

# The Gabelli Small Cap Growth Fund

## Shareholder Commentary

### December 31, 2018

#### **To Our Shareholders,**

For the quarter ended December 31, 2018, the net asset value (NAV) per Class AAA Share of The Gabelli Small Cap Growth Fund decreased 17.6% compared with a decrease of 20.2% for the Russell 2000 Index. Other classes of shares are available. See page 2 for additional performance information for all classes.

#### **Introduction**

For most of the last decade we have lived in what has often been termed a “Goldilocks economy.” Much as the fair-haired, home-invading subject of the children’s story found one bowl of porridge to be “just right,” economic growth and inflation has been neither too hot nor too cold<sup>1</sup>. During this time, coordinated action by the world’s central banks kept interest rates near zero and the prices of nearly all asset classes high. The U.S. economy is in its 113th month of expansion, seven months short of the record. Until the fourth quarter stumble, U.S. equities were 119 months into the longest-ever bull market, led mostly by growth stocks riding a global wave of technological innovation and expanding prosperity. Except for growth scares in 2011, 2015, and perhaps one day in November 2016, the market’s volatility has been low and its upward trajectory largely uninterrupted. There are signs, however, that the narrative may be changing, as a turn in the aging business cycle may be accompanied by a wholesale shift in socio-political regimes from globalism to nationalism and capital to labor. Populism is on the march around the world with long-term effects that are unclear, but unlikely to be positive for equities. As in the story, the bears will eventually return home; their timing and mood is uncertain, as is how much of this eventuality the market has already discounted. Against this backdrop we believe bottom-up, fundamental stock selection of the type we have practiced for over forty years remains more important than ever.

#### **The Political Economy of 2018**

The most salient issue for the market is growth - with corporate tax cuts behind us and little slack left in the economy, real growth will almost certainly slow from the 3.4% posted in Q3 2018. That does not necessarily imply that a recession, defined as two consecutive quarters of contraction, is on the immediate horizon. How far above or below the approximately 2% real growth that population and productivity gains suggest is “just right” depends on many factors, including what we have described variously as Three T’s: Trade, Treasuries, and Trump.

---

<sup>1</sup>“Goldilocks and the Three Bears” is a hoary tale first recorded by poet Robert Southey in 1837. Market commentator use of the analogy dates to at least the late-1990s expansion.

## Comparative Results

### Average Annual Returns through December 31, 2018 (a)(b)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (10/22/91)
<b>Class AAA (GABSX)</b> .....	(17.58)%	(15.32)%	3.31%	11.68%	8.57%	11.65%
Russell 2000 Index .....	(20.20)	(11.01)	4.41	11.97	7.50	9.11
<b>Class A (GCASX)</b> .....	(17.57)	(15.31)	3.31	11.67	8.57	11.65
With sales charge (c) .....	(22.31)	(20.18)	2.10	11.01	8.14	11.41
<b>Class C (GCCSX)</b> .....	(17.74)	(15.95)	2.54	10.84	7.76	11.19
With contingent deferred sales charge (d) ....	(18.56)	(16.79)	2.54	10.84	7.76	11.19
<b>Class I (GACIX)</b> .....	(17.53)	(15.10)	3.57	11.96	8.77	11.76

**In the current prospectuses dated January 28, 2019, the expense ratios for Class AAA, A, C, and I Shares are 1.36%, 1.36%, 2.11%, and 1.11%, respectively. Class AAA and Class I Shares have no 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). 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. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 Index is an unmanaged indicator which measures the performance of the small-cap segment of the U.S. equity market. Dividends are considered reinvested. 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.

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).

## ***Trade***

President Trump made “fair trade” the centerpiece of his election campaign and he has thus far made good on his promise to challenge the prevailing post-war “free trade” orthodoxy (however illusory that reality might have been). Hope for a trade deal with China rose when the administration renegotiated NAFTA, now called USMCA (the initials of its U.S., Mexican and Canadian signatories), the market understandably zags with each hint that a China deal could emerge since China accounts for nearly half of the \$600 billion U.S. trade deficit and remains our third largest export destination. The situation takes on even greater significance due to China’s role as an engine for global growth. China is slowing as it faces domestic structural imbalances. Pressure from President Trump exacerbates those issues, but a deal will not solve them nor heal the lasting damage done to the Sino-American symbiosis.

## ***Treasuries***

Also critical to the outlook for the economy and stocks are the level and trajectory of interest rates. Since the Federal Reserve began its taper four years ago in October 2014, the ten-year U.S. Treasury rate breached 3% this year for the first time since 2013, standing now just below that level. Higher interest rates have real world impacts – they make the purchases of new homes, cars, capital equipment, and companies more expensive to finance. All else equal, higher rates reduce the value of risk assets by making the alternative home for capital, “riskless” Treasuries, more attractive. The term structure of interest rates (aka, the yield curve) has also been ascribed predictive powers. Inverted curves – situations in which the two-year yield exceeds the ten-year yield – have predicted all nine recessions since 1955, albeit with two false positives and a wide variation in timing. The virtually flat yield curve today thus worries some observers.

## ***Trump***

While there has always been a healthy interplay between markets and political figures, President Trump’s Twitter habit, unpredictability, and the potential legal challenges to his presidency have made him more of a focus than past leaders. Among the concerns for the next two years is how a Democratic Congress with no interest in helping Trump get re-elected approves the USMCA, a debt ceiling extension and further fiscal stimulus, especially when the ask may be a tweak to the tax cuts. Interestingly, the War on Tech (i.e. privacy and anti-trust investigations of Facebook, Google, Amazon, and others) seems to be one of the few issues with bipartisan support and worth watching in 2019. Geopolitical disruption is not unique to the U.S.: if and how the U.K. exits the European Union, the precarious positions of leaders in Germany, France, and Italy, not to mention the typical entanglements in the Middle East, also remain a focus.

## **Skeptics Could Be Wrong If Things Go Right**

Not all news – whether real or fake – is bad, of course. In fact, many economic indicators are quite strong, with 3.7% unemployment the lowest since the tumult of 1969, record consumer net worth (\$109 trillion) and interest rates and inflation that, viewed over a longer time frame, remain quite tame. The Federal Reserve and

the President are probably not past the point of no return and still have not lost policy control: President Trump, who possesses a keen sensitivity to the stock market, could resolve the trade war and the Fed could blink on 2019 rate hikes. That would leave reason to believe the expansion could continue and that the current state of the market is the pause, like the previous ones in this cycle, that refreshes.

## **Mr. Market**

### ***Causation, Correlation or Neither***

The S&P 500 finished 2018 down 4.4% and the small capitalization Russell 2000 Index was down 11%, with each off 13.5% and 20.2% in the fourth quarter, respectively. The performance of the S&P 500, dominated by six technology stocks (Facebook, Amazon, Netflix, Google, Microsoft, and Apple – the “FANGMA”) that comprise 15% of its weight, masked the more significant declines posted by a broader group of stocks. Approximately two-thirds of stocks in the S&P 500 are negative this year with one-third down more than 20%. Even the vaunted FANGMA is now 25% off its highs, adding credence to the notion that the global growth trend may be broken. “Buy the Dip” has morphed to “Sell the Rip.”

Market declines of this magnitude could be expected to impart a negative wealth effect, i.e., consumers with slimmer brokerage statements feeling less inclined to make discretionary purchases, which could exacerbate an economic slowdown, but market declines are more often simply a precursor, not a trigger, of recessions. Since 1929, there have been sixteen bear markets with most, though not all, pacing a recession by approximately one year, with the recession-less crash of October 1987 a notable exception. It is also worth stating that the market does not equal the economy. Just as some have suggested Wall Street prospered without much of Main St. over the last decade, the reverse could conceivably prove true.

### ***Valuation Today vs. Five Years Out***

In any case, stocks are already pricing a slowdown and/or higher rates. A flat year-to-date equity market, compared with estimated EPS gains of 22% in 2018 and 8% in 2019, implies a contraction in forward multiples from 18x at the end of 2017 to roughly 15x today. That is at the low end of historical multiples during periods with inflation in the 0%-3% area. This suggests that the market as a whole does not appear expensive. We do not buy the “market,” but we are finding a lot of bargains in individual stocks recently.

### ***Rx for Investors***

What is an investor in a choppy environment, lacking a reliable crystal ball to do? Historically it has proven foolish to attempt to time the market, especially based on macroeconomic data. In 2009, for example, the market rallied 36% between its bottom in March and the June end to the recession. None of this is to suggest investors should ignore their positioning in an evolving environment.

Indeed, we believe we are poised to capitalize from change. Historically we have gravitated toward companies with characteristics such as pricing power, stable cash flows, solid managements and resilient balance sheets – factors which may not have been appreciated in a zero inflation, easy money world. Higher interest rates and greater market volatility substantially increase the cost of capital even for the large internet companies. Combined with a possible economic slowdown, this should flush excess capital from the system, eliminating many of the seemingly disruptive companies backed by venture capital and accommodative capital markets to the benefit of those with truly sound business models and actual cash flow rather than the promise of future cash flow. Finally, a change in market structure over the last decade, with an estimated 15% of U.S. equities managed passively, could accentuate any downside as withdrawals from ETFs retrace what was relentlessly bought on the way up. Our portfolio, which tends not to resemble what is represented in the popular ETFs, should be less susceptible to those forces, and the volatility a rush to the exit could cause would present buying opportunities for active managers who conduct old fashioned research to uncover value.

### **Deals, Deals & More Deals**

Deal activity slowed through the year as political uncertainty weighed, but the underpinnings for mergers (low interest rates and a lack of organic growth opportunities) remain and the potentially waning days of the present administration may encourage activity sooner rather than later. Spin-offs rebounded in 2018 (26 by our count), including two by Honeywell and one pre-takeover spin-off by KLX. Notable upcoming announced separations include Madison Square Garden's (1.1% of net assets as of December 31, 2018) spin of its sports teams, Twenty-First Century Fox's (0.3%) pre-deal spin of its news and broadcast assets, and three-way spins by DowDuPont and United Technologies. As discussed in the past, we like spin-offs because they not only tend to surface value but often serve as the source of new ideas for the Fund.

### **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 December 31, 2018.

*Curtiss-Wright Corp. (1.2% of net assets as of December 31, 2018) (CW – \$102.12 – NYSE)* is a leading manufacturer of actuation and electronic devices for the aerospace and industrial markets. The company makes high performance actuation systems used in airplane wings, pumps, and valves for the nuclear power generation industry, and provides laser and shot peening services to the aerospace, automotive, and general industrial markets. The commercial nuclear power industry is a significant growth driver for Curtiss-Wright. CW is the exclusive supplier of nuclear pumps to Westinghouse for the AP1000 reactors. The company has agreements to supply reactor pumps to power plants in China. We believe these agreements could be the first of many for the company to supply reactor pumps to the growing nuclear industry.

*Energizer Holdings Inc. (less than 0.1%) (ENR – \$45.15 – NYSE)* based in St. Louis, Missouri, became a standalone company on July 1, 2015 through a tax-free spin-off to shareholders from Edgewell Personal Care. Energizer is the global share leader in consumer batteries, a nearly \$6 billion global market. In 2018, Energizer announced two large acquisitions, including the Rayovac battery business from Spectrum Brands (SPB-less than 0.1%) for approximately \$1.5 billion (net of estimated divestiture proceeds). This acquisition, which closed in January 2019, enhances Energizer's battery position in the U.S., Latin America, and Asia-Pacific, as well as in value-priced batteries and hearing aid batteries. The combination is expected to generate approximately \$60 million of cost synergies. In addition to batteries, Energizer is acquiring Spectrum's auto care business for \$1.2 billion, which complements its current auto portfolio and propels Energizer to a leading position in auto appearance products. This acquisition, which is expected to close imminently, further diversifies Energizer's product portfolio and presents synergy and additional profit improvement opportunities.

*GCP Applied Technologies Inc. (0.1%) (GCP – \$24.55 – NYSE)* based in Cambridge, Massachusetts, provides concrete and cement additives, as well as waterproofing products used in construction. The company was spun out of W.R. Grace in February 2016. Growth drivers include the growth of construction (Commercial, Residential, and Infrastructure), urbanization, and sustainability. The company focuses on the more complex construction projects, including bridges, airports, and other large commercial and industrial building projects. The company sees significant opportunity with its VERIFI<sup>®</sup> In-Transit Concrete Management System, which helps monitor and adjust the flow properties of concrete on its way to construction sites, enabling quality control and operational efficiencies. Its waterproofing technologies provide protection from water infiltration to the foundation and envelope of buildings, as well as on sloped residential roofs. GCP consists of two operating segments: Specialty Construction Chemicals (SCC) and Specialty Building Materials (SBM). Management expects GCP to grow revenues at 2x the global construction market's CAGR of 2%-4%. The company's restructuring plan is expected to be completed by year-end 2019, generating annual savings of \$25 million (75% from SCC as it exits non-profitable markets in some geographies).

*Griffon Corp. (0.6%) (GFF – \$10.45 – NYSE)* based in Jericho, New York, operates Clopay Building Products, which manufactures residential garage doors; Ames True Temper, a leading North American manufacturer of non-powered lawn and garden tools, wheelbarrows, and other landscaping products; and Telephonics, which manufactures electronic systems used by the defense industry in growing areas such as mobile surveillance. In Telephonics, radar and surveillance products cater to a growing area of the global defense industry. Housing end markets have been mixed as it relates to Clopay and Ames, although those businesses are good franchises and have much less exposure to new construction than to remodel spend. In the past fifteen months, Griffon has added to its home and building portfolio through the \$200 million acquisition of ClosetMaid, a maker of home storage products, and the \$180 million acquisition of Cornell Cookson, a maker of rolling doors and steel grilles. It also disposed of its specialty plastics films business for about \$400 million. We would not rule out a sale of its defense business subject to price and leverage considerations. While clearly not immune from macro pressures, Griffon's underlying businesses have considerable asset value not recognized in the public markets.

*HERC Holdings Inc. (0.4%) (HRI – \$25.99 – NYSE)* based in Bonita Springs, Florida, is the third largest equipment rental company in the United States after United Rentals and Sunbelt Rentals (owned by Ashtead). HRI was spun out of former parent Hertz on June 30, 2016. Underemphasized as part of a significantly larger car rental company, HRI has begun to drive operating metrics to levels more commensurate with peers as a standalone entity, which has the potential to create significant value for shareholders. We continue to see operating improvement at Herc, which will help drive stronger earnings, particularly in the context of a growing equipment rental market. Ultimately, we view HRI as an attractive acquisition candidate.

*Kaman Corp. (1.7%) (KAMN – \$56.09 – NYSE)* is a diversified company serving the aerospace, defense, and industrial markets. The Aerospace segment manufactures aircraft bearings, precision fuses, composite aerostructures, K-MAX helicopters and performs helicopter subcontract work. In the Distribution segment, the company distributes power transmission, motion control, and fluid power components to a broad range of industries.

*Liberty Braves Group (0.3%) (BATRK/BATRA – \$24.89/24.94 – NASDAQ)*, located in Cobb County, Georgia, was founded in 1871 and is the oldest continuously operating professional sports franchise in U.S. The Atlanta Braves second season at the 41,500 seat SunTrust Park resulted in a 2% increase in average attendance to 31,553 as the young team returned to the play-offs after an absence of five years. The Braves have benefited from the increase in beach front sports team valuations with Forbes' Braves valuation increasing 41% over the last three years to \$1.65 billion, in-line with MLB's 39% increase. Continued team performance combined with a low payroll effectively locked in for three/four years with a young "controllable" core and a top farm system could drive valuation further. The Braves continue to benefit from MLB broadcast contracts with new broadcasters such as Facebook and potential legal sports (PAPSA) betting revenue. The high stadium attendance supports the 66 acre mixed use real estate development, which is continuing to expand with the new Thyssenkrupp Elevator Americas and Aloft Hotel. The residential property was recently sold for \$155 million which bodes well for the \$600 million mixed use development which is "hidden" within the Group.

*Navistar International Corp. (1.2%) (NAV – \$25.95 – NYSE)* based in Lisle, Illinois, manufactures Class 4-8 trucks, buses, and defense vehicles, as well as diesel engines and parts for the commercial trucking industry. NFC, a wholly-owned subsidiary, provides financing of products sold by the company's truck segment. Navistar has continued to see its operations and market share improve following a September 2016 \$256 million (16.6% stake) investment by Volkswagen. More recently, Volkswagen provided more information on its intention to separate its Truck & Bus division, which owns the VW brand as well as MAN and Scania in Europe. This separation increases the likelihood that VW Truck & Bus will seek to buy Navistar outright in the future.

January 29, 2019

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

Kikkoman Corp.	2.3%	Rollins Inc.	1.4%
PNM Resources Inc.	1.8%	Live Nation Entertainment Inc.	1.4%
Kaman Corp.	1.7%	Interpublic Group of Cos Inc.	1.3%
O'Reilly Automotive Inc.	1.6%	Tyler Technologies Inc.	1.2%
Aerojet Rocketdyne Holdings Inc.	1.5%	Ryman Hospitality Properties Inc.	1.2%

**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).

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.

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.



**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**

The Gabelli Small Cap Growth Fund began offering additional classes of Fund shares on December 31, 2003. 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 Directors 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 which is affiliated with GAMCO Investors, Inc., a publicly held company that has subsidiaries 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](http://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 SMALL CAP GROWTH FUND**

One Corporate Center  
Rye, NY 10580-1422

t 800-GABELLI (800-422-3554)

f 914-921-5118

e [info@gabelli.com](mailto:info@gabelli.com)

[GABELLI.COM](http://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, Inc.

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 & Trust Company

**TRANSFER AGENT AND  
DIVIDEND DISBURSING AGENT**

DST Asset Manager Solutions, Inc.

**LEGAL COUNSEL**

Skadden, Arps, Slate, Meagher &  
Flom LLP



**GABELLI**  
FUNDS

# THE GABELLI SMALL CAP GROWTH FUND

*Shareholder Commentary*  
*December 31, 2018*

---

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

---

# The Gabelli Small Cap Growth Fund

## First Quarter Report — December 31, 2018

### To Our Shareholders,

For the quarter ended December 31, 2018, the net asset value (NAV) per Class AAA Share of The Gabelli Small Cap Growth Fund decreased 17.6% compared with a decrease of 20.2% for the Russell 2000 Index. Other classes of shares are available. See below for performance information for all classes of shares.

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

### Comparative Results

Average Annual Returns through December 31, 2018 (a)(b) (Unaudited)						Since Inception (10/22/91)
	Quarter	1 Year	5 Year	10 Year	15 Year	
<b>Class AAA (GABSX)</b> . . . . .	(17.58)%	(15.32)%	3.31%	11.68%	8.57%	11.65%
Russell 2000 Index . . . . .	(20.20)	(11.01)	4.41	11.97	7.50	9.11
<b>Class A (GCASX)</b> . . . . .	(17.57)	(15.31)	3.31	11.67	8.57	11.65
With sales charge (c) . . . . .	(22.31)	(20.18)	2.10	11.01	8.14	11.41
<b>Class C (GCCSX)</b> . . . . .	(17.74)	(15.95)	2.54	10.84	7.76	11.19
With contingent deferred sales charge (d) . . . . .	(18.56)	(16.79)	2.54	10.84	7.76	11.19
<b>Class I (GACIX)</b> . . . . .	(17.53)	(15.10)	3.57	11.96	8.77	11.76

**In the current prospectuses dated January 28, 2019, the expense ratios for Class AAA, A, C, and I, Shares are 1.36%, 1.36%, 2.11%, and 1.11%, respectively. Class AAA and Class I Shares have no 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 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). 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, the 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 associated with this class of shares. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 Index is an unmanaged indicator which measures the performance of the small cap segment of the U.S. equity market. Dividends are considered reinvested. 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 Small Cap Growth Fund

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

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Business Services (Continued)</b>				
85,000	Scientific Games Corp.†	\$ 1,519,800	74,000	Ginko International Co. Ltd.	\$ 509,191
20,000	Sealed Air Corp.	696,800	2,000	Harley-Davidson Inc.	68,240
16,000	Sequential Brands Group Inc.†	12,802	147,300	Hunter Douglas NV	9,822,363
115,000	Sohgo Security Services Co. Ltd.	5,393,002	2,800	Kobayashi Pharmaceutical Co. Ltd.	190,831
17,000	Stamps.com Inc.†	2,645,880	13,000	LCI Industries	868,400
345,000	Team Inc.†	5,054,250	270,000	Marine Products Corp.	4,565,700
33,000	The Brink's Co.	2,133,450	9,500	National Presto Industries Inc.	1,110,740
1,820,000	The Interpublic Group of Companies Inc.	37,546,600	32,000	Newell Brands Inc.	594,880
33,050	TransAct Technologies Inc.	296,789	425,000	Sally Beauty Holdings Inc.†	7,246,250
113,500	Trans-Lux Corp.†(a)	52,210	220,000	Samick Musical Instruments Co. Ltd.	353,916
47,000	United Rentals Inc.†	4,818,910	13,000	Shimano Inc.	1,840,792
14,444	Vectrus Inc.†	311,701	2,000	Spectrum Brands Holdings Inc.	84,500
		<u>132,743,386</u>	14,250	Steven Madden Ltd.	431,205
			150,000	Swedish Match AB	5,908,304
			28,000	The Scotts Miracle-Gro Co.	1,720,880
			21,400	WD-40 Co.	3,921,764
			100,000	Wolverine World Wide Inc.	<u>3,189,000</u>
					<u>55,780,890</u>
	<b>Cable — 1.3%</b>				
167,000	AMC Networks Inc., Cl. A†	9,164,960			
1,600	Cable One Inc.	1,312,160			
50,000	DISH Network Corp., Cl. A†	1,248,500			
36,000	EchoStar Corp., Cl. A†	1,321,920	53,000	Bowlin Travel Centers Inc.†	129,850
297,990	Liberty Global plc, Cl. A†	6,359,107	2,750	Collectors Universe Inc.	31,240
734,391	Liberty Global plc, Cl. C†	15,157,830	30,000	GCI Liberty Inc., Cl. A†	1,234,800
340,000	WideOpenWest Inc.†	2,424,200	17,000	IAC/InterActiveCorp.†	3,111,680
		<u>36,988,677</u>	264,000	KAR Auction Services Inc.	12,598,080
			20,000	Liberty Expedia Holdings Inc., Cl. A†	782,200
			25,000	Liberty TripAdvisor Holdings Inc., Cl. A†	397,250
			140,000	Qurate Retail Inc.†	2,732,800
			1,160,000	Rollins Inc.	<u>41,876,000</u>
					<u>62,893,900</u>
	<b>Communications Equipment — 0.1%</b>				
263,016	Communications Systems Inc.	533,922			
50,000	Fortinet Inc.†	3,521,500			
		<u>4,055,422</u>			
	<b>Computer Software and Services — 2.5%</b>				
50,000	3D Systems Corp.†	508,500			
146,000	Activision Blizzard Inc.	6,799,220	15,700	Acuity Brands Inc.	1,804,715
685,016	Alithya Group Inc., Cl. A†	1,623,488	30,000	Aegion Corp.†	489,600
125,000	Avid Technology Inc.†	593,750	90,000	Albany International Corp., Cl. A	5,618,700
160,000	comScore Inc.†	2,308,800	15,000	Altra Industrial Motion Corp.	377,250
40,000	InterXion Holding NV†	2,166,400	153,600	Ampco-Pittsburgh Corp.†	476,160
20,000	Mercury Systems Inc.†	945,800	6,000	Anixter International Inc.†	325,860
20,000	MKS Instruments Inc.	1,292,200	73,037	Burnham Holdings Inc., Cl. A	1,015,945
165,000	NCR Corp.†	3,808,200	400,000	Crane Co.	28,872,000
3,996	NetScout Systems Inc.†	94,425	140,000	EnPro Industries Inc.	8,414,000
12,000	Rocket Internet SE†	277,455	115,000	Greif Inc., Cl. A	4,267,650
100,000	Rockwell Automation Inc.	15,048,000	117,970	Greif Inc., Cl. B	5,237,868
10,000	SecureWorks Corp., Cl. A†	168,900	1,600,000	Griffon Corp.	16,720,000
138,000	Stratasys Ltd.†	2,485,380	29,000	Haynes International Inc.	765,600
196,000	Tyler Technologies Inc.†	36,420,720	190,000	Jardine Strategic Holdings Ltd.	6,974,900
		<u>74,541,238</u>	8,000	JSP Corp.	156,635
			840,000	Katy Industries Inc.†(a)	3,570
			180,000	Kimball International Inc., Cl. B	2,554,200
			50,000	L.B. Foster Co., Cl. A†	795,000
			80,000	Lawson Products Inc.†	2,528,000
			94,000	Lincoln Electric Holdings Inc.	7,411,900
			59,000	Lindsay Corp.	5,678,750
	<b>Consumer Products — 1.9%</b>				
260,000	1-800-FLOWERS.COM Inc., Cl. A†	3,179,800			
74,000	Brunswick Corp.	3,437,300			
33,500	Chofu Seisakusho Co. Ltd.	638,794			
79,000	Church & Dwight Co. Inc.	5,195,040			
20,000	Energizer Holdings Inc.	903,000			

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

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

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Diversified Industrial (Continued)</b>		38,000	CMS Energy Corp.....	\$ 1,886,700
27,000	Lydall Inc.†.....	\$ 548,370	21,000	Connecticut Water Service Inc.....	1,404,270
40,221	Matthews International Corp., Cl. A.....	1,633,777	11,000	Consolidated Water Co. Ltd. ....	128,260
1,000,000	Myers Industries Inc.....	15,110,000	155,000	Covanta Holding Corp.....	2,080,100
19,000	nVent Electric plc.....	426,740	94,000	Diamondback Energy Inc.....	8,713,800
126,000	Oil-Dri Corp. of America.....	3,339,000	49,000	Dril-Quip Inc.†.....	1,471,470
120,000	Olin Corp.....	2,413,200	400,000	El Paso Electric Co.....	20,052,000
309,000	Park-Ohio Holdings Corp.....	9,483,210	80,000	Energy Recovery Inc.†.....	538,400
19,000	Pentair plc.....	717,820	195,000	Eergy Inc.....	11,070,150
98,000	Raven Industries Inc.....	3,546,620	110,000	Hawaiian Electric Industries Inc.....	4,028,200
26,000	Roper Technologies Inc.....	6,929,520	41,111	KLX Energy Services Holdings Inc.†.....	964,053
90,000	Sonoco Products Co.....	4,781,700	23,000	Landis+Gyr Group AG.....	1,290,518
57,000	Standex International Corp.....	3,829,260	38,231	Marathon Petroleum Corp.....	2,256,011
470,042	Steel Connect Inc.†.....	813,173	40,000	Middlesex Water Co.....	2,134,000
285,046	Steel Partners Holdings LP†.....	3,819,616	95,000	National Fuel Gas Co.....	4,862,100
17,000	T Hasegawa Co. Ltd.....	241,805	15,000	Northwest Natural Holding Co.....	906,900
8,000	Terex Corp.....	220,560	72,000	NorthWestern Corp.....	4,279,680
390,000	Textron Inc.....	17,936,100	80,000	Oceaneering International Inc.†.....	968,000
537,000	Tredegar Corp.....	8,516,820	260,000	Otter Tail Corp.....	12,906,400
260,000	Trinity Industries Inc.....	5,353,400	16,000	Patterson-UTI Energy Inc.....	165,600
46,000	Ultra Electronics Holdings plc.....	762,211	1,245,000	PNM Resources Inc.....	51,157,050
		<u>190,911,205</u>	72,000	Rowan Companies plc, Cl. A†.....	604,080
	<b>Educational Services — 0.0%</b>		1,970,000	RPC Inc.....	19,443,900
59,000	Career Education Corp.†.....	673,780	20,000	Siemens Gamesa Renewable Energy SA†.....	243,816
85,000	Universal Technical Institute Inc.†.....	310,250	98,000	SJW Group.....	5,450,760
		<u>984,030</u>	170,000	Southwest Gas Holdings Inc.....	13,005,000
	<b>Electronics — 1.8%</b>		15,000	Spire Inc.....	1,111,200
192,000	Badger Meter Inc.....	9,448,320	41,000	The York Water Co.....	1,314,460
281,652	Bel Fuse Inc., Cl. A(a).....	3,872,715	14,000	Vestas Wind Systems A/S.....	<u>1,057,224</u>
545,000	CTS Corp.....	14,110,050			<u>202,405,432</u>
500,000	Cypress Semiconductor Corp.....	6,360,000		<b>Entertainment — 2.9%</b>	
40,000	Daktronics Inc.....	296,000	23,000	AMC Entertainment Holdings Inc., Cl. A.....	282,440
32,000	Dolby Laboratories Inc., Cl. A.....	1,978,880	50,000	Discovery Inc., Cl. A†.....	1,237,000
1,167	Fortive Corp.....	78,959	100,000	Discovery Inc., Cl. C†.....	2,308,000
240,000	Gentex Corp.....	4,850,400	432,612	Dover Motorsports Inc.....	813,310
40,000	IMAX Corp.†.....	752,400	140,000	Entertainment One Ltd.....	636,331
70,000	KEMET Corp.....	1,227,800	25,000	Eros International plc†.....	207,250
343,000	Park Electrochemical Corp.....	6,198,010	66,533	Inspired Entertainment Inc.†.....	319,358
60,000	Renesas Electronics Corp.†.....	273,710	65,000	International Speedway Corp., Cl. A.....	2,850,900
26,300	Sparton Corp.†.....	478,397	6,814	International Speedway Corp., Cl. B.....	303,325
185,000	Stoneridge Inc.†.....	4,560,250	75,000	Liberty Media Corp.- Liberty Braves, Cl. A†.....	1,870,500
		<u>54,485,891</u>	255,000	Liberty Media Corp.- Liberty Braves, Cl. C†.....	6,346,950
	<b>Energy and Utilities — 6.8%</b>		14,000	Lions Gate Entertainment Corp., Cl. A.....	225,400
57,000	Avangrid Inc.....	2,855,130	36,000	Lions Gate Entertainment Corp., Cl. B.....	535,680
110,000	Avista Corp.....	4,672,800	30,000	Manchester United plc, Cl. A.....	569,400
220,000	Black Hills Corp.....	13,811,600	96,000	Take-Two Interactive Software Inc.†.....	9,882,240
700,000	Black Ridge Oil and Gas Inc.†.....	19,180	124,000	The Madison Square Garden Co., Cl. A†.....	33,194,800
278,000	Callon Petroleum Co.†.....	1,804,220	175,000	Twenty-First Century Fox Inc., Cl. A.....	8,421,000
46,000	Chesapeake Utilities Corp.....	3,739,800	154,000	Universal Entertainment Corp.....	4,482,095
5,000	Clean Energy Fuels Corp.†.....	8,600			

See accompanying notes to schedule of investments.



# The Gabelli Small Cap Growth Fund

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

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Entertainment (Continued)</b>				
130,000	World Wrestling Entertainment Inc., Cl. A	\$ 9,713,600	9,970	BKF Capital Group Inc.†	\$ 115,004
		<u>84,199,579</u>	10,000	Canadian Imperial Bank of Commerce	745,400
			12,500	Capitol Federal Financial Inc.	159,625
	<b>Environmental Services — 1.0%</b>		22,000	Crazy Woman Creek Bancorp Inc.	353,100
115,000	Evoqua Water Technologies Corp.†	1,104,000	10,000	Eagle Bancorp Inc.†	487,100
380,000	Republic Services Inc.	<u>27,394,200</u>	636,000	Energy Transfer LP	8,401,560
		<u>28,498,200</u>	125	Farmers & Merchants Bank of Long Beach	962,500
			90,000	FCB Financial Holdings Inc., Cl. A†	3,022,200
	<b>Equipment and Supplies — 9.7%</b>		65,000	Federated Investors Inc., Cl. B	1,725,750
85,000	A.O. Smith Corp.	3,629,500	10,300	Fidelity Southern Corp.	268,006
510,000	AMETEK Inc.	34,527,000	500,093	Flushing Financial Corp.	10,767,002
50,000	AZZ Inc.	2,018,000	66,000	FNB Corp.	649,440
10,000	Belden Inc.	417,700	670,000	GAM Holding AG	2,628,467
59,000	Chart Industries Inc.†	3,836,770	115,000	Hilltop Holdings Inc.	2,050,450
540,000	CIRCOR International Inc.†	11,502,000	310,000	Hope Bancorp Inc.	3,676,600
385,062	Core Molding Technologies Inc.	2,737,791	455,800	Huntington Bancshares Inc.	5,433,136
158,000	Crown Holdings Inc.†	6,568,060	480,000	Janus Henderson Group plc	9,945,600
2,335	Danaher Corp.	240,785	90,000	KeyCorp.	1,330,200
175,000	Donaldson Co. Inc.	7,593,250	750,072	KKR & Co. Inc., Cl. A	14,723,913
208,000	Entegris Inc.	5,802,160	150,000	Legg Mason Inc.	3,826,500
800,000	Federal Signal Corp.	15,920,000	8,000	M&T Bank Corp.	1,145,040
300,000	Flowserve Corp.	11,406,000	13,926	Manning & Napier Inc.	24,510
312,000	Franklin Electric Co. Inc.	13,378,560	100,000	Medallion Financial Corp.†	469,000
690,000	Graco Inc.	28,876,500	251,000	Och-Ziff Capital Management Group LLC, Cl. A	230,920
93,000	IDEX Corp.	11,742,180	165,000	Oritani Financial Corp.	2,433,750
390,000	Interpump Group SpA	11,617,915	120,000	PJT Partners Inc., Cl. A	4,651,200
65,000	Itron Inc.†	3,073,850	56,000	Pzena Investment Management Inc., Cl. A	484,400
31,000	Littelfuse Inc.	5,315,880	3,000	Rafael Holdings Inc., Cl. B†	23,790
55,000	Maezawa Kyuso Industries Co. Ltd.	925,824	25,000	Sandy Spring Bancorp Inc.	783,500
80,000	Minerals Technologies Inc.	4,107,200	843	South State Corp.	50,538
6,000	MSA Safety Inc.	565,620	20,000	State Auto Financial Corp.	680,800
755,054	Mueller Industries Inc.	17,638,061	21,056	State Bank Financial Corp.	454,599
825,000	Mueller Water Products Inc., Cl. A	7,507,500	431,887	Sterling Bancorp	7,130,454
10,000	Plantronics Inc.	331,000	11,000	T. Rowe Price Group Inc.	1,015,520
4,000	Teleflex Inc.	1,033,920	24,000	TFS Financial Corp.	387,120
280,000	Tennant Co.	14,590,800	145,000	The Charles Schwab Corp.	6,021,850
873,500	The Gorman-Rupp Co.	28,310,135	15,000	Thomasville Bancshares Inc.	600,000
110,000	The Greenbrier Companies Inc.	4,349,400	40,782	Value Line Inc.	1,060,740
277,096	The L.S. Starrett Co., Cl. A†	1,449,212	414,000	Waddell & Reed Financial Inc., Cl. A	7,485,120
35,000	The Manitowoc Co. Inc.†	516,950	10,000	Waterloo Investment Holdings Ltd.†(b)	2,500
74,000	The Middleby Corp.†	7,602,020	505,000	Wright Investors' Service Holdings Inc.†	191,900
40,000	The Timken Co.	1,492,800			<u>115,096,581</u>
48,000	The Toro Co.	2,682,240			
7,500	Valmont Industries Inc.	832,125	575,000	<b>Food and Beverage — 10.3%</b>	
33,000	Vicor Corp.†	1,247,070	112,500	Arca Continental SAB de CV	3,215,617
7,875	Watsco Inc., Cl. B	1,059,503	28,125	Brown-Forman Corp., Cl. A	5,334,750
164,000	Watts Water Technologies Inc., Cl. A	<u>10,582,920</u>	21,000	Brown-Forman Corp., Cl. B	1,338,187
		<u>287,028,201</u>	4,000,000	Bull-Dog Sauce Co. Ltd.	385,110
			222,000	China Tontine Wines Group Ltd.†	64,874
			620,000	Chr. Hansen Holding A/S	19,643,244
10,000	Alleghany Corp.	6,233,200	350,000	Cott Corp.	8,642,800
33,674	Argo Group International Holdings Ltd.	2,264,577	3,800,000	Crimson Wine Group Ltd.†	2,738,750
				Davide Campari-Milano SpA	32,153,210

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

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

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Food and Beverage (Continued)</b>				
32,000	Dean Foods Co. ....	\$ 121,920	86,000	Henry Schein Inc.† .....	\$ 6,752,720
225,000	Denny's Corp.† .....	3,647,250	4,000	Heska Corp.† .....	344,400
3,500,000	Dynasty Fine Wines Group Ltd.†(b) .....	0	40,500	ICU Medical Inc.† .....	9,300,015
110,000	Farmer Brothers Co.† .....	2,566,300	20,000	Lexicon Pharmaceuticals Inc.† .....	132,800
510,000	Flowers Foods Inc. ....	9,419,700	30,000	LivaNova plc† .....	2,744,100
118,000	Ingredion Inc. ....	10,785,200	107,000	Masimo Corp.† .....	11,488,590
180,000	ITO EN Ltd. ....	8,088,135	8,000	Melinta Therapeutics Inc.† .....	6,342
134,000	Iwatsuka Confectionery Co. Ltd. ....	4,590,758	180,000	Meridian Bioscience Inc. ....	3,124,800
23,200	J & J Snack Foods Corp. ....	3,354,488	25,733	Neogen Corp.† .....	1,466,781
146,000	Kameda Seika Co. Ltd. ....	6,600,338	150,000	NuVasive Inc.† .....	7,434,000
100,000	Keurig Dr Pepper Inc. ....	2,564,000	25,500	Nuvectra Corp.† .....	416,670
1,235,000	Kikkoman Corp. ....	66,592,309	18,000	Ophthotech Corp.† .....	21,600
87,000	Lifeway Foods Inc.† .....	163,560	176,000	OPKO Health Inc.† .....	529,760
1,132,000	Maple Leaf Foods Inc. ....	22,661,559	158,000	Orthofix Medical Inc.† .....	8,293,420
6,000	MEIJI Holdings Co. Ltd. ....	490,489	48,900	Owens & Minor Inc. ....	309,537
50,000	MGP Ingredients Inc. ....	2,852,500	5,000	Pain Therapeutics Inc.† .....	4,250
90,000	Morinaga Milk Industry Co. Ltd. ....	2,529,082	48,000	Patterson Cos. Inc. ....	943,680
27,000	National Beverage Corp. ....	1,937,790	574,000	Quidel Corp.† .....	28,022,680
85,000	Nissin Foods Holdings Co. Ltd. ....	5,351,033	200,000	RTI Surgical Inc.† .....	740,000
1,000	Nutrisystem Inc. ....	43,880	25,000	Seikagaku Corp. ....	284,887
260,000	Post Holdings Inc.† .....	23,173,800	53,500	STERIS plc .....	5,716,475
310,000	Rock Field Co. Ltd. ....	4,692,213	2,100	Straumann Holding AG .....	1,320,378
24,500	The Boston Beer Co. Inc., Cl. A† .....	5,900,580	3,000	Stryker Corp. ....	470,250
392,000	The Hain Celestial Group Inc.† .....	6,217,120	36,000	SurModics Inc.† .....	1,701,360
78,000	The J.M. Smucker Co. ....	7,292,220	32,000	Teladoc Health Inc.† .....	1,586,240
800,000	Tingyi (Cayman Islands) Holding Corp. ....	1,068,642	74,000	Tetraphase Pharmaceuticals Inc.† .....	83,620
335,000	Tootsie Roll Industries Inc. ....	11,189,000	24,000	The Cooper Companies Inc. ....	6,108,000
81,000	United Natural Foods Inc.† .....	857,790	45,000	United-Guardian Inc. ....	825,300
22,000	Vina Concha Y Toro SA, ADR .....	858,812	383,000	Wright Medical Group NV† .....	10,425,260
1,400,000	Vitasoy International Holdings Ltd. ....	5,336,824			<u>179,882,590</u>
20,000	Willamette Valley Vineyards Inc.† .....	137,800			
150,000	Yakult Honsha Co. Ltd. ....	10,565,211			
		<u>305,166,845</u>			
	<b>Health Care — 6.1%</b>			<b>Home Furnishings — 0.4%</b>	
41,000	Achaogen Inc.† .....	50,430	276,500	Bassett Furniture Industries Inc. ....	5,541,060
5,000	Align Technology Inc.† .....	1,047,150	20,000	Ethan Allen Interiors Inc. ....	351,800
7,000	Allergan plc .....	935,620	170,000	La-Z-Boy Inc. ....	4,710,700
45,000	AngioDynamics Inc.† .....	905,850			<u>10,603,560</u>
6,000	Anika Therapeutics Inc.† .....	201,660			
10,000	Bio-Rad Laboratories Inc., Cl. A† .....	2,322,200			
18,000	Bruker Corp. ....	535,860			
100,000	Cantel Medical Corp. ....	7,445,000			
35,500	Cardiovascular Systems Inc.† .....	1,011,395			
90,000	Chemed Corp. ....	25,495,200			
57,000	CONMED Corp. ....	3,659,400			
460,000	Cutera Inc.† .....	7,829,200			
60,000	DexCom Inc.† .....	7,188,000			
93,000	Evolent Health Inc., Cl. A† .....	1,855,350			
12,000	Global Blood Therapeutics Inc.† .....	492,600			
192,000	Globus Medical Inc., Cl. A† .....	8,309,760			
				<b>Hotels and Gaming — 3.9%</b>	
			25,000	Belmond Ltd., Cl. A† .....	625,750
			495,000	Boyd Gaming Corp. ....	10,286,100
			190,000	Canterbury Park Holding Corp. ....	2,642,900
			72,700	Churchill Downs Inc. ....	17,734,438
			125,000	Dover Downs Gaming & Entertainment Inc.† .....	346,250
			168,000	Formosa International Hotels Corp. ....	737,873
			550,000	Full House Resorts Inc.† .....	1,111,000
			110,000	Gaming and Leisure Properties Inc., REIT .....	3,534,100
			1,000,000	Genting Singapore Ltd. ....	715,360
			171,000	Golden Entertainment Inc.† .....	2,739,420
			75,000	International Game Technology plc .....	1,097,250
			164,000	Las Vegas Sands Corp. ....	8,536,200
			3,000,000	Mandarin Oriental International Ltd. ....	6,120,000
			128,700	Penn National Gaming Inc.† .....	2,423,421
			545,000	Ryman Hospitality Properties Inc., REIT .....	36,346,050

See accompanying notes to schedule of investments.



# The Gabelli Small Cap Growth Fund

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

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Specialty Chemicals (Continued)</b>		31,977	The European Equity Fund Inc. ....	\$ 247,182
300,200	OMNOVA Solutions Inc.† .....	\$ 2,200,466	119,278	The New Germany Fund Inc. ....	1,395,553
135,000	Platform Specialty Products Corp.† .....	1,394,550		<b>TOTAL CLOSED-END FUNDS</b> .....	<u>4,125,906</u>
12,000	Quaker Chemical Corp. ....	2,132,520		<b>PREFERRED STOCKS — 0.3%</b>	
215,000	Sensient Technologies Corp. ....	12,007,750		<b>Automotive: Parts and Accessories — 0.1%</b>	
26,102	SGL Carbon SE† .....	182,279	135,000	Jungheinrich AG. ....	3,532,809
10,000	Takasago International Corp. ....	307,468		<b>Financial Services — 0.2%</b>	
300,000	Valvoline Inc. ....	<u>5,805,000</u>	185,000	Steel Partners Holdings LP	
		<u>98,285,692</u>		Ser. A, 6.000% .....	3,925,700
	<b>Telecommunications — 1.6%</b>			<b>TOTAL PREFERRED STOCKS</b> .....	<u>7,458,509</u>
73,000	ATN International Inc. ....	5,221,690		<b>CONVERTIBLE PREFERRED STOCKS — 0.0%</b>	
458,000	Cincinnati Bell Inc.† .....	3,563,240		<b>Business Services — 0.0%</b>	
61,000	Consolidated Communications Holdings Inc. ....	602,680	14,747	Trans-Lux Pfd., Ser. B, 6.000%(a) .....	128,889
175,200	Gogo Inc.† .....	523,848		<b>RIGHTS — 0.0%</b>	
280,010	HC2 Holdings Inc.† .....	739,226		<b>Entertainment — 0.0%</b>	
6,000	IDT Corp., Cl. B† .....	37,140	1,680,000	Media General Inc., CVR†(b) .....	2
120,000	Iridium Communications Inc.† .....	2,214,000		<b>Health Care — 0.0%</b>	
110,000	Liberty Latin America Ltd., Cl. A† .....	1,592,800	290,000	Sanofi, CVR† .....	139,200
270,000	Liberty Latin America Ltd., Cl. C† .....	3,933,900		<b>Specialty Chemicals — 0.0%</b>	
55,000	Loral Space & Communications Inc.† .....	2,048,750	65,000	A. Schulman Inc. CVR†(b) .....	130,000
11,600	NII Holdings Inc.† .....	51,156		<b>TOTAL RIGHTS</b> .....	<u>269,202</u>
130,000	Nuvera Communications Inc. ....	2,377,700		<b>CONVERTIBLE CORPORATE BONDS — 0.0%</b>	
40,000	Pharol SGPS SA† .....	7,479		<b>Telecommunications — 0.0%</b>	
115,000	Rogers Communications Inc., Cl. B .....	5,894,900		Gogo Inc., 6.000%, 05/15/22 .....	\$ 244,524
202,000	Shenandoah Telecommunications Co. ....	8,938,500		<b>TOTAL INVESTMENTS — 100.0%</b>	
830,000	Sprint Corp.† .....	4,830,600		(Cost \$1,414,063,155) .....	<u>\$ 2,958,785,687</u>
831,000	VEON Ltd., ADR .....	1,944,540		(a) Security considered an affiliated holding because the Fund owns at least	
22,000	Verizon Communications Inc. ....	1,236,840		5% of its outstanding shares.	
10,000	Windstream Holdings Inc.† .....	20,900		(b) Security is valued using significant unobservable inputs and is classified	
		<u>45,779,889</u>		as Level 3 in the fair value hierarchy.	
	<b>Transportation — 1.2%</b>			† Non-income producing security.	
490,000	GATX Corp. ....	34,696,900		ADR American Depositary Receipt	
20,000	Irish Continental Group plc .....	100,769		CVR Contingent Value Right	
165,000	Navigator Holdings Ltd.† .....	1,551,000		REIT Real Estate Investment Trust	
		<u>36,348,669</u>		SDR Swedish Depositary Receipt	
	<b>Wireless Communications — 0.3%</b>				
105,000	Millicom International Cellular SA, SDR .....	6,652,131			
62,000	United States Cellular Corp.† .....	3,222,140			
		<u>9,874,271</u>			
	<b>TOTAL COMMON STOCKS</b> .....	<u>2,946,558,657</u>			
	<b>CLOSED-END FUNDS — 0.1%</b>				
75,000	MVC Capital Inc. ....	615,750			
84,960	The Central Europe, Russia, and Turkey Fund				
	Inc. ....	1,867,421			

See accompanying notes to schedule of investments.

## The Gabelli Small Cap Growth Fund

### Notes to Schedule of Investments (Unaudited)

---

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

**Security Valuation.** Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of 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:

- 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 Small Cap Growth Fund

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities by inputs used to value the Fund's investments as of 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	Level 3 Significant Unobservable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Common Stocks:				
Aviation: Parts and Services	\$ 126,303,345	\$1,273,057	—	\$ 127,576,402
Broadcasting	48,307,516	963,000	—	49,270,516
Consumer Services	62,764,050	129,850	—	62,893,900
Diversified Industrial	190,907,635	3,570	—	190,911,205
Entertainment	83,896,254	303,325	—	84,199,579
Equipment and Supplies	285,968,698	1,059,503	—	287,028,201
Financial Services	114,379,077	715,004	\$ 2,500	115,096,581
Food and Beverage	304,308,033	858,812	0	305,166,845
Manufactured Housing and Recreational Vehicles	14,340,476	1,742,000	—	16,082,476
Real Estate	42,736,344	1,402,096	—	44,138,440
Specialty Chemicals	98,284,962	730	—	98,285,692
Other Industries (a)	1,565,908,820	—	—	1,565,908,820
<b>Total Common Stocks</b>	<b>2,938,105,210</b>	<b>8,450,947</b>	<b>2,500</b>	<b>2,946,558,657</b>
Closed-End Funds	4,125,906	—	—	4,125,906
Convertible Corporate Bonds (a)	—	244,524	—	244,524
Preferred Stocks (a)	7,458,509	—	—	7,458,509
Convertible Preferred Stocks (a)	—	128,889	—	128,889
Rights (a)	139,200	—	130,002	269,202
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$2,949,828,825</b>	<b>\$8,824,360</b>	<b>\$132,502</b>	<b>\$2,958,785,687</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,

## The Gabelli Small Cap Growth Fund

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

---

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.

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

The Fund's derivative contracts held at December 31, 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.

**Futures Contracts.** The Fund may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin". Subsequent payments (variation margin) are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, and are included in unrealized appreciation/depreciation on futures contracts. The Fund recognizes a realized gain or loss when the contract is closed.

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2018, the Fund held no investments in futures contracts.

**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

## The Gabelli Small Cap Growth Fund

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

---

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 continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.



**THE GABELLI SMALL CAP GROWTH FUND**  
**One Corporate Center**  
**Rye, NY 10580-1422**

**Portfolio Manager Biography**

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

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 SMALL CAP GROWTH FUND

One Corporate Center  
Rye, New York 10580-1422

t 800-GABELLI (800-422-3554)

f 914-921-5118

e info@gabelli.com  
GABELLI.COM

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

---

**BOARD OF 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 Small Cap Growth Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.

---

---

GAB443Q418QR



GABELLI  
FUNDS

# THE GABELLI SMALL CAP GROWTH FUND

*First Quarter Report  
December 31, 2018*

