# The Gabelli Utilities Fund

## Shareholder Commentary
## June 30, 2018

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**To Our Shareholders,**

For the quarter ended June 30, 2018, the net asset value ("NAV") per Class AAA Share of The Gabelli Utilities Fund increased 3.9% compared with an increase of 3.7% for the Standard & Poor's ("S&P") 500 Utilities Index (SPU). Other classes of shares are available. See page 2 for performance information for all classes.

**Powering Through Federal Reserve Rate Hikes**

Through the first six months of 2018, the S&P Utility Index (SPU) returned a modest 0.3%, compared with a 2.7% return for the S&P 500 Index. The period saw considerable volatility, driven by a growing economy, Federal Reserve rate hikes, and a global trade war. Utility stocks continue to be positively impacted by strong fundamentals, including 5%-6% earnings and dividend growth, offset by the potential for a higher U.S. Treasury yield curve. After reaching an all-time high, the SPU fell 16.3% between November 14, 2017 and February 9, 2018, marking its worst decline in over a decade, due to interest rate concerns and historically high valuation multiples. In June, the SPU rose 2.8% and recovered some of the decline (still down 6.3% from its high) as its defensive characteristics appealed to investors in the midst of geopolitical risk and Washington, D.C. politics.

**Table 1: Total Return Performance**

| | 2016 | 2017 | YTD 2018 | Since All-Time High 11/14/2017 | Since Tightening 12/14/2015 |
|---|---|---|---|---|---|
| S&P 500 Utilities | 16.3% | 12.1% | 0.3% | -6.3% | 36.3% |
| S&P 500 Index | 12.0 | 21.8 | 2.7 | 6.7 | 41.7 |
| 10-Year Treasury Yield (Beginning of Period) | 2.31 | 2.45 | 2.41 | 2.38 | 2.16 |
| 10-Year Treasury Yield (End of Period) | 2.45 | 2.41 | 2.85 | 2.85 | 2.85 |

*Source: Thomson One*

**Comparative Results**

**Average Annual Returns through June 30, 2018 (a)**

| | Quarter | 1 Year | 5 Year | 10 Year | 15 Year | Since Inception (8/31/99) |
|---|---|---|---|---|---|---|
| **Class AAA (GABUX)** | 3.86% | 2.74% | 6.89% | 6.41% | 8.23% | 7.52% |
| S&P 500 Utilities Index | 3.74 | 3.41 | 10.57 | 6.64 | 9.98 | 6.69 |
| S&P 500 Index | 3.43 | 14.37 | 13.42 | 10.17 | 9.30 | 5.93 |
| Lipper Utility Fund Average | 4.84 | 5.96 | 8.35 | 6.25 | 9.74 | 6.57 |
| **Class A (GAUAX)** | 3.80 | 2.59 | 6.89 | 6.42 | 8.23 | 7.53 |
| With sales charge (b) | (2.17) | (3.31) | 5.63 | 5.79 | 7.80 | 7.20 |
| **Class C (GAUCX)** | 3.67 | 1.80 | 5.78 | 5.61 | 7.42 | 6.86 |
| With contingent deferred sales charge (c) | 2.67 | 0.80 | 5.78 | 5.61 | 7.42 | 6.86 |
| **Class I (GAUIX)** | 3.91 | 2.95 | 7.16 | 6.67 | 8.40 | 7.67 |
| **Class T (GAUTX)** | 3.87 | 2.63 | 6.87 | 6.40 | 8.22 | 11.44 |
| With sales charge (d) | 1.27 | 0.06 | 6.33 | 6.13 | 8.03 | 7.51 |

**In the current prospectuses dated April 30, 2018, the gross expense ratios for Class AAA, A, C, I, and T Shares are 1.37%, 1.37%, 2.12%, 1.12%, and 1.37%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A Shares, Class C Shares, and Class T Shares is 5.75%, 1.00%, and 2.50%, respectively.**

(a) *Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC, the Adviser not reimbursed certain expenses of the Fund for periods prior to December 31, 2002. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com. The value of utility stocks generally changes as long term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation.* The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2002, Class I Shares on January 11, 2008, and Class T Shares on July 5, 2017. The actual performance of the Class A Shares, Class C Shares, and Class T Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Utilities Index is an unmanaged market capitalization weighted index of large capitalization stocks that may include facilities generation and transmission or distribution of electricity, gas, or water. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Lipper Utility Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

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

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

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

**Monthly Distributions – $0.07 per share**

The Gabelli Utilities Fund has a $0.07 per share monthly distribution policy in place. For more specific dividend and tax information, please visit our website at www.gabelli.com or call 800-GABELLI (800-422-3554). **Shareholders should be aware that a portion of the distribution may represent a non-taxable return of capital.** Such distributions will reduce the cost basis of your shares if you hold them in a taxable account. The distributions should not be confused with the yield or total return of the Fund.

We have separated the portfolio managers' commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio managers' commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

The June 13, 2018 Federal Reserve Funds increase of 0.25% to 1.75%-2.0% marked the seventh increase since December 2015. In addition, the Federal Reserve expects more increases as it continues its long term efforts to keep inflation under control (~2.0%) as economic growth accelerates and the labor market tightens. During the 200 basis point tightening period, the SPU returned 36.3%, the S&P 500 returned 41.7%, and the long end of the yield curve flattened. Since the first rate hike, the 2-year U.S. Treasury yield rose 116 basis points to 2.53% from 1.37%, the 10-year yield rose a modest 54 basis points to 2.85% from 2.31%, and the 30-year U.S. Treasury yield rose only 13 basis points to 3.02% from 2.89%. We continue to emphasize that while utility stocks are sensitive to interest rates, they are by no means bond proxies. Earnings and dividend growth rates primarily determine long term total returns and mitigate the negative impact of higher interest rates.

**Fundamental Outlook: Super Investment Cycle Continues**

We believe that the combination of strong utility fundamentals, the Federal Reserve's vigilance, the flattened yield curve, and the potential for escalating geopolitical volatility bode well for the relative performance of utilities. Strong fundamentals include focused strategies, opportunities for infrastructure investment, improved regulatory principles, low natural gas prices, healthy balance sheets, and investment grade credit ratings. Our universe of electric utility stocks offers a median current return of 3.2% and 5%-6% annual earnings and dividend growth, which is higher than forecast inflation and historical 3%-4% growth rates.

Strong earnings growth is premised on investment opportunity, constructive regulatory environments, and satisfied customers. The utility sector is undergoing a multi-year "super" investment cycle, and capital investment is likely to remain at high levels for some time as the sector transforms its power generation fleet, modernizes and electrifies the power grid, and the replaces/expands its natural gas and water pipes. The high capital investment translates into earnings growth as regulators allow fair returns on investment. Customers are generally satisfied, given that low natural gas prices, more efficient generation, and tax reform have combined to minimize electric rate increases. Further, the sector continues to consolidate where smaller and mid-size utilities are bought by larger utilities. Finally, the 6.35% correction since mid-November leaves utility stocks trading at more reasonable valuation multiples.

**2018 Performance Snapshot**

While the SPU was flat year-to-date, some utility/power stocks have experienced more dramatic moves. The top performers in the Fund included AES Corp (2.0% of net assets as of June 30, 2018), which returned 27%, FirstEnergy (0.7%) (20%) Vectren (1.5%) (11%), Connecticut Water (less than 0.1%), Unitil Corp. (0.1%) and NRG Energy (0.2%).

**Table 2: Top Performers Year-to-Date**

| | Symbol | 6/29/2018 Closing Price | Percent Return YTD | P/E 2018 | 12 Months High | 12 Months Low |
|---|---|---|---|---|---|---|
| AES Corp (2.0%)* | **AES** | 13.41 | 26.7 | 11.2 | 13.56 | 9.86 |
| First Energy (0.7%) | **FE** | 35.91 | 19.9 | 18.1 | 36.71 | 28.83 |
| Connecticut Water Svc. Gp. (less than 0.1%) | **CTWS** | 65.32 | 15.0 | 28.4 | 69.72 | 48.86 |
| Vectren (1.5%) | **VVC** | 71.45 | 11.4 | 24.8 | 71.55 | 57.48 |
| Unitil (0.1%) | **UTL** | 51.04 | 13.7 | 23.9 | 52.84 | 40.92 |
| NRG Energy (0.2%) | **NRG** | 30.70 | 8.0 | 9.5 | 35.17 | 15.95 |

**Of net assets as of June 30, 2018* *Source: Thomson One*

The stronger performers have either been involved or are likely to be involved in a merger or restructuring. Vectren Corp. and Connecticut Water each agreed to be bought, while Unitil remains a takeover candidate. First Energy and NRG Energy experienced investments from activist investors (Elliott Management and Bluescape Resources) with intentions of influencing performance, as did AES Corp with Value Act. In 2017, NRG rose 152% following an Elliott/Bluescape investment and restructuring. Elliott and Bluescape target undervalued and more complex utilities with the intent to re-focus and simplify, while Value Act is promoting an environmental influence. The presence of large, value oriented, and activist players is encouraging for utility investors, as it offers comfort that even an underperforming utility can provide return potential.

Regulated utilities offer investors a simple “success formula” (investment + rate recognition = earnings growth), which attracts buyers, including larger U.S. utilities, global utilities, value oriented investors, activist investors, and private entities. Since 1995, there have been over 140 utility acquisitions, often completed at premium prices. Renowned value investor Berkshire Hathaway has vowed to be the largest utility in the U.S. Since its 1999 acquisition of MidAmerican Energy, Berkshire Energy has acquired several utilities, including Pacificorp (2005), NV Energy (2013), AltaLink (2014) and attempted others, including Constellation Energy (2008) and ONCOR (2017). Several private equity and infrastructure entities, including KKR, Macquarie, and BlackRock have acquired power generation and electric, gas and water utilities over the years.

For value oriented investors, a handful of utilities currently trade at significant discounts to the sector, including Edison International (1.9%) (EIX-63.27, down 12%), PG&E (0.3%) (PCG-42.56, down 40.3%), SCANA Corp (0.9%) (SCG-38.52, down 44%), and independent power company Ormat (0.2%) (ORA-$53.19, down 24%).

**Table 3: Depressed Utility Stocks**

| | Symbol | Closing Price | Decline from 12 Month High | P/E 2018 | 12 Months High | 12 Months Low |
|---|---|---|---|---|---|---|
| Edison International (1.9%)* | **EIX** | 63.27 | -23.8 | 15.5 | 83.38 | 57.63 |
| PG&E Corp. (0.3%) | **PCG** | 42.56 | -40.3 | 11.2 | 71.57 | 37.3 |
| SCAN A Corp. (0.9%) | **SCG** | 38.52 | -43.7 | 11.7 | 68.35 | 33.61 |
| Ormat (0.2%) | **ORA** | 53.19 | -24.0 | 28.6 | 70.68 | 50.43 |

**Of net assets as of June 30, 2018* *Source: Thomson One*

EIX and PCG declined significantly on potential liabilities associated with California wildfires in October and November, while ORA’s decline is primarily related to an active Hawaii volcano covering its geothermal plant on the big island. SCANA’s discount relates to political fallout and potential lack of investment recovery following its decision to abandon the VC Summer Nuclear expansion after investing $4.9 billion ($9.0 billion total) in the project. On January 3, 2018, SCG agreed to be purchased by Dominion Energy (D) (0.5%) for 0.6690 D shares, or $45 per share.

### Merger and Acquisition Activity Update

Merger activity slowed somewhat recently, which is not all that surprising considering there were 28 deals announced in the 2014-2017 time frame, with 23 of them completed. The more acquisitive utilities have been busy integrating recent acquisitions. In addition, tax reform may have slowed some deal making, given uncertainty about details and then the non-deductibility of holding company interest expense.

In the first half of 2018, the utility sector saw three electric utility deals announced (SCG/Dominion, VVC/CenterPoint, and Gulf Power/NextEra Energy, and four deals closed (Oncor/Sempra, Calpine/Energy Capital, Dynegy/Vistra Energy, and Great Plains/Westar). A fifth deal (AltaGas/WGL) closed on July 6, 2018, and another five deals are pending approvals (see below).

**Consolidation activity is outlined below:**

| Date | Buyer | Target Entity | Enterprise Value | Premium* |
|---|---|---|---|---|
| 5/21/2018 | NextEra Energy (5.0%)** | Gulf Power | $5.8 billion | NA |
| 4/23/2018 | CenterPoint Energy (0.1%) | Vectren (1.5%) | $8.1 billion | 17% |
| 2/15/2018 | SJW Corp (0.5%) | Connecticut Water Svc (less than 0.1%) | $750 million | 18% |
| 1/3/2018 | Dominion Energy (0.5%) | SCANA (0.9%) | $14.6 billion | 31% |
| 7/19/2017 | Hydro One | Avista (0.7%) | $5.3 billion | 24% |

**Deals Closed in 2016/2017/2018**

| Date | Buyer | Target Entity | Enterprise Value | Premium* |
|---|---|---|---|---|
| 7/6/2018 | AltaGas | WGL Resources | $6.4 billion | 12% |
| 4/9/2018 | Dynegy | Vistra Energy | $11.1 billion | 12% |
| 3/9/2018 | Sempra Energy | Oncor | $18.8 billion | NA |
| 3/8/2018 | Energy Capital | Calpine | $5.6 billion | 23% |
| 9/20/2017 | Steel River | DeltaGas | $258 million | 17% |
| 8/4/2017 | First Reserve | Gas Natural | $196 million | 39% |
| 1/2/2017 | Algonquin PU | Empire District Electric | $2.4 billion | 21% |
| 10/14/16 | Fortis (0.3%) | ITC Holdings | $11.3 billion | 14% |
| 10/3/16 | Duke Energy (1.1%) | Piedmont Natural Gas | $6.7 billion | 42% |
| 9/16/16 | Dominion Res. (0.5%) | Questar Corp. | $6.0 billion | 22% |
| 9/12/16 | Spire (0.4) | Energy South | $344 million | Private |
| 7/1/16 | Emera | TECO Energy | $10.4 billion | 31% |
| 7/1/16 | Southern Co. (1.0%) | AGL Resources | $12 billion | 38% |
| 3/30/16 | Macquarie (0.2%) | CLECO | $4.7 billion | 15% |
| 3/23/16 | Exelon (0.7%) | Pepco Hldgs. | $11.9 billion | 20% |
| 2/12/16 | Black Hills (1.4%) | Source Gas | $1.89 billion | Private |

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

** of net assets as of June 30, 2018.

The water utility sector has consolidated into only ten publicly traded companies, and recent activity highlights the value of the remaining water utility franchises. On March 15, 2018, SJW agreed to buy Connecticut Water Service (CTWS-65.32-NYSE) for 1.1375 SJW shares or $73.20 per share. On April 19, 2018, Eversource Energy (2.3%) (ES-58.61-NYSE) announced an unsolicited proposal to acquire CTWS for $63.50 per share in cash and/or in ES common shares. On June 7, 2018, CWT commenced a tender offer to acquire all outstanding shares of SJW ($66.22) for $68.25 per share in cash. It is unclear how all of this will unfold.

The forces driving consolidation remain in place, and include stagnant demand growth, economies of scale, and efficiency. Since 1995, the electric utility sector has experienced over 145 acquisition announcements, among Edison Electric Institute (EEI) member utilities, and roughly 120 completed deals. Consolidation activity peaked from 1996-2000, when it appeared that the industry would deregulate. The electric and gas utility sector remains fragmented, with over fifty electric utilities and twenty gas utilities.

**How Long Can Utilities Grow EPS at 4%-6%?**

In 2017, electric utilities grew EPS and dividends at 6.1% and 5.9%, respectively, which is higher than historical averages of roughly 3%-4%. According to Thomson One, consensus 2017-2020 estimates call for 5.5% EPS CAGR, which is at the high end of the recent 4%-6% CAGR and driven by ongoing infrastructure investment, or rate base growth. The successful formula driving the strong earnings outlook remains: Investment Opportunities + Constructive Regulation = Earnings Growth.

EEI member utilities invested a record $113.6 billion in 2017, which will mark the seventh consecutive year of record investment. According to Regulatory Research Associates (RRA), 2018 capital expenditures are forecast to be $131.1 billion. The investment opportunity serves as the basis for earnings growth for the foreseeable future. Higher capital investment related to:

- Clean energy transformation as coal retires and is replaced by natural gas, wind, and solar;
- Electric transmission (FERC incentives allow favorable returns);
- Distribution investment via grid modernization, reliability, and expansion (automatic rate recovery);
- Natural gas infrastructure, including pipeline expansion and replacement.

**The Great Power Generation Transformation**

The global power sector, including North America, is experiencing an accelerated transformation as carbon intensive coal power generation is replaced with cleaner burning natural gas and renewables. Cleaner generation is driven by the economics and efficiency of new gas plants and low gas prices, increasing state renewable portfolio standards, federal tax credits, public demands, and technology improvement. Cost declines have made large scale wind and solar farms competitive with new combined cycle gas plants.

In 2017, 36% (up from 33% in 2016) of U.S. generation came from zero carbon emitting nuclear (20% of nuclear), hydro (7%), and renewables (9%), 32% from natural gas, and 31% was derived from coal. In 1986, 58% of generation was from coal. There hasn't been a coal plant built in more than five years and, absent technological breakthroughs, there may never be another built. The nation's nuclear plants continue to age, and the low cost of natural gas and renewables challenge the ongoing economics of upgrades. In 2017, 26

GW's of capacity was added, including 12 GW's of gas, 7.3 GW's of wind, 6.0 and GW's of solar. In December 2016, Rhode Island became home to the first U.S. offshore wind farm, a 30-MW project 4 miles off of Block Island.

Over 2018-2020, EEI forecasts 248 GW's of new generation, including 91 GW's of gas, 85 GW's of wind, and 48.5 GW's of solar to the existing 1,200 GW's of U.S. capacity. Over the same period, EEI expects 49 GW's of capacity to retire, including 21.5 GW's of coal, 22.8 GW's of gas, and 5.8 GW's of nuclear. Some forecasts show $700 billion, or $30 billion per year, of investment in renewable generation, resulting in 40% of total generation by 2040.

Currently, 29 states have renewable portfolio standards (RPS), including 80% in California and Hawaii requiring 100% by 2045, with many pushing for ever more aggressive standards. Several coastal states recently conducted major offshore wind RFP's, including Massachusetts (1,600 MW's by 2027), Connecticut (200-MW's), and Rhode Island (400-MW's). Avangrid (0.5% of net assets as of June 30, 2018) won round one of the Massachusetts bid with 800-MW Vineyard Wind Project (2022), and Deepwater Wind won both the Rhode Island and Connecticut RFPs with its 600-MW project Revolution Wind project (2023). New York and New Jersey plan 2,400 MW's and 3,500 MW's, respectively, of wind by 2030, with an 800-MW New York RFP in 2018-2019. Several other states, including Virginia, Maryland, and North Carolina are also considering plans.

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

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

**Battery Storage to Revolutionize Power Generation**

We believe large scale battery storage has the potential to revolutionize the power sector. The unique beneficial qualities of storage include the ability to absorb excess renewable energy and discharge that same energy when renewable resources are less available. Storage can provide peaking power, frequency, and voltage support, as well as seasonal load shifting capabilities. The pace of development and deployment is accelerating, and lithium ion battery prices have declined significantly over the last several years. The California Public Utilities Commission (CPUC) requested that the state's utilities procure 1.3 GW's electric storage capacity by 2020, and the utilities have requested approval of several large scale storage projects.

**Transmission**

According to EEI, transmission investment is expected to grow to $23.9 billion in 2018 ($22.9 billion in 2017) from $12.0 billion in 2011. FERC's favorable, incentive-oriented regulations make transmission investment one of the more compelling uses of capital for electric utilities, but complaints about lower returns on equity (ROE) have dampened enthusiasm over the last few years. Allowed-ROEs had ranged as high as about 14%, but recent rate decisions reset the benchmark at a lower level and several complaints, recommendations, and orders are tied up in the regulatory/legal process. We consider it likely that the new FERC commissioners will award constructive ROEs, as well as implement policy to end the pancaking of complaints, which would be favorable for future utility earnings growth.

**Grid Modernization and Electrification**

In 2017, electric utilities invested nearly $30 billion in distribution system improvement and replacement, including storm hardening, grid technology, and advanced meters. Utility management's expect investment to continue to grow, given the need to modernize and adapt to the potential for the electric vehicle (EV).

Electric demand growth has been relatively flat for several years, due primarily to conservation and efficiency efforts. However, an increased push for EVs could create new demand for electricity, which will require a modernized electric grid. Bloomberg New Energy Finance forecasts that EVs will represent 9% of electric demand by 2050, up from 0.2% today. As expected, California is leading the way and on pace to have a total of 2.8-4.2 million light-duty, zero-emission vehicles on the road by 2030 (California Energy Commission December 2017 forecast) compared to approximately 350,000 in use in 2017.

In January 2017, Pacific Gas & Electric, Sempra Energy, and Edison International proposed investing more than $1 billion on transportation electrification projects. Pacific Gas & Electric currently operates the largest utility-sponsored EV charging program in the country, with a budget of $130 million to build 7,500 Level 2 chargers. Pacific Gas & Elect initially proposed a $654 million charging program in February 2015, but the CPUC rejected the plan. In June of 2018, Edison International requested CPUC approval to invest $760 million to install 48,000 additional electric charging ports over four years. By shifting EV load to hours of the day when there is excess generation on the grid, driven by large and small scale solar projects, the load is less costly to serve, which the utility said provides downward pressure on costs and eventually on rates.

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

**Rate Recognition of Investment**

Public and political support of investment, combined with the low cost of natural gas and, more recently, tax-related rate reductions, have allowed for an increasingly constructive regulatory environment. State PUCs' regulatory principles have evolved to include numerous adjustments and mechanisms to address infrastructure investment, as well as rate design changes to address efficiency and distributed generation. Many state PUCs allow frequent (quarterly, semi-annual, or annual) rate adjustments for environmental, transmission, renewable, and other items, as well as "pass-through" for fuel, healthcare, and pension expenses. Given flattish demand growth and in order to encourage distributed generation and efficiency, many regulators have "decoupled," or separated revenues from sales. The improved regulatory treatment results in a greater opportunity to earn the ROEs allowed, and results in "stair-step" earnings growth. The supportive regulation has led utilities to ramp infrastructure investment budgets to deliver EPS growth.

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

In the first quarter of 2018, electric and gas utilities were authorized average ROEs of 9.75% and 9.68%, respectively. In 2017, the average authorized electric and gas utility allowed ROEs were 9.74% and 9.72%, respectively, compared to 9.77% and 9.50%, in 2016. While ROEs have declined over the years as U.S. Treasury yields declined, the decreases in utility costs-of-capital have been even greater. The spread between the allowed-ROE and the 10-year U.S. Treasury yield is currently 700-basis points and it has ranged between 700-850 basis points over the past few years. During the 1990's, the utility sector averaged a roughly 400-600 basis points spread.

When combined with opportunities to invest and earn returns on a growing rate base, we consider the allowed-ROEs to be more than adequate to grow earnings and dividends at or above the consensus growth rates. Given the 200-basis point rise in short term rates and over 100-basis point rise in the 10-year U.S. Treasury since its all-time low, we believe allowed ROE's have bottomed and will likely rise should rates continue to rise.

**Tax Reform Positive for the Utility Industry:**

We view U.S. tax reform as a modest positive for utilities. The corporate tax rate of 21%, down from 35%, does not directly help utility earnings as the benefits are being passed through to customers via lower rates. Lower rates are a positive because they create "headroom" for future rate increases to recognize investment and grow earnings. The reform included a "carve out" for regulated utilities to continue to deduct interest expense, as well as state and local taxes. In addition, utilities are not required to expense 100% of capital investments like other sectors, and thus can continue to grow rate base. On the negative side, the deductibility of holding company interest expense is subject to the 30% of EBITDA parameter, and cash flow was negatively impacted by the lower contribution from deferred taxes and depreciation. The lower tax rate will help the non-regulated businesses of some utility companies, including Avangrid (0.5% of net assets as of June 30, 2018), NextEra Energy (5.0%), Southwest Gas Holdings (3.4%) , Vectren Corp. (1.5%), Hawaiian Electric Industries (1.5%) and Otter Tail Corp. (1.6%).

**Interest Rates and the Federal Reserve**

We expect the Federal Reserve to continue its vigilant fight against inflation, which puts downward pressure on the mid-to-long end of the yield curve. However, should economic growth accelerate, we expect inflation concerns and higher 10- and 30-year U.S. Treasury yields, which would pressure utility valuation multiples. While utility stocks are not bond proxies, and share prices are a function of earnings and dividend growth rates, higher rates negatively impact equities, given that future cash flows are impacted by the assumed discount rate. In addition, current utility dividend returns become less compelling when returns on other investments increase, including U.S. Treasury yields. The factors below mitigate the negative impact of higher interest rates.

- **Annual dividend hikes:** Utilities target annual dividend increases, which serve to mitigate the negative impact of higher rates. In 2017, electric utilities increased the annual dividend by a median of 5.9%.

- **ROE is set based on interest rates:** A utility's cost-of-capital, including equity returns (ROEs), is set by state PUCs and increases (decreases) as interest rates rise (fall). The 10-Year U.S. Treasury yield has risen 100-basis points from its bottom, which suggests allowed ROEs have bottomed and PUCs could consider higher returns.
- **Annual riders minimize inflation risk:** State PUCs and FERC regulatory principles have improved to include more frequent rate adjustments, which mitigate inflation risk.
- **Utility stocks pay higher dividends than other sectors:** The present value of a higher near term dividend stream is less impacted by changes in interest rates than a lower near term dividend stream.

While utility dividend yields and 10-year U.S. Treasury yields are highly correlated, and will likely remain so in the future, utility dividends have risen over time (most on annual basis) while the Treasury yield remains fixed. Utility stock prices, unlike Treasury bond prices, are likely to rise should earnings and dividends grow over time.

### Utility Valuations Reasonable Relative to Interest Rates Valuation Multiples

At June 30, 2018, electric utilities trade at 18.9x and 17.9x 2018 and 2019 earnings estimates, and the 10- and 30-year U.S. Treasuries yield 2.85% and 3.02%, compared to year end 2017 levels of 2.41% and 2.74%, respectively. From the March 2009 market bottom to November 2017, electric utility multiples climbed from roughly 10x forward earnings to over 20x, driven by improving fundamentals and lower interest rates. Adjusted for interest rates, the P/E multiples appear reasonable, considering the strong fundamental outlook, which includes stronger than historical growth rate (5%-6% over the next several years vs. 3%-4% in the 1990's) and lower risk profiles.

### Conclusion

We continue to expect the utility sector to provide a low risk, 8%-9% annual total return over the long term, based on the median current return of 3.3% and 5%-6% annual earnings and dividend growth. Solid fundamentals include healthy balance sheets, credit ratings, improved regulatory principles, focused strategies, low natural gas prices, and opportunities to invest in rate base. We believe valuation multiples are supported by strong fundamentals, low interest rates and ongoing takeover potential.

### Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the percentages of net assets and their share prices are stated as of June 30, 2018.

*American Electric Power Co. Inc. (2.3% of net assets as of June 30, 2018) (AEP – $69.25 – NYSE)* is one of the nation's largest electric utilities. It serves more than 5.4 million retail customers in eleven states (Ohio and Texas are the largest), owns approximately 26 GW of generating capacity, 40,000 miles of transmission lines (the nation's largest), and 223,000 miles of distribution lines. Following recent non-regulated power plant sales, AEP is focused on the regulated utility business with plans to invest nearly $18 billion over the 2018-2020 time period in regulated assets, including 72% to transmission and distribution. Management expects 5%-7% annual earnings growth from $3.68 per share earned in 2017, driven by capital investment and rate recovery, and sustainable cost controls. AEP Transco, a transmission development subsidiary, expects to grow earnings to $1.01-$1.04 per share by 2020 from $0.16 per AEP share in 2013, driven by a $4.5 billion transmission capital investment plan for 2018-2019. AEP currently pays an annual dividend of $2.48 per share representing a payout ratio of roughly 68% (using $3.65 per share, midpoint of the 2018 earning guidance of $3.55-$3.75 per share), right at the targeted payout ratio of 60%-70%.

*El Paso Electric Co. (2.3%) (EE – $59.10 – NYSE)* is a vertically integrated electric utility serving ~411,000 customers in and around El Paso, Texas and Las Cruces, New Mexico. Roughly 70% of capacity is natural gas and 30% nuclear.  We consider El Paso Electric to be a well-managed, low risk, traditional utility investment, with solid earnings growth potential. We expect above average annual customer and sales growth, driven by military base expansion, increased cross border trade, customer additions, as well as an increased use of refrigerated air conditioning. Only 35% of El Paso residences have refrigerated air conditioning, but 99% of new residences install central air conditioning. On December 14, 2017, the Public Utility Commission of Texas (PUCT) approved EE's settlement with the City of El Paso (and others) calling for a $14.5 million revenue increase based on a 9.65% ROE, retroactive to July 18, 2017. We expect EE to file a New Mexico rate case sometime in the second half of 2018 or early 2019. In 2020, we expect EE to achieve full earnings power of $2.80 per share reflects rate recognition of the new peaking Units 3 and 4 and a stronger cash flow position.

*Eversource Energy (2.3%) (ES – $58.61 – NYSE)* is New England's largest electric and gas distribution utility and delivery system. ES is the product of a 2012 merger between Northeast Utilities, headquartered in Hartford, Connecticut, and NSTAR, headquartered in Boston, Massachusetts, creating a premier New England distribution utility. ES serves 3.6 million customers in Connecticut, New Hampshire, and Massachusetts. The company targets 5%–7% long term earnings growth driven by transmission investment, cost cutting opportunities, and oil-to-gas heat conversions in the Northeast. In late 2017, ES completed the acquisition of Aquarion Water Company in Connecticut, Massachusetts, and New Hampshire for $1.6 billion. The company expects further transmission development as aging nuclear and coal facilities are replaced with renewables, including offshore wind generation.

*National Fuel Gas Co. (4.9%) (NFG – $52.96 – NYSE)* is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, New York, gas pipelines that move gas between the Midwest and Canada and from the Marcellus to the Northeast, gathering and processing systems, and an oil and gas exploration and production business. NFG's regulated utility and pipeline businesses, as well as its California oil production business, provide stable earnings and cash flows to support the dividend, while the natural gas production business offers significant upside potential. Natural gas prices have been depressed over the past few years, but NFG's net ownership of 785,000 acres in the Marcellus Shale, holds enormous natural gas reserve potential and the company has proven to be among the lower cost producers. We continue to expect above average long term earnings and cash flow growth from improving gas prices, growing gas production and strategically located pipeline expansion. The company has increased its dividend for 46 consecutive years.

*NextEra Energy Inc. (5.0%) (NEE – $167.03 – NYSE)* is the holding company for Florida Power & Light (FP&L), the largest electric utility in Florida, and NextEra Energy Resources, a leading wholesale renewables operator. Florida Power & Light operates one of the premier utility franchises in the nation, with favorable long term demographics and above average rate base growth potential, due to power plant rate adjustments, flexible amortization, and other regulatory mechanisms. In late 2016, FP&L implemented a four year rate plan (2017-2020) based on a 10.6% (+/- 100 basis points) allowed ROE. Additionally, NEE owns and operates the nation's largest renewable power portfolio, with a significant pipeline of future growth opportunities, and owns 65% of the NextEra Energy Partners (less than 0.1%), a yield focused on renewable development and acquisitions. NEE is also developing several gas pipeline projects designed to bring more natural gas into Florida. We regard NEE as one of the better positioned electric companies to grow earnings and dividends over the next several years.

*PNM Resources (3.0%) (PNM – $38.90 – NYSE) (Albuquerque, New Mexico)* is the holding company for regulated electric utilities Public Service Company of New Mexico (PSNM) and Texas-New Mexico Power Company (TNMP). PSNM serves 524,000 customers in and around Albuquerque, Rio Rancho and Santa Fe and owns 2,600 MWs (15% nuclear) of generation. PSNM expects to be coal-free by 2031. TNMP is a distribution/transmission company and serves 250,000 customers in three non-contiguous areas of Texas. PSNM was recently authorized a two phase rate plan calling for a $32 million revenue increase in 2018 and an additional $30 million in 2019 based on a 9.575% allowed ROE. Higher rates are necessary to recognize its environmental plan, the addition of Palo Verde 3 at $1,118/kW ($150 million) into rate base, other investments, and declining sales. Importantly, the request was based on a future 2018 test year. In May of 2018, TNMP requested a rate increase with new rates to be effective in early 2019. PNM targets earnings growth of 6% and provides 2018 and 2019 earnings guidance of $1.80-$1.92 per share and $2.04-$2.16 per share, respectively.

*Severn Trent plc (0.4%) (SVT LN – $22.22/£19.80 – London Stock Exchange)* is an international provider of water and wastewater services. Severn Trent Water, the U.K.-based utility, provides water to 8 million people and wastewater services to 9 million people in the Midlands and Mid-Wales. Severn Trent operates under a 2015-2020 five year rate plan that provides inflation adjusted annual rates increases approved by OFWAT, the U.K. water regulator. The plan allows SVT to achieve efficiencies and modestly growing returns. Additionally, as one of the U.K.'s premier water and wastewater providers, Severn Trent is well positioned to provide expertise and infrastructure investment opportunities in less developed regions of the world. Severn Trent Services, the non-regulated water and waste water service division of the company, which focuses on water purification projects and operating plants and systems for municipalities, has a growing presence in Europe, the Middle East, and Asia.

*Southwest Gas Corp. (3.4%) (SWX – $76.27 – NYSE)* is a natural gas distribution utility serving 1.9 million customers in geographically diverse portions of Arizona (~1.0 million, or 53%), Nevada (~700,000, or 37%), and California (~185,000, or 10%). SWX serves one of the faster growing service areas with above-average long-term customer growth potential. SWX also owns Centuri Construction Group, a full service underground piping contractor that provides trenching and installation, replacement, and maintenance services for energy distribution systems. The pipeline construction business is growing strongly, given the industry's focus on safety related pipeline replacement programs and has broken the $1 billion revenue milestone. We consider SWX to be a high quality gas utility with a focused, low risk strategy and solid earnings outlook, driven by recent and future rate increases, expanded infrastructure tracking mechanisms, customer growth, and cost controls.

*WEC Energy Group Inc. (1.9%) (WEC – $64.65 – NYSE)* is based in Milwaukee, Wisconsin. Following Wisconsin Energy Company's mid-2015 acquisition of Integrys Energy Group, the combined company's assets include Wisconsin Electric, the state's largest electric utility, with over 1.1 million electric customers and 1.1 million gas customers in southeastern, east central, and northern Wisconsin, and 400,000 electric customers and 1.7 million gas customers in Illinois, Michigan, Minnesota, and Wisconsin. Management forecasts the combined company growth rate at 5%-7% over the long term. The company recently established a non-regulated infrastructure subsidiary to invest in wind, solar and gas storage projects. Additionally, WEC has a 60% ownership stake in the American Transmission Corp., which provides another investment opportunity as well as financial engineering optionality.

July 27, 2018

**Top Ten Holdings (Percent of Net Assets)**
**June 30, 2018**

| | | | |
|---|---|---|---|
| NextEra Energy | 5.0% | El Paso Electric Co. | 2.3% |
| National Fuel Gas Co. | 4.9% | American Electric Power Co. Inc. | 2.3% |
| Evergy Inc. | 3.7% | Eversource Energy | 2.3% |
| Southwest Gas Holdings Inc. | 3.4% | AES Corp. | 2.0% |
| PNM Resources Inc. | 3.0% | Edison International | 1.9% |

**Note:** The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Portfolio Managers' Shareholder Commentary represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Managers and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

**Minimum Initial Investment – $1,000**

The Fund's minimum initial investment for regular accounts is $1,000. There are no subsequent investment minimums. No initial minimum is required for those establishing an Automatic Investment Plan. Additionally, the Fund and other Gabelli/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. See the prospectuses for more details.

**www.gabelli.com**

Please visit us on the Internet. Our homepage at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at info@gabelli.com.

The Fund's daily NAVs are available in the financial press and each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). Please call us during the business day, between 8:00 AM – 7:00 PM (Eastern Time), for further information.

You may sign up for our e-mail alerts at www.gabelli.com and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

**e-delivery**

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our mutual funds can elect to receive their Annual and Semiannual Reports, Manager Commentaries, and Prospectuses via e-delivery. For more information or to sign up for e-delivery, please visit our website at www.gabelli.com.

**Multi-Class Shares**

The Gabelli Utilities Fund began offering additional classes of Fund shares on December 31, 2002. Class AAA Shares are no-load shares offered directly through selected broker/dealers. Class A, Class C, and Class T Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

**THE GABELLI UTILITIES FUND**
**One Corporate Center**
**Rye, NY 10580-1422**

## Portfolio Management Team Biographies

**Mario J. Gabelli, CFA,** is Chairman, Chief Executive Officer, and Chief Investment Officer – Value Portfolios of GAMCO Investors, Inc. that he founded in 1977, and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. He is also Executive Chairman of the Board of Directors of Associated Capital Group, Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School, and Honorary Doctorates from Fordham University and Roger Williams University.

**Timothy M. Winter, CFA,** joined Gabelli in April 2009 and covers the utility industry. He has over 25 years of experience as an equity research analyst covering the industry. Currently, he continues to specialize in the utility industry and also serves as a portfolio manager of Gabelli Funds, LLC. Mr. Winter received his BA in Economics in 1991 from Rollins College and MBA in Finance from Notre Dame in 1992.

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





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# THE GABELLI UTILITIES FUND

*Shareholder Commentary*
*June 30, 2018*

# The Gabelli Utilities Fund
## Semiannual Report — June 30, 2018

**Mario J. Gabelli, CFA**
*Chief Investment Officer*

**Timothy M. Winter, CFA**
*Portfolio Manager*
*BA, Rollins College*
*MBA, Notre Dame*

**To Our Shareholders,**

For the six months ended June 30, 2018, the net asset value ("NAV") per Class AAA Share of The Gabelli Utilities Fund decreased 0.7% compared with an increase of 0.3% for the Standard & Poor's ("S&P") 500 Utilities Index (SPU). Other classes of shares are available. See page 2 for performance information for all classes of shares.

Enclosed are the financial statements, including the schedule of investments, as of June 30, 2018.

## Comparative Results

**Average Annual Returns through June 30, 2018 (a) (Unaudited)**

| | Six Months | 1 Year | 5 Year | 10 Year | 15 Year | Since Inception (8/31/99) |
|---|---|---|---|---|---|---|
| **Class AAA (GABUX)** | (0.66)% | 2.74% | 6.89% | 6.41% | 8.23% | 7.52% |
| S&P 500 Utilities Index | 0.32 | 3.41 | 10.57 | 6.64 | 9.98 | 6.69 |
| S&P 500 Index | 2.65 | 14.37 | 13.42 | 10.17 | 9.30 | 5.93 |
| Lipper Utility Fund Average | 2.15 | 5.96 | 8.35 | 6.25 | 9.74 | 6.57 |
| **Class A (GAUAX)** | (0.65) | 2.59 | 6.89 | 6.42 | 8.23 | 7.53 |
| With sales charge (b) | (6.36) | (3.31) | 5.63 | 5.79 | 7.80 | 7.20 |
| **Class C (GAUCX)** | (1.09) | 1.80 | 5.78 | 5.61 | 7.42 | 6.86 |
| With contingent deferred sales charge (c) | (2.08) | 0.80 | 5.78 | 5.61 | 7.42 | 6.86 |
| **Class I (GAUIX)** | (0.52) | 2.95 | 7.16 | 6.67 | 8.40 | 7.67 |
| **Class T (GAUTX)** | (0.66) | 2.63 | 6.87 | 6.40 | 8.22 | 11.44 |
| With sales charge (d) | (3.14) | 0.06 | 6.33 | 6.13 | 8.03 | 7.51 |

**In the current prospectuses dated April 30, 2018, as amended, the expense ratios for Class AAA, A, C, I, and T Shares are 1.37%, 1.37%, 2.12%, 1.12%, and 1.37%, respectively. See page 12 for the expense ratios for the six months ended June 30, 2018. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, Class C, and Class T Shares is 5.75%, 1.00%, and 2.50%, respectively.**

(a) *Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC, the Adviser, not reimbursed certain expenses of the Fund for periods prior to December 31, 2002. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com.* The value of utility stocks generally changes as long term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2002, Class I Shares on January 11, 2008, and Class T Shares on July 5, 2017. The actual performance of the Class A Shares, Class C Shares, and Class T Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Utilities Index is an unmanaged market capitalization weighted index of large capitalization stocks that may include facilities generation and transmission or distribution of electricity, gas, or water. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Lipper Utility Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

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

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

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

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.

| | Beginning Account Value 01/01/18 | Ending Account Value 06/30/18 | Annualized Expense Ratio | Expenses Paid During Period* |
|---|---|---|---|---|
| ***The Gabelli Utilities Fund*** | | | | |
| **Actual Fund Return** | | | | |
| Class AAA | $1,000.00 | $ 993.40 | 1.38% | $ 6.82 |
| Class A | $1,000.00 | $ 993.50 | 1.38% | $ 6.82 |
| Class C | $1,000.00 | $ 989.10 | 2.13% | $10.50 |
| Class I | $1,000.00 | $ 994.80 | 1.13% | $ 5.59 |
| Class T | $1,000.00 | $ 993.40 | 1.38% | $ 6.82 |
| **Hypothetical 5% Return** | | | | |
| Class AAA | $1,000.00 | $1,017.95 | 1.38% | $ 6.90 |
| Class A | $1,000.00 | $1,017.95 | 1.38% | $ 6.90 |
| Class C | $1,000.00 | $1,014.23 | 2.13% | $10.64 |
| Class I | $1,000.00 | $1,019.19 | 1.13% | $ 5.66 |
| Class T | $1,000.00 | $1,017.95 | 1.38% | $ 6.90 |

* 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 (181 days), then divided by 365.

## Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of net assets as of June 30, 2018:

### The Gabelli Utilities Fund

| | |
|---|---|
| Energy and Utilities | 74.5% |
| Communications | 17.2% |
| Other | 7.8% |
| U.S. Government Obligations | 0.4% |
| Other Assets and Liabilities (Net) | 0.1% |
| | 100.0% |

*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.

| Shares | | Cost | Market Value |
|---|---|---|---|
| | **COMMON STOCKS — 99.3%** | | |
| | **ENERGY AND UTILITIES — 74.3%** | | |
| | **Alternative Energy — 0.4%** | | |
| 370,000 | Algonquin Power & Utilities Corp. | $ 2,068,158 | $ 3,574,335 |
| 36,000 | NextEra Energy Partners LP | 831,843 | 1,680,120 |
| 63,261 | Ormat Technologies Inc., New York | 1,599,251 | 3,364,853 |
| 6,739 | Ormat Technologies Inc., Tel Aviv | 196,537 | 355,164 |
| | | 4,695,789 | 8,974,472 |
| | **Electric Integrated — 46.0%** | | |
| 303,000 | ALLETE Inc. | 10,886,040 | 23,455,230 |
| 174,000 | Alliant Energy Corp. | 3,065,132 | 7,363,680 |
| 550,000 | Ameren Corp. | 16,055,895 | 33,467,500 |
| 690,000 | American Electric Power Co. Inc. | 27,812,792 | 47,782,500 |
| 6,000 | Atlantic Power Corp.† | 36,882 | 13,235 |
| 178,000 | Avangrid Inc. | 6,659,633 | 9,421,540 |
| 290,000 | Avista Corp. | 7,089,367 | 15,271,400 |
| 474,000 | Black Hills Corp. | 12,124,989 | 29,013,540 |
| 60,000 | CMS Energy Corp. | 402,675 | 2,836,800 |
| 165,000 | Dominion Energy Inc. | 7,995,789 | 11,249,700 |
| 4,000 | DTE Energy Co. | 151,595 | 414,520 |
| 297,000 | Duke Energy Corp. | 16,259,163 | 23,486,760 |
| 620,000 | Edison International | 22,591,991 | 39,227,400 |
| 811,500 | El Paso Electric Co. | 18,015,530 | 47,959,650 |
| 1,400 | Entergy Corp. | 96,612 | 113,106 |
| 1,368,000 | Evergy Inc. | 37,746,336 | 76,813,200 |
| 795,000 | Eversource Energy | 18,436,099 | 46,594,950 |
| 345,000 | Exelon Corp. | 10,862,157 | 14,697,000 |
| 380,000 | FirstEnergy Corp. | 11,038,618 | 13,645,800 |
| 78,960 | Fortis Inc. | 2,450,129 | 2,517,245 |
| 111,040 | Fortis Inc., Toronto | 3,472,604 | 3,549,158 |
| 915,000 | Hawaiian Electric Industries Inc. | 21,821,324 | 31,384,500 |
| 42,000 | IDACORP Inc. | 1,703,782 | 3,874,080 |
| 311,000 | MGE Energy Inc. | 9,537,543 | 19,608,550 |
| 616,000 | NextEra Energy Inc. | 38,607,594 | 102,890,480 |
| 260,000 | NiSource Inc. | 2,319,251 | 6,832,800 |
| 434,000 | NorthWestern Corp. | 11,726,586 | 24,846,500 |
| 785,000 | OGE Energy Corp. | 13,193,046 | 27,639,850 |
| 710,000 | Otter Tail Corp. | 17,030,125 | 33,796,000 |
| 138,000 | PG&E Corp. | 5,251,349 | 5,873,280 |
| 320,000 | Pinnacle West Capital Corp. | 13,092,833 | 25,779,200 |
| 1,610,000 | PNM Resources Inc. | 20,018,302 | 62,629,000 |
| 572,000 | PPL Corp. | 17,657,112 | 16,330,600 |
| 190,000 | Public Service Enterprise Group Inc. | 5,490,935 | 10,286,600 |
| 466,000 | SCANA Corp. | 18,360,115 | 17,950,320 |
| 430,000 | The Southern Co. | 15,474,375 | 19,913,300 |
| 51,125 | Unitil Corp. | 1,483,755 | 2,609,420 |
| 440,000 | Vectren Corp. | $ 12,163,963 | $ 31,438,000 |
| 597,000 | WEC Energy Group Inc. | 16,121,112 | 38,596,050 |
| 310,000 | Xcel Energy Inc. | 6,350,159 | 14,160,800 |
| | | 480,653,289 | 945,333,244 |
| | **Electric Transmission and Distribution — 0.6%** | | |
| 67,000 | Consolidated Edison Inc. | 2,745,224 | 5,224,660 |
| 360,000 | Red Electrica Corp. SA | 4,191,840 | 7,331,924 |
| 3,400 | Uniper SE | 38,231 | 101,407 |
| | | 6,975,295 | 12,657,991 |
| | **Global Utilities — 2.2%** | | |
| 11,352 | AES Tiete Energia SA | 155,996 | 28,411 |
| 40,000 | Chubu Electric Power Co. Inc. | 671,887 | 600,099 |
| 28,000 | E.ON SE | 524,216 | 299,321 |
| 20,800 | EDF SA | 308,177 | 286,139 |
| 5,000 | EDP - Energias de Portugal SA, ADR | 134,159 | 199,350 |
| 200,000 | Electric Power Development Co. Ltd. | 4,991,198 | 5,166,418 |
| 10,000 | Eletropaulo Metropolitana Eletricidade de Sao Paulo SA† | 32,332 | 109,656 |
| 185,000 | Emera Inc. | 4,545,769 | 6,022,896 |
| 35,000 | Enagas SA | 916,226 | 1,023,461 |
| 100,000 | Endesa SA | 2,186,478 | 2,206,561 |
| 265,000 | Enel SpA | 1,382,306 | 1,472,136 |
| 75,000 | Equinor ASA | 1,693,070 | 1,992,793 |
| 4,000 | EuroSite Power Inc.† | 1,670 | 560 |
| 550,000 | Hera SpA | 1,195,166 | 1,714,916 |
| 66,000 | Hokkaido Electric Power Co. Inc. | 1,054,241 | 449,478 |
| 40,000 | Hokuriku Electric Power Co.† | 661,406 | 402,114 |
| 180,000 | Huaneng Power International Inc., ADR | 4,762,737 | 4,725,000 |
| 45,000 | Iberdrola SA, ADR | 1,344,640 | 1,386,900 |
| 295,589 | Iberdrola SA, Aquis | 2,311,303 | 2,286,534 |
| 405,000 | Korea Electric Power Corp.,, ADR | 5,392,840 | 5,807,700 |
| 110,000 | Kyushu Electric Power Co. Inc. | 1,563,463 | 1,228,018 |
| 32,000 | Shikoku Electric Power Co. Inc. | 578,871 | 428,343 |
| 2,000 | Snam SpA | 8,967 | 8,352 |
| 28,000 | The Chugoku Electric Power Co. Inc. | 509,466 | 362,155 |
| 305,000 | The Kansai Electric Power Co. Inc. | 4,106,512 | 4,451,791 |
| 55,000 | The Tokyo Electric Power Co. Holdings Inc.† | 208,402 | 256,334 |

See accompanying notes to financial statements.

| Shares | | Cost | Market Value |
|---|---|---|---|
| | **COMMON STOCKS (Continued)** | | |
| | **ENERGY AND UTILITIES (Continued)** | | |
| | **Global Utilities (Continued)** | | |
| 170,000 | Tohoku Electric Power Co. Inc. | $ 2,793,879 | $ 2,077,496 |
| | | 44,035,377 | 44,992,932 |
| | **Merchant Energy — 2.2%** | | |
| 40,000 | GenOn Energy Inc. - Old, Escrow†(a) | 0 | 0 |
| 15,000 | GenOn Energy Inc., Escrow†(a) | 0 | 0 |
| 120,000 | NRG Energy Inc. | 2,704,601 | 3,684,000 |
| 3,090,000 | The AES Corp. | 31,910,668 | 41,436,900 |
| | | 34,615,269 | 45,120,900 |
| | **Natural Gas Integrated — 10.5%** | | |
| 14,500 | Apache Corp. | 761,285 | 677,875 |
| 25,000 | Atlas Energy Group LLC† | 58,278 | 1,437 |
| 65,000 | Devon Energy Corp. | 2,877,051 | 2,857,400 |
| 5,000 | Dominion Energy Midstream Partners LP | 135,762 | 68,000 |
| 20,000 | Energen Corp.† | 239,277 | 1,456,400 |
| 610,000 | Energy Transfer Equity LP | 210,797 | 10,522,500 |
| 145,000 | Hess Corp. | 8,404,995 | 9,699,050 |
| 300,000 | Kinder Morgan Inc. | 6,840,332 | 5,301,000 |
| 1,916,877 | National Fuel Gas Co. | 92,615,006 | 101,517,806 |
| 436,000 | Northwest Natural Gas Co. | 19,423,271 | 27,816,800 |
| 520,000 | ONEOK Inc. | 6,975,466 | 36,311,600 |
| 362,000 | UGI Corp. | 7,671,655 | 18,849,340 |
| | | 146,213,175 | 215,079,208 |
| | **Natural Gas Utilities — 5.9%** | | |
| 80,000 | Atmos Energy Corp. | 2,188,623 | 7,211,200 |
| 94,000 | CenterPoint Energy Inc. | 1,812,563 | 2,604,740 |
| 43,500 | Chesapeake Utilities Corp. | 786,141 | 3,477,825 |
| 6,000 | CONSOL Energy Inc.† | 105,110 | 230,100 |
| 388,800 | Corning Natural Gas Holding Corp.(b) | 3,685,398 | 6,815,664 |
| 100,000 | Gulf Coast Ultra Deep Royalty Trust | 8,000 | 8,550 |
| 5,000 | Italgas SpA | 21,959 | 27,572 |
| 110,000 | National Grid plc | 1,583,477 | 1,217,125 |
| 46,000 | National Grid plc, ADR | 3,018,911 | 2,569,100 |
| 14,000 | New Jersey Resources Corp. | 328,068 | 626,500 |
| 143,000 | ONE Gas Inc. | 1,132,190 | 10,687,820 |
| 66,000 | RGC Resources Inc. | 701,712 | 1,925,880 |
| 140,000 | South Jersey Industries Inc. | 1,982,945 | 4,685,800 |
| 925,000 | Southwest Gas Holdings Inc. | 34,029,897 | 70,549,750 |
| 119,500 | Spire Inc. | 3,777,981 | 8,442,675 |
| 5,000 | WGL Holdings Inc. | 169,683 | 443,750 |
| | | 55,332,658 | 121,524,051 |

| Shares | | Cost | Market Value |
|---|---|---|---|
| | **Natural Resources — 2.0%** | | |
| 20,694 | Alliance Resource Partners LP | $ 130,497 | $ 379,735 |
| 75,000 | Anadarko Petroleum Corp. | 4,047,779 | 5,493,750 |
| 168,000 | BP plc, ADR | 6,752,185 | 7,670,880 |
| 14,058 | California Resources Corp.† | 143,825 | 638,796 |
| 10,000 | Callon Petroleum Co.† | 124,400 | 107,400 |
| 366,000 | Cameco Corp. | 4,023,873 | 4,117,500 |
| 50,000 | CNX Resources Corp.† | 597,406 | 889,000 |
| 8,000 | Compania de Minas Buenaventura SAA, ADR | 87,836 | 109,040 |
| 710,000 | Mueller Industries Inc. | 15,410,694 | 20,952,100 |
| 50,006 | Tullow Oil plc† | 247,281 | 161,689 |
| 45,000 | Ultra Petroleum Corp.† | 365,464 | 103,950 |
| | | 31,931,240 | 40,623,840 |
| | **Services — 1.3%** | | |
| 22,000 | Baker Hughes, a GE Company | 980,838 | 726,660 |
| 570,000 | Enbridge Inc. | 12,541,788 | 20,343,300 |
| 20,000 | Halliburton Co. | 660,081 | 901,200 |
| 34,000 | MDU Resources Group Inc. | 738,008 | 975,120 |
| 50,000 | Patterson-UTI Energy Inc. | 737,566 | 900,000 |
| 20,000 | Rowan Companies plc, Cl. A† | 251,815 | 324,400 |
| 990,000 | Weatherford International plc† | 7,781,751 | 3,257,100 |
| | | 23,691,847 | 27,427,780 |
| | **Water — 2.5%** | | |
| 8,000 | American States Water Co. | 110,252 | 457,280 |
| 113,000 | American Water Works Co. Inc. | 2,537,594 | 9,647,940 |
| 526,000 | Aqua America Inc. | 9,085,339 | 18,504,680 |
| 5,000 | California Water Service Group | 90,622 | 194,750 |
| 10,000 | Connecticut Water Service Inc. | 251,353 | 653,200 |
| 16,000 | Consolidated Water Co. Ltd. | 193,044 | 206,400 |
| 20,000 | Middlesex Water Co. | 356,954 | 843,400 |
| 276,700 | Severn Trent plc | 7,394,052 | 7,228,629 |
| 143,700 | SJW Group | 3,305,025 | 9,515,814 |
| 87,000 | The York Water Co. | 1,205,281 | 2,766,600 |
| 52,000 | United Utilities Group plc, ADR | 1,399,310 | 1,064,960 |
| | | 25,928,826 | 51,083,653 |
| | **Diversified Industrial — 0.6%** | | |
| 30,000 | AZZ Inc. | 1,212,304 | 1,303,500 |
| 40,000 | General Electric Co. | 616,963 | 544,400 |
| 100,000 | ITT Inc. | 2,056,300 | 5,227,000 |
| 375,975 | Mueller Water Products Inc., Cl. A | 2,154,278 | 4,406,427 |

| Shares | | Cost | Market Value |
|---|---|---|---|
| | **COMMON STOCKS (Continued)** | | |
| | **ENERGY AND UTILITIES (Continued)** | | |
| | **Diversified Industrial (Continued)** | | |
| 20,000 | Park-Ohio Holdings Corp. | $ 381,858 | $ 746,000 |
| | | 6,421,703 | 12,227,327 |
| | **Environmental Services — 0.1%** | | |
| 26,000 | Covanta Holding Corp. | 414,429 | 429,000 |
| 80,000 | Veolia Environnement SA | 1,097,512 | 1,712,464 |
| | | 1,511,941 | 2,141,464 |
| | **TOTAL ENERGY AND UTILITIES** | 862,006,409 | 1,527,186,862 |
| | **COMMUNICATIONS — 17.2%** | | |
| | **Cable and Satellite — 4.2%** | | |
| 40,000 | Charter Communications Inc., Cl. A† | 3,815,229 | 11,728,400 |
| 25,000 | Cogeco Communications Inc. | 684,204 | 1,238,352 |
| 70,000 | Cogeco Inc. | 1,589,491 | 3,094,664 |
| 40,000 | Comcast Corp., Cl. A | 402,190 | 1,312,400 |
| 430,000 | DISH Network Corp., Cl. A† | 12,903,460 | 14,452,300 |
| 308,000 | EchoStar Corp., Cl. A† | 10,215,374 | 13,675,200 |
| 344,366 | Liberty Global plc, Cl. A† | 5,402,825 | 9,483,840 |
| 600,000 | Liberty Global plc, Cl. C† | 10,353,788 | 15,966,000 |
| 80,000 | Liberty Latin America Ltd., Cl. A† | 1,566,814 | 1,529,600 |
| 150,000 | Liberty Latin America Ltd., Cl. C† | 3,323,789 | 2,907,000 |
| 90,000 | Rogers Communications Inc., Cl. B | 2,426,676 | 4,271,400 |
| 12,000 | Shaw Communications Inc., Cl. B | 148,195 | 244,200 |
| 308,000 | Sky plc | 3,290,031 | 5,940,743 |
| 50,000 | Tokyo Broadcasting System Holdings Inc. | 683,652 | 1,123,606 |
| | | 56,805,718 | 86,967,705 |
| | **Computer Services Software and Systems — 0.1%** | | |
| 238,000 | Internap Corp.† | 3,404,667 | 2,479,960 |
| | **Telecommunications — 9.4%** | | |
| 25,000 | AT&T Inc. | 855,500 | 802,750 |
| 552,000 | BCE Inc. | 15,437,273 | 22,350,480 |
| 870,000 | CenturyLink Inc. | 18,025,127 | 16,216,800 |
| 710,000 | Cincinnati Bell Inc.† | 11,173,644 | 11,147,000 |
| 35,000 | Deutsche Telekom AG | 428,748 | 542,385 |
| 515,000 | Deutsche Telekom AG, ADR | 6,311,945 | 7,949,025 |
| 1,750,000 | Global Telecom Holding SAE, GDR† | 1,357,829 | 460,732 |
| 26,000 | Harris Corp. | 2,003,049 | 3,758,040 |
| 1,440,000 | Koninklijke KPN NV | 4,192,069 | 3,918,207 |
| 10,000 | Koninklijke KPN NV, ADR | 44,711 | 26,800 |
| 135,000 | Loral Space & Communications Inc.† | $ 5,575,246 | $ 5,076,000 |
| 35,200 | NextGenTel Holding ASA† | 257,885 | 78,445 |
| 290,000 | Nippon Telegraph & Telephone Corp. | 7,159,565 | 13,190,986 |
| 2,200 | Orange Belgium SA | 33,392 | 37,150 |
| 330,000 | Orascom Telecom Media and Technology Holding SAE, GDR | 534,301 | 66,660 |
| 60,000 | Pharol SGPS SA† | 28,418 | 16,676 |
| 220,000 | Pharol SGPS SA, ADR† | 182,432 | 54,978 |
| 68,000 | PLDT Inc., ADR | 3,226,928 | 1,589,840 |
| 140,000 | Proximus SA | 4,424,555 | 3,157,034 |
| 2,000 | PT Indosat Tbk | 1,061 | 444 |
| 2,300,000 | Singapore Telecommunications Ltd. | 5,695,042 | 5,199,266 |
| 800,000 | Sprint Corp.† | 4,639,702 | 4,352,000 |
| 121,000 | Swisscom AG, ADR | 4,440,719 | 5,395,390 |
| 10,000 | Tele2 AB, Cl. B | 158,627 | 117,565 |
| 170,000 | Telecom Italia SpA, ADR† | 2,206,728 | 1,247,800 |
| 235,000 | Telefonica Brasil SA, ADR | 4,137,121 | 2,789,450 |
| 53,000 | Telefonica Deutschland Holding AG | 280,618 | 208,952 |
| 525,000 | Telefonica SA, ADR | 8,961,856 | 4,478,250 |
| 1,000,000 | Telekom Austria AG | 7,767,364 | 8,338,102 |
| 340,000 | Telenet Group Holding NV† | 15,333,232 | 15,882,099 |
| 546,000 | Telephone & Data Systems Inc. | 14,762,101 | 14,971,320 |
| 60,000 | Telesites SAB de CV† | 45,551 | 43,776 |
| 867,100 | VEON Ltd., ADR | 3,594,064 | 2,063,698 |
| 715,000 | Verizon Communications Inc. | 22,935,173 | 35,971,650 |
| 60,000 | Windstream Holdings Inc. | 1,044,240 | 316,200 |
| | | 177,255,816 | 191,815,950 |
| | **Wireless Communications — 3.5%** | | |
| 65,000 | America Movil SAB de CV, Cl. L, ADR | 1,049,728 | 1,082,900 |
| 27,000 | ATN International Inc. | 883,543 | 1,424,790 |
| 69,000 | China Mobile Ltd., ADR | 2,765,327 | 3,062,910 |
| 53,000 | China Unicom Hong Kong Ltd., ADR | 665,499 | 663,030 |
| 200 | Hutchison Telecommunications Hong Kong Holdings Ltd. | 19 | 71 |
| 85,000 | Millicom International Cellular SA | 6,139,499 | 4,993,750 |
| 252,000 | Millicom International Cellular SA, SDR | 17,797,413 | 14,883,524 |
| 6,500 | Mobile TeleSystems PJSC, ADR | 86,498 | 57,395 |
| 465,000 | NTT DoCoMo Inc. | 7,286,947 | 11,854,424 |
| 135,000 | SK Telecom Co. Ltd., ADR | 2,383,798 | 3,148,200 |

See accompanying notes to financial statements.

| Shares | | Cost | Market Value |
|---|---|---|---|
| | **COMMON STOCKS (Continued)** | | |
| | **COMMUNICATIONS (Continued)** | | |
| | **Wireless Communications (Continued)** | | |
| 400 | SmarTone Telecommunications Holdings Ltd. | $ 207 | $ 413 |
| 35,000 | Tim Participacoes SA, ADR | 684,957 | 590,100 |
| 390,000 | Turkcell Iletisim Hizmetleri A/S, ADR | 5,436,576 | 2,550,600 |
| 367,000 | United States Cellular Corp.† | 16,064,751 | 13,593,680 |
| 580,000 | Vodafone Group plc, ADR | 21,668,970 | 14,099,800 |
| | | 82,913,732 | 72,005,587 |
| | **TOTAL COMMUNICATIONS** | 320,379,933 | 353,269,202 |
| | **OTHER — 7.8%** | | |
| | **Aerospace — 1.0%** | | |
| 1,600,000 | Rolls-Royce Holdings plc | 12,308,445 | 20,866,811 |
| 142,000,000 | Rolls-Royce Holdings plc, Cl. C†(a) | 197,799 | 187,404 |
| | | 12,506,244 | 21,054,215 |
| | **Building and Construction — 0.3%** | | |
| 12,000 | Acciona SA | 1,140,701 | 993,846 |
| 170,000 | Johnson Controls International plc | 4,577,647 | 5,686,500 |
| | | 5,718,348 | 6,680,346 |
| | **Business Services — 0.5%** | | |
| 1,420,000 | Clear Channel Outdoor Holdings Inc., Cl. A | 5,708,815 | 6,106,000 |
| 90,000 | Macquarie Infrastructure Corp. | 2,773,932 | 3,798,000 |
| 17,500 | Vectrus Inc.† | 316,783 | 539,350 |
| | | 8,799,530 | 10,443,350 |
| | **Consumer Products — 0.0%** | | |
| 10,000 | Essity AB, Cl. A | 130,732 | 247,858 |
| | **Diversified Industrial — 0.3%** | | |
| 1,000 | Alstom SA | 31,457 | 45,965 |
| 40,000 | Bouygues SA | 1,406,190 | 1,724,142 |
| 4,000 | Donaldson Co. Inc. | 133,040 | 180,480 |
| 10,000 | Raven Industries Inc. | 219,638 | 384,500 |
| 10,000 | Svenska Cellulosa AB, Cl. A | 34,751 | 109,303 |
| 108,905 | Twin Disc Inc.† | 2,031,627 | 2,703,022 |
| | | 3,856,703 | 5,147,412 |
| | **Electronics — 1.4%** | | |
| 90,000 | Corning Inc. | 1,005,890 | 2,475,900 |
| 527,000 | Sony Corp., ADR | 9,267,892 | 27,014,020 |
| | | 10,273,782 | 29,489,920 |
| | **Entertainment — 0.6%** | | |
| 628,000 | Grupo Televisa SAB, ADR | 15,396,249 | 11,900,600 |

| Shares | | Cost | Market Value |
|---|---|---|---|
| | **Financial Services — 0.3%** | | |
| 168,000 | Kinnevik AB, Cl. A | $ 3,583,754 | $ 5,758,339 |
| 35,000 | Kinnevik AB, Cl. B | 755,509 | 1,199,263 |
| | | 4,339,263 | 6,957,602 |
| | **Health Care — 0.0%** | | |
| 12,000 | Tsumura & Co. | 261,956 | 388,023 |
| | **Machinery — 1.9%** | | |
| 92,500 | Astec Industries Inc. | 3,264,589 | 5,531,500 |
| 36,000 | Flowserve Corp. | 1,452,634 | 1,454,400 |
| 79,000 | The Gorman-Rupp Co. | 1,815,066 | 2,765,000 |
| 418,000 | Xylem Inc. | 11,265,001 | 28,164,840 |
| | | 17,797,290 | 37,915,740 |
| | **Metals and Mining — 0.4%** | | |
| 200,000 | Freeport-McMoRan Inc. | 2,704,981 | 3,452,000 |
| 44,500 | Haynes International Inc. | 2,063,189 | 1,634,930 |
| 17,000 | Vulcan Materials Co. | 797,880 | 2,194,020 |
| | | 5,566,050 | 7,280,950 |
| | **Transportation — 1.1%** | | |
| 311,000 | GATX Corp. | 8,998,435 | 23,085,530 |
| | **TOTAL OTHER** | 93,644,582 | 160,591,546 |
| | **TOTAL COMMON STOCKS** | 1,276,030,924 | 2,041,047,610 |
| | **CONVERTIBLE PREFERRED STOCKS — 0.1%** | | |
| | **ENERGY AND UTILITIES — 0.1%** | | |
| | **Natural Gas Utilities — 0.1%** | | |
| 54,000 | Corning Natural Gas Holding Corp., 4.800%, Ser. B (b) | 1,120,500 | 1,134,000 |
| | **COMMUNICATIONS — 0.0%** | | |
| | **Telecommunications — 0.0%** | | |
| 20,150 | Cincinnati Bell Inc., 6.750%, Ser. B | 653,760 | 996,417 |
| | **TOTAL CONVERTIBLE PREFERRED STOCKS** | 1,774,260 | 2,130,417 |
| | **WARRANTS — 0.0%** | | |
| | **COMMUNICATIONS — 0.0%** | | |
| | **Telecommunications — 0.0%** | | |
| 80,000 | Bharti Airtel Ltd., expire 11/30/20†(c) | 438,064 | 446,400 |

See accompanying notes to financial statements.

| Principal Amount | | Cost | Market Value |
|---|---|---|---|
| | **CORPORATE BONDS — 0.1%** | | |
| | **Energy and Utilities — 0.1%** | | |
| $ 1,500,000 | Mueller Industries Inc., 6.000%, 03/01/27 | $ 1,500,000 | $ 1,477,500 |
| | **U.S. GOVERNMENT OBLIGATIONS — 0.4%** | | |
| 7,785,000 | U.S. Treasury Bills, 1.863% to 1.897%††, 09/20/18 to 09/27/18 | 7,751,689 | 7,752,143 |
| | **TOTAL INVESTMENTS — 99.9%** | $1,287,494,937 | 2,052,854,070 |
| | **Other Assets and Liabilities (Net) — 0.1%** | | 1,507,398 |
| | **NET ASSETS — 100.0%** | | $2,054,361,468 |

(a) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.

(b) Security considered an affiliated holding because the Fund owns at least 5% of its outstanding shares.

(c) 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 June 30, 2018, the market value of the Rule 144A security amounted to $446,400 or 0.02% of total net assets.

† Non-income producing security.

†† Represents annualized yields at dates of purchase.

ADR American Depositary Receipt
GDR Global Depositary Receipt
SDR Swedish Depositary Receipt

## Statement of Assets and Liabilities
### June 30, 2018 (Unaudited)

| | |
|---|---|
| **Assets:** | |
| Investments, at value (cost $1,282,689,039) | $2,044,904,406 |
| Investments in affiliates, at value (cost $4,805,898) | 7,949,664 |
| Cash | 136,515 |
| Receivable for Fund shares sold | 1,767,231 |
| Receivable for investments sold | 529,215 |
| Dividends receivable | 4,496,139 |
| Prepaid expenses | 87,400 |
| **Total Assets** | 2,059,870,570 |
| **Liabilities:** | |
| Payable for Fund shares redeemed | 2,641,485 |
| Payable for investment advisory fees | 1,664,613 |
| Payable for distribution fees | 788,804 |
| Payable for accounting fees | 11,250 |
| Other accrued expenses | 402,950 |
| **Total Liabilities** | 5,509,102 |
| **Net Assets** (applicable to 267,156,677 shares outstanding) | $2,054,361,468 |
| **Net Assets Consist of:** | |
| Paid-in capital | $1,282,997,709 |
| Accumulated net investment income | 5,397,799 |
| Accumulated net realized gains on investments and foreign currency transactions | 603,067 |
| Net unrealized appreciation on investments | 765,359,133 |
| Net unrealized appreciation on foreign currency translations | 3,760 |
| **Net Assets** | $2,054,361,468 |

**Shares of Beneficial Interest, each at $0.001 par value; unlimited number of shares authorized:**

| | |
|---|---|
| **Class AAA:** | |
| Net Asset Value, offering, and redemption price per share ($321,623,796 ÷ 36,816,200 shares outstanding) | $8.74 |
| **Class A:** | |
| Net Asset Value and redemption price per share ($774,291,202 ÷ 87,185,519 shares outstanding) | $8.88 |
| Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price) | $9.42 |
| **Class C:** | |
| Net Asset Value and offering price per share ($697,610,351 ÷ 114,702,946 shares outstanding) | $6.08(a) |
| **Class I:** | |
| Net Asset Value, offering, and redemption price per share ($260,835,109 ÷ 28,451,896 shares outstanding) | $9.17 |
| **Class T:** | |
| Net Asset Value and redemption price per share ($1,009.78 ÷ 115.68 shares outstanding) | $8.73 |
| Maximum offering price per share (NAV ÷ 0.975, based on maximum sales charge of 2.50% of the offering price) | $8.95 |

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

## Statement of Operations
### For the Six Months Ended June 30, 2018 (Unaudited)

| | |
|---|---|
| **Investment Income:** | |
| Dividends - Unaffiliated (net of foreign withholding taxes of $828,329) | $ 32,159,586 |
| Dividends - Affiliated | 135,864 |
| Interest | 298,756 |
| **Total Income** | 32,594,206 |
| **Expenses:** | |
| Investment advisory fees | 10,304,071 |
| Distribution fees - Class AAA | 403,567 |
| Distribution fees - Class A | 972,303 |
| Distribution fees - Class C | 3,532,890 |
| Distribution fees - Class T | 1 |
| Shareholder services fees | 805,005 |
| Shareholder communications expenses | 144,280 |
| Custodian fees | 110,960 |
| Registration expenses | 69,018 |
| Trustees' fees | 67,937 |
| Accounting fees | 22,500 |
| Legal and audit fees | 16,202 |
| Interest expense | 149 |
| Miscellaneous expenses | 69,040 |
| **Total Expenses** | 16,517,923 |
| Less: | |
| Expenses paid indirectly by broker (See Note 6) | (8,304) |
| **Net Expenses** | 16,509,619 |
| **Net Investment Income** | 16,084,587 |
| **Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:** | |
| Net realized gain on investments | 14,746,213 |
| Net realized loss on foreign currency transactions | (26,726) |
| Net realized gain on investments and foreign currency transactions | 14,719,487 |
| Net change in unrealized appreciation: | |
| on investments | (52,624,773) |
| on foreign currency translations | (4,142) |
| Net change in unrealized appreciation on investments and foreign currency translations | (52,628,915) |
| **Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency** | (37,909,428) |
| **Net Decrease in Net Assets Resulting from Operations** | $(21,824,841) |

See accompanying notes to financial statements.

# The Gabelli Utilities Fund

## Statement of Changes in Net Assets

| | Six Months Ended June 30, 2018 (Unaudited) | Year Ended December 31, 2017 |
|---|---|---|
| **Operations:** | | |
| Net investment income | $ 16,084,587 | $ 29,543,030 |
| Net realized gain on investments and foreign currency transactions | 14,719,487 | 18,892,606 |
| Net change in unrealized appreciation on investments and foreign currency translations | (52,628,915) | 131,897,182 |
| **Net Increase/(Decrease) in Net Assets Resulting from Operations** | (21,824,841) | 180,332,818 |
| **Distributions to Shareholders:** | | |
| Net investment income | | |
| Class AAA | (1,338,317) | (5,020,519) |
| Class A | (3,174,171) | (11,262,972) |
| Class C | (4,148,773) | (9,795,159) |
| Class I | (1,006,333) | (3,875,959) |
| Class T | (3) | (17) |
| | (9,667,597) | (29,954,626) |
| Net realized gain | | |
| Class AAA | — | (2,839,155) |
| Class A | — | (6,375,891) |
| Class C | — | (8,501,854) |
| Class I | — | (1,855,631) |
| Class T | — | (8) |
| | — | (19,572,539) |
| Return of capital | | |
| Class AAA | (14,275,378) | (24,415,223) |
| Class A | (33,857,829) | (54,425,845) |
| Class C | (44,253,573) | (78,809,061) |
| Class I | (10,734,223) | (14,720,187) |
| Class T | (45) | (21) |
| | (103,121,048) | (172,370,337) |
| **Total Distributions to Shareholders** | (112,788,645) | (221,897,502) |
| **Shares of Beneficial Interest Transactions:** | | |
| Class AAA | (10,394,618) | (12,582,880) |
| Class A | (19,043,476) | 32,227,780 |
| Class C | (20,561,179) | 35,021,113 |
| Class I | 1,831,498 | 114,337,169 |
| Class T | 32 | 1,046 |
| **Net Increase/(Decrease) in Net Assets from Shares of Beneficial Interest Transactions** | (48,167,743) | 169,004,228 |
| **Redemption Fees** | 2,720 | 13,123 |
| **Net Increase/(Decrease) in Net Assets** | (182,778,509) | 127,452,667 |
| **Net Assets:** | | |
| Beginning of year | 2,237,139,977 | 2,109,687,310 |
| End of period (including undistributed net investment income of $5,397,799 and $0, respectively) | $2,054,361,468 | $2,237,139,977 |

See accompanying notes to financial statements.

# The Gabelli Utilities Fund
## Financial Highlights

Selected data for a share of beneficial interest outstanding throughout each period:

| | | Income (Loss) from Investment Operations | | | Distributions | | | | | | | Ratios to Average Net Assets/ Supplemental Data | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Year Ended December 31 | Net Asset Value, Beginning of Period | Net Investment Income(a) | Net Realized and Unrealized Gain (Loss) on Investments | Total from Investment Operations | Net Investment Income | Net Realized Gain on Investments | Return of Capital | Total Distributions | Redemption Fees(a)(b) | Net Asset Value, End of Period | Total Return† | Net Assets End of Period (in 000's) | Net Investment Income | Operating Expenses | Portfolio Turnover Rate |
| **Class AAA** | | | | | | | | | | | | | | | |
| 2018(c) | $ 9.23 | $0.08 | $(0.15) | $(0.07) | $(0.04) | — | $(0.38) | $(0.42) | $0.00 | $ 8.74 | (0.7)% | $ 321,624 | 1.79%(d) | 1.38%(d)(e) | 0% |
| 2017 | 9.26 | 0.15 | 0.66 | 0.81 | (0.13) | $(0.07) | (0.64) | (0.84) | 0.00 | 9.23 | 8.9 | 350,709 | 1.58 | 1.37(e) | 2 |
| 2016 | 8.70 | 0.15 | 1.28 | 1.43 | (0.14) | (0.13) | (0.60) | (0.87) | 0.00 | 9.26 | 17.0 | 364,411 | 1.65 | 1.38(e) | 4 |
| 2015†† | 10.50 | 0.11 | (1.07) | (0.96) | (0.09) | (0.70) | (0.05) | (0.84) | 0.00 | 8.70 | (8.3) | 371,419 | 1.42 | 1.39(e) | 8 |
| 2014†† | 11.24 | 0.18 | 0.76 | 0.94 | (0.14) | (0.10) | (1.44) | (1.68) | 0.00 | 10.50 | 8.9 | 820,328 | 1.64 | 1.36 | 9 |
| 2013†† | 10.86 | 0.18 | 1.88 | 2.06 | (0.14) | (0.20) | (1.34) | (1.68) | 0.00 | 11.24 | 20.2 | 738,742 | 1.60 | 1.37 | 11 |
| **Class A** | | | | | | | | | | | | | | | |
| 2018(c) | $ 9.37 | $0.08 | $(0.15) | $(0.07) | $(0.04) | — | $(0.38) | $(0.42) | $0.00 | $ 8.88 | (0.6)% | $ 774,291 | 1.79%(d) | 1.38%(d)(e) | 0% |
| 2017 | 9.40 | 0.15 | 0.66 | 0.81 | (0.13) | $(0.07) | (0.64) | (0.84) | 0.00 | 9.37 | 8.8 | 837,684 | 1.57 | 1.37(e) | 2 |
| 2016 | 8.82 | 0.15 | 1.30 | 1.45 | (0.13) | (0.13) | (0.61) | (0.87) | 0.00 | 9.40 | 17.0 | 808,349 | 1.64 | 1.38(e) | 4 |
| 2015†† | 10.64 | 0.12 | (1.10) | (0.98) | (0.09) | (0.70) | (0.05) | (0.84) | 0.00 | 8.82 | (8.3) | 713,208 | 1.45 | 1.39(e) | 8 |
| 2014†† | 11.36 | 0.18 | 0.78 | 0.96 | (0.14) | (0.10) | (1.44) | (1.68) | 0.00 | 10.64 | 9.0 | 1,231,349 | 1.64 | 1.36 | 9 |
| 2013†† | 10.96 | 0.18 | 1.90 | 2.08 | (0.14) | (0.20) | (1.34) | (1.68) | 0.00 | 11.36 | 20.2 | 1,109,532 | 1.60 | 1.37 | 11 |
| **Class C** | | | | | | | | | | | | | | | |
| 2018(c) | $ 6.58 | $0.03 | $(0.11) | $(0.08) | $(0.04) | — | $(0.38) | $(0.42) | $0.00 | $ 6.08 | (1.1)% | $ 697,610 | 1.03%(d) | 2.13%(d)(e) | 0% |
| 2017 | 6.88 | 0.06 | 0.48 | 0.54 | (0.09) | $(0.07) | (0.68) | (0.84) | 0.00 | 6.58 | 8.0 | 776,370 | 0.83 | 2.12(e) | 2 |
| 2016 | 6.71 | 0.06 | 0.98 | 1.04 | (0.09) | (0.13) | (0.65) | (0.87) | 0.00 | 6.88 | 16.2 | 776,780 | 0.89 | 2.13(e) | 4 |
| 2015†† | 8.40 | 0.05 | (0.90) | (0.85) | (0.09) | (0.70) | (0.05) | (0.84) | 0.00 | 6.71 | (9.1) | 736,494 | 0.73 | 2.14(e) | 8 |
| 2014†† | 9.38 | 0.08 | 0.62 | 0.70 | (0.14) | (0.10) | (1.44) | (1.68) | 0.00 | 8.40 | 8.1 | 1,111,695 | 0.89 | 2.11 | 9 |
| 2013†† | 9.36 | 0.08 | 1.62 | 1.70 | (0.14) | (0.20) | (1.34) | (1.68) | 0.00 | 9.38 | 19.5 | 1,037,073 | 0.85 | 2.12 | 11 |
| **Class I** | | | | | | | | | | | | | | | |
| 2018(c) | $ 9.65 | $0.09 | $(0.15) | $(0.06) | $(0.04) | — | $(0.38) | $(0.42) | $0.00 | $ 9.17 | (0.5)% | $ 260,835 | 2.04%(d) | 1.13%(d)(e) | 0% |
| 2017 | 9.63 | 0.18 | 0.68 | 0.86 | (0.15) | $(0.07) | (0.62) | (0.84) | 0.00 | 9.65 | 9.1 | 272,376 | 1.81 | 1.12(e) | 2 |
| 2016 | 8.99 | 0.18 | 1.33 | 1.51 | (0.16) | (0.13) | (0.58) | (0.87) | 0.00 | 9.63 | 17.4 | 160,147 | 1.89 | 1.13(e) | 4 |
| 2015†† | 10.80 | 0.14 | (1.11) | (0.97) | (0.09) | (0.70) | (0.05) | (0.84) | 0.00 | 8.99 | (8.1) | 141,325 | 1.70 | 1.14(e) | 8 |
| 2014†† | 11.48 | 0.20 | 0.80 | 1.00 | (0.14) | (0.10) | (1.44) | (1.68) | 0.00 | 10.80 | 9.3 | 255,651 | 1.86 | 1.11 | 9 |
| 2013†† | 11.04 | 0.22 | 1.90 | 2.12 | (0.14) | (0.20) | (1.34) | (1.68) | 0.00 | 11.48 | 20.4 | 179,913 | 1.85 | 1.12 | 11 |
| **Class T** | | | | | | | | | | | | | | | |
| 2018(c) | $ 9.22 | $0.08 | $(0.15) | $(0.07) | $(0.04) | — | $(0.38) | $(0.42) | $0.00 | $ 8.73 | (0.7)% | $ 1 | 1.77%(d) | 1.38%(d)(e) | 0% |
| 2017(f) | 9.33 | 0.05 | 0.26 | 0.31 | (0.16) | $(0.07) | (0.19) | (0.42) | 0.00 | 9.22 | 3.3 | 1 | 0.98(d) | 1.37(d)(e) | 2 |

† Total return represents aggregate total return of a hypothetical $1,000 investment at the beginning of the period and sold at the end of the period including reinvestment of distributions and does not reflect applicable sales charges. Total return for a period of less than one year is not annualized.
†† All per share amounts and net asset values have been adjusted as a result of the 1 for 2 reverse stock split on March 6, 2015.
(a) Per share amounts have been calculated using the average shares outstanding method.
(b) Amount represents less than $0.005 per share.
(c) For the six months ended June 30, 2018, unaudited.
(d) Annualized.
(e) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the six months ended June 30, 2018 and the years ended December 31, 2017, 2016, and 2015, there was no impact on the expense ratios.
(f) Class T Shares were initially offered on July 5, 2017 and are no longer offered for sale.

See accompanying notes to financial statements.

**1. Organization.** The Gabelli Utilities Fund was organized on May 18, 1999 as a Delaware statutory trust and commenced operations on August 31, 1999. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's primary objective is to provide a high level of total return through a combination of capital appreciation and current income.

The Fund invests a high percentage of its assets in the utilities sector. As a result, the Fund may be more susceptible to economic, political, and regulatory developments, positive or negative, and may experience increased volatility to the Fund's NAV and a magnified effect in its total return.

**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 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 Gabelli Funds, LLC (the "Adviser").

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market, but prior to the close of business on the day the securities are being valued. Debt obligations for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price, unless the Board determines such amount does not reflect the securities' fair vale, 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).

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 June 30, 2018 is as follows:

| | Valuation Inputs | | | |
|---|---|---|---|---|
| | Level 1 Quoted Prices | Level 2 Other Significant Observable Inputs | Level 3 Significant Unobservable Inputs | Total Market Value at 6/30/18 |
| **INVESTMENTS IN SECURITIES:** | | | | |
| **ASSETS (Market Value):** | | | | |
| Common Stocks: | | | | |
| ENERGY AND UTILITIES | | | | |
| Merchant Energy | $ 45,120,900 | — | $ 0 | $ 45,120,900 |
| Natural Gas Utilities | 114,708,387 | $ 6,815,664 | — | 121,524,051 |
| Other Industries (a) | 1,360,541,911 | — | — | 1,360,541,911 |
| COMMUNICATIONS (a) | 353,269,202 | — | — | 353,269,202 |
| OTHER | | | | |
| Aerospace | 20,866,811 | — | 187,404 | 21,054,215 |
| Other Industries (a) | 139,537,331 | | | 139,537,331 |
| Total Common Stocks | 2,034,044,542 | 6,815,664 | 187,404 | 2,041,047,610 |
| Convertible Preferred Stocks (a) | 996,417 | 1,134,000 | — | 2,130,417 |
| Warrants (a) | | 446,400 | — | 446,400 |
| Corporate Bonds(a) | — | 1,477,500 | — | 1,477,500 |
| U.S. Government Obligations | — | 7,752,143 | — | 7,752,143 |
| **TOTAL INVESTMENTS IN SECURITIES – ASSETS** | $2,035,040,959 | $17,625,707 | $187,404 | $2,052,854,070 |

(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 six months ended June 30, 2018. 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 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. 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.

***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. For the restricted securities the Fund held at June 30, 2018, refer to the Schedule of Investments.

***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 an 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 made in excess of current earnings and profits on a tax basis are treated as a non-taxable return of capital. 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. These reclassifications have no impact on the NAV of the Fund.

The tax character of distributions paid during the year ended December 31, 2017 was as follows:

| | |
|---|---|
| **Distributions paid from:** | |
| Ordinary income (inclusive of short term capital gains) | $ 30,251,265 |
| Long term capital gains | 19,275,900 |
| Return of capital | 172,370,337 |
| Total distributions paid | $221,897,502 |

Since January 2000, the Fund has had 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 year. Pursuant to this policy, distributions during the year may be 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 Capital Gain Dividend, and may cause such gains to be treated as ordinary income. 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 the 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.

The Fund is permitted to carry capital losses forward for an unlimited period. Capital losses that are carried forward will retain their character as either short term or long term capital losses.

The following summarizes the tax cost of investments and the related net unrealized appreciation at June 30, 2018:

| | Cost | Gross Unrealized Appreciation | Gross Unrealized Depreciation | Net Unrealized Appreciation |
|---|---|---|---|---|
| Investments | $1,295,090,119 | $817,950,360 | $(60,186,409) | $757,763,951 |

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 six months ended June 30, 2018, the Fund did not incur any income tax, interest, or penalties. As of June 30, 2018, 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 Trustees of the Fund who are affiliated persons of the Adviser.

The Fund pays each Trustee 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 $500 per meeting attended and the Chairman of the Audit Committee and the Lead Trustee each receives an annual fee of $2,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**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, Class C, and Class T Share Plans, payments are authorized to G.distributors, LLC (the "Distributor"), an affiliate of the Adviser, at annual rates of 0.25%, 0.25%, 1.00%, and 0.25%, 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 six months ended June 30, 2018, other than short term securities and U.S. Government obligations, aggregated $8,208,029 and $64,777,900, respectively.

**6. Transactions with Affiliates and Other Arrangements.** During the six months ended June 30, 2018, the Fund paid $21,709 in brokerage commissions on security trades to G.research, LLC, an affiliate of the Adviser. Additionally the Distributor retained a total of $76,763 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

During the six months ended June 30, 2018, 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 $8,304.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement. During the six months ended June 30, 2018, the Fund accrued $22,500 in accounting fees in the Statement of Operations.

**7. Line of Credit.** The Fund participates in an unsecured line of credit, which expires March 6, 2019 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 bear 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 June 30, 2018, there were no borrowings outstanding under the line of credit.

The average daily amount of borrowings outstanding under the line of credit during the year six months ended June 30, 2018 was $25,387 with a weighted average interest rate of 3.35%. The maximum amount borrowed at any time during the six months ended June 30, 2018 was $2,213,000

**8. Shares of Beneficial Interest.** The Fund offers four classes of shares – Class AAA Shares, Class A Shares, Class C Shares, and Class I Shares. Class AAA Shares 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%. 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 six months ended June 30, 2018 and the year ended December 31, 2017, if any, can be found in the Statement of Changes in Net Assets under Redemption Fees.

Transactions in shares of beneficial interest were as follows:

| | Six Months Ended June 30, 2018 (Unaudited) | | Year Ended December 31, 2017 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | **Shares** | **Amount** |
| **Class AAA** | | | | |
| Shares sold | 2,071,179 | $ 18,051,189 | 4,891,720 | $ 46,210,450 |
| Shares issued upon reinvestment of distributions | 1,622,496 | 14,149,722 | 3,072,628 | 28,996,855 |
| Shares redeemed | (4,884,843) | (42,595,529) | (9,291,649) | (87,790,185) |
| Net decrease | (1,191,168) | $ (10,394,618) | (1,327,301) | $ (12,582,880) |
| **Class A** | | | | |
| Shares sold | 6,705,480 | $ 59,561,848 | 20,115,610 | $ 193,210,651 |
| Shares issued upon reinvestment of distributions | 3,861,013 | 34,224,669 | 6,308,397 | 60,419,407 |
| Shares redeemed | (12,749,171) | (112,829,993) | (23,064,626) | (221,402,278) |
| Net increase/(decrease) | (2,182,678) | $ (19,043,476) | 3,359,381 | $ 32,227,780 |
| **Class C** | | | | |
| Shares sold | 5,932,769 | $ 36,645,301 | 17,834,104 | $ 122,991,759 |
| Shares issued upon reinvestment of distributions | 6,722,105 | 41,243,277 | 11,946,577 | 81,896,943 |
| Shares redeemed | (15,960,139) | (98,449,757) | (24,679,977) | (169,867,589) |
| Net increase/(decrease) | (3,305,265) | $ (20,561,179) | 5,100,704 | $ 35,021,113 |
| **Class I** | | | | |
| Shares sold | 4,380,702 | $ 39,899,674 | 15,609,938 | $ 153,940,468 |
| Shares issued upon reinvestment of distributions | 909,394 | 8,309,888 | 1,495,658 | 14,720,067 |
| Shares redeemed | (5,063,126) | (46,378,064) | (5,511,547) | (54,323,366) |
| Net increase | 226,970 | $ 1,831,498 | 11,594,049 | $ 114,337,169 |
| **Class T(a)** | | | | |
| Shares sold | — | — | 107 | $ 1,000 |
| Shares issued upon reinvestment of distributions | 4 | $ 32 | 5 | 46 |
| Net increase | 4 | $ 32 | 112 | $ 1,046 |

(a) Class T Shares were initially offered on July 5, 2017 and are no longer offered for sale.

**9. Transactions in Securities of Affiliated Issuers.** The 1940 Act defines affiliated issuers as those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the six months ended June 30, 2018 is set forth below:

| | Beginning Shares | Stock Dividend | Ending Shares | Dividend Income | Realized Gain | Value at June 30, 2018 | Change in Unrealized Appreciation | Percent Owned of Shares Outstanding |
|---|---|---|---|---|---|---|---|---|
| Corning Natural Gas Holding Corp. | 388,800 | — | 388,800 | $108,864 | — | $6,815,664 | $(765,936) | 12.87% |
| Corning Natural Gas Holding Corp., 4.800%, Ser. B | 54,000 | — | 54,000 | 27,000 | — | 1,134,000 | 54,500 | 22.11% |
| Total | | | | $135,864 | — | $7,949,664 | $(711,436) | |

**10. 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.

**11. Subsequent Events.** Management has evaluated the impact on the Fund of all other 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 Utilities Fund

### Board Consideration and Re-Approval of Investment Advisory Agreements (Unaudited)

At its meeting on February 22, 2018, the Board of Trustees ("Board") of the Fund approved the continuation of the investment advisory agreement with the Adviser for the Fund on the basis of the recommendation by the trustees who are not "interested persons" of the Fund (the "Independent Board Members"). The following paragraphs summarize the material information and factors considered by the Independent Board Members as well as their conclusions relative to such factors.

**Nature, Extent, and Quality of Services.** The Independent Board Members considered information regarding the portfolio manager, the depth of the analyst pool available to the Adviser and the portfolio manager, the scope of supervisory, administrative, shareholder, and other services supervised or provided by the Adviser and the absence of significant service problems reported to the Board. The Independent Board Members noted the experience, length of service, and reputation of the portfolio manager.

**Investment Performance.** he Independent Board Members reviewed the short, medium, and long term performance (as of December 31, 2017) of the Fund against a peer group of seven other comparable funds prepared by the Adviser (the "Adviser Peer Group") and against a peer group prepared by Broadridge (the "Broadridge Performance Peer Group") consisting of all retail and institutional utility funds, regardless of asset size or primary channel of distribution, as represented by the Lipper Utility Fund Index. The Independent Board Members noted that the Fund's performance was in the fourth quartile for the one year period and in the third quartile for the three year and five year periods, as measured against the Adviser Peer Group. Against the Broadridge Performance Peer Group, the Independent Board Members noted that the Fund's performance was within the fifth quintile for the one year period, the third quintile for the three year period, and the fourth quintile for the five year period. The Independent Board Members also noted that although the Fund's performance was below average as compared to the Adviser Peer Group, its performance during the three and five year periods did not significantly depart from the median total return of the peer group, an observation the Independent Board Members noted generally held for the Broadridge Performance Peer Group as well.

**Profitability.** The Independent Board Members reviewed summary data regarding the profitability of the Fund to the Adviser both with an administrative overhead charge and without a charge. The Independent Board Members also noted that a substantial portion of the Fund's portfolio transactions were executed by an affiliated broker, that the affiliated broker received distribution fees and minor amounts of sales commissions, and that the Adviser received a moderate amount of soft dollar benefits through the Fund's portfolio brokerage.

**Economies of Scale.** The Independent Board Members discussed the major elements of the Adviser's cost structure and the relationship of those elements to potential economies of scale.

**Sharing of Economies of Scale.** The Independent Board Members noted that the investment advisory fee schedule for the Fund does not take into account any potential economies of scale that may develop or any historical losses or diminished profitability of the Fund to the Adviser.

**Service and Cost Comparisons.** The Independent Board Members compared the expense ratios of the investment advisory fee, other expenses, and total expenses of the Fund to similar expense ratios of the Adviser Peer Group and a peer group of six other utility funds selected by Broadridge and noted that the advisory fee includes substantially all administrative services for the Fund as well as the investment advisory services of the Adviser. The Independent Board Members noted that the Fund's expense ratios were roughly average within the Adviser Peer Group and above average within the peer group of funds selected by Broadridge and the Fund's size was above average within these groups. The Independent Board Members also noted that the advisory fee structure was the same as that in effect for most of the Gabelli funds. The Independent Board Members were presented with, but did not consider to be material to their decision, various information comparing the advisory fee to the fee for other types of accounts managed by affiliates of the Adviser.

**Conclusions.** The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and an adequate performance record. The Independent Board Members also concluded that the Fund's expense ratios and profitability to the Adviser of managing the Fund were reasonable and that economies of scale were not a significant factor in their thinking at this time. The Independent Board Members did not view the potential profitability of ancillary services as material to their decision. On the basis of the foregoing and without assigning particular weight to any single conclusion, the Independent Board Members determined to recommend continuation of the investment advisory agreement to the full Board.

Based on a consideration of all these factors in their totality, the Board Members, including all of the Independent Board Members, determined that the Fund's advisory fee was fair and reasonable with respect to the quality of services provided and in light of the other factors described above that the Board deemed relevant. Accordingly, the Board Members determined to approve the continuation of the Fund's Advisory Agreement. The Board Members based its decision on evaluations of all these factors as a whole and did not consider any one factor as all-important or controlling.

**THE GABELLI UTILITIES FUND**
**One Corporate Center**
**Rye, NY 10580-1422**

## Portfolio Manager Biography

**Mario J. Gabelli, CFA,** is Chairman, Chief Executive Officer, and Chief Investment Officer - Value Portfolios of GAMCO Investors, Inc. that he founded in 1977, and Chief Investment Officer - Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. He is also Executive Chairman of 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.

**Timothy M. Winter, CFA,** joined Gabelli in 2009 and covers the utility industry. He has over 25 years of experience as an equity research analyst covering the industry. Currently, he continues to specialize in the utility industry and also serves as a portfolio manager of Gabelli Funds, LLC. Mr. Winter received his BA in Economics in 1991 from Rollins College and MBA in Finance from Notre Dame in 1992.

**Monthly Distributions - $0.07 per share**

The Gabelli Utilities Fund has a $0.07 per share monthly distribution policy. For more specific dividend and tax information, please visit our website at www.gabelli.com or call 800-GABELLI (800-422-3554). **Shareholders should be aware that a portion of the distribution may represent a non-taxable return of capital.** Distributions of capital reduce the cost basis of your shares if you hold them in a taxable account. The distributions should not be confused with the yield or total return of the Fund.

We have separated the portfolio managers' commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio managers' commentary is unrestricted. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

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





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GABELLI FUNDS

# THE GABELLI UTILITIES FUND

*Semiannual Report*
*June 30, 2018*