

# The Gabelli Convertible and Income Securities Fund Inc.

Shareholder Commentary – September 30, 2018

Y(our) Portfolio Management Team



Thomas Dinsmore, CFA Jane O'Keeffe James Dinsmore, CFA

## To Our Shareholders,

For the quarter ended September 30, 2018, the net asset value (“NAV”) total return of The Gabelli Convertible and Income Securities Fund was 2.7%, compared with a total return of 0.03% for the Bloomberg Barclays Government/Credit Bond Index. The total return for the Fund’s publicly traded shares was (5.8)%. The Fund’s NAV per share was \$5.62, while the price of the publicly traded shares closed at \$5.69 on the New York Stock Exchange (“NYSE”).

## Comparative Results

### Average Annual Returns through September 30, 2018 (a)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (07/03/89)
<b>Gabelli Convertible and Income Securities Fund</b>						
NAV Total Return (b)	2.68%	9.58%	6.92%	7.39%	6.05%	6.91%
Investment Total Return (c)	(5.83)	13.29	8.33	9.26	5.60	6.55 (d)
Standard & Poor’s (“S&P”) 500 Index	7.71	17.91	13.95	11.97	9.65	10.21 (e)
Bloomberg Barclays Government/Credit Bond Index	0.03	(1.42)	2.18	3.93	3.71	N/A (f)
Lipper Convertible Securities Fund Average	3.90	11.05	7.30	9.15	7.42	8.25 (e)

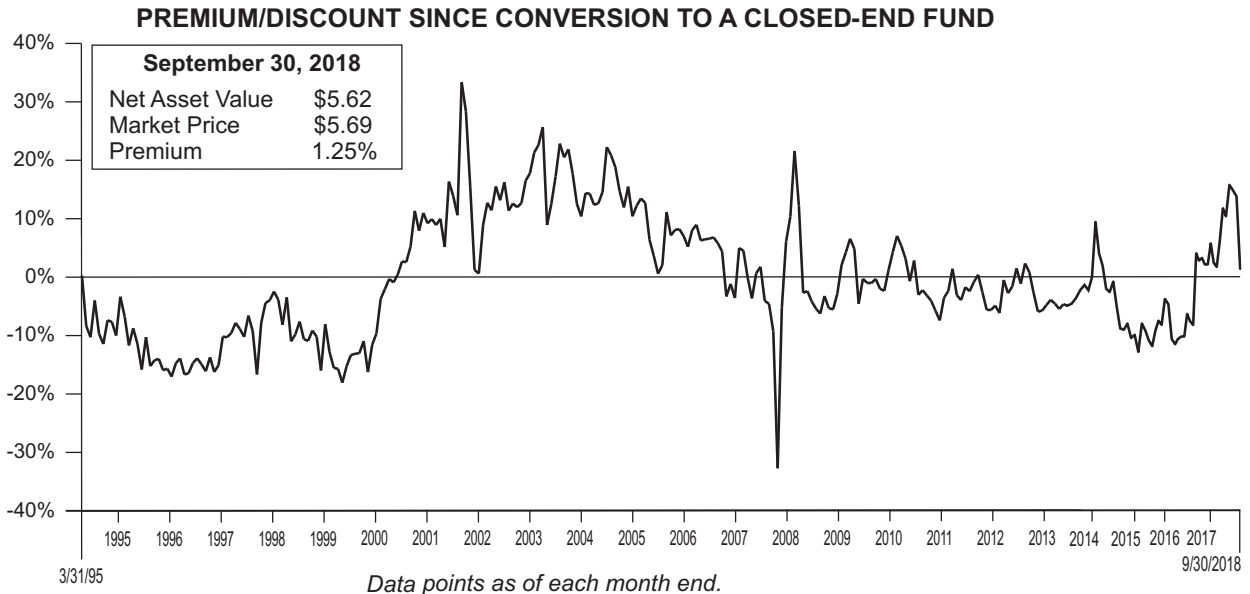
- (a) Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. The Fund's use of leverage may magnify the volatility of net asset value changes versus Funds that don't employ leverage. When shares are sold, they 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](http://www.gabelli.com) for performance information as of the most recent month end. 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 S&P 500 Index is an unmanaged indicator of stock market performance. The Bloomberg Barclays Government/Credit Bond Index is a market value weighted index that tracks the performance of fixed rate, publicly placed, dollar denominated obligations. The Lipper Convertible Securities Fund Average reflects the average performance of open-end funds classified in this particular category. Dividends and interest income are considered reinvested. You cannot invest directly in an index.
- (b) Total returns and average annual returns reflect changes in the NAV per share, reinvestment of distributions at NAV on the ex-dividend date, and adjustments for rights offerings and are net of expenses. Since inception return is based on an initial NAV of \$10.00.
- (c) Total returns and average annual returns reflect changes in closing market values on the NYSE, reinvestment of distributions, and adjustments for rights offerings. Since inception return is based on an initial offering price of \$11.25 on March 31, 1995.
- (d) Since inception return is from March 31, 1995 when the Fund converted to closed-end status; before this date, the Fund had no operating history on the NYSE.
- (e) From June 30, 1989, the date closest to the Fund’s inception for which data is available.
- (f) The Bloomberg Barclays Government/Credit Bond Index inception date is January 29, 1999.

## Premium / Discount Discussion

As a refresher for our shareholders, the price of a closed-end fund is determined in the open market by willing buyers and sellers. Shares of the Fund trade on the NYSE and may trade at a premium to (higher than) net asset value (the market value of the Fund's underlying portfolio and other assets less any liabilities) or a discount to (lower than) net asset value.

Ideally, the Fund's market price will generally track the NAV. However, the Fund's premium or discount to NAV may vary over time. Over the Fund's 23 year history as a closed-end fund, the range fluctuated from a 34% premium in August 2002 to a 32% discount in October 2008. On September 30, 2018, the market price of the Fund was at a 1.3% premium to its NAV.

The Fund's long term investment goal is to seek a high level of total return through a combination of current income and capital appreciation. We believe that our securities selection process adds to the investment equation. We have a successful history of investment, providing shareholders average annual returns of 6.9% since inception. However, it is important to remember that "Mr. Market" is a pendulum that swings both ways, and a high premium for the Fund is not likely to be sustainable.



## Our Objective

Our mandate is to preserve and enhance our shareholders' wealth through a conservative and disciplined approach to investing in equity securities, including convertible securities. Our goal is to generate profitable returns in strong markets and protect principal in weak markets by taking advantage of the unique characteristics of convertible securities.

Our Fund is managed with a goal of achieving a 600 – 800 basis point spread above longer dated Treasuries, which we hope to generate over the long term. Of course, there are no guarantees.

**GABELLI CONVERTIBLE AND INCOME SECURITIES FUND  
COMPLETES SUCCESSFUL RIGHTS OFFERING  
RAISES \$22.7 MILLION**

The Gabelli Convertible and Income Securities Fund is pleased to announce the completion of its transferable rights offering (the “Offering” or “Offer”) in which approximately 4.3 million shares of common stock were issued, totaling \$22.7 million. Pursuant to the Offer, the Fund issued one transferable right (a “Right”) for each share of common stock of the Fund to shareholders of record as of September 5, 2018. Holders of Rights were entitled to purchase one share of common stock by submitting three Rights and \$5.25 per share (the subscription price). All of the common shares subscribed for, including oversubscription requests by record date shareholders, were issued on October 22, 2018. We thank all our subscribing shareholders as well as the full service brokers and financial advisers who assisted our shareholders throughout the Offering.

### **Convertible Securities are “Hybrids”**

It is important to understand our stock selection discipline, because price movement in the underlying equity will generally have the greatest impact on convertible securities pricing. The convertible securities market consists of bonds, debentures, corporate notes, preferred stocks, and warrants or other similar securities, which may be converted into or exchanged for a prescribed amount of common stock or other equity security of the same or a different issuer within a particular period of time, at a specified price or formula.

Converts are “hybrid” securities that combine the capital appreciation potential of equities with the higher yield of fixed income instruments. Our strategy incorporates the purchase of convertible securities that are trading at a premium (above parity) with the common stock, but which generally provide a higher yield, and, over time, capital appreciation. We also will seek out “busted” converts, where the underlying common stock has dropped significantly and the values of both the conversion privilege and the convert are down. Such securities will provide both high yields and long term capital appreciation potential.

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***Your portfolio management team follows the Wall Street adage  
“Eat Your Own Cooking” and owns approximately 11% of the Fund.***

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### **Commentary**

Convertible securities followed their strong first half of 2018 with a positive third quarter as they again outperformed U.S. corporate and government bonds while underperforming the S&P 500 Index. Twenty-five new issues came to market, giving the Fund new choices for inclusion in the portfolio.

During the third quarter of 2018, U.S. convertible returns were supported by the positive momentum of U.S. economic growth. While the Fed continues to raise interest rates, which could slow the economy, employment figures are very strong, inflation is still tame, and there is little on the horizon to derail a positive outlook for earnings growth in 2019. Trade and tariffs still raise questions about continued growth from global trade, but we now appear to have a new agreement with Mexico and Canada. That said, there is much yet to

be settled with China and Europe. Economies other than the U.S. have not been as robust, and this could have a dampening effect on earnings of multinational companies. While earnings growth in the U.S. should help support the valuation of the underlying equities, the structure and maturities of convertibles should keep potential volatility in check.

The Barclays U.S. Convertibles Index was up 2.25% for the quarter, with underlying equity returns of 2.6%. This compares to -0.4% for 5-7 year U.S. Treasury bonds, +1% for U.S. investment grade corporate bonds, 2.4% for U.S. high yield bonds and 7.7% for the S&P 500 Index. The Barclays Global Convertible Index was up 1.1% in U.S. dollars.

Among U.S. convertible issues, the consumer non-cyclical (mostly Healthcare) and Telecommunications sectors added to returns for the quarter and year to date. Non-rated issues outperformed investment grade, intermediate grade, and junk issues, while mid-capitalization issues outperformed small capitalization and large capitalization issues, in that order. The equity sensitive segment of the Index has led performance against balanced issues and yield alternative issues to date in 2018.

The U.S. convertible market ended September with 476 issues and \$227 billion in market capitalization. Issuance expanded in 2018, with 118 new issues raising \$47 billion. This compares favorably with the 99 new convertible issues that raised \$37.4 billion in all of 2017. Issuance slowed somewhat in the third quarter, with only 25 new convertibles raising \$11 billion, but it is still expected to outpace redemptions for the year. We continue to expect that a rising interest rate environment, combined with the new tax law lowering the corporate tax rate and limiting the deductibility of interest, will continue to provide economic incentives for companies to issue convertible bonds, with their characteristically lower coupons, to meet their capital needs.

The Barclays Convertible Index has an average current yield of 2.54%, a premium to conversion value of 27.8%, and a 64.3 delta (a measure of equity sensitivity). When combined with the 1.89 year duration, a measure of the indices interest rate sensitivity, these characteristics make the asset class a place to consider as an alternative approach to equity investment. While the market currently is more equity sensitive than it has usually been, with a 65 delta, the yield and duration of the securities offers some downside protection.

## **Conclusion**

The Gabelli Convertible and Income Fund has performed well, along with the overall convertible market. At the end of the quarter, the weighted average current yield of the portfolio was 2.46% and the median premium was 19.2%. The portfolio has 49.1% of its assets invested in convertible bonds, 19.3% in domestic common stocks, 10.3% in cash, and 4.2% in foreign common stocks. Mandatory convertible preferred shares and convertible preferred shares make up 14.3% and 2.8% of our holdings, respectively. Equity alternative investments make up 41.1%, total return issues 39.5%, and fixed income alternatives are 19.4% of the portfolio.

We are focused on total return for our shareholders, which we believe that convertible securities can offer. Given the mixed signals we see in the market, the asymmetrical return profile of convertible securities offers a way to continue to participate in further equity upside from this late stage expansion, while offering some downside protection in the form of seniority, yield, and maturity.

## Let's Talk Investments

The following are specifics on selected security 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 convertible bond prices are listed in points, the convertible preferred shares are listed in United States dollars (USD) and the underlying share prices are listed first in USD and second in the local currency, where applicable, and are presented as of September 30, 2018.

*Gannett Co. Inc. (Cv., 4.75%, 4/15/2024)*, headquartered in McLean, Virginia, operates as a media and marketing company. The company has 110 media offerings, led by USA Today in the United States, and 160 local news brands in the United Kingdom. The publishing segment's revenue is generated from print, digital advertising, and circulation, and it is advancing the monetization of the digital product. The ReachLocal segment provides digital marketing and solutions that target specific locations. The convertible security is a bond with less than six years to maturity, trading with a modest premium to conversion value and an attractive yield.

*Infinera Corp. (Cv., 2.125%, 09/01/2024)*, headquartered in Sunnyvale, California, is an optical communications equipment provider. Its products are used by large network operators, such as service providers, cloud operators, government, and large enterprises to efficiently scale high bandwidth networks in long haul, metro, and cloud deployments. We anticipate that demand for bandwidth will continue to increase significantly over time, and INFN's Photonic Integrated Circuits and hardware and software solutions, such as the Infinite Capacity Engine, will allow its customers to meet these growing network demands. This convertible was recently issued in the context of the acquisition of Coriant, another optical networking equipment provider. We anticipate that this acquisition will broaden INFN's customer base and offer significant economies of scale in terms of production and R&D. The convertible is an attractive way to invest in this turnaround growth story as it pays a yield advantage over the common stock while allowing us to participate in what we expect to be strong upside over the coming years.

*MercadoLibre Inc. (Cv., 2.00%, 08/15/2028)*, headquartered in Buenos Aires, Argentina and incorporated in the United States, is an e-commerce marketplace and digital payment provider throughout Latin America. The company has operations in eighteen countries, with Brazil, Argentina, and Mexico as the largest sources of revenue. MELI operates a marketplace business that connects buyers and sellers of goods online, while its MercadoEnvios (shipping and logistics) and MercadoPago (digital payments) businesses help to improve the e-commerce experience. These businesses have all grown very quickly as commerce shifts to online. MercadoPago also offers digital payments away from the MercadoLibre platform. The payments have grown significantly as these traditionally cash oriented economies have begun to realize the benefits of digital transactions. Both e-commerce and digital payment market penetration in Latin America lag significantly behind countries like China and the United States, and we anticipate that this gap will narrow over time, to the benefit of all of MELI's businesses. We have owned the 2.25% convertible for many years, as we have long thought highly of the company. It offered most of the equity upside that has occurred over that time, while also paying a nice yield advantage over the common shares. We have transitioned some of our holdings into the newly issued 2% convertible because it allows us to take some profits in the name and maintain exposure to the upside we anticipate, while greatly limiting our downside potential relative to the 2.25% converts if the market were to see some volatility.

*NuVasive (Cv., 2.25%, 3/15/2021)* is a medical device company focusing on minimally invasive solutions for the spine. The San Diego-based company has several products that come packaged as procedurally integrated solutions for spinal deformity and degenerative diseases. NuVasive's portfolio includes access instruments, implantable hardware, biologics, software systems for surgical planning, navigation and imaging solutions, magnetically adjustable implant systems for spine and orthopedics, and intraoperative monitoring service offerings, according to the company website. The convertible bonds offer an equity sensitive way to invest in NuVasive. There is a 1.77% current yield on the convertible, while the common stock offers no dividend. The maturity of 2021 on the bond offers protection on the downside.

*Pacira Pharmaceuticals Inc. (Cv., 2.375%, 4/1/2022)* is a Parsippany, New Jersey-based specialty pharmaceutical company that focuses on pain management with its long acting non-opioid product, Exparel. The company has been expanding access and indicated uses for Exparel by working to have reimbursement unbundled from hospital procedures for the ambulatory setting. This reduces costs and time to recovery while lowering the use of systemic opioids for pain relief. PCRX has expanded strategic partnerships with JNJ/DePuy Synthes in orthopedics, Ethicon in bariatric surgery, and Aetna and the American Association of Oral and Maxillofacial Surgeons for wisdom teeth removal. Pacira has also gained partnerships with a number of hospital systems that are committed to reducing the use of opioids in their patient population. This convertible bond has a current yield of around 2.2%, while the common stock pays no dividend. The bond should participate with some of the upside of the common stock, but provide downside protection should the stock decline due to its maturity in 2022.

October 25, 2018

**Top Ten Holdings  
September 30, 2018**

PNC Financial Services Group Inc.	Knowles Corp., 3.25%, 11/01/2021
Sunpower Corp., Cv., 4.00%, 01/15/23	Alibaba Mandatory Exchangeable Trust, Cv., 5.75%, 06/01/2019
American Tower Corp., 5.50%, 02/15/2018	Hess Corp.
Crown Castle International Corp., 6.875%, 08/01/2020	Extra Space Storage LP, 3.125%, 10/01/35
Interdigital Inc., 1.50%, 03/01/2020	T-Mobile US Inc.

**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. Beneficial ownership of shares held in the Fund by Mr. Gabelli and various entities he is deemed to control are disclosed in the Fund's annual proxy statement.



## **8% Distribution Policy for Common Stockholders**

The Board of Directors of the Fund (the “Board”) has reaffirmed the continuation of the Fund’s 8% distribution policy. Pursuant to its distribution policy, the Fund paid a \$0.12 per share cash distribution on September 21, 2018 to common stockholders of record on September 14, 2018.

The Fund intends to pay a quarterly distribution of an amount determined each quarter by the Board. Under the Fund’s current distribution policy, the Fund intends to pay a minimum annual distribution of 8% of the average net asset value of the Fund within a calendar year or an amount sufficient to satisfy the minimum distribution requirements of the Internal Revenue Code, whichever is greater. The average net asset value of the Fund is based on the average net asset values as of the last day of the four preceding calendar quarters during the year.

Each quarter, the Board reviews the amount of any potential distribution from the income, capital gain, or capital available. The Board will continue to monitor the Fund’s distribution level, taking into consideration the Fund’s net asset value and the financial market environment. The Fund’s distribution policy is subject to modification by the Board at any time. The distribution rate should not be considered the dividend yield or total return on an investment in the Fund.

If the Fund does not generate sufficient earnings (dividends and interest income and realized net capital gain) equal to or in excess of the aggregate distributions paid by the Fund in a given year, then the amount distributed in excess of the Fund’s earnings would be deemed a return of capital. Since this would be considered a return of a portion of a shareholder’s original investment, it is generally not taxable and is treated as a reduction in the shareholder’s cost basis. Despite the challenges of the extra recordkeeping, a distribution that incorporates a return of capital serves as a smoothing mechanism resulting in a more stable and consistent cash flow available to shareholders.

Long term capital gains, qualified dividend income, ordinary income, and paid-in capital, if any, will be allocated on a pro-rata basis to all distributions to common shareholders for the year. Based on the accounting records of the Fund currently available, the current distribution paid to common shareholders in 2018 would include approximately 6% from net investment income and 94% from net capital gains on a book basis. The estimated components of each distribution are updated and provided to shareholders of record in a notice accompanying the distribution and are available on our website ([www.gabelli.com](http://www.gabelli.com)). The final determination of the sources of all distributions in 2018 will be made after year end and can vary from the quarterly estimates. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2018 distributions in early 2019 via Form 1099-DIV.

## **6.00% Series B Cumulative Preferred Stock**

The Fund’s 6.00% Series B Cumulative Preferred Stock paid a \$0.375 per share cash distribution on September 26, 2018, to preferred shareholders of record on September 19, 2018. The Series B Preferred Shares, which trade on the NYSE under the symbol “GCV Pr B”, are rated “A1” by Moody’s Investors Service and have an annual dividend rate of \$1.50 per share. The Series B Preferred Shares were issued on March 18, 2003, at \$25.00 per share and pay distributions quarterly. After five years of call protection, the Series B Preferred Shares became callable at any time at the liquidation value of \$25.00 per share plus accrued dividends. The next distribution is scheduled for December 2018. The Fund is authorized to purchase its Series B Preferred Shares in the open market from time to time when such shares are trading at a discount to the

liquidation value of \$25.00 per share. In total through September 30, 2018, the Fund has repurchased and retired 34,452 Series B Preferred Shares in the open market under this share repurchase authorization. The Fund did not repurchase any Series B Preferred Shares during the third quarter of 2018.

Long term capital gains, qualified dividend income, and ordinary income, if any, will be allocated on a pro-rata basis to all distributions to preferred shareholders for the year. Based on the accounting records of the Fund currently available, the current distribution paid to preferred shareholders represents approximately 6% from net investment income and 94% from net capital gains on a book basis. The estimated components of each distribution are updated and provided to shareholders of record in a notice accompanying the distribution and are available on our website ([www.gabelli.com](http://www.gabelli.com)). The final determination of the sources of all distributions in 2018 will be made after year end and can vary from the quarterly estimates. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2018 distributions in early 2019 via Form 1099-DIV.

### **Tax Treatment of Distributions to Common and Preferred Shareholders**

All or part of the distributions may be treated as long term capital gain or qualified dividend income (or a combination of both) for individuals, each subject up to the maximum federal income tax rate. In addition, certain U.S. shareholders who are individuals, estates, or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surcharge on their “net investment income,” which includes dividends received from the Fund and capital gains from the sale or other disposition of shares of the Fund.

### **[www.gabelli.com](http://www.gabelli.com)**

Please visit us on the Internet. Our homepage at [www.gabelli.com](http://www.gabelli.com) contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Closed-End Funds and 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 [closedend@gabelli.com](mailto:closedend@gabelli.com).

You may sign up for our e-mail alerts at [www.gabelli.com](http://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. Shareholders of our closed-end funds can now elect to receive e-mail announcements regarding available materials, including shareholder commentaries and Fund reports. For more information or to register for e-delivery, please visit our website at [www.gabelli.com](http://www.gabelli.com).

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



## **AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLANS**

### **Enrollment in the Plan**

It is the policy of The Gabelli Convertible and Income Securities Fund Inc. (the “Fund”) to automatically reinvest dividends payable to common shareholders. As a “registered” shareholder you automatically become a participant in the Fund’s Automatic Dividend Reinvestment Plan (the “Plan”). The Plan authorizes the Fund to credit shares of common stock to participants upon an income dividend or a capital gains distribution regardless of whether the shares are trading at a discount or a premium to net asset value. All distributions to shareholders whose shares are registered in their own names will be automatically reinvested pursuant to the Plan in additional shares of the Fund. Plan participants may send their stock certificates to Computershare Trust Company, N.A. (“Computershare”) to be held in their dividend reinvestment account. Registered shareholders wishing to receive their distributions in cash must submit this request in writing to:

The Gabelli Convertible and Income Securities Fund Inc.  
c/o Computershare Trust Company, N.A.  
P.O. Box 505000  
Louisville, KY 40233

Shareholders requesting this cash election must include the shareholder’s name and address as they appear on the Fund’s records. Shareholders with additional questions regarding the Plan or requesting a copy of the terms of the Plan, may contact Computershare at (800) 336-6983.

If your shares are held in the name of a broker, bank, or nominee, you should contact such institution. If such institution is not participating in the Plan, your account will be credited with a cash dividend. In order to participate in the Plan through such institution, it may be necessary for you to have your shares taken out of “street name” and re-registered in your own name. Once registered in your own name your dividends will be automatically reinvested. Certain brokers participate in the Plan. Shareholders holding shares in “street name” at participating institutions will have dividends automatically reinvested. Shareholders wishing a cash dividend at such institution must contact their broker to make this change.

The number of shares of common stock distributed to participants in the Plan in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Fund’s common stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of common stock valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Fund’s common stock. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange (“NYSE”) trading day, the next trading day. If the net asset value of the common stock at the time of valuation exceeds the market price of the common stock, participants will receive shares from the Fund valued at market price. If the Fund should declare a dividend or capital gains distribution payable only in cash, Computershare will buy common stock in the open market, or on the NYSE or elsewhere, for the participants’ accounts, except that Computershare will endeavor to terminate purchases in the open market and cause the Fund to issue shares at net asset value if, following the commencement of such purchases, the market value of the common stock exceeds the then current net asset value.

The automatic reinvestment of dividends and capital gains distributions will not relieve participants of any income tax which may be payable on such distributions. A participant in the Plan will be treated for federal income tax purposes as having received, on a dividend payment date, a dividend or distribution in an amount equal to the cash the participant could have received instead of shares.

### **Voluntary Cash Purchase Plan**

The Voluntary Cash Purchase Plan is yet another vehicle for our shareholders to increase their investment in the Fund. In order to participate in the Voluntary Cash Purchase Plan, shareholders must have their shares registered in their own name.

Participants in the Voluntary Cash Purchase Plan have the option of making additional cash payments to Computershare for investments in the Fund's shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. Computershare will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. Computershare will charge each shareholder who participates \$0.75, plus a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that any voluntary cash payments be sent to Computershare Trust Company, N.A., P.O. Box 505000, Louisville, KY 40233 such that Computershare receives such payments approximately 10 days before the 1st and 15th of the month. Funds not received at least five days before the investment date shall be held for investment until the next purchase date. A payment may be withdrawn without charge if notice is received by Computershare at least 48 hours before such payment is to be invested.

*Shareholders wishing to liquidate shares held at Computershare* must do so in writing or by telephone. Please submit your request to the above mentioned address or telephone number. Include in your request your name, address, and account number. The cost to liquidate shares is \$2.50 per transaction as well as the brokerage commission incurred. Brokerage charges are expected to be less than the usual brokerage charge for such transactions.

More information regarding the Automatic Dividend Reinvestment Plan and Voluntary Cash Purchase Plan is available by calling (914) 921-5070 or by writing directly to the Fund.

The Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of the Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by Computershare on at least 90 days written notice to participants in the Plan.

# THE GABELLI CONVERTIBLE AND INCOME SECURITIES FUND INC.

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.

**Thomas Dinsmore, CFA**, joined Gabelli Funds LLC in 2015. He currently serves as portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. From 1996 to 2015 Mr. Dinsmore was Chairman and CEO of Dinsmore Capital Management; CEO and Portfolio Manager of Bancroft Fund Ltd; and CEO, Portfolio Manager and co-founder of Ellsworth Growth and Income Fund Ltd. He has a B.S. in Economics from the Wharton School of Business, and an M.A. in Economics from Fairleigh Dickinson University.

**Jane O’Keeffe** joined Gabelli Funds LLC in 2015. She currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. From 1996 to 2015 Ms. O’Keeffe was President and Director of Dinsmore Capital Management where she was also a Portfolio Manager of Bancroft Fund Ltd. and Ellsworth Growth and Income Fund Ltd. In 1980, Ms. O’Keeffe began as an assistant to the portfolio manager of IDS Progressive Fund. From 1983 through March 1986, she had research and portfolio management responsibilities at Soros Fund Management Company. In 1986, she was a portfolio manager and research analyst at Simms Capital Management until she joined Fiduciary Trust International in 1988 where she became a Vice President and Portfolio Manager for individuals, endowments, and foundations. She has a B.A. from the University of New Hampshire and attended the Lubin Graduate School of Business at Pace University.

**James Dinsmore, CFA**, joined Gabelli Funds LLC in 2015. He currently serves as portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Dinsmore received a BA in Economics from Cornell University and an MBA from Rutgers University.

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](http://www.gabelli.com).

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading “Convertible Securities Funds,” in Monday’s The Wall Street Journal. It is also listed in Barron’s Mutual Funds/Closed End Funds section under the heading “Convertible Securities Funds.”

The Net Asset Value per share may be obtained each day by calling (914) 921-5070 or visiting [www.gabelli.com](http://www.gabelli.com).

The NASDAQ symbol for the Net Asset Value per share is “XGCVX.”

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may from time to time purchase shares of its common stock in the open market when the Fund’s shares are trading at a discount of 10% or more from the net asset value of the shares. The Fund may also from time to time purchase shares of its preferred stock in the open market when the preferred shares are trading at a discount to the liquidation value.

**This report is printed on recycled paper.**

## THE GABELLI CONVERTIBLE AND INCOME SECURITIES FUND INC.

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### DIRECTORS

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

John Birch  
Partner,  
The Cardinal Partners Global

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

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

Thomas H. Dinsmore, CFA  
Portfolio Manager  
Gabelli Funds

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

Leslie F. Foley  
Attorney

Daniel D. Harding  
Former Chief Investment Officer,  
Harding Loevner LP

Michael J. Melarkey  
Attorney,  
McDonald Carano & Wilson

Kuni Nakamura  
President,  
Advanced Polymer, Inc.

Werner J. Roeder  
Former Medical Director,  
Lawrence Hospital

Anthonie C. van Ekris  
Chairman and Chief Executive  
Officer,  
BALMAC International, Inc.

Salvatore J. Zizza  
President,  
Zizza & Associates Corp.

### OFFICERS

Bruce N. Alpert  
President

John C. Ball  
Treasurer

Agnes Mullady  
Vice President

Andrea R. Mango  
Secretary & Vice President

Richard J. Walz  
Chief Compliance Officer

Laurissa M. Martire  
Vice President & Ombudsman

### INVESTMENT ADVISER

Gabelli Funds, LLC  
One Corporate Center  
Rye, New York 10580-1422

### CUSTODIAN

State Street Bank and Trust  
Company

### COUNSEL

Skadden, Arps, Slate, Meagher &  
Flom LLP

### TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.



GABELLI  
FUNDS

# THE GABELLI CONVERTIBLE AND INCOME SECURITIES FUND INC.

## GCV

*Shareholder Commentary*  
*September 30, 2018*

# The Gabelli Convertible and Income Securities Fund Inc.

## Third Quarter Report — September 30, 2018

### (Y)our Portfolio Management Team



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



**Thomas H. Dinsmore, CFA**  
Portfolio Manager  
BS, Wharton School  
of Business  
MA, Fairleigh  
Dickinson University



**Jane D. O'Keefe**  
Portfolio Manager  
BA, University of  
New Hampshire



**James A. Dinsmore, CFA**  
Portfolio Manager  
BA, Cornell University  
MBA, Rutgers University

#### To Our Shareholders,

For the quarter ended September 30, 2018, the net asset value (NAV) total return of The Gabelli Convertible and Income Securities Fund Inc. was 2.7%, compared with a total return of 0.03% for the Bloomberg Barclays Government/Credit Bond Index. The total return for the Fund's publicly traded shares was (5.8)%. The Fund's NAV per share was \$5.62, while the price of the publicly traded shares closed at \$5.69 on the New York Stock Exchange (NYSE). See below for additional performance information.

Enclosed is the schedule of investments as of September 30, 2018.

#### Comparative Results

<b>Average Annual Returns through September 30, 2018 (a) (Unaudited)</b>						Since Inception (07/03/89)
	Quarter	1 Year	5 Year	10 Year	15 Year	
<b>Gabelli Convertible and Income Securities Fund</b>						
<b>NAV Total Return (b)</b> . . . . .	2.68%	9.58%	6.92%	7.39%	6.05%	6.91%
<b>Investment Total Return (c)</b> . . . . .	(5.83)	13.29	8.33	9.26	5.60	6.55(d)
Standard & Poor's (S&P) 500 Index . . . . .	7.71	17.91	13.95	11.97	9.65	10.21(e)
Bloomberg Barclays Government/Credit Bond Index . . . . .	0.03	(1.42)	2.18	3.93	3.71	N/A(f)
Lipper Convertible Securities Fund Average . . . . .	3.90	11.05	7.30	9.15	7.42	8.25(e)
(a) <i>Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. The Fund's use of leverage may magnify the volatility of net asset value changes versus funds that don't employ leverage. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit <a href="http://www.gabelli.com">www.gabelli.com</a> for performance information as of the most recent month end. 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 S&amp;P 500 Index is an unmanaged indicator of stock market performance. The Bloomberg Barclays Government/Credit Bond Index is a market value weighted index that tracks the performance of fixed rate, publicly placed, dollar denominated obligations. The Lipper Convertible Securities Fund Average reflects the average performance of open-end funds classified in this particular category. Dividends and interest income are considered reinvested. You cannot invest directly in an index.</i>						
(b) Total returns and average annual returns reflect changes in the NAV per share, reinvestment of distributions at NAV on the ex-dividend date, and adjustments for rights offerings and are net of expenses. Since inception return is based on an initial NAV of \$10.00.						
(c) Total returns and average annual returns reflect changes in closing market values on the NYSE, reinvestment of distributions, and adjustments for rights offerings. Since inception return is based on an initial offering price of \$11.25 on March 31, 1995.						
(d) Since inception return is from March 31, 1995 when the Fund converted to closed-end status; before this date, the Fund had no operating history on the NYSE.						
(e) From June 30, 1989, the date closest to the Fund's inception for which data are available.						
(f) The Bloomberg Barclays Government/Credit Bond Index inception date is January 29, 1999.						

**The Gabelli Convertible and Income Securities Fund Inc.**  
**Schedule of Investments — September 30, 2018 (Unaudited)**

Principal Amount		Market Value	Principal Amount		Market Value
	<b>CONVERTIBLE CORPORATE BONDS — 49.3%</b>				
	<b>Aerospace — 2.5%</b>		\$ 565,000	Nice Systems Inc., 1.250%, 01/15/24.....	\$ 810,422
\$ 1,000,000	Aerojet Rocketdyne Holdings Inc., 2.250%, 12/15/23.....	\$ 1,429,795	352,000	Okta Inc., 0.250%, 02/15/23(a).....	545,672
1,013,000	Kaman Corp., 3.250%, 05/01/24.....	<u>1,192,074</u>	1,000,000	PROS Holdings Inc., 2.000%, 06/01/47.....	982,270
		<u>2,621,869</u>	428,000	Pure Storage Inc., 0.125%, 04/15/23(a).....	496,845
	<b>Broadcasting — 0.7%</b>		300,000	Sea Ltd., 2.250%, 07/01/23(a).....	297,583
588,000	Liberty Media Corp.-Liberty Formula One, 1.000%, 01/30/23.....	<u>688,602</u>	500,000	Splunk Inc., 1.125%, 09/15/25(a).....	<u>517,433</u>
	<b>Building and Construction — 0.1%</b>				<u>13,297,395</u>
200,000	Ascent Capital Group Inc., 4.000%, 07/15/20.....	<u>140,000</u>		<b>Consumer Services — 1.5%</b>	
	<b>Business Services — 1.9%</b>		1,500,000	Extra Space Storage LP, 3.125%, 10/01/35(a).....	<u>1,591,395</u>
515,000	Bristow Group Inc., 4.500%, 06/01/23.....	519,893		<b>Diversified Industrial — 1.5%</b>	
500,000	Perficient Inc., 2.375%, 09/15/23(a).....	474,500	600,000	Chart Industries Inc., 1.000%, 11/15/24(a).....	856,530
500,000	Q2 Holdings Inc., 0.750%, 02/15/23(a).....	592,163	500,000	TimkenSteel Corp., 6.000%, 06/01/21.....	<u>713,163</u>
356,000	Team Inc., 5.000%, 08/01/23.....	<u>449,450</u>			<u>1,569,693</u>
		<u>2,036,006</u>		<b>Electronics — 2.7%</b>	
	<b>Cable and Satellite — 1.5%</b>		500,000	Intel Corp., Sub. Deb., 3.250%, 08/01/39.....	1,149,063
1,600,000	DISH Network Corp., 3.375%, 08/15/26.....	<u>1,530,026</u>	1,500,000	Knowles Corp., 3.250%, 11/01/21.....	<u>1,716,000</u>
	<b>Communications Equipment — 1.7%</b>				<u>2,865,063</u>
1,500,000	InterDigital, Inc., 1.500%, 03/01/20.....	<u>1,762,731</u>		<b>Energy and Utilities — 3.7%</b>	
	<b>Computer Software and Services — 12.6%</b>		500,000	Cheniere Energy Inc., 4.250%, 03/15/45.....	403,562
515,000	Apptio Inc., 0.875%, 04/01/23(a).....	580,466	1,016,000	Newpark Resources Inc., 4.000%, 12/01/21(a).....	1,352,662
700,000	Coupa Software Inc., 0.375%, 01/15/23(a).....	1,278,961	2,500,000	SunPower Corp., 4.000%, 01/15/23.....	<u>2,104,213</u>
1,500,000	CSG Systems International Inc., 4.250%, 03/15/36.....	1,580,019			<u>3,860,437</u>
584,000	Ctrip.com International Ltd., 1.250%, 09/15/22.....	572,670		<b>Entertainment — 1.0%</b>	
386,000	GDS Holdings Ltd., 2.000%, 06/01/25(a).....	356,606	1,000,000	Gannett Co. Inc., 4.750%, 04/15/24(a).....	<u>1,047,947</u>
1,016,000	IAC FinanceCo. Inc., 0.875%, 10/01/22(a).....	1,512,588		<b>Financial Services — 0.4%</b>	
1,294,000	Lumentum Holdings Inc., 0.250%, 03/15/24.....	1,555,423	344,000	LendingTree Inc., 0.625%, 06/01/22.....	<u>437,880</u>
1,056,000	MercadoLibre Inc., 2.000%, 08/15/28(a).....	1,043,837		<b>Health Care — 8.3%</b>	
1,092,000	New Relic Inc., 0.500%, 05/01/23(a).....	1,166,600	500,000	Bayer Capital Corp.BV, 5.625%, 11/22/19(a).....	536,675
			1,083,000	Intercept Pharmaceuticals Inc., 3.250%, 07/01/23.....	1,099,922

See accompanying notes to schedule of investments.



**The Gabelli Convertible and Income Securities Fund Inc.**  
**Schedule of Investments (Continued) — September 30, 2018 (Unaudited)**

Principal Amount		Market Value	Shares		Market Value
	<b>CONVERTIBLE CORPORATE BONDS (Continued)</b>			<b>CONVERTIBLE PREFERRED STOCKS — 2.7%</b>	
	<b>Health Care (Continued)</b>			<b>Real Estate Investment Trusts — 2.1%</b>	
\$ 500,000	Invacare Corp., 4.500%, 06/01/22.....	\$ 566,592	10,000	QTS Realty Trust Inc., 6.500%, Ser. B .....	\$ 1,056,100
608,000	Neurocrine Biosciences Inc., 2.250%, 05/15/24.....	1,037,905	20,000	Welltower Inc., 6.500%, Ser. I .....	1,210,400
750,000	NuVasive Inc., 2.250%, 03/15/21.....	952,031	12,000		<u>2,266,500</u>
1,000,000	Pacira Pharmaceuticals Inc., 2.375%, 04/01/22.....	1,059,996		<b>Telecommunications — 0.6%</b>	
500,000	Paratek Pharmaceuticals Inc., 4.750%, 05/01/24(a).....	474,375		Cincinnati Bell Inc., 6.750%, Ser. B .....	588,120
200,000	Retrophin Inc., 2.500%, 09/15/25.....	205,879		<b>TOTAL CONVERTIBLE PREFERRED STOCKS .....</b>	
500,000	Supernus Pharmaceuticals Inc., 0.625%, 04/01/23(a).....	561,607	10,638		<u>2,854,620</u>
600,000	Teladoc Health Inc., 3.000%, 12/15/22.....	1,227,565		<b>MANDATORY CONVERTIBLE SECURITIES (b) — 13.7%</b>	
1,000,000	Teligent Inc., 3.750%, 12/15/19.....	<u>957,500</u>	5,000	<b>Building and Construction — 1.1%</b>	
		<u>8,680,047</u>		Stanley Black & Decker Inc., 5.375%, 05/15/20.....	1,166,031
	<b>Metals and Mining — 1.0%</b>		13,341	<b>Computer Software and Services — 0.6%</b>	
1,000,000	Arconic Inc., 1.625%, 10/15/19.....	<u>1,021,890</u>		MTS Systems Corp., 8.750%, 07/01/19.....	599,065
	<b>Semiconductors — 4.8%</b>		20,100	<b>Diversified Industrial — 2.0%</b>	
750,000	Cypress Semiconductor Corp., 4.500%, 01/15/22.....	944,381		International Flavors & Fragrances Inc., 6.000%, 09/15/21.....	767,107
1,000,000	Inphi Corp., 1.125%, 12/01/20.....	1,157,222	3,000	Rexnord Corp., 5.750%, Ser. A, 11/15/19 .....	1,306,500
800,000	NXP Semiconductors NV, 1.000%, 12/01/19.....	834,983	300		<u>2,073,607</u>
947,000	Rambus Inc., 1.375%, 02/01/23(a).....	854,126		<b>Energy and Utilities — 3.8%</b>	
1,000,000	Teradyne Inc., 1.250%, 12/15/23.....	<u>1,301,452</u>	20,668	CenterPoint Energy Inc., 7.000%, 09/01/21.....	151,470
		<u>5,092,164</u>		El Paso Energy Capital Trust I, 4.750%, 03/31/28.....	14,097
	<b>Telecommunications — 2.3%</b>		5,163	Hess Corp., 8.000%, 02/01/19.....	1,642,693
1,000,000	Infinera Corp., 2.125%, 09/01/24.....	1,014,409	5,000	Sempra Energy, 6.000%, Ser. A, 01/15/21 .....	520,637
1,013,000	Twilio Inc., 0.250%, 06/01/23(a).....	<u>1,366,899</u>	21,875	6.750%, Ser. B, 07/15/21 .....	503,975
		<u>2,381,308</u>		South Jersey Industries Inc., 7.250%, 04/15/21.....	1,220,844
	<b>Transportation — 1.1%</b>		9,000		<u>4,053,716</u>
1,000,000	Atlas Air Worldwide Holdings Inc., 2.250%, 06/01/22.....	1,157,974		<b>Financial Services — 2.6%</b>	
		<u>51,782,427</u>	9,324	Alibaba - Mandatory Exchange Trust, 5.750%, 06/01/19(a).....	1,668,375
	<b>TOTAL CONVERTIBLE CORPORATE BONDS .....</b>			Assurant Inc., 6.500%, Ser. D, 03/15/21 .....	1,049,509
					<u>2,717,884</u>

See accompanying notes to schedule of investments.

**The Gabelli Convertible and Income Securities Fund Inc.**  
**Schedule of Investments (Continued) — September 30, 2018 (Unaudited)**

Shares		Market Value	Shares		Market Value
	<b>MANDATORY CONVERTIBLE SECURITIES (b) (Continued)</b>			<b>Financial Services — 9.5%</b>	
	<b>Health Care — 1.8%</b>			American Express Co. ....	\$ 266,225
22,646	Becton Dickinson and Co., 6.125%, 05/01/20 .....	\$ 1,480,142	2,500	American International Group Inc. ....	372,680
			13,113	American Tower Corp., REIT .....	1,905,319
1,000	Teva Pharmaceutical Industries Ltd., 7.000%, 12/15/18 .....	403,660	4,000	Bank of America Corp. ....	117,840
		<u>1,883,802</u>	8,000	Citigroup Inc. ....	573,920
			4,500	JPMorgan Chase & Co. ....	507,780
	<b>Real Estate Investment Trusts — 1.8%</b>		7,000	Julius Baer Group Ltd. ....	350,285
1,727	Crown Castle International Corp., 6.875%, Ser. A, 08/01/20 .....	1,875,522	10,000	Kinnevik AB, Cl. A .....	307,739
			4,000	Morgan Stanley .....	186,280
			9,500	State Street Corp. ....	795,910
	<b>TOTAL MANDATORY CONVERTIBLE SECURITIES</b> .....	<u>14,369,627</u>	21,000	The Bank of New York Mellon Corp. ....	1,070,790
			1,000	The Dun & Bradstreet Corp. ....	142,510
	<b>COMMON STOCKS — 23.3%</b>		17,000	The PNC Financial Services Group Inc. ....	2,315,230
	<b>Automotive: Parts and Accessories — 0.5%</b>		20,000	Wells Fargo & Co. ....	1,051,200
5,000	Genuine Parts Co. ....	497,000	62,428	Wright Investors' Service Holdings Inc.† .....	24,971
					<u>9,988,679</u>
				<b>Food and Beverage — 1.0%</b>	
	<b>Broadcasting — 0.1%</b>		88,000	Parmalat SpA .....	290,169
2,000	Tribune Media Co., Cl. A .....	76,860	2,020	Pernod Ricard SA .....	331,394
			3,000	Remy Cointreau SA .....	390,809
	<b>Building and Construction — 1.0%</b>				<u>1,012,372</u>
5,500	Herc Holdings Inc.† .....	281,600		<b>Health Care — 2.5%</b>	
16,688	USG Corp.† .....	722,757	10,000	Bristol-Myers Squibb Co. ....	620,800
		<u>1,004,357</u>	2,500	Eli Lilly & Co. ....	268,275
			1,000,000	Elite Pharmaceuticals Inc.† .....	90,000
	<b>Computer Hardware — 0.4%</b>		1,000	Johnson & Johnson .....	138,170
3,000	International Business Machines Corp. ....	453,630	5,000	Merck & Co. Inc. ....	354,700
			40,000	Roche Holding AG, ADR .....	1,206,400
	<b>Computer Software and Services — 1.1%</b>				<u>2,678,345</u>
5,000	CA Inc. ....	220,750		<b>Hotels and Gaming — 0.9%</b>	
8,600	Proofpoint Inc.† .....	914,399	6,500	LaSalle Hotel Properties, REIT .....	224,835
		<u>1,135,149</u>	8,500	Ryman Hospitality Properties Inc., REIT .....	732,445
					<u>957,280</u>
	<b>Consumer Products — 1.2%</b>			<b>Retail — 0.3%</b>	
2,000	SodaStream International Ltd.† .....	286,160	1,000	Costco Wholesale Corp. ....	234,880
20,000	Swedish Match AB .....	1,023,921	7,000	Hertz Global Holdings Inc.† .....	114,310
		<u>1,310,081</u>			<u>349,190</u>
				<b>Telecommunications — 1.5%</b>	
	<b>Diversified Industrial — 0.2%</b>		1,600	Swisscom AG .....	726,146
18,000	General Electric Co. ....	203,220	16,000	Verizon Communications Inc. ....	854,240
					<u>1,580,386</u>
	<b>Energy and Utilities — 1.3%</b>			<b>Transportation — 0.1%</b>	
1,000	Chevron Corp. ....	122,280	1,000	GATX Corp. ....	86,590
1,000	Exxon Mobil Corp. ....	85,020			
2,500	Royal Dutch Shell plc, Cl. A, ADR .....	170,350		<b>Wireless Communications — 1.5%</b>	
29,000	Severn Trent plc .....	698,900	22,566	T-Mobile US Inc.† .....	1,583,682
1,000,000	Texas Competitive Electric Holdings Co. LLC, Escrow†(c) .....	0			
20,000	The AES Corp. ....	280,000			
		<u>1,356,550</u>			
	<b>Equipment and Supplies — 0.2%</b>				
8,000	Mueller Industries Inc. ....	231,840			

See accompanying notes to schedule of investments.



## The Gabelli Convertible and Income Securities Fund Inc. Notes to Schedule of Investments (Unaudited)

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As an investment company, the Fund follows the investment company accounting and reporting guidance, which is part of U.S. generally accepted accounting principles (GAAP) that may require the use of management estimates and assumptions in the preparation of its schedule of investments. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its schedule of investments.

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

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

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

## The Gabelli Convertible and Income Securities Fund Inc. Notes to Schedule of Investments (Unaudited) (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities by inputs used to value the Fund's investments as of September 30, 2018 is as follows:

	Valuation Inputs			Total Market Value at 9/30/18
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Convertible Corporate Bonds (a)	—	\$51,782,427	—	\$ 51,782,427
Convertible Preferred Stocks (a)	\$ 2,854,620	—	—	2,854,620
Mandatory Convertible Securities:				
Computer Software and Services	—	599,065	—	599,065
Energy and Utilities	3,549,741	503,975	—	4,053,716
Financial Services	1,049,509	1,668,375	—	2,717,884
Other Industries (a)	6,998,962	—	—	6,998,962
Total Mandatory Convertible Securities	11,598,212	2,771,415	—	14,369,627
Common Stocks:				
Energy and Utilities	1,356,550	—	\$ 0	1,356,550
Other Industries (a)	23,167,941	—	—	23,167,941
Total Common Stock	24,524,491	—	0	24,524,491
U.S. Government Obligations	—	11,613,784	—	11,613,784
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$38,977,323</b>	<b>\$66,167,626</b>	<b>\$ 0</b>	<b>\$105,144,949</b>

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

### Additional Information to Evaluate Qualitative Information.

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

**Fair Valuation.** Fair valued securities may be common or preferred equities, warrants, options, rights, or fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. When fair valuing a security, factors to consider include 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 Gabelli Convertible and Income Securities Fund Inc. Notes to Schedule of Investments (Unaudited) (Continued)

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

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

The Fund's derivative contracts held at September 30, 2018, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

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

**Limitations on the Purchase and Sale of Futures Contracts, Certain Options, and Swaps.** Subject to the guidelines of the Board, the Fund may engage in "commodity interest" transactions (generally, transactions in futures, certain options, certain currency transactions, and certain types of swaps) only for bona fide hedging or other permissible transactions in accordance with the rules and regulations of the Commodity Futures Trading Commission (CFTC). Pursuant to amendments by the CFTC to Rule 4.5 under the Commodity Exchange Act (CEA), the Adviser has filed a notice of exemption from registration as a "commodity pool operator" with respect to the Fund. The Fund and the Adviser are therefore not subject to registration or regulation as a commodity pool operator under the CEA. In addition, certain trading restrictions are now applicable to the Fund which permit the Fund to engage in commodity interest transactions that include (i) "bona fide hedging" transactions, as that term is defined and interpreted by the CFTC and its staff, without regard to the percentage of the Fund's assets committed to margin and options premiums and (ii) non-bona fide hedging transactions, provided that



## The Gabelli Convertible and Income Securities Fund Inc. Notes to Schedule of Investments (Unaudited) (Continued)

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the Fund does not enter into such non-bona fide hedging transactions if, immediately thereafter, either (a) the sum of the amount of initial margin deposits on the Fund's existing futures positions or swaps positions and option or swaption premiums would exceed 5% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions, or (b) the aggregate net notional value of the Fund's commodity interest transactions would not exceed 100% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions. Therefore, in order to claim the Rule 4.5 exemption, the Fund is limited in its ability to invest in commodity futures, options, and certain types of swaps (including securities futures, broad based stock index futures, and financial futures contracts). As a result, in the future, the Fund will be more limited in its ability to use these instruments than in the past, and these limitations may have a negative impact on the ability of the Adviser to manage the Fund, and on the Fund's performance.

**Securities Sold Short.** The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of the open positions, which is adjusted periodically as the value of the position fluctuates. At September 30, 2018, the Fund did not hold securities sold short.

**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.

## **The Gabelli Convertible and Income Securities Fund Inc. Notes to Schedule of Investments (Unaudited) (Continued)**

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

**Restricted Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At September 30, 2018, the Fund did not hold restricted securities.

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

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# THE GABELLI CONVERTIBLE AND INCOME SECURITIES FUND INC.

## GCV

*Third Quarter Report  
September 30, 2018*