

# The Gabelli Global Financial Services Fund

## Shareholder Commentary December 31, 2018



**Ian Lapey**  
Portfolio Manager

### **Dear Fellow Shareholders,**

Welcome to the Gabelli Global Financial Services Fund (the Fund)! In this first shareholder letter, I will introduce the Fund, provide a portfolio overview, review its first quarter and discuss two of its largest holdings.

The Fund was launched on October 1, 2018. The goal of the Fund is to generate long term capital appreciation, by primarily investing in common stocks of companies that are engaged in financial services. The decision to launch a financials fund was primarily driven by the abundance of attractive investing opportunities that the sector currently offers. I seeded the Fund with a significant portion of my net worth.

I follow a bottom up value investing approach based on purchasing a common stock at a discount to its intrinsic or private market value. My valuation methodology is more balance sheet than income statement focused. I prefer to value companies on an “as is” basis than to rely on earnings projections, which are inherently uncertain. Financials lend themselves to this type of analysis, and today the common stocks of many great companies trade below tangible book value, providing an attractive margin of safety.

I have a strong preference for common stocks issued by companies with strong balance sheets and competent management teams. As we learned from the Great Financial Crisis (GFC) in 2008-2009, a major risk to investing in the common stocks of banks is dilution. Too big to fail is not too big to be massively diluted. Most banks are currently very well financed, and I believe the next recession will be an earnings event rather than a capital one. As a long term investor, the assessment of management is often the most important factor in the success of the investment. This analysis is mostly qualitative and influenced by experience. I am pleased to have had positions in about two thirds of the companies in the Fund at my previous firms.

The Fund considers a company to be engaged in financial services if it devotes a significant portion of its assets to or derives a significant portion of its revenues from providing financial services. The Fund currently has 9.7% of its net assets invested in automobile manufacturers that have significant financial services subsidiaries. This sector currently offers tremendous value with both Price to Earnings (PE) multiples and dividend yields in the mid-high single digit range. Additionally, the Fund can invest in fixed income securities but will usually only do so opportunistically when they offer equity-like returns.

## Comparative Results

### Returns through December 31, 2018 (a) (b) (Unaudited)

	<u>One Month</u>	<u>Quarter</u>	<u>Since Inception 10/1/18</u>
<b>Class AAA (GAFSX)</b> .....	(8.30)%	(13.71)%	(13.71)%
MSCI World Financials Index .....	(9.08)	(13.74)	(13.74)
S&P 500 Index .....	(9.03)	(13.52)	(13.52)
<b>Class A (GGFSX)</b> .....	(8.31)	(13.72)	(13.72)
With sales charge (b) .....	(13.58)	(18.68)	(18.68)
<b>Class C (GCFSX)</b> .....	(8.39)	(13.88)	(13.88)
With contingent deferred sales charge (c) .....	(9.27)	(14.62)	(14.62)
<b>Class I (GFSIX)</b> .....	(8.35)	(13.76)	(13.76)

**In the current prospectuses dated October 1, 2018, the gross expense ratios for Class AAA, A, C, and I Shares are 2.38%, 2.38%, 3.13%, and 2.13%, respectively, and the net expense ratios for these share classes after contractual reimbursements by Gabelli Funds, LLC, (the Adviser) are 1.25%, 1.25%, 2.00%, and 1.00%, 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](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. 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](http://www.gabelli.com). Investing in foreign securities involves risks not ordinarily associated with investments in domestic issues, including currency fluctuation, economic, and political risks. The MSCI World Financials Index captures large and mid cap securities in the Financials sector across 23 Developed Markets countries. 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. You cannot invest directly in an index.*
- (b) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (c) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

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, are available on our website at [www.gabelli.com](http://www.gabelli.com).

## Portfolio Overview

As of December 31, 2018, the Fund's Net Assets totaled \$10.7 million. The Fund had 30 common stock positions and 4% in cash. The top 10 sectors were as follows:

Banks	19.6%
Diversified Banks	17.6%
Investment Management	11.1%
Automobiles	9.7%
Life Insurance	7.4%
Institutional Brokerage	6.8%
Homebuilders	5.6%
Consumer Finance	5.5%
Institutional Trust, Fiduciary and Custody	4.3%
Real Estate Owners & Developers	3.8%
<b>Total % of Top 10 Sectors</b>	<b>91.3%</b>

By geographic region, about 38% of the Fund is invested in Europe, 38% in the United States, and 20% in Asia. I believe the Fund's valuation metrics are extremely attractive at about 83% of book value, 9 times earnings and a 4% dividend yield.

## Performance Review

The Fund's Class AAA Shares declined by 13.7% during the calendar fourth quarter. This compares to declines of 13.5% and 13.7% for the S&P 500 and MSCI World Financials Indices, respectively. Other classes of shares are available. See page 2 for performance information for all classes of shares.

Despite this disappointing performance, I am encouraged by the underlying business results of the Fund's holdings. Aspen Insurance Holdings (2.5% of net assets as of December 31, 2018) (Aspen Common) was the only portfolio company to report a loss in the calendar third quarter. This is a merger arbitrage investment that should close as scheduled in the first half of 2019. Ironically, Aspen Common was the Fund's top performer during the quarter. The biggest detractors to performance were the Fund's investments in European banks. This stock weakness seems to have been driven by macro concerns about Italian government bond spreads, Brexit, and an overall economic slowdown in the region even though fundamentals for banks remain healthy. To me these concerns seem overblown and more than reflected in the extremely depressed valuations of the stocks. On average the common stocks of the European banks in the Fund trade at 60% of tangible book value. All are profitable and have strong financial positions. Commerzbank (4.0%), the largest position and detractor, is discussed below.

The weak stock performance of the vast majority of the companies in the Fund has resulted in a widening of the discounts between their public market prices and private market values. As Rich Handler, CEO, and Brian Friedman, President, of Jefferies Financial Group (4.0%), whose common stock is a large holding in the Fund, noted in the company's recent quarterly newsletter:

“Don't confuse a low stock price with stupidity (or a high stock price with genius). There are many companies (we are at the top of the list) who have had a solid 2018 both operationally and strategically and their market price reflects substantial loss of value.”

I believe there was a similar divergence between stock performance and business performance for most of the companies in Fund. Importantly, there were no sales during the quarter, and I believe that these “paper losses” will be reversed.

### **Commerzbank**

Commerzbank (4.0% of net assets as of December 31, 2018) is the second largest bank in Germany. The company has had problems in recent years owing to a failed entry into investment banking, including the acquisition of Dresdner in 2008, fines associated with money laundering, and credit losses associated with loans to the shipping industry. As a result, Commerzbank suffered significant financial losses and was forced to raise capital several times, resulting in a more than 10 fold increase in its share count. The stock price declined to less than €6 from a peak of €225 in 2007.

Over the last couple of years, under the leadership of Martin Zielke, who was named Chairman and CEO in May 2016, Commerzbank has restructured, simplified and de-risked its business. The company recently announced the sale of its Equity Markets & Commodities business to Societe Generale (3.2%) and is now focused on just on two segments: Private and Small Business Customers (PSBC) and Corporate Customers (CC). Commerzbank has been gaining market share in both segments having added 900,000 net new PSBC customers since October 2016 and 8,500 net new CC customers since January 2016. The company's operations are now solidly profitable, and its balance sheet is strong with a Tier 1 Common Equity Ratio of 13.2%, up from a Core Capital ratio of 6.9% in 2007. The company's loan portfolio is quite clean with Non-Performing Loan ratio of only 0.9% as of September 30, 2018.

However, Commerzbank's current valuation at 29% of tangible book value and eight times expected 2018 earnings appears to ignore the company's vastly improved financial performance. The company's earnings outlook is healthy with recent data showing 4.4% and 4.7% credit growth in Germany in October and November, respectively, and credit quality expected to remain benign.

Commerzbank has been rumored to be a takeover candidate in recent years with potential suitors including Deutsche Bank, UniCredit (2.3%), BNP Paribas and Societe Generale. The German banking industry would greatly benefit from consolidation, and Commerzbank would be an attractive merger partner given its strong balance sheet, clean loan book, and vastly improved business fundamentals. Commerzbank has attracted the interest of an activist, Cerberus, which purchased a 5% stake more than two years ago at nearly double Commerzbank's year end 2018 price.

## Ally Financial

Ally Financial Inc. (5.5% of net assets as of December 31, 2018) (Ally) is a leading provider of automobile loans and leases to consumers and auto dealers. The company was formerly General Motors Acceptance Corp (GMAC), a captive subsidiary of General Motors. During the GFC, GMAC experienced financial difficulties owing primarily to its exposure to residential mortgages and reliance on the capital markets for funding. At a previous firm, we bought unsecured GMAC debt at a significant discount to par during this period. This investment turned out to be very profitable primarily because the performance of GMAC's auto loan portfolio was more resilient than expected.

In late 2008, the Federal Reserve approved GMAC's request to become a bank holding company. The company subsequently launched an on-line savings bank and was re-branded as Ally. This on-line bank has been tremendously successful and now has more than \$100 billion in deposits. The growth of the on-line bank has reduced the company's reliance on the unsecured debt market and provided lower cost funding. Ally has utilized its strong relationships that have been built over its 100 year history with 18,000 auto dealers to broaden its customer base and expand its used car lending business, which generates higher margins.

Ally's common stock appears to be significantly undervalued today at 7 times expected 2018 earnings and a 21% discount to adjusted tangible book value. Since going public in 2014, Ally's earnings per share and adjusted tangible book value per share have increased to about \$3.20 (based on the company's guidance) and \$28.60 from \$1.83 per share and \$22.20, respectively, but the stock price has declined to \$22.66 from its \$25 IPO price. The earnings outlook appears to be attractive as credit quality is strong and Ally's cost of funding continues to benefit from the replacement of maturing unsecured debt with low cost deposits.

Ally's management and board appear to agree. At a recent investor conference, CEO Jeff Brown noted that share repurchases are the company's number one priority for redeploying its excess cash when the stock trades below its "extraordinarily clean" tangible book value. Growth related investments have "a very high hurdle". Over the last two years, the company has repurchased 14% of its common stock.

January 16, 2019

### Top Ten Holdings (Percent of Net Assets) December 31, 2018

Ally Financial Inc.	5.5%	NN Group N.V.	4.1%
Daimler AG	4.6%	Commerzbank AG	4.0%
Diamond Hill Investment Group Inc.	4.3%	Credit Agricole SA	4.0%
Bank of New York Mellon Corp.	4.3%	Jefferies Financial Group Inc.	4.0%
Franklin Resources Inc.	4.3%	Standard Chartered PLC	3.9%
<b>Total % of Top 10</b>			<b>43.0%</b>

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

Please visit us on the Internet. Our homepage at [www.gabelli.com](http://www.gabelli.com) contains information about GAMCO Investors, Inc., the Gabelli/GAMCO 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](mailto: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](http://www.gabelli.com) and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

### **e-delivery**

We are pleased to offer electronic delivery of Gabelli fund documents. 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](http://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.

## Portfolio Manager Biography

**Ian Lapey** joined Gabelli in October 2018 as a portfolio manager of Gabelli Funds, LLC and the Fund. Mr. Lapey was most recently a Research Analyst and Partner at Moerus Capital Management LLC. Prior to joining Moerus, Mr. Lapey was a Partner, Research Analyst, and Portfolio Manager at Third Avenue Management. Prior to joining Third Avenue in 2001, Mr. Lapey held equity research analyst positions at Credit Suisse First Boston and Salomon Brothers. He began his career in 1991 as a staff accountant for Ernst & Young and is a CPA (inactive). Mr. Lapey holds an M.B.A. in Finance and Statistics from the Stern School of Business at New York University. He also holds a Masters in Accounting from Northeastern University and a B.A. in Economics from Williams College.

**Gabelli Equity Series Funds, Inc.**  
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Net Asset Value per share available daily  
by calling 800-GABELLI after 7:00 P.M.

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**GABELLI**  
FUNDS

# THE GABELLI GLOBAL FINANCIAL SERVICES FUND

*Shareholder Commentary*  
*December 31, 2018*

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

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# The Gabelli Global Financial Services Fund

## First Quarter Report — December 31, 2018

### To Our Shareholders,

For the quarter ended December 31, 2018, the since inception performance for the net asset value (NAV) per Class AAA Share of The Gabelli Global Financial Services Fund decreased 13.7% compared with decreases of 13.7% and 13.5% for the Morgan Stanley Capital International (MSCI) World Financials Index and the Standard & Poor's (S&P) 500 Index, respectively. Other classes of shares are available. See below for performance information for all classes.

Enclosed is the schedule of investments as of December 31, 2018.

### Comparative Results

<u>Total Returns through December 31, 2018 (a) (b) (Unaudited)</u>	<u>Since Inception (10/1/18)</u>
<b>Class AAA (GAFSX)</b> .....	(13.71)%
MSCI World Financials Index .....	(13.74)
S&P 500 Index .....	(13.52)
<b>Class A (GGFSX)</b> .....	(13.72)
With sales charge (c) .....	(18.68)
<b>Class C (GCFSX)</b> .....	(13.88)
With contingent deferred sales charge (d) .....	(14.62)
<b>Class I (GFSIX)</b> .....	(13.76)

**In the current prospectuses dated January 28, 2019, the gross expense ratios for Class AAA, A, C, and I Shares are 2.38%, 2.38%, 3.13%, and 2.13%, respectively, and the net expense ratios for these share classes after contractual reimbursements by Gabelli Funds, LLC, (the Adviser) are 1.25%, 1.25%, 2.00%, and 1.00%, 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](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. 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](http://www.gabelli.com). Investing in foreign securities involves risks not ordinarily associated with investments in domestic issues, including currency fluctuation, economic, and political risks. The MSCI World Financials Index captures large and mid cap securities in the Financials sector across 23 Developed Markets countries. 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. You cannot invest directly in an index.*

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

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

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

# The Gabelli Global Financial Services Fund

## Schedule of Investments — December 31, 2018 (Unaudited)

Shares		Market Value	Shares		Market Value
<b>COMMON STOCKS — 95.4%</b>			<b>Investment Companies — 2.2%</b>		
<b>Automobiles — 9.6%</b>			<b>Investment Management — 11.0%</b>		
9,300	Daimler AG	\$ 489,193	140,935	Atlas Mara Ltd.†	\$ 233,952
40,500	Ford Motor Co.	309,825	3,100	Diamond Hill Investment Group Inc.	463,295
2,100	Toyota Motor Corp., ADR	243,768	15,500	Franklin Resources Inc.	459,730
		<u>1,042,786</u>	7,700	Westwood Holdings Group Inc.	261,800
					<u>1,184,825</u>
<b>Banks — 19.5%</b>			<b>Life Insurance — 7.4%</b>		
65,000	Commerzbank AG†	430,682	76,000	Aegon NV	355,187
71,000	Dah Sing Financial Holdings Ltd.	350,897	11,100	NN Group NV	442,581
18,800	Japan Post Bank Co. Ltd.	207,545			<u>797,768</u>
29,700	Mediobanca Banca di Credito Finanziario SpA	250,996	<b>Real Estate — 3.8%</b>		
1,570	Shinhan Financial Group Co. Ltd.	55,720	79,000	Hang Lung Group Ltd.	201,170
8,300	Shinhan Financial Group Co. Ltd., ADR	294,567	42,000	Henderson Land Development Co. Ltd.	209,182
22,500	Shinsei Bank Ltd.	268,715			<u>410,352</u>
21,700	UniCredit SpA	245,993	<b>Reinsurance — 2.5%</b>		
		<u>2,105,115</u>	6,400	Aspen Insurance Holdings Ltd.	268,736
<b>Building and Construction — 5.6%</b>			<b>TOTAL COMMON STOCKS</b>		
2,600	Cavco Industries Inc.†	338,988			<u>10,300,805</u>
22,000	Legacy Housing Corp.†	262,460	<b>Principal Amount</b>		
		<u>601,448</u>	\$ 495,000	<b>U.S. GOVERNMENT OBLIGATIONS — 4.6%</b>	
<b>Consumer Finance — 5.4%</b>				U.S. Treasury Bill,	
25,900	Ally Financial Inc.	586,894		2.376%††, 03/14/19	
				<u>492,678</u>	
<b>Diversified Banks — 17.4%</b>			<b>TOTAL INVESTMENTS — 100.0%</b>		
176,000	Barclays plc	337,661	(Cost \$12,451,285)		
39,500	Credit Agricole SA	426,775	<u>\$ 10,793,483</u>		
130,000	Royal Bank of Scotland Group plc	359,068	† Non-income producing security.		
10,700	Societe Generale SA	341,060	†† Represents annualized yield at date of purchase.		
54,000	Standard Chartered plc	419,371	ADR American Depositary Receipt		
		<u>1,883,935</u>			
<b>Institutional Brokerage — 6.7%</b>					
59,100	Daiwa Securities Group Inc.	300,124			
24,400	Jefferies Financial Group Inc.	423,584			
		<u>723,708</u>			
<b>Institutional Trust, Fiduciary, and Custody — 4.3%</b>					
9,800	The Bank of New York Mellon Corp.	461,286			

See accompanying notes to schedule of investments.

## The Gabelli Global Financial Services Fund

### Notes to Schedule of Investments (Unaudited)

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The Gabelli Global Financial Services Fund (the 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 non-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 capital appreciation. The Fund commenced investment operations on October 1, 2018.

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

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

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

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

## The Gabelli Global Financial Services Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

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

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. At December 31, 2018, the Fund did not hold any Level 3 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 December 31, 2018 is as follows:

	Valuation Inputs		Total Market Value at 12/31/18
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>			
<b>ASSETS (Market Value):</b>			
Common Stocks (a)	\$10,300,805	—	\$10,300,805
U.S. Government Obligations	—	\$492,678	492,678
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$10,300,805</b>	<b>\$492,678</b>	<b>\$10,793,483</b>

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

#### Additional Information to Evaluate Qualitative Information.

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

**Fair Valuation.** Fair valued securities may be common or preferred equities, warrants, options, rights, or fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. When fair valuing a security, factors to consider include recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. A significant change in the unobservable inputs could result in a lower or higher value in Level 3 securities. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

## The Gabelli Global Financial Services Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

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

**Foreign Currency Translations.** The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at current exchange rates. Purchases and sales of investment securities, income, and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses that result from changes in foreign exchange rates and/or changes in market prices of securities have been included in unrealized appreciation/depreciation on investments and foreign currency translations. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of the Fund and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gain/(loss) on investments.

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

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

**Restricted Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than 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 December 31, 2018, the Fund held no restricted securities.

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

**THE GABELLI GLOBAL FINANCIAL SERVICES FUND**  
**One Corporate Center**  
**Rye, NY 10580-1422**

**Portfolio Manager Biography**

**Ian Lapey** has been the portfolio manager of The Gabelli Global Financial Services Fund since inception of the investment strategy on October 1, 2018. Prior to joining Gabelli, Mr. Lapey was a Research Analyst and Partner at Moerus Capital Management LLC. Prior to joining Moerus, he was a Partner, Research Analyst, and a Portfolio Manager at Third Avenue Management. Mr. Lapey holds an MBA in Finance and Statistics from the Stern School of Business at New York University. He also holds a Masters degree in Accounting from Northeastern University and a BA in Economics from Williams College.

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

Gabelli Equity Series Funds, Inc.

THE GABELLI GLOBAL FINANCIAL SERVICES 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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This report is submitted for the general information of the shareholders of The Gabelli Global Financial Services 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 GLOBAL FINANCIAL SERVICES FUND

*First Quarter Report  
December 31, 2018*

