(b) Amount represents less than \$0.005 per share.

(c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the years ended September 30, 2016 and 2015, there was no impact to the expense ratios.

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Notes to Financial Statements

1. Organization. The Gabelli Equity Income Fund is a series of the Gabelli Equity Series Funds, Inc. (the "Corporation"). The Corporation was incorporated on July 25, 1991 in Maryland. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"), and one of three separately managed portfolios of the Corporation. The Fund seeks to provide a high level of total return on its assets with an emphasis on income. The Fund commenced investment operations on January 2, 1992.

2. Significant Accounting Policies. As an investment company, the Fund follows the investment company accounting and reporting guidance, which is part of U.S. generally accepted accounting principles ("GAAP") that may require the use of management estimates and assumptions in the preparation of its financial statements. 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 financial statements.

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 instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, 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. Debt instruments having a maturity greater than sixty days 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. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

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 Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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).

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 September 30, 2016 is as follows:

	Valuation Inputs			Total Market Value at 9/30/16
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks(a)	\$1,830,888,834	—	—	\$1,830,888,834
Convertible Preferred Stocks (a)	1,504,800	—	—	1,504,800
Rights (a)	—	—	\$99,707	99,707
Warrants (a)	5,164	—	—	5,164
Convertible Corporate Bonds (a)	—	\$ 909,047	—	909,047
Corporate Bonds (a)	—	2,428,909	—	2,428,909
TOTAL INVESTMENTS IN SECURITIES – ASSETS	\$1,832,398,798	\$3,337,956	\$99,707	\$1,835,836,461

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

The Fund did not have material transfers among Level 1, Level 2, and Level 3 during the year ended September 30, 2016. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

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 is 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 and preferred equities, warrants, options, rights, and 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. Among the factors to be considered to fair value a security are recent prices

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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. A significant change in the unobservable inputs could result in a lower or higher value in Level 3 securities. 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 back testing the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

Derivative Financial Instruments. The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purposes of increasing the income of the Fund, hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase, or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Investing in certain derivative financial instruments, including participation in the options, futures, or swap markets, entails certain execution, liquidity, hedging, tax, and securities, interest, credit, or currency market risks. Losses may arise if the Adviser's prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate. Losses may also arise if the counterparty does not perform its duties under a contract, or that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

The Fund's derivative contracts held at September 30, 2016, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

Swap Agreements. The Fund may enter into equity contract for difference swap transactions for the purpose of increasing the income of the Fund. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an equity contract for difference swap, a set of future cash flows is exchanged between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. Depending on the general state of short term interest rates and the returns on the Fund's portfolio securities at the time an equity contract for difference swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction.

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be received or paid on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements. At September 30, 2016, the Fund held no investments in equity contract for difference swap agreements.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

Securities Sold Short. The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of the open positions, which is adjusted periodically as the value of the position fluctuates. At September 30, 2016, there were no short sales outstanding.

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 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 does 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 September 30, 2016, the Fund held no restricted securities.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

Securities Transactions and Investment Income. Securities transactions are accounted for on the trade date with realized gain/(loss) on investments determined by using the identified cost method. Interest income (including amortization of premium and accretion of discount) is recorded on the accrual basis. Premiums and discounts on debt securities are amortized using the effective yield to maturity method. Dividend income is recorded on the ex-dividend date, except for certain dividends from foreign securities that are recorded as soon after the ex-dividend date as the Fund becomes aware of such dividends.

Determination of Net Asset Value and Calculation of Expenses. Certain administrative expenses are common to, and allocated among, various affiliated funds. Such allocations are made on the basis of each fund's average net assets or other criteria directly affecting the expenses as determined by the Adviser pursuant to procedures established by the Board.

In calculating the NAV per share of each class, investment income, realized and unrealized gains and losses, redemption fees, and expenses other than class specific expenses are allocated daily to each class of shares based upon the proportion of net assets of each class at the beginning of each day. Distribution expenses are borne solely by the class incurring the expense.

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to recharacterization of distributions. These reclassifications have no impact on the NAV of the Fund. For the year ended September 30, 2016, reclassifications were made to decrease net investment income by \$486,138 and decrease distributions in excess of net realized gain by \$620,143, with an offsetting adjustment to paid-in capital.

The tax character of distributions paid during the years ended September 30, 2016 and 2015 was as follows:

	<u>Year Ended</u> <u>September 30, 2016</u>	<u>Year Ended</u> <u>September 30, 2015*</u>
Distributions paid from:		
Ordinary income	\$ 19,177,983	\$ 24,713,020
Net long term capital gains	184,856,047	162,112,388
Return of capital	69,179,056	—
Total distributions paid	<u>\$273,213,086</u>	<u>\$186,825,408</u>

* Total distributions paid differs from the Statement of Changes in Net Assets due to the utilization of equalization.

The Fund has a fixed distribution policy. Under the policy, the Fund declares and pays monthly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the calendar year. Pursuant to this policy, distributions during the calendar year are made in excess of required distributions. To the extent such distributions are made from current earnings and profits, they are considered ordinary income or long term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pass through to shareholders all of its net realized long term capital gains as a

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

Capital Gain Dividend, subject to the maximum federal income tax rate of 20%, and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 39.6%. In addition, certain U.S. shareholders who are individuals, estates, or trusts and whose income exceeds certain thresholds will be required to pay 3.8% Medicare tax on their “net investment income,” which includes dividends received from the Fund and capital gains from the sale or other disposition of shares of the Fund. Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund. The Board continues to evaluate its distribution policy in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

Provision for Income Taxes. The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”). It is the policy of the Fund to comply with the requirements of the Code applicable to regulated investment companies and to distribute substantially all of its net investment company taxable income and net capital gains. Therefore, no provision for federal income taxes is required.

At September 30, 2016, the components of accumulated earnings/losses on a tax basis were as follows:

Net unrealized appreciation on investments	\$840,267,466
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At September 30, 2016, the temporary difference between book basis and tax basis net unrealized appreciation on investments was due to deferral of losses from wash sales for tax purposes and tax basis adjustments on investments in partnerships.

The following summarizes the tax cost of investments and the related net unrealized appreciation at September 30, 2016:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Investments	\$995,541,860	\$876,721,946	\$(36,427,345)	\$840,294,601

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended September 30, 2016, the Fund did not incur any income tax, interest, or penalties. As of September 30, 2016, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund’s net assets or results of operations. The Fund’s federal and state tax returns for the prior three fiscal years remain open, subject to examination. On an ongoing basis, the Adviser will monitor the Fund’s tax positions to determine if adjustments to this conclusion are necessary.

3. Investment Advisory Agreement and Other Transactions. The Fund has entered into an investment advisory agreement (the “Advisory Agreement”) with the Adviser which provides that the Fund will pay the Adviser a fee, computed daily and paid monthly, at the annual rate of 1.00% of the value of its average daily net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund’s portfolio, oversees the administration of all aspects of the Fund’s business and affairs, and pays the compensation of all Officers and Directors of the Fund who are affiliated persons of the Adviser.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

The Corporation pays each Director who is not considered an affiliated person an annual retainer of \$18,000 plus \$2,000 for each Board meeting attended, and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$1,000 per meeting attended. The Chairman of the Audit Committee receives a \$3,000 annual fee, and the Lead Director receives an annual fee of \$2,000. A Director may receive a single meeting fee, allocated among the participating funds, for attending certain meetings held on behalf of multiple funds. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Corporation.

4. Distribution Plan. The Fund's Board has adopted a distribution plan (the "Plan") for each class of shares, except for Class I Shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Class AAA, Class A, and Class C Share Plans, payments are authorized to G.distributors, LLC (the "Distributor"), an affiliate of the Adviser, at annual rates of 0.25%, 0.25%, and 1.00%, respectively, of the average daily net assets of those classes, the annual limitations under each Plan. Such payments are accrued daily and paid monthly.

5. Portfolio Securities. Purchases and sales of securities during the year ended September 30, 2016, other than short term securities and U.S. Government obligations, aggregated \$11,834,893 and \$553,349,234 respectively.

6. Transactions with Affiliates and Other Arrangements. During the year ended September 30, 2016, the Fund paid \$326,045 in brokerage commissions on security trades to G.research, LLC, an affiliate of the Adviser. Additionally, the Distributor retained a total of \$174,416 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

During the year ended September 30, 2016, the Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. The amount of such expenses paid through this directed brokerage arrangement during this period was \$13,831.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement. During the year ended September 30, 2016, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

During the year ended September 30, 2016, the Fund engaged in purchase and sale transactions with funds that have a common investment adviser. These purchase and sale transactions complied with Rule 17a-7 under the Act and amount to \$625,000 and \$781,539, respectively.

7. Line of Credit. The Fund participates in an unsecured line of credit, which expires on March 9, 2017 and may be renewed annually, of up to \$75,000,000 under which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bears interest at a floating rate equal to the higher of the overnight Federal Funds rate plus 125 basis points or the 30 day LIBOR plus 125 basis points in effect on that day. This amount, if any, would be included in "interest expense" in the Statement of Operations. At September 30, 2016, there was \$53,838,000 outstanding under the line of credit.

The average daily amount of borrowings outstanding under the line of credit during the year ended September 30, 2016 was \$6,908,501 with a weighted average interest rate of 1.05%. The maximum amount borrowed at any time during the year ended September 30, 2016 was \$62,131,000.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

8. Capital Stock. The Fund offers four classes of shares – Class AAA Shares, Class A Shares, Class C Shares, and Class I Shares. Class AAA and Class I Shares are offered without a sales charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%, and Class C Shares are subject to a 1.00% contingent deferred sales charge for one year after purchase.

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund as an increase in paid-in capital. The redemption fees retained by the Fund during the years ended September 30, 2016 and 2015, if any, can be found in the Statement of Changes in Net Assets under Redemption Fees.

Transactions in shares of capital stock were as follows:

	Year Ended September 30, 2016		Year Ended September 30, 2015	
	Shares	Amount	Shares	Amount
Class AAA				
Shares sold	1,436,608	\$ 37,106,495	2,524,754	\$ 72,709,871
Shares issued upon reinvestment of distributions	4,791,800	117,986,705	2,944,279	79,537,003
Shares redeemed	(10,900,808)	(282,420,465)	(22,375,421)	(644,099,922)
Net decrease	<u>(4,672,400)</u>	<u>\$(127,327,265)</u>	<u>(16,906,388)</u>	<u>\$(491,853,048)</u>
Class A				
Shares sold	1,339,365	\$ 34,432,584	2,028,495	\$ 57,870,814
Shares issued upon reinvestment of distributions	883,107	21,644,670	463,391	12,372,383
Shares redeemed	(2,859,662)	(73,606,472)	(2,514,896)	(71,758,812)
Net decrease	<u>(637,190)</u>	<u>\$ (17,529,218)</u>	<u>(23,010)</u>	<u>\$ (1,515,615)</u>
Class C				
Shares sold	2,876,079	\$ 66,322,080	3,932,456	\$ 102,375,805
Shares issued upon reinvestment of distributions	2,069,324	44,696,486	967,909	23,322,668
Shares redeemed	(5,019,513)	(115,807,066)	(2,608,248)	(67,147,328)
Net increase/(decrease)	<u>(74,110)</u>	<u>\$ (4,788,500)</u>	<u>2,292,117</u>	<u>\$ 58,551,145</u>
Class I				
Shares sold	2,668,289	\$ 70,894,899	10,629,569	\$ 311,718,190
Shares issued upon reinvestment of distributions	2,591,553	65,764,539	1,693,262	46,565,405
Shares redeemed	(11,564,857)	(307,044,086)	(8,909,295)	(261,101,955)
Net increase/(decrease)	<u>(6,305,015)</u>	<u>\$(170,384,648)</u>	<u>3,413,536</u>	<u>\$ 97,181,640</u>

9. Indemnifications. The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts. Management has reviewed the Fund's existing contracts and expects the risk of loss to be remote.

10. Subsequent Events. Management has evaluated the impact on the Fund of all subsequent events occurring through the date the financial statements were issued and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

The Gabelli Equity Income Fund

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
The Gabelli Equity Income Fund

We have audited the accompanying statement of assets and liabilities of The Gabelli Equity Income Fund (the "Fund"), a series of Gabelli Equity Series Funds, Inc., including the schedule of investments, as of September 30, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of September 30, 2016, by correspondence with the Fund's custodian. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Gabelli Equity Income Fund, a series of Gabelli Equity Series Funds, Inc., at September 30, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

New York, New York
November 23, 2016

The Gabelli Equity Income Fund

Additional Fund Information (Unaudited)

The business and affairs of the Corporation are managed under the direction of the Corporation's Board of Directors. Information pertaining to the Directors and officers of the Corporation is set forth below. The Corporation's Statement of Additional Information includes additional information about the Corporation's Directors and is available without charge, upon request, by calling 800-GABELLI (800-422-3554) or by writing to The Gabelli Equity Income Fund at One Corporate Center, Rye, NY 10580-1422.

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Number of Funds in Fund Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director⁴</u>
INTERESTED DIRECTORS³:				
Mario J. Gabelli, CFA Director and Chief Investment Officer Age: 74	Since 1991	30	Chairman, Chief Executive Officer, and Chief Investment Officer—Value Portfolios of GAMCO Investors, Inc. and Chief Investment Officer—Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies within the Gabelli/GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc.; Chief Executive Officer and Chairman of the Board of Associated Capital Group, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICIT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group Inc. (communications); Director of RLJ Acquisition Inc. (blank check company) (2011-2012)
John D. Gabelli Director Age: 72	Since 1991	10	Senior Vice President of G.research, LLC	—
INDEPENDENT DIRECTORS⁵:				
Anthony J. Colavita Director Age: 80	Since 1991	36	President of the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Director Age: 72	Since 1991	17	Former Senior Vice President and Chief Financial Officer of KeySpan Corp. (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics) (2008-2014); Director of LGL Group, Inc. (diversified manufacturing) (2011-2014)
Robert J. Morrissey Director Age: 77	Since 1991	6	Partner in the law firm of Morrissey, Hawkins & Lynch	Chairman of the Board, Belmont Savings Bank
Kuni Nakamura Director Age: 48	Since 2009	19	President of Advanced Polymer, Inc. (chemical manufacturing company); President of KEN Enterprises, Inc. (real estate)	—
Anthony R. Pustorino Director Age: 91	Since 1991	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing) (2004-2011)
Anthonie C. van Ekris Director Age: 82	Since 1991	22	Chairman and Chief Executive Officer of BALMAC International, Inc. (global import/export company)	—
Salvatore J. Zizza Director Age: 70	Since 2001	30	President of Zizza & Associates Corp. (private holding company); Chairman of Harbor Diversified, Inc. (pharmaceuticals); Chairman of BAM (semiconductor and aerospace manufacturing); Chairman of Bergen Cove Realty Inc.; Chairman of Metropolitan Paper Recycling Inc. (recycling) (2005-2014)	Director and Vice Chairman of Trans-Lux Corporation (business services); Director and Chairman of Harbor Diversified Inc. (pharmaceuticals); Director, Chairman, and CEO of General Employment Enterprises (staffing services) (2009-2012)

The Gabelli Equity Income Fund Additional Fund Information (Continued) (Unaudited)

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Principal Occupation(s) During Past Five Years</u>
OFFICERS:		
Bruce N. Alpert President Age: 64	Since 1991	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; Officer of several registered investment companies within the Gabelli/GAMCO Fund Complex; Senior Vice President of GAMCO Investors, Inc. since 2008; Director of Teton Advisors, Inc., 1998-2012; Chairman of Teton Advisors, Inc., 2008-2010; President of Teton Advisors, Inc., 1998-2008
Andrea R. Mango Secretary Age: 44	Since 2013	Counsel of Gabelli Funds, LLC since 2013; Secretary of all registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Vice President of all closed-end funds within the Gabelli/GAMCO Fund Complex since 2014; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company, 2011-2013; Vice President and Counsel of Deutsche Bank, 2006-2011
Agnes Mullady Treasurer Age: 58	Since 2006	President and Chief Operating Officer of the Fund Division of Gabelli Funds, LLC since 2010; Chief Executive Officer of G.distributors, LLC since 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex
Richard J. Walz Chief Compliance Officer Age: 57	Since 2013	Chief Compliance Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Chief Compliance Officer of AEGON USA Investment Management, 2011-2013; Chief Compliance Officer of Cutwater Asset Management, 2004-2011

¹ Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

² Each Director will hold office for an indefinite term until the earliest of (i) the next meeting of shareholders, if any, called for the purpose of considering the election or re-election of such Director and until the election and qualification of his or her successor, if any, elected at such meeting, or (ii) the date a Director resigns or retires, or a Director is removed by the Board of Directors or shareholders, in accordance with the Fund's By-Laws and Articles of Incorporation. Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

³ "Interested person" of the Fund as defined in the 1940 Act. Messrs. Gabelli are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser. Mario J. Gabelli and John D. Gabelli are brothers.

⁴ This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended, i.e., public companies, or other investment companies registered under the 1940 Act.

⁵ Directors who are not interested persons are considered "Independent" Directors.

2016 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended September 30, 2016, the Fund paid to shareholders, ordinary income distributions (inclusive of short term capital gains) totaling \$0.258, \$0.259, \$0.090, and \$0.324 per share for Class AAA, Class A, Class C, and Class I Shares, respectively, and long term capital gains totaling \$184,856,047, or the maximum allowable. The distribution of long term capital gains has been designated as a capital gain dividend by the Fund's Board of Directors. For the year ended September 30, 2016, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 0.37% of the ordinary income distribution as qualified interest income pursuant to the Tax Relief, Unemployment Reauthorization, and Job Creation Act of 2010. The Fund designates 100% of the ordinary income distribution as qualified short term gain pursuant to the American Jobs Creation Act of 2004.

All designations are based on financial information available as of the date of this annual report and, accordingly, are subject to change. For each item, it is the intention of the Fund to designate the maximum amount permitted under the Internal Revenue Code and the regulations thereunder.

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GABELLI EQUITY INCOME 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 Chief Executive Officer and 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.

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.

Gabelli Equity Series Funds, Inc.
THE GABELLI EQUITY INCOME FUND
One Corporate Center
Rye, New York 10580-1422

t 800-GABELLI (800-422-3554)
f 914-921-5118
e info@gabelli.com
GABELLI.COM

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

BOARD OF DIRECTORS

Mario J. Gabelli, CFA
Chairman and
Chief Executive Officer,
GAMCO Investors, Inc.
Chairman and
Chief Executive Officer,
Associated Capital Group, Inc.

Anthony J. Colavita
President,
Anthony J. Colavita, P.C.

Vincent D. Enright
Former Senior Vice
President and Chief
Financial Officer,
KeySpan Corp.

John D. Gabelli
Senior Vice President,
G.research, LLC.

Robert J. Morrissey
Partner,
Morrissey, Hawkins & Lynch

Kuni Nakamura
President,
Advanced Polymer, Inc.

Anthony R. Pustorino
Certified Public Accountant,
Professor Emeritus,
Pace University

Anthonie C. van Ekris
Chairman,
BALMAC International, Inc.
Salvatore J. Zizza
Chairman,
Zizza & Associates Corp.

OFFICERS

Bruce N. Alpert
President
Andrea R. Mango
Secretary
Agnes Mullady
Treasurer
Richard J. Walz
Chief Compliance Officer

DISTRIBUTOR

G.distributors, LLC

CUSTODIAN, TRANSFER AGENT, AND DIVIDEND DISBURSING AGENT

State Street Bank and Trust
Company

LEGAL COUNSEL

Skadden, Arps, Slate, Meagher &
Flom LLP

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

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GABELLI
FUNDS

THE GABELLI EQUITY INCOME FUND

Annual Report
September 30, 2016

