

GAMCO Mathers Fund

Shareholder Commentary March 31, 2018



Henry G. Van der Eb, CFA

To Our Shareholders,

During his March 1st Senate testimony Q&A, Fed Chair Jerome Powell made the following statement –
“It’s not our job to stop people from making money or losing money in the stock market”

Fed tightening cycles typically end with a financial crisis ‘event’. The Fed is tightening and other central banks are considering tightening just as the Fed’s QE ‘liquidity supernova’ is topping as shown on page three. The U.S Federal Reserve has signaled that it currently intends to continue raising the FOMC policy interest rate several more times during 2018 and 2019. “By year-end 2018 the Fed will have raised interest rates 8 times, 11 times by the end of 2019, to 2.75%-3.00%” according to BofAML shown below.

The decade ending December 31, 2009 was unique in two respects. According to Standard & Poor’s data starting in 1927, the 2000s was the first negative total return decade as the S&P 500 Index lost 9.11% over this period. The second is that two major bear markets occurred, each hammering the S&P 500 with 50% declines, one lasting from March 2000 to October 2002, and the other from October 2007 to March 2009. A powerful bear market in stocks that could take the S&P 500 down at least fifty percent is looming.

Fed tightening cycles typically end with an ‘event’...



Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data, Bloomberg

Investment Performance and Portfolio Highlights

The GAMCO Mathers Fund total return for the three months ended March 31, 2018 was (1.20)% versus (0.76%) for the S&P 500 Index. At quarter end, the gross equity exposure was 46.39% (longs plus shorts), comprised of 0.00% long and 46.39% in short positions, with a 46.39% net short exposure (longs minus shorts). The remainder of the portfolio, as has been the case for an extended time period, was invested in short-term U.S. Treasury bills and U.S. Treasury collateralized repurchase agreements. The short stock portfolio segment had a negative return for the quarter and the fixed income segment had a positive return. There were no arbitrage or long equity positions in the quarter. Historically low short-term U.S. Treasury bill yields have disadvantaged the Fund's overall performance. For its first hike since June 2006, the Fed raised the federal funds target range from 0.00 to 0.25 to 0.25 to 0.50 percent in December 2015 and has successively raised this key rate since then to 1.50 to 1.75 percent on March 21, 2018.

The Fund completed 52 years of operation during 2017 and since inception through December 31, 2017 its average annual total return was 5.84% versus 10.01% for its benchmark S&P 500 Index. During the 2008-09 credit crisis, the Fund's risk averse position preserved capital and outperformed the S&P 500 for the two, three, five, and ten year periods ended December 31, 2009. The Fund had positive returns for the one, two, three, five, and ten year periods ended December 31, 2008 versus the S&P 500, which had negative returns for each of those periods. Due to its high cash position, the Fund took substantially less risk and earned higher returns during those periods than a fully invested S&P 500 index fund.

The Fund's gross and net equity exposures and positions may vary significantly from week to week in an effort to control portfolio volatility under various market conditions. Accordingly, the quarter-end data may not be indicative of the gross and net equity exposures that precede and follow each reporting period.

A portion of the Fund's long common stock segment may be invested in takeover target companies subject to all cash tender or merger offers from an acquiring entity. Deal arbitrage stocks typically earn relatively attractive annualized returns, but are held for short time periods. The inherent risk of this investment strategy is if the announced merger or acquisition is not completed, or is renegotiated at a less attractive price, or does not close on the expected date, the price of the security may fall.

Since the SEC's portfolio turnover formula excludes fixed income securities with maturities of less than one year and short sale activity from its denominator, the Fund's turnover rate may appear very high, which can be misleading. This has been the case in some prior years when the Fund's U.S. Treasury bill position was a very high proportion of assets and had a maturity of less than one year, while the average month end dollar value of long stock positions (the denominator) was negligible and long positions were held for short time periods. This may occur in 2017 and beyond as cash positions are used to control risk.

The GAMCO Mathers Fund performance for the 1-year, 5-year and 10-year periods ended March 31, 2018, was (9.02)%, (10.52)%, and (7.30)%, respectively. The expense ratio reported in the April 30, 2018 prospectus was 4.58% including dividend and interest expenses on securities sold short of 1.27%.

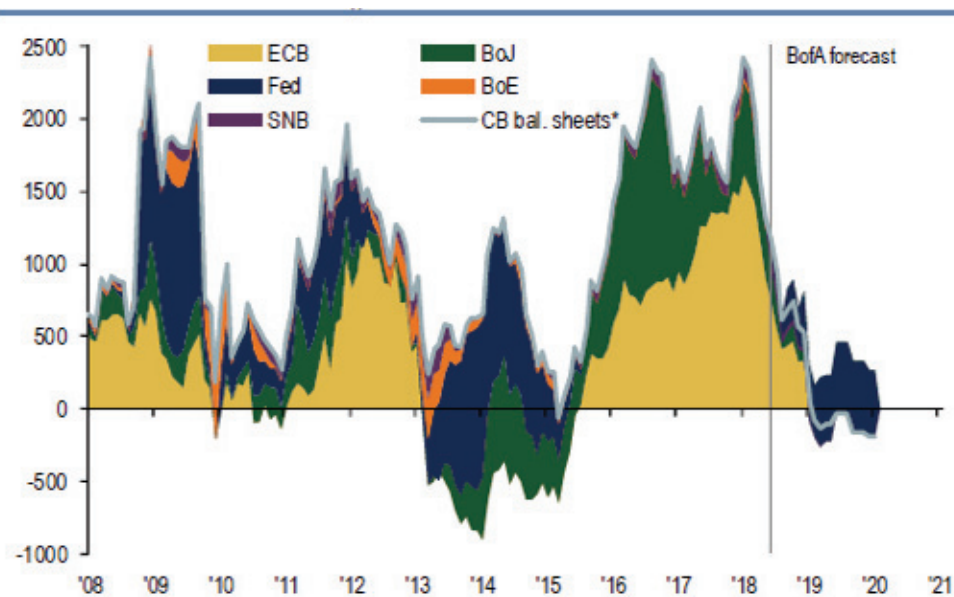
*Average annual returns reflect changes in share price and reinvestment of dividends and are net of expenses. **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance. Please visit www.gabelli.com to obtain performance information as of the most recent month end. Short selling of securities poses special risks and may not be suitable for certain investors. Short selling is the sale of a borrowed security and losses are realized if the price of a security increases between the date the security is sold and the date the Fund replaces it.*

Why Are Asset Markets Struggling? *

Because it's late-cycle, profits are peaking, and the Fed is tightening:

- On Aug 22nd the S&P500 bull market will become the longest of all-time
- July 2019 US economic expansion will become the longest since the Civil War
- From Feb'16 low to Jan'18 highs global equity market cap soared \$33tn (equates to one FedEx added each trading day)
- In 12 months IBES consensus forecasts the level of global corporate profits to be 1/3 higher than prior peak in 2008 (\$3.3tn vs \$2.4tn)
- US, UK, Germany, Japan unemployment rates are at multi-decade lows, and yet political populism is accelerating quicker than wage growth
- \$1.45tn of tax cuts have been enacted in USA, and yet volatility & interest rates have risen more than stocks & GDP forecasts this year
- Government bond supply set to triple to \$1.5tn by 2019, and yet 10-year UST yield can't break 3%, stock of negatively-yielding global debt still >\$10tn
- 2018 US corporate bond issuance on pace +\$1.5tn, US equity supply -\$0.9tn, and yet TINA theme (There Is No Alternative) to equities struggling
- By end-18 the Fed will be 8 hikes into a tightening cycle and central bank balance sheets, the dominant catalyst for credit & equity market bull markets, will be contracting

The end of the Liquidity Supernova - Central bank balance sheets, 12-month rolling \$bn



Source: BofA Merrill Lynch Global Investment Strategy, Bloomberg; * assume BoJ purchases continue at the current reduced pace vs stated level (given their increased ability to influence yields), and the ECB starts to reduce purchases in Sept'18 and ends net purchases Dec'18.

* Source – Michael Hartnett, Chief Investment Strategist, MLPF&S - The Thundering Word – May 6, 2018

Tax Loss Carryforwards Offset Capital Gains

The Fund's tax loss carryforwards from prior years are expected to at least partially offset any net realized portfolio capital gains in the future until the current carryforwards are either used up or expire. Tax losses incurred in fiscal years beginning 2011 have no expiration, but must be utilized first.

www.gabelli.com

Please visit us on the Internet. The Gabelli home page at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 403(b)s, quarterly reports, closing prices and other current news. You can e-mail us at info@gabelli.com.

Minimum Initial Investment

The Fund's minimum initial investment is \$1,000 for regular and \$250 for all retirement accounts, with no subsequent investment minimums. No initial minimum is required for accounts starting an Automatic Investment Plan. The Fund and other Gabelli/GAMCO Mutual Funds are available through no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold within 7 days of a purchase. See the Fund's prospectus for more details.

Percent Average Annual Total Returns through March 31, 2018*

	<u>1 YR</u>	<u>5 YRS</u>	<u>10 YRS</u>	<u>20 YRS</u>	<u>30 YRS</u>	<u>52 YRS †</u>
GAMCO MATHERS	(9.02)	(10.52)	(7.30)	(3.57)	(0.94)	5.79
Standard & Poor's 500	13.99	13.31	9.49	6.46	10.46	9.96

The expense ratio is 4.58% (please see note on page 2)

† From start of investment operations on August 19, 1965

* Average annual total returns reflect changes in share price and reinvestment of dividends and are net of expenses. Returns represent past performance and do not guarantee future results. 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. Please visit www.gabelli.com to obtain performance information as of the most recent month end. The Standard & Poor's 500 Index is an unmanaged indicator of stock market performance. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus and summary prospectus contain more information about this and other matters and should be read carefully before investing.** To obtain a copy of the prospectus or summary prospectus, call 800-GABELLI (800-422-3554) or visit www.gabelli.com. Distributed by G.distributors, LLC.

NOTE: The opinions expressed in this report reflect those of the Portfolio Manager only through the date of the shareholder letter and are subject to change at any time based on market and other conditions.

GAMCO Mathers Fund

First Quarter Report — March 31, 2018



Henry G. Van der Eb, CFA
Portfolio Manager

To Our Shareholders,

The Sarbanes-Oxley Act's corporate governance regulations require a Fund's principal executive and financial officers to certify the entire contents of the quarterly, semiannual, and annual shareholder reports in a filing with the Securities and Exchange Commission (the "SEC"). This certification covers the portfolio manager's commentary and subjective opinions if they are attached to or a part of the financial statements.

Rather than ask our portfolio manager to eliminate his opinions and/or restrict his commentary to historical facts only, we separated his commentary from the financial statements and investment portfolio and sent it to you separately to ensure that its content is complete and unrestricted. Both the commentary and the financial statements, including the portfolio of investments, are also available on our website at www.gabelli.com.

We trust that you understand that our approach is an unintended consequence of the ever increasing regulatory requirements affecting public companies. We hope the specific certification requirements of these regulations will be modified as they relate to mutual funds, since investment companies have different corporate structures and objectives from other public companies.

GAMCO Mathers Fund

Schedule of Investments — March 31, 2018 (Unaudited)

<u>Principal Amount</u>	<u>Market Value</u>
SHORT TERM OBLIGATIONS — 100.0%	
U.S. Treasury Bills — 100.0%	
\$ 7,930,000	
U.S. Treasury Bills, 1.652%†, 04/12/18(a)	\$ 7,926,407
TOTAL INVESTMENTS BEFORE SECURITIES SOLD	
SHORT — 100.0%	
(Cost \$7,926,365)	<u>\$ 7,926,407</u>

<u>Shares</u>	<u>Market Value</u>
SECURITIES SOLD SHORT — (46.8)%	
Exchange Traded Funds — (43.3)%	
4,000	Financial Select Sector SPDR Fund
2,000	Industrial Select Sector SPDR Fund
3,000	iShares Micro-Cap ETF
3,500	iShares MSCI EAFE ETF
3,000	iShares MSCI Emerging Markets ETF
3,500	iShares MSCI Japan ETF
1,500	iShares Russell 2000 ETF
1,500	iShares Russell 3000 ETF
1,500	Powershares QQQ Trust Series 1
1,000	SPDR Dow Jones Industrial Average ETF Trust.....
1,000	SPDR S&P 500 ETF Trust
500	SPDR S&P MidCap 400 ETF Trust
2,500	Technology Select Sector SPDR Fund
3,500	Vanguard FTSE All-World ex-US ETF
3,500	Vanguard FTSE Europe ETF
2,000	Vanguard Total Stock Market ETF
3,000	WisdomTree India Earnings Fund
	<u>3,433,445</u>
Retail — (3.5)%	
1,000	McDonald's Corp.....
2,000	Starbucks Corp.
	<u>272,160</u>
TOTAL SECURITIES SOLD SHORT	
(Proceeds received \$3,759,265)(b)	<u>\$ 3,705,605</u>

† Represents annualized yield at date of purchase.

(a) At March 31, 2018, \$4,500,000 of the principal amount was pledged as collateral for securities sold short.

(b) At March 31, 2018, these proceeds are being held at Pershing LLC.

See accompanying notes to schedule of investments.

GAMCO Mathers Fund

Notes to Schedule of Investments (Unaudited)

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 schedule of investments. 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 Trustees (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 GAMCO Asset Management, Inc. (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).

GAMCO Mathers Fund

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 March 31, 2018 is as follows:

	Valuation Inputs		Total Market Value at 3/31/18
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	
INVESTMENTS IN SECURITIES:			
ASSETS (Market Value):			
Short Term Obligations:			
U.S. Treasury Bills	—	\$7,926,407	\$ 7,926,407
TOTAL INVESTMENTS IN SECURITIES – ASSETS	—	\$7,926,407	\$ 7,926,407
LIABILITIES (Market Value):			
Common Stocks Sold Short (a)	\$(3,705,605)	—	\$(3,705,605)
TOTAL INVESTMENTS IN SECURITIES – LIABILITIES	\$(3,705,605)	—	\$(3,705,605)

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

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. Among the factors to be considered to fair value a security 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.

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board.

GAMCO Mathers Fund

Notes to Schedule of Investments (Unaudited) (Continued)

Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. It is the policy of the Fund to receive and maintain securities as collateral whose market value is not less than their repurchase price. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At March 31, 2018, the Fund did not hold any repurchase agreements.

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. Securities sold short and details of collateral at March 31, 2018 are reflected within the Schedule of Investments.

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.

GAMCO MATHERS FUND
One Corporate Center
Rye, NY 10580-1422

Portfolio Manager Biography

Henry G. Van der Eb, CFA, joined Gabelli Funds, LLC in 1999 as President and Portfolio Manager of the GAMCO Mathers Fund which he has managed for over twenty years. He is also a Senior Vice President of GAMCO Investors, Inc. Prior to joining Gabelli, he was the owner and President of Mathers & Company, a Chicago based investment advisory firm, and Chairman of the Mathers Fund. He served as President of the Investment Analysts Society of Chicago from 1979 - 1980. Mr. Van der Eb received an MBA with honors from Northwestern University Graduate School of Management and a BA from Vanderbilt 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.

GAMCO MATHERS 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 TRUSTEES

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

M. Bruce Adelberg
Consultant,
MBA Research Group

E. Val Cerutti
Chief Executive Officer,
Cerutti Consultants, Inc.

Anthony S. Colavita
Attorney,
Anthony S. Colavita, P.C.

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

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

Werner J. Roeder
Former Medical Director,
Lawrence Hospital

Henry G. Van der Eb, CFA
President and Chief Executive
Officer,
GAMCO Mathers Fund

Anthonie C. van Ekris
Chairman,
BALMAC International, Inc.

OFFICERS

Bruce N. Alpert
Executive Vice President

John C. Ball
Treasurer

Agnes Mullady
Vice President

Anne E. Morrissy
Executive Vice President

Edith L. Cook
Vice President

Heidi M. Koontz
Vice President

Andrea R. Mango
Secretary

Richard J. Walz
Chief Compliance Officer

DISTRIBUTOR

G.distributors, LLC

CUSTODIAN

State Street Bank and Trust
Company

TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

DST Asset Manager
Solutions Inc.

LEGAL COUNSEL

Paul Hastings LLP

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

GAB1726Q118QR



GABELLI
FUNDS

GAMCO MATHERS FUND

*First Quarter Report
March 31, 2018*