

The Gabelli Equity Income Fund

Shareholder Commentary September 30, 2018

To Our Shareholders,

For the quarter ended September 30, 2018, the net asset value (“NAV”) per Class AAA Share of The Gabelli Equity Income Fund increased 3.9% compared with an increase of 7.7% for the Standard & Poor’s (“S&P”) 500 Index. Other classes of shares are available. See page 2 for performance information for all classes.

In Review

During the third quarter of 2018, the stock market continued its upward climb. The index was up every quarter of 2017 and every quarter of this year with the exception of the first quarter, during which it was only down marginally. Through the third quarter of 2018, the overall market, as measured by the S&P 500, is up by over 10% on a total return basis. However, growth stocks have been leading the market, not just year-to-date but also over the past five years, as value stocks have lagged. Growth stocks, as measured by the S&P/Citigroup Growth Index, are up over 17% year to date. On the other hand, value stocks, as measured by the S&P/Citigroup Value Index, are up by 3.5% this year. Many large cap technology-focused stocks have been driving the overall market and account for a considerable part of the gains that the market has seen. Some of these stocks do not pay a dividend, a characteristic we like to have in (y)our Fund holdings. The good news is that, although value investing has been out of favor for many years now, we feel the market is poised to start favoring value stocks once again and (y)our portfolio is well positioned to benefit when that rotation occurs.

Monthly Distributions – \$0.10 per share

The Gabelli Equity Income Fund has a \$0.10 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.

Comparative Results

Average Annual Returns through September 30, 2018 (a) (b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (1/2/92)
Class AAA (GABEX)	3.92%	6.77%	7.60%	9.03%	8.59%	9.87%
S&P 500 Index	7.71	17.91	13.95	11.97	9.65	9.74(c)
Nasdaq Composite Index	7.41	25.16	17.34	15.12	11.11	10.62(c)
Lipper Equity Income Fund Average	5.55	10.44	10.28	9.73	8.44	8.59
Class A (GCAEX)	3.94	6.76	7.61	9.03	8.58	9.87
With sales charge (d)	(2.04)	0.62	6.34	8.39	8.15	9.62
Class C (GCCEX)	3.78	6.02	6.81	8.23	7.80	9.42
With contingent deferred sales charge (e)	2.78	5.02	6.81	8.23	7.80	9.42
Class I (GCIEX)	4.01	7.07	7.88	9.32	8.79	9.99

In the current prospectuses dated January 26, 2018, the expense ratios for Class AAA, A, C, and I Shares are 1.39%, 1.39%, 2.14%, and 1.14%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A Shares and Class C Shares is 5.75% and 1.00%, respectively.

- (a) *Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003, and Class I Shares on January 11, 2008. The actual performance of the Class A Shares and Class C Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Nasdaq Composite Index is an unmanaged indicator of stock market performance. The Lipper Equity Income Fund Average includes the 30 largest equity funds in this category tracked by Lipper, Inc. Dividends are considered reinvested, except for the Nasdaq Composite Index. You cannot invest directly in an index.*
- (b) The Fund's fiscal year ends September 30.
- (c) S&P 500 Index and Nasdaq Composite Index since inception performance information is as of December 31, 1991.
- (d) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (e) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

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

We expect both earnings growth and deal activity to accelerate in 2018, with earnings for the S&P 500 up more than 10% in 2018, driven by fiscal stimulus, tax cuts, less regulation, and a favorable business climate. Deal activity should also increase, driven by large cash holdings on the balance sheet of corporate America, a stable regulatory environment, and modest interest rates.

The Economy

The U.S. economy grew at an impressive rate of almost 3.0% in real terms during 2017, and we expect that the economy will continue to grow by at least 3.0% during 2018. Inflation, as measured by the Consumer Price Index, has started to move up slightly, and we expect that inflation will hover slightly above 2% for 2018, a level that central bankers should be comfortable with as they gradually raise short term rates. The unemployment rate, now just below 4%, stands at a multi-decade low. Housing starts of about 1.3 million units continue their steady increase, but remain comfortably below the prior peak of 2.2 million units.

The U.S. economic expansion has been going since June 2009, according to the National Bureau of Economic Research. That means we are now in the second longest economic expansion in the U.S., beating the 106-month expansion of the 1960s; the longest economic expansion on record was from 1991-2001. Thus, if the economic expansion goes on for another year, as we expect it will, then the U.S. will have its longest economic expansion on record. Record keeping of such economic data first started around the time of the American Civil War.

The State of Washington

Since late 2017, the rising stock market was based on a “Trump Bump,” consisting of (a) tax reform, (b) deregulation, and (c) fiscal stimulus. The Trump administration has delivered on all of these objectives. Fiscal stimulus is being fueled by rising military spending, and the administration would also like to increase infrastructure spending. The new tax bill, which lowers the federal corporate tax rate to 21%, will make U.S. corporate taxes competitive with other OECD countries, which is a major positive for the U.S. economy and the U.S. stock market. We believe (y)our portfolio is well positioned to capture the benefits of the lower corporate taxes, as it includes a disproportionate weighting of smaller and mid-size U.S. firms, which previously were paying higher effective rates and whose revenues are centered on domestic operations. Many individuals will see lower taxes with reduced rates and an increased standard deduction, but higher income households in higher state and local tax (SALT) geographies could see an increase. Deregulation in the energy, financial, and media/telecom sectors has already unleashed corporate animal spirits. We expect more deregulation to come from this administration.

The State of the Federal Reserve

Notwithstanding excitement about potential tax windfalls, the most powerful market force coming out of Washington during the past decade has been the Federal Reserve. Through open market activity and three rounds of quantitative easing (QE), the Federal Reserve slashed short-term interest rates from 4.5% before the 2008-2009 financial crisis to nearly zero, lifting assets prices everywhere. The Federal Reserve began tapping the

brakes by tapering QE in October 2014, and has now raised rates eight times, the latest taking the Federal Reserve Funds rate to a range of 2.00% – 2.25%. Current expectations are for possibly one additional rate increase in 2018 and two in 2019, which would ratchet the Federal Funds rate to 3.0%. Newly-appointed Federal Reserve Chair Jerome H. Powell, a centrist and former banker, has expressed a comfort level with this course.

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

Dividends

Dividends are an important element in the historical returns of stocks. They provide current income and a growing income stream over time. During the third quarter of 2018, U.S. companies continued to increase their dividends, and the dividend payout ratio stood at about 40%. At the end of the quarter, the dividend yield on the S&P 500 was approximately 2%, while the 10 year U.S. Treasury yielded just over 3%.

Investment Scorecard

During the third quarter of 2018, the S&P 500 was up about 7.7% on a total return basis, and all of the eleven sectors that make up the S&P 500 Index were up. The three best performing sectors during the quarter were Health Care (up 14.5%), Industrials (up 10.0%), and Telecom (up 9.9%). The Telecom sector was reconfigured during the quarter, and now includes stocks such as Facebook and the former Google. The three worst performing sectors, all of which were up by less than 1%, were Materials, Energy, and Real Estate.

Some of the stocks in the Fund that drove performance during the third quarter were Honeywell (1.5% of net assets as of September 30, 2018), Pfizer (0.9%), and CVS Health (1.3%), all of which were up by over 10%. Honeywell is a large industrial conglomerate that raised earnings guidance and gave more information about its planned spin-off of Resideo. Health care company Pfizer raised guidance and has promising products in its pipeline, while CVS Health also raised guidance.

Among of the worst performing stocks in the Fund during the third quarter were General Electric (0.1%), Kraft-Heinz (0.3%), and Legg Mason (0.3%). These three stocks were each down over 10%. General Electric is a large conglomerate that has been experiencing problems in its Power Division, which generated very good profit growth in the past. Legg Mason is a traditional asset management firm that had slight outflows in long term assets during part of the quarter. Food company Kraft Heinz is currently struggling with slow top line growth.

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 share prices are listed first in United States dollars (USD) and second in the local currency, where applicable, and are presented as of September 30, 2018.

Bank of New York Mellon Corp. (2.9% of net assets as of September 30, 2018) (BK – \$50.99 – NYSE) is a global leader in providing financial services to institutions and individuals. The company operates in more than one hundred markets worldwide and strives to be the global provider of choice for investment management and investment services. As of September 2018, the firm had \$34.5 trillion in assets under custody and \$1.8 trillion in assets under management. Going forward, we expect BK to benefit from rising global incomes and the cross border movement of financial transactions. We believe BK is also well positioned to grow earnings in a rising interest rate environment, given its large customer cash deposits and significant loan book.

CBS Corp. (1.8%) (CBS – \$58.05 – NYSE) operates the CBS television network and the premium cable network Showtime. It also owns 29 local television stations and 130 radio stations. We believe that CBS has a number of opportunities to generate incremental non-advertising revenue from the sale of existing content through its OTT platforms, online video distributors, and retransmission agreements with traditional distributors. In addition, we expect a continued recovery in advertising to contribute to earnings growth. Finally, we believe a combination with Viacom could act as a catalyst.

CVS Health Corp. (1.3%) (CVS – \$78.72 – NYSE) is the leading pharmacy and pharmacy benefits manager (PBM) in the country with over \$150 billion in annual revenue. Late last year the company agreed to acquire health insurer Aetna for \$69 billion in cash and stock in a deal that should close before the end of this year after a lengthy antitrust review. The combined company can leverage a range of health assets and data to both improve health and lower costs for consumers. It will also serve as a springboard to reinvent the CVS stores, adding more health services and making them a central hub to help consumers navigate the health care system. That new store format should help the combined company to better compete with Amazon, which continues to show increased interest across the health care industry. The combined CVS/Aetna should generate prodigious amounts of cash that will be used to quickly pay down debt from the deal.

Genuine Parts Co. (2.4%) (GPC – \$99.40 – NYSE) is an Atlanta, Georgia-based distributor of automotive and industrial replacement parts, and electrical and electronic components. We expect GPC's well known NAPA Auto Parts group to benefit as an aged vehicle population, which includes the highest percentage of off warranty vehicles in history, helps drive sales of automotive aftermarket products over the next several years. Additionally, economic indicators remain supportive of the company's industrial and electrical parts distribution businesses amid steady economic expansion. Finally, GPC's management has shown consistent dedication to shareholder value via share repurchases and dividend increases.

Honeywell International Inc. (1.5%) (HON – \$166.40 – NYSE) operates as a diversified technology company with highly engineered products, including turbine propulsion engines, auxiliary power units, aircraft brake pads, environmental control systems, engine controls, communications and navigation systems, sensors, home automation, catalysts and absorbents and process technology for the petrochemical and refining industries and warehouse automation equipment and software. One of the key drivers of HON's growth is acquisitions that increase the company's growth profile globally, creating both organic and inorganic opportunities. The company recently announced its plan to spin-off its Homes product portfolio and ADI Global Distribution businesses as well as its Transportation Systems business into two publicly-traded companies.

Merck & Company, Inc. (1.3%) (MRK – \$70.94 – NYSE), headquartered in Whitehouse Station, New Jersey, is a major international drug and pharmaceutical manufacturing company with global revenue of \$40.1 billion in 2017. The company's product portfolio includes seven blockbusters with over \$1 billion of annual sales and is led by Keytruda, a breakthrough cancer drug in the emerging field of immuno-oncology. Merck is also a leading player in the markets for vaccines, diabetes treatments, and animal healthcare.

Mondelēz International Inc. (2.0%) (MDLZ – \$42.96 – NASDAQ), headquartered in Deerfield, Illinois, is the renamed Kraft Foods Inc. following the tax-free spin-off to shareholders of the North American grocery business on October 1, 2012. On July 2, 2015 Mondelez combined its coffee business with D.E Master Blenders 1753 to form a new coffee company, Jacobs Douwe Egberts. Subsequently, MDLZ exchanged part of its stake in this coffee joint venture for 24% ownership in Keurig Green Mountain, which was acquired by an investor group led by JAB Holding Co. in March 2016. This narrows the company's product focus, as nearly 85% of Mondelez's \$26 billion of revenue is derived from snacking, including leading brands such as Oreo, LU and Ritz biscuits, Trident gum, and Cadbury and Milka chocolates. The company continues to execute against its plan to accelerate growth and to improve margins, targeting 17% in 2018.

PNC Financial Services Group Inc. (1.2%) (PNC – \$136.19 – NYSE) is one of the nation's largest diversified financial services organizations. From the company's Pittsburgh headquarters, PNC provides retail and commercial banking services throughout the Midwestern and Southeastern U.S. via a regional branch network of over 2,000 locations, along with mortgage and deposit businesses on a national basis. The company also operates a large asset management business, with over \$159 billion in assets under management and \$293 billion under administration as of September 2018. The firm has strong corporate leadership with a historically-conservative approach to loan origination and credit performance.

Swedish Match AB (3.4%) (SWMA – \$51.20/SEK455.00 – Stockholm Stock Exchange) produces tobacco products that include snus and snuff, chewing tobacco, cigars, and lights. The company has been benefiting from the growth of the smokeless tobacco market in both Scandinavia and the U.S., as public smoking bans and health concerns are driving consumers to seek alternative tobacco products to cigarettes. In October 2010, Swedish Match combined its European and premium cigar portfolios with Scandinavian cigar and pipe tobacco company STG, creating a new company that should benefit from enhanced scale and synergies. In February 2016, STG went public via an IPO on the Copenhagen Stock Exchange, with Swedish Match partially monetizing

its stake. Swedish Match fully monetized its stake in STG in 2017. The company has a new tobacco-free nicotine pouch product called ZYN that is growing rapidly in the U.S. and Scandinavia, and is driving growth in its mass market cigar business through its new natural leaf products. We expect Swedish Match to continue to grow its cigar and smokeless business globally, and the company could be an attractive takeover candidate for a global tobacco company that wants to increase its presence in the smokeless segment.

Verizon (1.3%) (VZ – \$53.39 – NYSE) is one of the world's leading telecommunications services companies. Its wholly-owned subsidiary, Verizon Wireless (VZW), is the largest mobile operator in the United States with over 116 million retail customers. In July 2018, Verizon reported stronger than expected 2Q revenues and wireless postpaid net additions along with in-line Adjusted EBITDA. The company also raised its 2018 revenue guidance to "low-to-mid single-digit" growth from prior expectation of low single digits (primarily due to better than expected wireless equipment revenue trends). On August 1, Hans Vestberg, previously company's CTO and Head of Global Networks (and former CEO of Ericsson), officially succeeded Lowell McAdam as CEO of Verizon. It appears that the company's network-centric strategy will remain largely unchanged over the medium term, as Hans transitions the company to the 5G era. On October 1, 2018, Verizon launched the world's first commercial 5G service, although in a fixed-wireless setting. Verizon 5G Home is available in parts of Houston, Indianapolis, Los Angeles, and Sacramento. This fixed-wireless broadband service utilizes millimeter-wave spectrum and is expected to provide typical speeds of 300 Mbps and peak speeds up to 1 Gbps. This launch is expected to be followed by a broader rollout in 2019 (on standards-based equipment). Verizon estimates the market opportunity for initial 5G residential broadband services to be ~30 million households.

Conclusion

While change is constant, the fundamental underpinnings of common stock value investing remain unchanged. Our stock selection process is based on the investment principles first articulated in 1934 by the fathers of security analysis, Benjamin Graham and David Dodd. Their work provided the framework for value investing. Our firm contributed to the academic and empirical research on value investing by introducing the concept of Private Market Value (PMV) with a Catalyst™. This is our proprietary research methodology that focuses on individual stock selection by identifying stocks of firms selling at a discount to intrinsic value per share with a reasonable probability of realizing their PMVs. We define PMV as the price a strategic acquirer would likely be willing to pay for the entire enterprise. Catalysts are specific events or circumstances with varying time horizons that can trigger a narrowing of the difference between the market price of a stock and its estimated PMV per share. Price appreciation can occur instantly, as in the case in an announced takeover, or more gradually over time. There are a variety of catalysts that can cause change. Some general categories include: company specific, industry, regulatory, demographic, political, and economic. We continue to find good value in many companies that have some combination of long term growth prospects, strong cash flow generation, good balance sheets, as well as shareholder friendly management teams. We thank you for your investment in the Fund and we look forward to serving you in the future.

October 30, 2018

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

Swedish Match AB	3.4%	CBS Corp.	1.8%
Bank of New York Mellon Corp.	2.9%	Bristol-Myers Squibb Co.	1.6%
Genuine Parts Co.	2.4%	Brown-Forman Corp.	1.6%
Mondelēz International Inc.	2.0%	Honeywell International Inc.	1.5%
Mastercard Inc.	1.8%	Citigroup Inc.	1.5%

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

Minimum Initial Investment – \$1,000

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

www.gabelli.com

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

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

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

e-delivery

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

Multi-Class Shares

Class AAA Shares are no-load shares offered directly through selected broker/dealers. Class A and Class C 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.

Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC and GAMCO Asset Management Inc., which are affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries and affiliates that provide investment advisory services for a variety of clients.

What kind of non-public information do we collect about you if you become a fund shareholder?

If you apply to open an account directly with us, you will be giving us some non-public information about yourself. The non-public information we collect about you is:

- *Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.
- *Information about your transactions with us, any transactions with our affiliates, and transactions with the entities we hire to provide services to you.* This would include information about the shares that you buy or redeem. If we hire someone else to provide services—like a transfer agent—we will also have information about the transactions that you conduct through them.

What information do we disclose and to whom do we disclose it?

We do not disclose any non-public personal information about our customers or former customers to anyone other than our affiliates, our service providers who need to know such information, and as otherwise permitted by law. If you want to find out what the law permits, you can read the privacy rules adopted by the Securities and Exchange Commission. They are in volume 17 of the Code of Federal Regulations, Part 248. The Commission often posts information about its regulations on its website, www.sec.gov.

What do we do to protect your personal information?

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the fund and to ensure that we are complying with the laws governing the securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

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 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.

Gabelli Equity Series Funds, Inc.
THE GABELLI EQUITY INCOME 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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shareholders of The Gabelli Equity Income Fund. It is not
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preceded or accompanied by an effective prospectus.



GABELLI
FUNDS

THE GABELLI EQUITY INCOME FUND

Shareholder Commentary
September 30, 2018

The Gabelli Equity Income Fund

Annual Report — September 30, 2018

To Our Shareholders,

For the year ended September 30, 2018, the net asset value (NAV) per Class AAA Share of The Gabelli Equity Income Fund increased 6.8% compared with an increase of 17.9% for the Standard & Poor's (S&P) 500 Index. Other classes of shares are available. See page 3 for performance information for all classes.

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

Performance Discussion (Unaudited)

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

The Fund will seek to achieve its investment objective through a combination of capital appreciation and current income by investing, under normal market conditions, at least 80% of its net assets in income producing equity securities. Income producing equity securities include, for example, common stock, preferred stock, and convertible securities.

During the fourth calendar quarter of 2017, the Federal Reserve raised rates for the fifth time since 2014, pushing the Federal Reserve Funds rate to a range of 1.25% to 1.50%. U.S. companies also continued to increase their dividends, leading to a 1.9% dividend yield on the S&P 500. At the time, the 10 year U.S. Treasury was yielding 2.5%. All eleven sectors of the S&P 500 were up, resulting in over a 6% total return for the quarter.

The stock market took a slight downturn in the first calendar quarter of 2018. Volatility was also back, with 23 daily moves of at least 1% between January and March. The S&P 500, as a whole, was down about 1% on a total return basis, while the Information Technology and Consumer Discretionary sectors rose 3.5% and 3.1%, respectively. By the end of the quarter, 26% of the S&P 500 stocks had dividend yields greater than the 10 year U.S. Treasury.

In the second calendar quarter of 2018, the stock market returned to its upward trajectory. The S&P 500 saw a 3.4% increase in total returns, with the Energy and Discretionary sectors leading the surge. U.S. companies continued to increase their dividends and the dividend payout ratio reached 39%.

By the end of the third calendar quarter of 2018, the Fund's final fiscal quarter, the unemployment rate fell to a multidecade low of just under 4%. In addition, the dividend payout ratio of the S&P 500 rose to 40%.

By the end of September, the dividend yield on the S&P 500 was approximately 2%, less than the 10 year U.S. Treasury, which yielded slightly more than 3%.

Among our better performing stocks for the fiscal year were Swedish Match AB (3.4% of net assets as of September 30, 2018), MasterCard Inc. (1.8%), and Macy's Inc. (0.9%). Swedish Match is dedicated to the improvement of public health by offering smokeless alternatives to cigarettes. Its two largest product segments reported record sales and operating profits in the second quarter. In the third quarter of 2018, MasterCard acquired Oltio to help accelerate the adoption of digital payments in the Middle East and Africa. MasterCard also teamed up with IBM to form Truata, which provides a secure approach to anonymizing data and analytics. Macy's, the multichannel retail organization, which was one of the Fund's detractors at this time last year, saw increased customer satisfaction scores and a sales trend improvement in the second half of the year. These three positions, combined, contributed almost 2.4% to the Fund's performance.

Some of our weaker performers were General Electric Co. (0.1%), Dish Network Corp. (0.5%), and Fortune Brands Home & Security (0.8%). About a year ago, General Electric stock hit a 52 week high, but since then has seen its price per share cut nearly in half. In late September, the company needed to idle several electric power units in Texas because of blade issues. Dish Network continues to try to remain competitive in the pay TV industry but online video streaming providers have given consumers a cheaper source of TV programming. Fortune Brands Home & Security, which provides products and services to help create more secure homes, faced pressures from inflation in the second quarter of 2018 and took pricing actions to offset these pressures.

We appreciate your confidence and trust.

Comparative Results

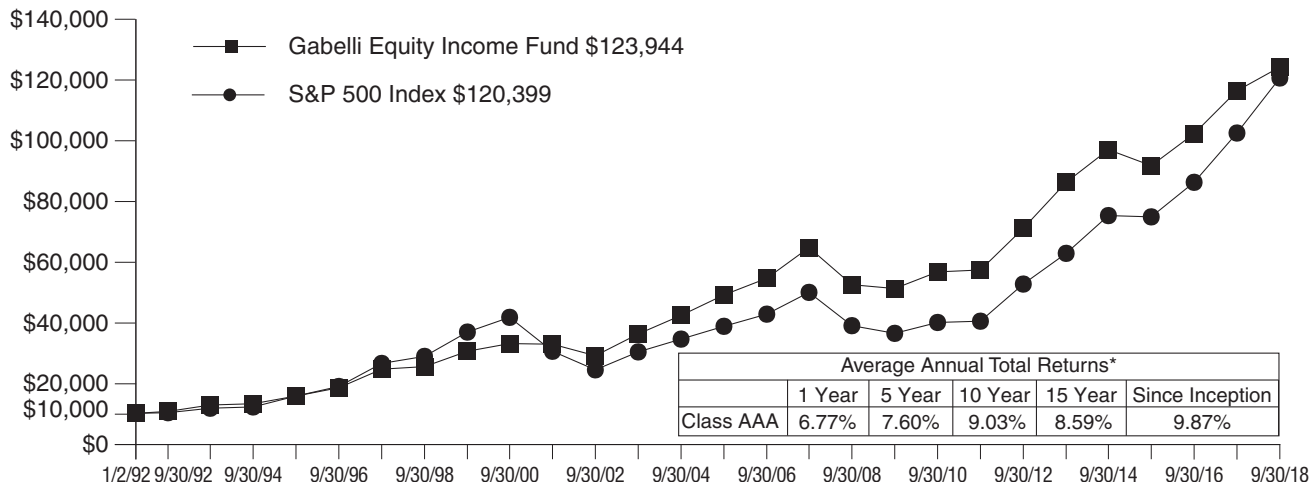
Average Annual Returns through September 30, 2018 (a)(b) (Unaudited)

	1 Year	5 Year	10 Year	15 Year	Since Inception (01/02/92)
Class AAA (GABEX)	6.77%	7.60%	9.03%	8.59%	9.87%
S&P 500 Index	17.91	13.95	11.97	9.65	9.74(c)
Nasdaq Composite Index	25.16	17.34	15.12	11.11	10.62(c)
Lipper Equity Income Fund Average	10.44	10.28	9.73	8.44	8.59
Class A (GCAEX)	6.76	7.61	9.03	8.58	9.87
With sales charge (d)	0.62	6.34	8.39	8.15	9.62
Class C (GCCEX)	6.02	6.81	8.23	7.80	9.42
With contingent deferred sales charge (e)	5.02	6.81	8.23	7.80	9.42
Class I (GCIEX)	7.07	7.88	9.32	8.79	9.99

In the current prospectuses dated January 26, 2018, the expense ratios for Class AAA, A, C, and I Shares are 1.39%, 1.39%, 2.14%, and 1.14%, respectively. See page 13 for the expense ratios for the year ended September 30, 2018. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A Shares and Class C Shares is 5.75% and 1.00%, respectively.

- (a) Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003, and Class I Shares on January 11, 2008. The actual performance of the Class A Shares and Class C Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Nasdaq Composite Index is an unmanaged indicator of stock market performance. The Lipper Equity Income Fund Average includes the 30 largest equity funds in this category tracked by Lipper, Inc. Dividends are considered reinvested, except for the Nasdaq Composite Index. You cannot invest directly in an index.
- (b) The Fund's fiscal year ends September 30.
- (c) S&P 500 Index and Nasdaq Composite Index since inception performance figures are as of December 31, 1991.
- (d) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (e) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

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



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

The Gabelli Equity Income Fund

Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from April 1, 2018 through September 30, 2018 **Expense Table**

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

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

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

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

Hypothetical 5% Return: This section provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the fiscal year ended September 30, 2018.

	Beginning Account Value 04/01/18	Ending Account Value 09/30/18	Annualized Expense Ratio	Expenses Paid During Period*
<i>The Gabelli Equity Income Fund</i>				
Actual Fund Return				
Class AAA	\$1,000.00	\$1,048.40	1.39%	\$ 7.14
Class A	\$1,000.00	\$1,048.60	1.39%	\$ 7.14
Class C	\$1,000.00	\$1,044.90	2.14%	\$10.97
Class I	\$1,000.00	\$1,049.90	1.14%	\$ 5.86
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,018.10	1.39%	\$ 7.03
Class A	\$1,000.00	\$1,018.10	1.39%	\$ 7.03
Class C	\$1,000.00	\$1,014.34	2.14%	\$10.81
Class I	\$1,000.00	\$1,019.35	1.14%	\$ 5.77

* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (183 days), then divided by 365.

Summary of Portfolio Holdings (Unaudited)

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

The Gabelli Equity Income Fund

Financial Services	18.6%	Transportation	1.0%
Food and Beverage	17.1%	Wireless Communications	0.8%
Health Care	9.2%	Energy and Utilities: Integrated	0.8%
Consumer Products	6.0%	Paper and Forest Products	0.8%
Retail	6.0%	Automotive	0.7%
Diversified Industrial	5.2%	Cable and Satellite	0.7%
Energy and Utilities: Oil	3.8%	Closed-End Funds	0.7%
Telecommunications	3.5%	Metals and Mining	0.6%
Business Services	2.9%	Hotels and Gaming	0.5%
Automotive: Parts and Accessories	2.7%	Energy and Utilities: Electric	0.5%
Aerospace	2.5%	Agriculture	0.4%
Broadcasting	2.4%	Aviation: Parts and Services	0.4%
Equipment and Supplies	2.4%	Energy and Utilities: Water	0.2%
Energy and Utilities: Natural Gas	1.7%	Communications Equipment	0.2%
Entertainment	1.7%	Consumer Services	0.1%
Computer Software and Services	1.6%	Industrials	0.1%
Building and Construction	1.4%	Publishing	0.0%*
Machinery	1.4%	Real Estate	0.0%*
Energy and Utilities: Services	1.4%	Other Assets and Liabilities (Net)	(4.6)%
Environmental Services	1.2%		<u>100.0%</u>
Electronics	1.2%		
Computer Hardware	1.2%		
Specialty Chemicals	1.0%		

* Amount represents less than 0.05%.

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

Proxy Voting

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

The Gabelli Equity Income Fund

Schedule of Investments — September 30, 2018

Shares		Cost	Market Value	Shares		Cost	Market Value
	COMMON STOCKS — 103.8%						
	Aerospace — 2.5%			4,000	Vectrus Inc.†	\$ 61,245	\$ 124,760
60,000	Aerojet Rocketdyne Holdings Inc.†	\$ 327,628	\$ 2,039,400			<u>4,257,034</u>	<u>32,921,094</u>
2,000	Lockheed Martin Corp.	47,350	691,920	10,000	Cable and Satellite — 0.7%	389,742	663,400
10,000	Raytheon Co.	279,200	2,066,600	165,000	AMC Networks Inc., Cl. A†	3,263,481	5,900,400
63,000	Rockwell Automation Inc.	2,158,643	11,813,760	16,000	DISH Network Corp., Cl. A†	478,840	741,920
2,000	Rockwell Collins Inc.	15,844	280,940	6,000	EchoStar Corp., Cl. A†		
890,000	Rolls-Royce Holdings plc	<u>6,098,080</u>	<u>11,454,159</u>		Liberty Latin America Ltd., Cl. A†	142,271	125,040
		<u>8,926,745</u>	<u>28,346,779</u>	13,692	Liberty Latin America Ltd., Cl. C†	<u>340,172</u>	<u>282,466</u>
						<u>4,614,506</u>	<u>7,713,226</u>
	Agriculture — 0.4%				Communications Equipment — 0.2%		
90,000	Archer-Daniels-Midland Co.	2,386,667	4,524,300	62,000	Corning Inc.	711,274	2,188,600
12,000	The Mosaic Co.	<u>186,246</u>	<u>389,760</u>				
		<u>2,572,913</u>	<u>4,914,060</u>		Computer Hardware — 1.2%		
	Automotive — 0.7%			19,600	Apple Inc.	1,435,511	4,424,504
165,000	Navistar International Corp.†	3,082,911	6,352,500	59,000	International Business Machines Corp.	<u>4,645,089</u>	<u>8,921,390</u>
30,000	PACCAR Inc.	<u>1,348,822</u>	<u>2,045,700</u>			<u>6,080,600</u>	<u>13,345,894</u>
		<u>4,431,733</u>	<u>8,398,200</u>		Computer Software and Services — 1.6%		
	Automotive: Parts and Accessories — 2.7%			6,000	CDK Global Inc.	92,961	375,360
148,000	Dana Inc.	2,298,117	2,763,160	78,000	Fidelity National Information Services Inc.	1,222,191	8,507,460
273,500	Genuine Parts Co.	11,223,718	27,185,900	235,000	Hewlett Packard Enterprise Co.	1,557,961	3,832,850
1,200	O'Reilly Automotive Inc.†	30,096	416,784	50,000	Microsoft Corp.	1,397,000	5,718,500
15,000	Tenneco Inc., Cl. A	<u>224,084</u>	<u>632,100</u>	14,000	NetScout Systems Inc.†	<u>212,306</u>	<u>353,500</u>
		<u>13,776,015</u>	<u>30,997,944</u>			<u>4,482,419</u>	<u>18,787,670</u>
	Aviation: Parts and Services — 0.4%				Consumer Products — 6.0%		
29,000	United Technologies Corp.	<u>1,453,950</u>	<u>4,054,490</u>	44,000	Altria Group Inc.	517,039	2,653,640
	Broadcasting — 2.4%			65,000	Edgewell Personal Care Co.†	2,380,155	3,004,950
347,000	CBS Corp., Cl. A, Voting	8,241,275	20,143,350	28,000	Energizer Holdings Inc.	249,555	1,642,200
65,575	Liberty Global plc, Cl. A†	1,481,226	1,897,085	27,000	Essity AB, Cl. A	436,838	683,552
145,000	Liberty Global plc, Cl. C†	3,207,403	4,083,200	2,000	National Presto Industries Inc.	60,046	259,300
36,000	MSG Networks Inc., Cl. A†	<u>134,967</u>	<u>928,800</u>	48,000	Philip Morris International Inc.	1,469,196	3,913,920
		<u>13,064,871</u>	<u>27,052,435</u>	72,000	Reckitt Benckiser Group plc	2,200,603	6,584,187
	Building and Construction — 1.4%			760,000	Swedish Match AB	9,359,361	38,909,017
164,000	Fortune Brands Home & Security Inc.	1,550,317	8,587,040	84,000	The Procter & Gamble Co.	4,645,252	6,991,320
45,800	Herc Holdings Inc.†	1,447,522	2,344,960	75,000	Unilever NV	<u>1,480,452</u>	<u>4,166,250</u>
160,000	Johnson Controls International plc	<u>3,072,396</u>	<u>5,600,000</u>			<u>22,798,497</u>	<u>68,808,336</u>
		<u>6,070,235</u>	<u>16,532,000</u>		Consumer Services — 0.1%		
	Business Services — 2.9%			3,500	Allegion plc	50,080	316,995
34,000	Automatic Data Processing Inc.	1,283,193	5,122,440	20,000	Rollins Inc.	44,741	1,213,800
91,000	Mastercard Inc., Cl. A	756,367	20,257,510			<u>94,821</u>	<u>1,530,795</u>
2,400	MSC Industrial Direct Co. Inc., Cl. A	165,490	211,464		Diversified Industrial — 5.2%		
40,000	Pentair plc	833,620	1,734,000	80,000	Crane Co.	2,475,345	7,868,000
28,000	S&P Global Inc.	1,157,119	5,470,920	75,000	Eaton Corp. plc	3,182,951	6,504,750
				85,000	General Electric Co.	1,260,245	959,650
				105,000	Honeywell International Inc.	2,882,900	17,472,000
				50,000	ITT Inc.	1,004,526	3,063,000

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Schedule of Investments (Continued) — September 30, 2018

<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>
	COMMON STOCKS (Continued)				WARRANTS — 0.0%		
	Wireless Communications (Continued)				Retail — 0.0%		
29,000	United States Cellular Corp.†...	\$ 1,112,866	\$ 1,298,620	105	Sears Holdings Corp.,		
3,000	Vodafone Group plc, ADR.....	70,658	65,100		expire 12/15/19†.....	\$ 522	\$ 2
		<u>6,920,852</u>	<u>9,513,800</u>				
	TOTAL COMMON STOCKS	<u>507,417,481</u>	<u>1,185,802,877</u>		TOTAL		
	CLOSED-END FUNDS — 0.7%				INVESTMENTS — 104.6%	<u>\$ 509,598,738</u>	1,194,276,279
110,000	Altaba Inc.†.....	1,776,364	7,493,200		Other Assets and Liabilities (Net) — (4.6)%		<u>(52,480,744)</u>
	CONVERTIBLE PREFERRED STOCKS — 0.1%				NET ASSETS — 100.0%		<u>\$1,141,795,535</u>
	Telecommunications — 0.1%						
20,000	Cincinnati Bell Inc., 6.750%, Ser. B.....	404,371	980,200	(a)	Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.		
				(b)	Securities, or a portion thereof, with a value of \$2,662,250 were deposited with Pershing LLC.		
				†	Non-income producing security.		
				ADR	American Depositary Receipt		
				REIT	Real Estate Investment Trust		
				SDR	Swedish Depositary Receipt		

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Assets and Liabilities September 30, 2018

Assets:	
Investments, at value (cost \$509,598,738)	\$1,194,276,279
Cash	6,215
Receivable for investments sold	5,353,880
Receivable for Fund shares sold	2,526,746
Dividends receivable	3,014,478
Prepaid expenses	37,644
Total Assets	<u>1,205,215,242</u>
Liabilities:	
Foreign currency, at value (cost \$20,372)	20,122
Payable for Fund shares redeemed	2,372,569
Payable for investment advisory fees	979,749
Payable for distribution fees	284,133
Payable for accounting fees	3,750
Line of credit payable	59,429,000
Other accrued expenses	330,384
Total Liabilities	<u>63,419,707</u>
Net Assets (applicable to 61,366,689 shares outstanding) . . .	<u>\$1,141,795,535</u>
Net Assets Consist of:	
Paid-in capital	\$ 465,281,176
Total distributable earnings(a)	676,514,359
Net Assets	<u>\$1,141,795,535</u>
Shares of Capital Stock, each at \$0.001 par value:	
Class AAA:	
Net Asset Value, offering, and redemption price per share (\$521,484,785 ÷ 27,313,399 shares outstanding; 150,000,000 shares authorized)	<u>\$19.09</u>
Class A:	
Net Asset Value and redemption price per share (\$86,331,726 ÷ 4,550,439 shares outstanding; 50,000,000 shares authorized)	<u>\$18.97</u>
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price)	<u>\$20.13</u>
Class C:	
Net Asset Value and offering price per share (\$176,166,775 ÷ 11,724,249 shares outstanding; 50,000,000 shares authorized)	<u>\$15.03(b)</u>
Class I:	
Net Asset Value, offering, and redemption price per share (\$357,812,249 ÷ 17,778,602 shares outstanding; 50,000,000 shares authorized)	<u>\$20.13</u>

(a) Effective September 30, 2018, the Fund has adopted disclosure requirements conforming to SEC Rule 6-04.17 of Regulation S-X and discloses total distributable earnings. See Note 2 for further details.

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

Statement of Operations For the Year Ended September 30, 2018

Investment Income:	
Dividends (net of foreign withholding taxes of \$992,799)	\$ 29,282,924
Interest	10,027
Total Investment Income	<u>29,292,951</u>
Expenses:	
Investment advisory fees	13,155,211
Distribution fees - Class AAA	1,482,768
Distribution fees - Class A	257,768
Distribution fees - Class C	2,147,818
Distribution fees - Class T*	3
Shareholder services fees	1,074,983
Shareholder communication expenses	208,111
Interest expense	192,387
Custodian fees	177,775
Registration expenses	102,904
Legal and audit fees	69,968
Directors' fees	48,988
Accounting fees	45,000
Miscellaneous expenses	98,999
Total Expenses	<u>19,062,683</u>
Less:	
Expenses paid indirectly by broker (See Note 6)	<u>(11,218)</u>
Net Expenses	<u>19,051,465</u>
Net Investment Income	<u>10,241,486</u>
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:	
Net realized gain on investments	212,553,683
Net realized loss on foreign currency transactions	<u>(50,690)</u>
Net realized gain on investments and foreign currency transactions	<u>212,502,993</u>
Net change in unrealized appreciation/depreciation: on investments	(135,338,071)
on foreign currency translations	<u>(11,327)</u>
Net change in unrealized appreciation/ depreciation on investments and foreign currency translations	<u>(135,349,398)</u>
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency	<u>77,153,595</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 87,395,081</u>

* Class T Shares were liquidated on September 21, 2018.

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Statement of Changes in Net Assets

	<u>Year Ended September 30, 2018</u>	<u>Year Ended September 30, 2017</u>
Operations:		
Net investment income	\$ 10,241,486	\$ 14,870,100
Net realized gain on investments, securities sold short, and foreign currency transactions	212,502,993	224,392,351
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	<u>(135,349,398)</u>	<u>(28,275,715)</u>
Net Increase in Net Assets Resulting from Operations	<u>87,395,081</u>	<u>210,986,736</u>
Distributions to Shareholders:		
Class AAA	(98,781,156)	(107,961,944)
Class A	(17,203,694)	(19,839,302)
Class C	(41,334,525)	(44,849,789)
Class I	(65,782,800)	(66,577,533)
Class T*	—	(132)
	<u>(223,102,175)</u>	<u>(239,228,700)**</u>
Return of capital		
Class AAA	(25,622,488)	(18,409,905)
Class A	(3,971,454)	(2,789,080)
Class C	(10,578,318)	(10,392,849)
Class I	(16,237,915)	(13,075,661)
Class T*	(50)	(3)
	<u>(56,410,225)</u>	<u>(44,667,498)</u>
Total Distributions to Shareholders(a)	<u>(279,512,400)</u>	<u>(283,896,198)</u>
Capital Share Transactions:		
Class AAA	(56,588,389)	(141,336,801)
Class A	(15,035,802)	(40,539,407)
Class C	(31,440,340)	(38,669,080)
Class I	(32,023,271)	(21,947,515)
Class T*	(1,063)	1,134
Net Decrease in Net Assets from Capital Share Transactions	<u>(135,088,865)</u>	<u>(242,491,669)</u>
Redemption Fees	607	1,038
Net Decrease in Net Assets	<u>(327,205,577)</u>	<u>(315,400,093)</u>
Net Assets:		
Beginning of year	1,469,001,112	1,784,401,205
End of year	<u>\$1,141,795,535</u>	<u>\$1,469,001,112</u>

(a) Effective September 30, 2018, the Fund has adopted disclosure requirements conforming to SEC Rule 6-04.17 of Regulation S-X. See Note 2 for further details.

* Class T Shares were liquidated on September 21, 2018.

** For the year ended September 30, 2017, the distributions to the shareholders from net investment income and net realized gain were \$7,628,898 and \$100,333,046 (Class AAA), \$1,403,125 and \$18,436,177 (Class A), \$1,318,106 and \$43,531,683 (Class C), \$5,758,710 and \$60,818,823 (Class I), and \$1 and \$131 (Class T*), respectively.

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Financial Highlights

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

Year Ended September 30	Income (Loss) from Investment Operations				Distributions			Ratios to Average Net Assets/ Supplemental Data						
	Net Asset (Abl.) Beginning of Year	Net Investment Income(a)	Net Realized Gain/(Loss) Investments	Total from Investment Operations	Net Realized Gain/(Loss) Investments	Return on Capital	Total Distributions	Redemption Fees (Abl.)	Net Asset (Abl.) End of Year	Total Return †	Net Assets End of Year (in 000's)	Net Investment Income	Operating Expenses	Portfolio Turnover Rate
Class AAA														
2018	\$22.84	\$0.19	\$ 1.34	\$ 1.53	\$(3.68)	\$(1.40)	\$(5.28)	\$0.00	\$19.09	6.77%	\$ 521,485	0.82%	1.40%(c)(d)	0%(e)
2017	24.06	0.24	2.97	3.21	(3.33)	(0.85)	(4.43)	0.00	22.84	13.91	662,696	0.97	1.39(c)(d)	1
2016	25.08	0.26	2.72	2.98	(2.35)	(1.39)	(4.00)	0.00	24.06	11.31	833,154	0.99	1.39(c)	1
2015	28.55	0.25	(1.71)	(1.46)	(1.83)	—	(2.01)	0.00	25.08	(5.40)	985,647	0.88	1.37(c)	3
2014	26.68	0.30	3.05	3.35	(0.38)	(0.66)	(1.48)	0.00	28.55	12.64	1,604,629	1.06	1.37	4
Class A														
2018	\$22.73	\$0.19	\$ 1.33	\$ 1.52	\$(3.68)	\$(1.40)	\$(5.28)	\$0.00	\$18.97	6.76%	\$ 86,332	0.82%	1.40%(c)(d)	0%(e)
2017	23.96	0.24	2.96	3.20	(3.33)	(0.85)	(4.43)	0.00	23.73	13.92	115,702	0.96	1.39(c)(d)	1
2016	24.99	0.26	2.71	2.97	(2.35)	(1.39)	(4.00)	0.00	23.96	11.31	160,593	0.99	1.39(c)	1
2015	28.45	0.26	(1.71)	(1.45)	(1.83)	—	(2.01)	0.00	24.99	(5.38)	183,418	0.90	1.37(c)	3
2014	26.59	0.30	3.04	3.34	(0.38)	(0.66)	(1.48)	0.00	28.45	12.64	209,501	1.07	1.37	4
Class C														
2018	\$19.17	\$0.01	\$ 1.13	\$ 1.14	\$(3.68)	\$(1.53)	\$(5.28)	\$0.00	\$15.03	6.02%	\$ 176,167	0.07%	2.15%(c)(d)	0%(e)
2017	20.99	0.05	2.56	2.61	(3.33)	(1.00)	(4.43)	0.00	19.17	13.04	246,690	0.22	2.14(c)(d)	1
2016	22.48	0.06	2.45	2.51	(2.35)	(1.56)	(4.00)	0.00	20.99	10.51	306,349	0.24	2.14(c)	1
2015	25.99	0.04	(1.54)	(1.50)	(1.83)	—	(2.01)	0.00	22.48	(6.10)	329,846	0.15	2.12(c)	3
2014	24.59	0.08	2.80	2.88	(0.38)	(0.85)	(1.48)	0.00	25.99	11.78	321,772	0.31	2.12	4
Class I														
2018	\$23.75	\$0.26	\$ 1.40	\$ 1.66	\$(3.68)	\$(1.34)	\$(5.28)	\$0.00	\$20.13	7.07%	\$ 357,812	1.08%	1.15%(c)(d)	0%(e)
2017	24.80	0.31	3.07	3.38	(3.33)	(0.79)	(4.43)	0.00	23.75	14.19	443,912	1.21	1.14(c)(d)	1
2016	25.68	0.33	2.79	3.12	(2.35)	(1.33)	(4.00)	0.00	24.80	11.59	484,305	1.24	1.14(c)	1
2015	29.11	0.34	(1.76)	(1.42)	(1.83)	—	(2.01)	0.00	25.68	(5.15)	663,429	1.15	1.12(c)	3
2014	27.11	0.38	3.10	3.48	(0.38)	(0.59)	(1.48)	0.00	29.11	12.92	652,719	1.28	1.12	4

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

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

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

(c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the years ended September 30, 2018, 2017, 2016, and 2015, there was no impact on the expense ratios.

(d) The Fund incurred interest expense during the years ended September 30, 2018 and 2017. If interest expense had not been incurred, the ratio of operating expenses to average net assets would have been 1.39% and 1.38% (Class AAA and Class A), 2.14% and 2.13% (Class C), and 1.14% and 1.13% (Class I), respectively. For the years ended September 30, 2016, 2015, and 2014, the effect of interest expense was minimal.

(e) Amount represents less than 0.5%.

See accompanying notes to financial statements.

The Gabelli Equity Income Fund

Notes to Financial Statements

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

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

New Accounting Pronouncements. The SEC recently adopted changes to Regulation S-X to simplify the reporting of information by registered investment companies in financial statements. The amendments require presentation of the total, rather than the components, of distributable earnings on the Statement of Assets and Liabilities and also require presentation of the total, rather than the components, of distributions to shareholders, except for tax return of capital distributions, if any, on the Statement of Changes in Net Assets. The amendments also removed the requirement for parenthetical disclosure of undistributed net investment income on the Statement of Changes in Net Assets. These Regulation S-X amendments are reflected in the Fund's financial statements for the year ended September 30, 2018. As a result of adopting these amendments, the distributions to shareholders in the September 30, 2017 Statement of Changes in Net Assets presented herein have been reclassified to conform to the current year presentation.

To improve the effectiveness of fair value disclosure requirements, the Financial Accounting Standards Board recently issued Accounting Standard Update (ASU) 2018-13, Fair Value Measurement Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13), which adds, removes, and modifies certain aspects relating to fair value disclosure. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption of the additions relating to ASU 2018-13 is not required, even if early adoption is elected for the removals under ASU 2018-13. Management has early adopted the removals set forth in ASU 2018-13 in these financial statements and has not early adopted the additions set forth in ASU 2018-13.

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).

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

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

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

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

The Gabelli Equity Income Fund

Notes to Financial Statements (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 and other financial instruments 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 Other Significant Observable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Energy and Utilities: Electric	\$ 5,349,510	—	\$ 0	\$ 5,349,510
Other Industries (a)	1,180,453,367	—	—	1,180,453,367
Total Common Stocks	1,185,802,877	—	0	1,185,802,877
Closed-End Funds	7,493,200	—	—	7,493,200
Convertible Preferred Stocks (a)	980,200	—	—	980,200
Warrants (a)	2	—	—	2
TOTAL INVESTMENTS IN SECURITIES –				
ASSETS	\$1,194,276,279	—	\$ 0	\$1,194,276,279

(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 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.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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.

Collateral requirements differ by type of derivative. Collateral requirements are set by the broker or exchange clearing house for exchange traded derivatives, while collateral terms are contract specific for derivatives traded over-the-counter. Securities pledged to cover obligations of the Fund under derivative contracts are noted in the Schedule of Investments. Cash collateral, if any, pledged for the same purpose will be reported separately in the Statement of Assets and Liabilities.

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.

Options. The Fund may purchase or write call or put options on securities or indices for the purpose of increasing the income of the Fund. As a writer of put options, the Fund receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instrument underlying the option. The Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates.

As a purchaser of call options, the Fund pays a premium for the right to buy the underlying security at a specified price. The seller of the call has the obligation to sell the underlying security upon exercise at the exercise price. If the price of the underlying security declines, the Fund would realize a loss upon sale or exercise. If the price of the underlying security increases or stays the same, the Fund would realize a gain upon sale or at expiration date, but only to the extent of the premium paid.

As a purchaser of put options, the Fund pays a premium for the right to sell to the seller of the put option the underlying security at a specified price. The seller of the put has the obligation to purchase the underlying security upon exercise at the exercise price. If the price of the underlying security declines, the Fund would realize a gain upon sale or exercise. If the price of the underlying security increases or stays the same, the Fund would realize a loss upon sale or at expiration date, but only to the extent of the premium paid.

If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a written put option is exercised, the

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

premium reduces the cost basis of the security. In the case of call options, the exercise prices are referred to as “in-the-money,” “at-the-money,” and “out-of-the-money,” respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline during the option period, (b) at-the-money call options when the Adviser expects that the price of the underlying security will remain stable, decline, or advance moderately during the option period, and (c) out-of-the-money call options when the Adviser expects that the premiums received from writing the call option will be greater than the appreciation in the price of the underlying security above the exercise price. By writing a call option, the Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option. Out-of-the-money, at-the-money, and in-the-money put options (the reverse of call options as to the relation of exercise price to market price) may be utilized in the same market environments that such call options are used in equivalent transactions. At September 30, 2018, the Fund held no option positions.

The Fund’s volume of activity in put options purchased while outstanding during the fiscal year ended September 30, 2018 had an average monthly market value of approximately \$254,375.

For the fiscal year ended September 30, 2018, the effect of options purchased with equity risk exposure can be found in the Statement of Operations, under Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency, under Net realized gain on investments and within Net change in unrealized appreciation/depreciation on investments.

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, there were no short sales.

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.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

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

Restricted Securities. The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At September 30, 2018, the Fund held no restricted securities.

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

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

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

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. The characterization of distributions to shareholders is based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to recharacterization of distributions. These reclassifications have no impact on the NAV of the Fund. For the fiscal year ended September 30, 2018, reclassifications were made to decrease paid-in capital of \$80,811 with an offsetting adjustment to total distributable earnings.

The tax character of distributions paid during the fiscal years ended September 30, 2018 and 2017 was as follows:

	Year Ended September 30, 2018	Year Ended September 30, 2017
Distributions paid from:		
Ordinary income	\$ 11,254,231	\$ 16,301,070
Net long term capital gains	211,847,944	222,927,630
Return of capital	<u>56,410,225</u>	<u>44,667,498</u>
Total distributions paid	<u>\$279,512,400</u>	<u>\$283,896,198</u>

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

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

At September 30, 2018, the components of accumulated earnings/losses on a tax basis were as follows:

Net unrealized appreciation on investments	\$676,514,359
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At September 30, 2018, the temporary difference between book basis and tax basis net unrealized appreciation on investments was due to deferral of losses from wash sales for tax purposes and tax basis adjustments on investments in partnerships.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

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

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
Investments	\$517,747,924	\$696,458,010	\$(19,929,655)	\$676,528,355

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. During the fiscal year ended September 30, 2018, the Fund did not incur any income tax, interest, or penalties. As of September 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 Directors of the Fund who are affiliated persons of the Adviser.

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

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

5. Portfolio Securities. Purchases and sales of securities during the fiscal year ended September 30, 2018, other than short term securities and U.S. Government obligations, aggregated to \$2,602,249 and \$409,395,189, respectively.

6. Transactions with Affiliates and Other Arrangements. During the fiscal year ended September 30, 2018, the Fund paid \$172,471 in brokerage commissions on security trades to G.research, LLC, an affiliate of the Adviser. Additionally, the Distributor retained a total of \$55,506 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

During the fiscal year ended September 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 \$11,218.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement. During the fiscal year ended September 30, 2018, the Fund accrued \$45,000 in connection with the cost of computing the Fund's NAV.

7. Line of Credit. The Fund participates in an unsecured line of credit, which expires on 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 September 30, 2018, there was \$59,429,000 outstanding under the line of credit.

The average daily amount of borrowings outstanding under the line of credit during the fiscal year ended September 30, 2018 was \$5,688,384 with a weighted average interest rate of 3.08%. The maximum amount borrowed at any time during the fiscal year ended September 30, 2018 was \$66,716,000.

8. Capital Stock. The Fund offers four classes of shares – Class AAA Shares, Class A Shares, Class C Shares, and Class I Shares. Class AAA and Class I Shares are offered without a sales charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%. Class C Shares are subject to a 1.00% contingent deferred sales charge for one year after purchase. Class T Shares were liquidated on September 21, 2018.

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 fiscal years ended September 30, 2018 and 2017, if any, can be found in the Statement of Changes in Net Assets under Redemption Fees.

The Gabelli Equity Income Fund

Notes to Financial Statements (Continued)

Transactions in shares of capital stock were as follows:

	Year Ended September 30, 2018		Year Ended September 30, 2017	
	Shares	Amount	Shares	Amount
Class AAA				
Shares sold.....	679,572	\$ 15,716,026	862,523	\$ 21,170,107
Shares issued upon reinvestment of distributions.....	6,035,921	120,316,691	5,139,637	121,720,640
Shares redeemed.....	<u>(8,414,843)</u>	<u>(192,621,106)</u>	<u>(11,617,845)</u>	<u>(284,227,548)</u>
Net decrease.....	<u>(1,699,350)</u>	<u>\$ (56,588,389)</u>	<u>(5,615,685)</u>	<u>\$(141,336,801)</u>
Class A				
Shares sold.....	644,832	\$ 14,727,628	1,006,847	\$ 24,446,134
Shares issued upon reinvestment of distributions.....	996,100	19,748,656	883,500	20,834,875
Shares redeemed.....	<u>(2,180,983)</u>	<u>(49,512,086)</u>	<u>(3,502,297)</u>	<u>(85,820,416)</u>
Net decrease.....	<u>(540,051)</u>	<u>\$ (15,035,802)</u>	<u>(1,611,950)</u>	<u>\$ (40,539,407)</u>
Class C				
Shares sold.....	1,174,177	\$ 21,686,613	1,568,812	\$ 32,959,277
Shares issued upon reinvestment of distributions.....	2,942,702	46,752,707	2,430,036	48,957,746
Shares redeemed.....	<u>(5,259,907)</u>	<u>(99,879,660)</u>	<u>(5,728,392)</u>	<u>(120,586,103)</u>
Net decrease.....	<u>(1,143,028)</u>	<u>\$ (31,440,340)</u>	<u>(1,729,544)</u>	<u>\$ (38,669,080)</u>
Class I				
Shares sold.....	2,734,591	\$ 65,019,434	4,269,136	\$ 108,875,120
Shares issued upon reinvestment of distributions.....	3,605,793	75,575,488	2,954,672	72,514,758
Shares redeemed.....	<u>(7,251,786)</u>	<u>(172,618,193)</u>	<u>(8,063,673)</u>	<u>(203,337,393)</u>
Net decrease.....	<u>(911,402)</u>	<u>\$ (32,023,271)</u>	<u>(839,865)</u>	<u>\$ (21,947,515)</u>
Class T *				
Shares sold.....	—	—	39	\$ 1,000
Shares issued upon reinvestment of distributions.....	2	\$ 36	6	134
Shares redeemed.....	<u>(47)</u>	<u>(1,099)</u>	<u>—</u>	<u>—</u>
Net increase/(decrease).....	<u>(45)</u>	<u>\$ (1,063)</u>	<u>45</u>	<u>\$ 1,134</u>

* Class T Shares were liquidated on September 21, 2018.

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

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

The Gabelli Equity Income Fund

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of The Gabelli Equity Income Fund (the "Fund") (one of the funds constituting Gabelli Equity Series Funds, Inc. (the "Corporation")), including the schedule of investments, as of September 30, 2018, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund (one of the funds constituting Gabelli Equity Series Funds, Inc.) at September 30, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Corporation in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Corporation is not required to have, nor were we engaged to perform, an audit of the Corporation's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of September 30, 2018, by correspondence with the custodians. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst + Young LLP

We have served as the auditor of one or more Gabelli/GAMCO Funds investment companies since 1992.

Philadelphia, Pennsylvania
November 27, 2018

The Gabelli Equity Income Fund

Additional Fund Information (Unaudited)

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

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Number of Funds in Fund Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director³</u>
INTERESTED DIRECTORS⁴:				
Mario J. Gabelli, CFA Director and Chief Investment Officer Age: 76	Since 1991	33	Chairman, Chief Executive Officer, and Chief Investment Officer— Value Portfolios of GAMCO Investors, Inc. and Chief Investment Officer— Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies within the Gabelli/ GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc.; Executive Chairman of Associated Capital Group, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICIT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group Inc. (communications)
John D. Gabelli Director Age: 74	Since 1991	10	Senior Vice President of G.research, LLC	—
INDEPENDENT DIRECTORS⁵:				
Anthony J. Colavita Director Age: 82	Since 1991	18	President of the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Director Age: 74	Since 1991	17	Former Senior Vice President and Chief Financial Officer of KeySpan Corp. (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics) (2008-2014); Director of The LGL Group, Inc. (diversified manufacturing) (2011-2014)
Robert J. Morrissey Director Age: 79	Since 1991	6	Partner in the law firm of Morrissey, Hawkins & Lynch	Chairman of the Board of Directors, Belmont Savings Bank
Kuni Nakamura⁶ Director Age: 50	Since 2009	36	President of Advanced Polymer, Inc. (chemical manufacturing company); President of KEN Enterprises, Inc. (real estate)	—
Anthony R. Pustorino Director Age: 93	Since 1991	9	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing) (2004-2011)
Anthonie C. van Ekris Director Age: 84	Since 1991	21	Chairman and Chief Executive Officer of BALMAC International, Inc. (global import/export company)	—
Salvatore J. Zizza Director Age: 72	Since 2001	30	President of Zizza & Associates Corp. (private holding company); Chairman of Harbor Diversified, Inc. (pharmaceuticals); Chairman of BAM (semiconductor and aerospace manufacturing); Chairman of Bergen Cove Realty Inc.; Chairman of Metropolitan Paper Recycling Inc. (recycling) (2005-2014)	Director and Vice Chairman of Trans-Lux Corporation (business services); Director and Chairman of Harbor Diversified Inc. (pharmaceuticals)

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

Name, Position(s) Address¹ and Age	Term of Office and Length of Time Served²	Principal Occupation(s) During Past Five Years
OFFICERS:		
Bruce N. Alpert President Age: 66	Since 1991	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; Officer of registered investment companies within the Gabelli/GAMCO Fund Complex; Senior Vice President of GAMCO Investors, Inc. since 2008
John C. Ball Treasurer Age: 42	Since 2017	Treasurer of registered investment companies within the Gabelli/GAMCO Fund Complex since 2017; Vice President and Assistant Treasurer of AMG Funds, 2014-2017; Vice President of State Street Corporation, 2007-2014
Agnes Mullady Vice President Age: 60	Since 2006	Officer of registered investment companies within the Gabelli/GAMCO Fund Complex since 2006; President and Chief Operating Officer of the Fund Division of Gabelli Funds, LLC since 2015; Chief Executive Officer of G.distributors, LLC since 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Executive Vice President of Associated Capital Group, Inc. since 2016
Andrea R. Mango Secretary Age: 46	Since 2013	Vice President of GAMCO Investors, Inc. since 2016; Counsel of Gabelli Funds, LLC since 2013; Secretary of registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Vice President of closed-end funds within the Gabelli/GAMCO Fund Complex since 2014; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company, 2011-2013
Richard J. Walz Chief Compliance Officer Age: 59	Since 2013	Chief Compliance Officer of registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Chief Compliance Officer of AEGON USA Investment Management, 2011-2013

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

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

³ This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended, i.e., public companies, or other investment companies registered under the 1940 Act.

⁴ "Interested person" of the Fund as defined in the 1940 Act. Messrs. Gabelli are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser. Mario J. Gabelli and John D. Gabelli are brothers.

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

⁶ Mr. Nakamura is a director of Gabelli Merger Plus+ Trust Plc, which may be deemed to be controlled by Mario J. Gabelli and/or affiliates and in that event would be deemed to be under common control with the Fund's Adviser.

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

2018 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the fiscal year ended September 30, 2018, the Fund paid to shareholders, ordinary income distributions (inclusive of short term capital gains) totaling \$0.205, \$0.205, \$0.003, \$0.068, and \$0.263 for each of Class AAA, Class A, Class C, Class I, and Class T, respectively, and long term capital gains totaling \$211,847,944, or the maximum allowable. The distribution of long term capital gains has been designated as a capital gain dividend by the Fund's Board of Directors. For the year ended September 30, 2018, 34.73% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 46.28% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 0.03% of the ordinary income distribution as qualified interest income pursuant to the Tax Relief, Unemployment Reauthorization, and Job Creation Act of 2010. The Fund designates 100% of the ordinary income distribution as qualified short term gain pursuant to the American Jobs Creation Act of 2004.

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

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.

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

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

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GABELLI.COM

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

BOARD OF DIRECTORS

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

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

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

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

Robert J. Morrissey
Partner,
Morrissey, Hawkins & Lynch

Kuni Nakamura
President,
Advanced Polymer, Inc.

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

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

OFFICERS

Bruce N. Alpert
President

John C. Ball
Treasurer

Agnes Mullady
Vice President
Andrea R. Mango
Secretary

Richard J. Walz
Chief Compliance Officer

DISTRIBUTOR

G.distributors, LLC

CUSTODIAN

State Street Bank and Trust
Company

TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

DST Asset Manager
Solutions, Inc.

LEGAL COUNSEL

Skadden, Arps, Slate, Meagher &
Flom LLP

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

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GABELLI
FUNDS

THE GABELLI EQUITY INCOME FUND

*Annual Report
September 30, 2018*

