

The Gabelli ABC Fund

Merger and Arbitrage – “The Deal Fund”

Shareholder Commentary – December 31, 2016

(Y)our Portfolio Management Team



Mario J. Gabelli, CFA
Chief Investment Officer



Ryan N. Kahn, CFA
Analyst

Mr. Kahn is a graduate of Babson College.



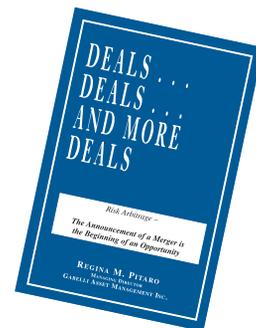
Gian Maria Magrini, CFA
Analyst

Mr. Magrini is a graduate of Fordham University.



Geoffrey P. Astle
Analyst

Mr. Astle is a graduate of Fairfield University.



*“Give a man a fish and you feed him for a day.
Teach him how to arbitrage and you feed him forever.”*

– Warren Buffett

To Our Shareholders,

For the quarter ended December 31, 2016, the net asset value (“NAV”) per Class AAA Share of The Gabelli ABC Fund increased 0.8% compared with an increase of 0.7% for the Standard & Poor’s (“S&P”) Long-Only Merger Arbitrage Index. The performance of the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index for the quarter was 0.1%. See page 2 for additional performance information.

In the fourth quarter of 2016, global deal volume totaled \$1.2 trillion, a 50% increase over the third quarter¹. Total deal volume for the entire year was \$3.7 trillion, representing a decrease of 16% over the same period last year. Still, 2016 was one of the busiest years on record. Deal count was up slightly year-over-year, suggesting that the average deal size this year was smaller than in 2015.

Geographically, cross border mergers and acquisitions (M&A) accounted for 38% of total deal volume¹. Domestic activity was 17% less than in 2015, totaling \$1.7 trillion across roughly 11,000 deals. European M&A decreased by 13% from 2015, down to \$759.5 billion during 2016. In addition, Asia Pacific (excluding Japan) deal volumes totaled \$896 billion for the same period which also represented a slowdown. Japan saw a 16% decrease in deal volumes to \$83.5 billion. Given that 2015 was the most active year on record, the year-over-

¹Thomson Reuters M&A Review – Fourth Quarter 2016

Average Annual Returns through December 31, 2016 (a) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (5/14/93)
AAA Shares (GABCX)	0.79%	3.08%	3.31%	3.28%	3.81%	5.80%
Advisor Shares (GADVX)	0.75	2.86	3.06	3.03	3.64	5.69
S&P Long-Only Merger Arbitrage Index	0.73	4.00	3.98	N/A(b)	N/A(b)	N/A(b)
Lipper U.S. Treasury Money Market Fund Average ..	0.02	0.05	0.01	0.56	0.98	2.23(c)
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.09	0.33	0.12	0.80	1.26	2.68
S&P 500 Index	3.82	11.96	14.66	6.95	6.69	9.26(c)

In the current prospectuses dated April 29, 2016, the expense ratios for the Class AAA and the Advisor Class Shares, are 0.59% and 0.84% respectively. The Fund does not have a sales charge.

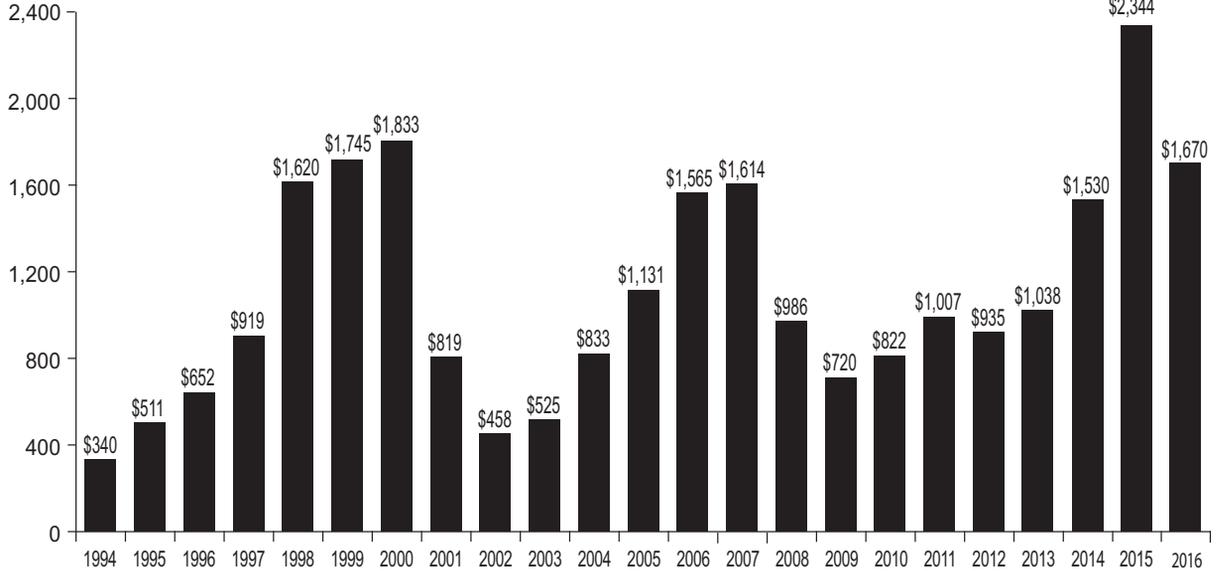
(a) Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC, the Adviser, not reimbursed certain expenses of the Fund for periods prior to December 31, 2007. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, /and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com. The S&P Long-Only Merger Arbitrage Index is comprised of a maximum of 40 large and liquid stocks that are active targets in pending merger deals. The Lipper U.S. Treasury Money Market Fund Average reflects the average performance of mutual funds classified in this particular category. The Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into the outstanding Treasury Bill that matures closest to, but not beyond three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the rebalancing (month end) date. 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. Dividends are considered reinvested except for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. You cannot invest directly in an index. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance of the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.

(b) S&P Long-Only Merger Arbitrage Index inception date is January 17, 2008.

(c) Lipper U.S. Treasury Money Market Fund Average and the S&P 500 Index since inception performance returns are as of April 30, 1993.

\$ Billions

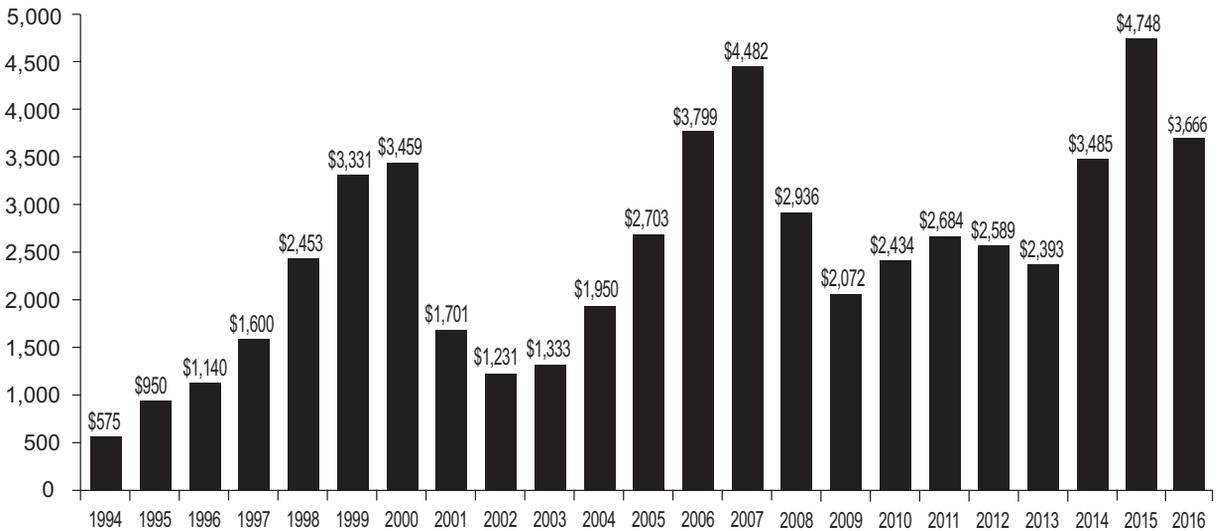
U.S. Deal Activity



Source: Thomson Reuters/Gabelli Research

US\$ Billions

Global Deal Activity



Source: Thomson Reuters/Gabelli Research

year comparisons were difficult to achieve in all regions, despite the number of deals announced in most regions being higher than in 2015. Companies searched outside their borders for acquisition targets, taking advantage of favorable currency shifts and macroeconomic events.

Energy & Power reclaimed the top spot as the most active M&A sector this year, accounting for \$608 billion of deal volume. Healthcare fell to the eighth spot as the whole sector fell out of favor in 2016. Technology and Materials rounded out the top three sectors of deal activity, with Technology accounting for 13% of volume and Materials accounting for 11%.

Companies will continue to look at deal making in order to accelerate their growth. Historically low interest rates, high corporate cash levels, and few alternatives for organic growth will continue to push firms towards utilizing M&A. The Federal Reserve has slowly begun to raise interest rates, and it is anticipated that hikes will continue during 2017. That said, rates still remain quite low, despite directionally moving higher. Furthermore, the deal spread is comprised of two main factors – the risk free rate and the risks inherent to the deal. As such, rising rates tend to cause an increase in spreads and further Fed action will perpetuate this. The Fund should benefit from these factors and the continued surge in M&A.

Closed Deals:

Cepheid (CPHD) is a medical diagnostic and testing equipment company based in Sunnyvale, California. On September 6, 2016, Danaher agreed to acquire Cepheid for \$53 cash per share, or \$4 billion, in order to expand its molecular diagnostics business. The merger received the necessary regulatory and shareholder approvals and closed on November 4, 2016. The Fund earned a 6.58% annualized return.

LinkedIn Corp. (LNKD) is a Mountain View, California-based business. The company operates a professional social network, which currently has over 400 million members. On June 13, 2016, Microsoft made a \$196 cash per share offer to acquire the company for a total cost of \$26 billion. The deal received the necessary shareholder and regulatory approvals and closed on December 8, 2016. The Fund earned a 6.13% annualized return.

National Interstate Corp. (NATL), based in Richfield, Ohio, operates as a property and casualty insurance company for the transportation industry. After a failed attempt in 2014, American Financial Group, NATL's majority owner, entered into an agreement to acquire NATL for \$32 cash per share plus a \$0.50 special dividend. The deal came after months of negotiations. Subject to customary regulatory and shareholder approvals, the merger closed on November 10, 2016. The Fund earned a 13.22% annualized return.

NetSuite Inc. (N) is a San Mateo, California-based technology company. NetSuite provides cloud-based software to enterprise clients. The software suite features products for financial management, customer relationship management, e-commerce and retail management, commerce marketing automation, professional services automation and human resources. On July 28, 2016, Oracle entered into an agreement to acquire N for \$109 cash per share. This tender valued the company at \$8.8 billion, and the transaction was subject to customary regulatory and shareholder approvals. The deal closed on November 7, 2016. The Fund earned a 6.22% annualized return.

Rackspace Hosting Inc. (RAX) is a San Antonio, Texas based information technology company. Rackspace specializes in cloud computing technology and storage. On August 26, 2016 Apollo Global with Searchlight Capital made a \$32 cash per share offer for the company. The merger valued RAX at \$4.3 billion and was subject to traditional regulatory approval and a shareholder vote. The deal closed on November 3, 2016 and the Fund earned a 10.72% annualized return.

Cvent Inc. (CVT) is a Tysons Corner, Virginia-based software company. Cvent specializes in enterprise event management through its use of cloud-based software. Vista Equity Partners made a \$36 per share bid for the company on April 18, 2016. This valued CVT at \$1.65 billion and was subject to customary regulatory and shareholder approvals. The deal closed on November 28, 2016 and the Fund earned a 4.53% annualized return.

Pipeline Deals:

The Empire District Electric Company (1.5% of net assets as of December 31, 2016) (EDE – \$34.09 – NYSE) is a regulated utility company with operations in Missouri, Kansas, Oklahoma, and Arkansas. On February 9, 2016, EDE entered into an agreement to be acquired by Algonquin Power & Utilities Corp. for \$34 cash per share. This transaction values EDE at \$2.4 billion dollars, and is subject to regulatory and shareholder approvals. The merger closed on January 1, 2017.

WhiteWave Foods Inc. (1.7%) (WWAV – \$55.60 – NASDAQ) is a food and beverage company based in Denver, Colorado. WhiteWave focuses on branded plant based food and beverages. Two of its most popular product lines are the “Silk” Almond Milk, and “So Delicious” branded products. WhiteWave agreed to be acquired by Danone for \$56.25 cash per share in a \$12.5 billion merger. Shareholders already approved the merger and regulatory approval is pending. The merger is expected to close in the first quarter of 2017.

Joy Global Inc. (1.1%) (JOY – \$28.00 – NYSE) is a mining equipment company based in Milwaukee, Wisconsin. Joy Global manufactures mining equipment for the extraction of metals and minerals and also provides clients with the servicing of this machinery. On July 21, 2016, Komatsu entered into a \$28.30 cash per share merger with Joy, valued at \$2.8 billion. Shareholders already approved the deal and regulatory approvals are pending in various jurisdictions. The deal is expected to close in mid-2017.

Brocade Communications (0.9%) (BRCD – \$12.49 – NASDAQ) is a San Jose, California-based computer networking company. Brocade supplies networking hardware and software in addition to servicing to a wide variety of business across the world. On November 2, 2016, Brocade entered into a \$12.75 cash per share merger with Broadcom. This values the company at \$5.9 billion and the deal is subject to customary regulatory approvals and a shareholder vote. We expect the deal to close by the end of October 2017.

Clarcor Inc. (1.4%) (CLC – \$82.47 – NYSE) is a Franklin, Tennessee based filtration products company. Parker Hannifin announced it would acquire Clarcor for \$83 cash per share or \$4.3 billion on December 1, 2016. The deal is subject to shareholder and regulatory approvals and is expected to close in the first quarter of 2017.

Endurance Specialty Holdings Ltd. (1.1%) (ENH – \$92.40 – NYSE) is a Bermuda-based holding company which underwrites specialty insurance. It operates in two segments, insurance, and reinsurance. On October 5, 2016, the company agreed to be acquired for \$93 cash per share by SOMPO Holdings Ltd of Japan. This would value the company at \$6.3 billion in the transaction. Subject to regulatory approval and a shareholder vote, the deal is expected to close in February.

Mentor Graphics Corp. (1.0%) (MENT – \$36.89 – NASDAQ) is a Wilsonville, Oregon-based supplier of electronic design automation tools. This includes both the hardware and software needed to automate various mechanical and electronic processes in factory machinery. On November 14, 2016, Siemens offered shareholders \$37.25 cash per share in a \$4.5 billion transaction. Subject to regulatory and shareholder approvals we expect the deal to close in the second quarter of 2017.

Team Health Holdings, Inc. (0.8%) (TMH – \$43.45 – NYSE) is a Knoxville, Tennessee-based healthcare facility company. The company provides professional medical staff sourcing to hospitals and other healthcare providers across the United States. On October 31, 2016, the firm entered into a deal with The Blackstone Group LP for a \$43.50 cash per share merger. This values TMH at \$6.1 billion, and is subject to both regulatory and shareholder approvals with the addition of a “go-shop” period for which to explore other offers. We expect the deal to close in the first quarter of 2017.

Time Warner Inc. (0.4%) (TWX – \$96.53 – NYSE) is a New York, New York-based entertainment company. Through a variety of brands like HBO, Turner, and Warner Bros, the company produces and distributes a wide variety of entertainment and media products. On October 22, 2016, AT&T Inc agreed to acquire Time Warner for \$53.75 cash + \$53.75 worth of AT&T stock, subject to a collar. The deal requires both shareholder and regulatory approval and values Time Warner at \$108.7 billion. It should close prior to year end 2017.

Vascular Solutions, Inc. (0.4%) (VASC – \$56.10 – NASDAQ) is a Minneapolis, Minnesota-based medical device company. VASC is engaged in the development and sale of medical diagnostic equipment specializing in the treatment and detection of cardiovascular related health issues. On December 2, 2016, the company agreed to a \$56 cash per share merger with Teleflex Inc. which values VASC at \$1 billion. The deal is subject to traditional regulatory and shareholder approvals and it should be completed in the first half of 2017.

Sky Plc (0.3%) (SKYB – \$12.21 – LON) is a London, England-based media company primarily engaged in pay television and broadcasting services, as well as broadband and telephone services. On December 15, 2016, Twenty-First Century Fox entered into an agreement to acquire the outstanding shares that it does not already own of Sky. FOXA offered 10.75 GBP per share, requiring regulatory approval and shareholder approval. The deal is expected to close in 2017.

January 6, 2017

Top Ten Holdings (Percent of Net Assets)
December 31, 2016

Harman International Industries Inc.	2.6%	The WhiteWave Foods Co.	1.7%
St. Jude Medical Inc.	2.3%	The Empire District Electric Co.	1.5%
The Valspar Corp.	2.1%	Clarcor Inc.	1.4%
Westar Energy Inc.	2.0%	CST Brands Inc.	1.4%
Columbia Pipeline Partners LP	1.8%	Endurance Specialty Holdings LP	1.1%

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 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.

Merger Arbitrage Risk. The principal risk associated with the Fund's investment strategy is that certain of the proposed reorganizations in which the Fund invests may involve a longer time frame than originally contemplated or be renegotiated or terminated, in which case losses may be realized. The Fund invests all or a portion of its assets to seek short term capital appreciation. This can be expected to increase the portfolio turnover rate and cause increased brokerage commission costs.

FOR THE BENEFICIAL OWNERS

The Gabelli ABC Fund remains open to new investors with the following characteristics:

Direct Ownership – Class AAA (GABCX)

- Purchases may be made through G.distributors, LLC or directly through the Fund's Transfer Agent or through brokers that have entered into selling agreements specifically with respect to Class AAA Shares; and
- The minimum *initial* investment is \$10,000; and
- Investment accounts must be registered in the beneficial owner's name; and
- The Fund may involuntarily redeem shares through brokers or financial consultants in omnibus and individual accounts where the beneficial owner is not disclosed.

Ownership Through Intermediaries – Advisor Class (GADVX)

- The Advisor Share Class is available through brokers or financial intermediaries that have entered into selling agreements with G.distributors, LLC, specifically with respect to this share class; and
- The minimum *initial* investment is \$10,000.

www.gabelli.com

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

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

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

e-delivery

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

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Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

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

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

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

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

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

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

What do we do to protect your personal information?

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

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

Portfolio Management Team Biographies

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

Ryan N. Kahn, CFA, is an analyst dedicated to the Gabelli merger arbitrage portfolios, specific to our U.S. mutual funds. He joined the team in 2013 after working as a generalist in the research department. Mr. Kahn earned a Bachelor of Science in Business Management from Babson College.

Gian Maria Magrini, CFA, is an analyst dedicated to the Gabelli merger arbitrage portfolios specific to our U.S. mutual funds. He joined the team in 2013 after serving various roles in the firm's operations and research departments. Mr. Magrini earned a Bachelor of Science in Finance from Fordham University.

Geoffrey P. Astle is involved in the analytics and foreign and domestic trading for the Gabelli merger arbitrage portfolios, specific to our U.S. mutual funds. He has been associated in this capacity since 2007. Mr. Astle earned a Bachelor of Science in both Finance and Marketing from Fairfield University.

THE GABELLI ABC FUND

One Corporate Center
Rye, NY 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.

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Executive Chairman,
Associated Capital Group Inc.

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Anthony J. Colavita, P.C.

Vincent D. Enright
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and Chief Financial Officer,
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Mary E. Hauck
Former Senior Portfolio
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Mutual Fund Management Co.

Kuni Nakamura
President,
Advanced Polymer, Inc.

Werner J. Roeder, MD
Former Medical Director,
Lawrence Hospital

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Agnes Mullady
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Richard J. Walz
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State Street Bank and Trust
Company

LEGAL COUNSEL

Skadden, Arps, Slate, Meagher &
Flom LLP

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



GABELLI
FUNDS

THE GABELLI ABC FUND

Shareholder Commentary
December 31, 2016

The Gabelli ABC Fund

Annual Report — December 31, 2016
(Y)our Portfolio Management Team



Mario J. Gabelli
Chief Investment Officer



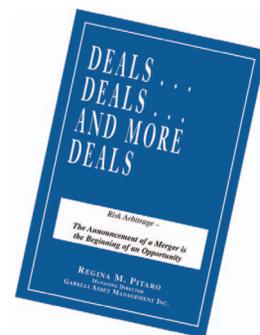
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Teach him how to arbitrage and you feed him forever.”*
— Warren Buffett

To Our Shareholders,

For the year ended December 31, 2016, the net asset value (“NAV”) per Class AAA Share of The Gabelli ABC Fund increased 3.1% compared with an increase of 4.0% for the Standard & Poor’s (“S&P”) Long-Only Merger Arbitrage Index. The performance of the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index for the period was 0.3%. See page 3 for additional performance information.

Enclosed are the financial statements, including the schedule of investments, as of December 31, 2016.

Performance Discussion (Unaudited)

In 2016, global deal activity totaled \$3.7 trillion. Although this represented a 16% decrease under last year’s record volume, 2016 was still one of the busiest years for deals. The number of transactions was slightly up year over year, but featured smaller deal sizes than in 2015.

Geographically, cross border mergers and acquisitions increased 38% over the same period last year to \$1.4 trillion, accounting for 38% of total deal volume. Domestic activity was 17% less than in 2015 and totaled \$1.7 trillion across roughly 10,300 deals. European M&A decreased by 13% from 2015 to \$759.5 billion during 2016. In addition, Asia Pacific (ex-Japan) deal volumes totaled \$896 trillion for the same period which also represented a slowdown. Japan saw a 16% decrease in deal volumes to \$83.5 billion. Given that 2015 was the most active year on record, the year over year comparisons were difficult to achieve in all regions, despite the number of deals announced in most regions being higher than in 2015. Companies searched outside their borders for acquisition targets, taking advantage of favorable currency shifts and macroeconomic events.

Listed below are a few selected deals in which the Fund was involved in that closed during the year:

- BioMed Realty Trust, Inc. (BMR) operates as a real estate investment trust (REIT). The company owns, acquires, develops, redevelops, leases and manages laboratory and office space for the life science industry. On October 8, 2015, BMR entered into an agreement to be acquired by Blackstone Real Estate Partners VIII. The deal price was \$23.75 cash per share and included a provision for a “ticking fee” of \$0.003 per share, per day, for each day the deal remained outstanding beyond January 1, 2016. After regulatory and shareholder approvals, the deal closed on January 27, 2016 for a total payout per share of \$23.82. The Fund earned a 9.13% annualized return on this investment.

- The ADT Corporation (ADT) is an alarm and security monitoring company. The main services provided are monitored security for home and business, as well as home automation services in the United States and Canada. On February 16, 2016, Apollo Global Management entered into an agreement to acquire ADT for \$42 cash per share in a deal valued at \$6.9 billion. The merger closed on May 2, 2016 and the Fund earned a 21.23% annualized return on this investment.

- FEI Company (FEIC) is a supplier of scientific instruments and related services, and producer of various microscopy products. On May 27, 2016, the company accepted an offer from Thermo Fisher Scientific of \$107.50 cash per share. This merger valued FEIC at \$4.2 billion and was subject to traditional regulatory and shareholder approvals. The deal closed on September 19, 2016. The Fund earned a 9.53% annualized return on this investment.

- National Interstate Corp. (NATL) operates as a property and casualty insurance company for the transportation industry. After a failed attempt in 2014, American Financial Group, NATL’s majority owner, entered into an agreement to acquire NATL for \$32 cash per share plus a \$0.50 special dividend. Having received customary regulatory and shareholder approvals, the merger closed on November 10, 2016. The Fund earned a 13.22% annualized return on this investment.

In addition to these deals, in October 2016 WhiteWave Foods Inc. (1.7% of net assets as of December 31, 2016), a food and beverage company focused on branded plant based products, agreed to be acquired by Danone for \$56.25 cash per share in a \$12.5 billion merger. Shareholders already approved the merger and regulatory approval is pending. The merger is expected to close in the first quarter of 2017. Joy Global Inc. (1.1%) (JOY), a Wisconsin mining equipment manufacturer, announced in July 2016 that Komatsu entered into a \$28.30 cash per share merger with JOY, valued at \$2.8 billion. Shareholders already approved the deal and regulatory approvals are pending in various jurisdictions. The deal is expected to close in mid-2017. Additionally, Nebraska based specialty retailer Cabela’s Incorporated (0.4%) (CAB) announced on October 3, 2016 that Bass Pro Shops, a private competitor, offered \$65.50 cash per share for all outstanding shares of CAB, valuing the company at \$5.5 billion. The merger is expected to close in the first half of 2017 after receiving traditional regulatory approvals and a shareholder vote.

Thank you for your investment in the Gabelli ABC Fund.

We appreciate your confidence and trust.

Comparative Results

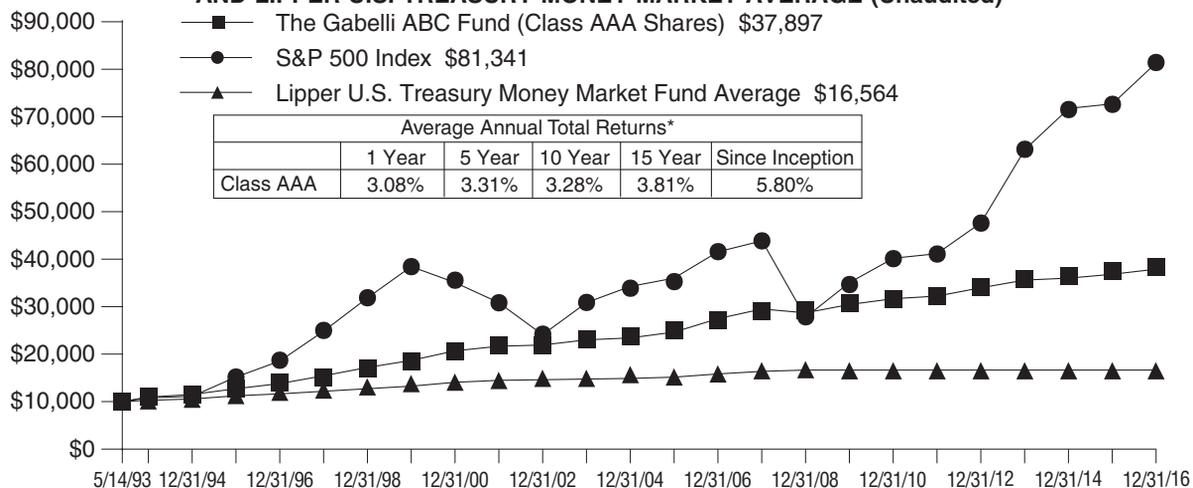
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Advisor Shares (GADVX)	2.86	3.06	3.03	3.64	5.69
S&P Long-Only Merger Arbitrage Index	4.00	3.98	N/A(b)	N/A(b)	N/A(b)
Lipper U.S. Treasury Money Market Fund Average	0.05	0.01	0.56	0.98	2.23(c)
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.33	0.12	0.80	1.26	2.68
S&P 500 Index	11.96	14.66	6.95	6.69	9.26(c)

In the current prospectuses dated April 29, 2016, the expense ratios for Class AAA and the Advisor Class Shares are 0.59% and 0.84%, respectively. See page 14 for the expense ratios for the year ended December 31, 2016. The Fund does not have a sales charge.

- (a) Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Returns would have been lower had Gabelli Funds, LLC, the Adviser, not reimbursed certain expenses of the Fund for periods prior to December 31, 2007. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after purchase. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at www.gabelli.com. The S&P Long-Only Merger Arbitrage Index is comprised of a maximum of 40 large and liquid stocks that are active targets in pending merger deals. The Lipper U.S. Treasury Money Market Fund Average reflects the average performance of mutual funds classified in this particular category. The Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into the outstanding Treasury Bill that matures closest to, but not beyond three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the rebalancing (month end) date. 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. Dividends are considered reinvested except for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. You cannot invest directly in an index. The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of the Advisor Class Shares on May 1, 2007. The actual performance of the Advisor Class Shares would have been lower due to the additional expenses associated with this class of shares.
- (b) S&P Long-Only Merger Arbitrage Index inception date is January 17, 2008.
- (c) Lipper U.S. Treasury Money Market Fund Average and the S&P 500 Index since inception performance returns are as of April 30, 1993.

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI ABC FUND (CLASS AAA SHARES), S&P 500 INDEX, AND LIPPER U.S. TREASURY MONEY MARKET AVERAGE (Unaudited)



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

The Gabelli ABC Fund

Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from July 1, 2016 through December 31, 2016

Expense Table

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

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

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

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

Hypothetical 5% Return: This section provides information about hypothetical account values and

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended December 31, 2016.

	Beginning Account Value 07/01/16	Ending Account Value 12/31/16	Annualized Expense Ratio	Expenses Paid During Period*
<i>The Gabelli ABC Fund</i>				
Actual Fund Return				
Class AAA	\$1,000.00	\$1,018.70	0.66%	\$3.35
Advisor Class	\$1,000.00	\$1,017.40	0.91%	\$4.61
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,021.82	0.66%	\$3.35
Advisor Class	\$1,000.00	\$1,020.56	0.91%	\$4.62

* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184 days), then divided by 366.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of net assets as of December 31, 2016:

The Gabelli ABC Fund

Long Positions

U.S. Government Obligations	58.1%
Energy and Utilities	6.5%
Health Care	4.9%
Electronics	3.4%
Retail	3.0%
Specialty Chemicals	3.0%
Food and Beverage	2.9%
Telecommunications	2.6%
Financial Services	2.5%
Building and Construction	1.9%
Computer Software and Services	1.7%
Automotive: Parts and Accessories	1.6%
Metals and Mining	1.6%
Semiconductors	1.4%
Consumer Services	1.1%
Cable and Satellite	0.9%
Computer Hardware	0.9%
Entertainment	0.7%
Machinery	0.5%
Wireless Communications	0.5%

Business Services	0.4%
Diversified Industrial	0.3%
Aerospace	0.2%
Broadcasting	0.2%
Hotels and Gaming	0.2%
Publishing	0.2%
Aviation: Parts and Services	0.1%
Consumer Products	0.1%
Real Estate Investment Trusts	0.0%*
Transportation	0.0%*
Other Assets and Liabilities (Net)	1.6%

Short Positions

Building and Construction	(1.9)%
Health Care	(1.0)%
Broadcasting	(0.1)%
Financial Services	(0.0)%**
	<u>100.0%</u>

* Amount represents less than 0.05%

** Amount represents less than (0.05)%

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

Proxy Voting

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

The Gabelli ABC Fund

Schedule of Investments (Continued) — December 31, 2016

Shares		Cost	Market Value	Shares		Cost	Market Value
COMMON STOCKS (Continued)				Financial Services — 2.5%			
Electronics (Continued)				Food and Beverage — 2.9%			
11,000	MoSys Inc.†	\$ 42,078	\$ 2,531	78,000	AllianceBernstein Holding LP..	\$ 1,135,161	\$ 1,829,100
		<u>48,200,011</u>	<u>47,604,754</u>	30,000	Allied World Assurance Co. Holdings AG	1,552,750	1,611,300
Energy and Utilities — 6.5%				2,500	Aspen Insurance Holdings Ltd.	108,766	137,500
64,800	Alerion Cleanpower SpA	177,654	203,272	415,000	Astoria Financial Corp.	6,224,393	7,739,750
927,200	Alvopetro Energy Ltd., New York†	950,056	162,285	516,300	Delta Lloyd NV	2,896,420	2,889,710
2,800	Alvopetro Energy Ltd., Toronto†	2,869	490	175,000	Endurance Specialty Holdings Ltd.	16,092,904	16,170,000
27,000	Anadarko Petroleum Corp.	2,115,844	1,882,710	5,000	EverBank Financial Corp.	95,930	97,250
15,500	Apache Corp.	794,145	983,785	16,000	H&R Block Inc.	392,519	367,840
40,000	Avangrid Inc.	1,550,000	1,515,200	40,000	Kinnevik AB, Cl. A	1,346,449	985,665
1,500,000	Columbia Pipeline Partners LP	25,587,005	25,725,000	60,000	KKR & Co. LP	236,803	923,400
3,012	Dee Valley Group plc	67,161	67,187	1,000	MasterCard Inc., Cl. A	19,963	103,250
20,000	Endesa SA	453,617	423,693	47,000	Navient Corp.	316,696	772,210
1,000	Etablissements Mauret et Prom†	4,370	4,442	32,500	Nordnet AB, Cl. B	136,494	133,059
36,000	EXCO Resources Inc.†	156,250	31,453	10,000	Oritani Financial Corp.	103,087	187,500
42,908	Gas Natural Inc.	538,626	538,495	100	Patriot National Inc.†	968	465
460,000	Gulf Coast Ultra Deep Royalty Trust†	719,884	66,700	6,000	PrivateBancorp Inc.	314,430	325,140
4,500	Hess Corp.	222,442	280,305	7,312	Sterling Bancorp.	65,721	171,101
60,000	National Fuel Gas Co.	3,198,578	3,398,400	5,000	The PNC Financial Services Group Inc.	250,104	584,800
42,000	Noble Energy Inc.	1,647,582	1,598,520	2,200	Topdanmark A/S†	62,593	55,853
130,000	Severn Trent plc	3,514,891	3,559,932	14,303	Waddell & Reed Financial Inc., Cl. A	278,458	279,052
14,000	Steel Excel Inc.†	235,891	212,520	240,000	Wright Investors' Service Holdings Inc.†	600,000	151,200
610,173	The Empire District Electric Co.	20,652,456	20,800,798			<u>32,230,609</u>	<u>35,515,145</u>
450,000	Weatherford International plc†	2,841,196	2,245,500	3,400,000	Parmalat SpA	10,976,703	10,601,065
500,030	Westar Energy Inc.	28,267,091	28,176,691	5,000	Pernod Ricard SA	370,584	541,853
70,000	WesternZagros Resources Ltd.†	245,398	4,432	5,700,000	Premier Foods plc†	4,025,103	3,284,058
		<u>93,943,006</u>	<u>91,881,810</u>	24,000	Remy Cointreau SA	1,467,270	2,046,864
Entertainment — 0.7%				10,000	Snyder's-Lance Inc.	335,309	383,400
1	AMC Entertainment Holdings Inc., Cl. A	28	28	3,500	The Hershey Co.	372,083	362,005
13,000	Discovery Communications Inc., Cl. A†	348,628	356,330	428,000	The WhiteWave Foods Co.†	23,846,447	23,796,800
13,000	Discovery Communications Inc., Cl. C†	256,455	348,140	13,750	Warrnambool Cheese & Butter Factory Co. Holding Ltd.†	87,514	71,444
201,000	Media General Inc.†	3,094,249	3,784,830			<u>41,481,013</u>	<u>41,087,489</u>
1,500	Scripps Networks Interactive Inc., Cl. A	79,134	107,055	Health Care — 4.8%			
2,000	The Madison Square Garden Co, Cl. A†	179,986	343,020	13,000	AbbVie Inc.	789,139	814,060
52,000	Time Warner Inc.	3,675,513	5,019,560	1,400	Actelion Ltd.†	272,845	303,152
		<u>7,633,993</u>	<u>9,958,963</u>	96,000	Alere Inc.†	5,011,830	3,741,120
				18,000	Allergan plc†	4,370,184	3,780,180
				94,000	AstraZeneca plc, ADR	3,637,020	2,568,080
				800	Bio-Rad Laboratories Inc., Cl. A†	79,952	145,824
				38,000	Celesio AG	1,201,989	1,027,822
				10,500	Cigna Corp.	1,461,608	1,400,595

See accompanying notes to financial statements.

The Gabelli ABC Fund
Schedule of Investments (Continued) — December 31, 2016

<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>	<u>Shares</u>		<u>Cost</u>	<u>Market Value</u>
	COMMON STOCKS (Continued)				Wireless Communications — 0.1%		
	Wireless Communications — 0.4%			700,000	Leap Wireless International Inc., CVR, expire 03/14/17†	\$ 1,636,304	\$ 1,764,000
14,000	Blackberry Ltd.†	\$ 100,091	\$ 96,460				
110,000	Millicom International Cellular SA, SDR	6,933,812	4,700,349		TOTAL RIGHTS	<u>2,546,091</u>	<u>3,603,916</u>
7,500	T-Mobile US Inc.†	121,875	431,325		WARRANTS — 0.0%		
9,500	United States Cellular Corp.†	362,501	415,340		Energy and Utilities — 0.0%		
		<u>7,518,279</u>	<u>5,643,474</u>	32,000	Kinder Morgan Inc., expire 05/25/17†	61,383	176
	TOTAL COMMON STOCKS	<u>598,864,527</u>	<u>606,770,802</u>		Metals and Mining — 0.0%		
	PREFERRED STOCKS — 0.0%			2,550	HudBay Minerals Inc., expire 07/20/18†	2,886	864
	Telecommunications — 0.0%				TOTAL WARRANTS	<u>64,269</u>	<u>1,040</u>
3,000	Cincinnati Bell Inc., 6.750%, Ser. B	62,529	147,469				
	RIGHTS — 0.3%				Principal Amount		
	Health Care — 0.1%						
110,600	Adolor Corp., CPR, expire 07/01/19†	0	57,512		Convertible Corporate Bonds — 0.0%		
187,969	Ambit Biosciences Corp., CVR†	0	112,781	\$ 525,000	Building and Construction — 0.0%		
135,000	American Medical Alert Corp., CPR†	0	1,350		Layne Christensen Co., 4.250%, 11/15/18	519,101	479,391
54,000	Chelsea Therapeutics International Ltd., CVR†	5,940	5,940	800,000	Energy and Utilities — 0.0%		
5,000	Community Health Systems Inc., CVR, expire 01/27/17†	158	23		Texas Competitive Electric Holdings Co. LLC, 10.250%, 11/01/18†	0	0
50,000	Durata Therapeutics Inc., CVR, expire 12/31/19†	0	0		TOTAL CONVERTIBLE CORPORATE BONDS	<u>519,101</u>	<u>479,391</u>
795,000	Dyax Corp., CVR, expire 12/31/19†	0	882,450	819,387,000	U.S. GOVERNMENT OBLIGATIONS — 58.1%		
100	Omthera Pharmaceuticals Inc., expire 12/31/20†	0	60		U.S. Treasury Bills, 0.355% to 0.690%††, 02/09/17 to 08/17/17(a)	818,382,643	818,336,599
400,000	Sanofi, CVR, expire 12/31/20†	88,100	152,000		TOTAL INVESTMENTS — 101.4%	<u>\$1,420,439,160</u>	1,429,339,217
739,500	Synergetics USA Inc., CVR†	73,950	73,950				
825,000	Teva Pharmaceutical Industries Ltd., CCCP, expire 02/20/23†	401,888	0		Principal Amount		
12,000	Tobira Therapeutics Inc.†	164,880	164,880				
69,000	Trius Therapeutics Inc., CVR†	0	8,970		Settlement Date		
		<u>734,916</u>	<u>1,459,916</u>				
	Retail — 0.1%				Unrealized Appreciation/Depreciation		
950,000	Safeway Casa Ley, CVR, expire 01/30/19†	166,857	361,000	11,400,000(c)	Deliver British Pounds in exchange for United States Dollars 14,074,878	01/27/17	\$ 14,322
950,000	Safeway PDC, CVR, expire 01/30/17†	8,014	19,000	29,500,000(d)	Deliver Euro Currency in exchange for United States Dollars 30,841,900	01/27/17	(257,513)
		<u>174,871</u>	<u>380,000</u>				

See accompanying notes to financial statements.

The Gabelli ABC Fund

Statement of Assets and Liabilities December 31, 2016

Assets:	
Investments, at value (cost \$1,420,439,160) ..	\$1,429,339,217
Foreign currency, at value (cost \$296,045)....	296,045
Cash	743
Deposit at brokers	41,984,943
Receivable for investments sold	566,893
Receivable for Fund shares sold	8,448,375
Dividends and interest receivable	464,704
Prepaid expenses	66,953
Unrealized appreciation on swap contracts....	22,629
Unrealized appreciation on forward foreign exchange contracts	14,322
Total Assets	<u>1,481,204,824</u>
Liabilities:	
Securities sold short, at value (proceeds \$42,947,087)	41,910,641
Payable for investments purchased	23,421,601
Payable for Fund shares redeemed	4,939,610
Payable for investment advisory fees	595,062
Payable for distribution fees	168,459
Payable for accounting fees	7,500
Unrealized depreciation on forward foreign exchange contracts	258,950
Dividends payable on securities sold short....	2,025
Other accrued expenses	128,891
Total Liabilities	<u>71,432,739</u>
Net Assets	
(applicable to 139,336,492 shares outstanding)	<u>\$1,409,772,085</u>
Net Assets consist of:	
Paid-in capital	\$1,403,316,141
Undistributed net investment income	693,226
Distributions in excess of net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions.	(3,944,133)
Net unrealized appreciation on investments ..	8,900,057
Net unrealized appreciation on securities sold short	1,036,446
Net unrealized appreciation on swap contracts	22,629
Net unrealized depreciation on foreign currency translations	(252,281)
Net Assets	<u>\$1,409,772,085</u>
Shares of Capital Stock, each at \$0.001 par value; 500,000,000 shares authorized:	
Class AAA:	
Net Asset Value, offering, and redemption price per share ($\$630,052,328 \div 61,965,612$ shares outstanding)	<u>\$10.17</u>
Advisor Class:	
Net Asset Value, offering, and redemption price per share ($\$779,719,757 \div 77,370,880$ shares outstanding)	<u>\$10.08</u>

Statement of Operations For the Year Ended December 31, 2016

Investment Income:	
Dividends (net of foreign withholding taxes of \$93,632)	\$ 7,565,091
Interest	3,473,294
Total Income	<u>11,038,385</u>
Expenses:	
Investment advisory fees	7,167,525
Distribution fees - Advisor Class	1,939,052
Dividend expense on securities sold short	595,035
Service fees for securities sold short (See Note 2)	143,705
Custodian fees	137,110
Shareholder communications expenses	116,444
Registration expenses	108,484
Directors' fees	92,000
Legal and audit fees	68,834
Shareholder services fees	62,445
Accounting fees	45,000
Interest expense	9,383
Miscellaneous expenses	82,811
Total Expenses	<u>10,567,828</u>
Less:	
Expenses paid indirectly by broker (See Note 6)	(10,350)
Reimbursements for custody fees*	(293,300)
Total Credits and Reimbursements	<u>(303,650)</u>
Net Expenses	<u>10,264,178</u>
Net Investment Income	<u>774,207</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency:	
Net realized gain on investments	26,908,365
Net realized loss on securities sold short	(1,588,558)
Net realized loss on swap contracts	(4,338,385)
Net realized gain on foreign currency transactions	<u>8,913,339</u>
Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	<u>29,894,761</u>
Net change in unrealized appreciation/depreciation: on investments	7,127,083
on securities sold short	4,358,976
on swap contracts	474,678
on foreign currency translations	<u>(889,716)</u>
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	<u>11,071,021</u>
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency	<u>40,965,782</u>
Net Increase in Net Assets Resulting from Operations	<u>\$41,739,989</u>

* The Fund received a one time reimbursement of custody expenses paid in prior years.

See accompanying notes to financial statements.

The Gabelli ABC Fund

Statement of Changes in Net Assets

	<u>Year Ended December 31, 2016</u>	<u>Year Ended December 31, 2015</u>
Operations:		
Net investment income/(loss)	\$ 774,207	\$ (1,846,939)
Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	29,894,761	38,760,505
Net change in unrealized appreciation/(depreciation) on investments, securities sold short, swap contracts, and foreign currency translations	<u>11,071,021</u>	<u>(8,485,153)</u>
Net Increase in Net Assets Resulting from Operations	<u>41,739,989</u>	<u>28,428,413</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(4,082,045)	(3,378,976)
Advisor Class	<u>(3,735,843)</u>	<u>(2,202,145)</u>
	<u>(7,817,888)</u>	<u>(5,581,121)</u>
Net realized gain		
Class AAA	(9,264,805)	(12,762,320)
Advisor Class	<u>(12,875,590)</u>	<u>(14,588,339)</u>
	<u>(22,140,395)</u>	<u>(27,350,659)</u>
Total Distributions to Shareholders	<u>(29,958,283)</u>	<u>(32,931,780)</u>
Capital Share Transactions:		
Class AAA	(6,638,642)	(28,513,696)
Advisor Class	<u>57,104,679</u>	<u>8,619,442</u>
Net Increase/(Decrease) in Net Assets from Capital Share Transactions	<u>50,466,037</u>	<u>(19,894,254)</u>
Redemption Fees	<u>16,661</u>	<u>1,388</u>
Net Increase/(Decrease) in Net Assets	62,264,404	(24,396,233)
Net Assets:		
Beginning of year	<u>1,347,507,681</u>	<u>1,371,903,914</u>
End of year (including undistributed net investment income of \$693,226 and \$953,493, respectively)	<u>\$1,409,772,085</u>	<u>\$1,347,507,681</u>

See accompanying notes to financial statements.

The Gabelli ABC Fund

Financial Highlights

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

Year Ended December 31	Income (Loss) from Investment Operations				Distributions			Ratios to Average Net Assets/ Supplemental Data						
	Net Asset Value Beginning of Year	Net Investment Income (Loss) (a)	Net Unrealized Gain on Investments	Total from Investment Operations	Net Realized Gain on Investments	Return of Capital	Total Distributions	Redemption Fees (a)(b)	Net Asset Value End of Year	Total Return†	Net Assets End of Year (in 000's)	Net Investment Income (Loss)	Operating Expenses	Portfolio Turnover Rate
Class AAA														
2016	\$10.10	\$ 0.02	\$0.29	\$0.31	\$(0.17)	—	\$(0.24)	\$0.00	\$10.17	3.1%	\$630,052	0.19%	0.60%	287%
2015	10.13	(0.00)(b)	0.24	0.24	(0.21)	—	(0.27)	0.00	10.10	2.3	630,205	(0.01)	0.59(c)(d)	276
2014	10.24	(0.00)(b)	0.12	0.12	(0.18)	—	(0.23)	0.00	10.13	1.2	659,818	(0.04)	0.58(d)	281
2013	9.96	0.06	0.43	0.49	(0.19)	\$(0.01)	(0.21)	0.00	10.24	4.9	446,566	0.63	0.58(d)	324
2012	9.76	0.02	0.49	0.51	(0.27)	—	(0.31)	0.00	9.96	5.2	299,111	0.17	0.60	256
Advisor Class														
2016	\$10.01	\$(0.01)	\$0.30	\$0.29	\$(0.17)	—	\$(0.22)	\$0.00	\$10.08	2.9%	\$779,720	(0.06)%	0.85%	287%
2015	10.05	(0.03)	0.23	0.20	(0.21)	—	(0.24)	0.00	10.01	2.0	717,303	(0.27)	0.84(c)(d)	276
2014	10.16	(0.03)	0.12	0.09	(0.18)	—	(0.20)	0.00	10.05	0.9	712,086	(0.30)	0.83(d)	281
2013	9.89	0.03	0.43	0.46	(0.19)	\$(0.00)(b)	(0.19)	0.00	10.16	4.7	677,405	0.29	0.83(d)	324
2012	9.69	0.01	0.47	0.48	(0.27)	—	(0.28)	0.00	9.89	4.9	304,468	0.14	0.85	256

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the year and sold at the end of the year including reinvestment of distributions.

- (a) Per share amounts have been calculated using the average shares outstanding method.
 (b) Amount represents less than \$0.005 per share.
 (c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the years ended December 31, 2016 and 2015, there was no impact to the expense ratios.
 (d) The Fund incurred dividend expense and service fees on securities sold short. If these expenses and fees had not been incurred, the ratios of operating expenses to average net assets for the years ended December 31, 2016, 2015, and 2014, would have been 0.55%, 0.55%, and 0.57% (Class AAA) and 0.80%, 0.77%, and 0.82% (Advisor Class), respectively.
 (e) During the year ended December 31, 2016, the Fund received a one time reimbursement of custody expenses paid in prior years. Had such reimbursement (allocated by relative net asset values of the Fund's share classes) been included in this period, the annualized expense ratios would have been 0.58% (Class AAA) and 0.83% (Advisor Class), respectively.

See accompanying notes to financial statements.

The Gabelli ABC Fund

Notes to Financial Statements

1. Organization. The Gabelli ABC Fund, a series of Gabelli Investor Funds, Inc., was incorporated on October 30, 1992 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”). The Fund’s primary objective is to achieve total returns that are attractive to investors in various market conditions without excessive risk of capital loss. The Fund commenced investment operations on May 14, 1993.

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

Security Valuation. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market’s official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of 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 instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, 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. Debt instruments having a maturity greater than sixty days 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. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

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 Gabelli ABC Fund

Notes to Financial Statements (Continued)

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities and other financial instruments by inputs used to value the Fund's investments as of December 31, 2016 is as follows:

	Valuation Inputs			Total Market Value at 12/31/16
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Broadcasting	\$ 660,458	—	\$1,957,885	\$ 2,618,343
Computer Software and Services	23,361,175	\$ 146,120	—	23,507,295
Consumer Services	15,013,730	—	300	15,014,030
Diversified Industrial	3,876,955	11,691	—	3,888,646
Electronics	47,549,419	55,335	—	47,604,754
Other Industries (a)	514,137,734	—	—	514,137,734
Total Common Stocks	604,599,471	213,146	1,958,185	606,770,802
Preferred Stocks (a)	147,469	—	—	147,469
Rights (a)	152,023	380,000	3,071,893	3,603,916
Warrants (a)	1,040	—	—	1,040
Convertible Corporate Bonds (a)	—	479,391	0	479,391
U.S. Government Obligations	—	818,336,599	—	818,336,599
TOTAL INVESTMENTS IN SECURITIES – ASSETS	\$604,900,003	\$819,409,136	\$5,030,078	\$1,429,339,217
LIABILITIES (Market Value):				
Securities Sold Short (a)	\$ (41,910,641)	—	—	\$ (41,910,641)
TOTAL INVESTMENTS IN SECURITIES - LIABILITIES	\$ (41,910,641)	—	—	\$ (41,910,641)
OTHER FINANCIAL INSTRUMENTS:*				
ASSETS (Unrealized Appreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts	—	\$ 14,322	—	\$ 14,322
EQUITY CONTRACTS				
Contract for Difference Swap Agreements	—	22,629	—	22,629
LIABILITIES (Unrealized Depreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts	—	(258,950)	—	(258,950)
TOTAL OTHER FINANCIAL INSTRUMENTS:	—	\$ (221,999)	—	\$ (221,999)

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

* Other financial instruments are derivatives reflected in the SOI, such as options, futures, forwards, and swaps, which may be valued at the unrealized appreciation/depreciation of the instrument.

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

The Fund did not have material transfers among Level 1, Level 2, and Level 3 during the year ended December 31, 2016. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

Additional Information to Evaluate Qualitative Information.

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

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

The Adviser reports quarterly to the Board the results of the application of fair valuation policies and procedures. These may include back testing 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 a number of 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 that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

Collateral requirements differ by type of derivative. Collateral requirements are set by the broker or exchange clearing house for exchange traded derivatives, while collateral terms are contract specific for derivatives traded

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

over-the-counter. Securities pledged to cover obligations of the Fund under derivative contracts are noted in the Schedule of Investments. Cash collateral, if any, pledged for the same purpose will be reported separately in the Statement of Assets and Liabilities.

The Fund's policy with respect to offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the master agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

The Fund's derivative contracts held at December 31, 2016, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

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

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be received or paid on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon receipt or payment of a periodic payment or termination of swap agreements.

The Fund has entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc. Details of the swap at December 31, 2016 are reflected within the Schedule of Investments and further details are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/ Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Appreciation</u>
	Market Value Appreciation on:	One month LIBOR plus 90 bps plus Market Value Depreciation on:		
\$951,066 (1,690,000 Shares)	Premier Foods plc	Premier Foods plc	03/31/17	\$22,629

The Fund's volume of activity in equity contract for difference swap agreements during the year ended December 31, 2016 had an average monthly notional amount of approximately \$23,565,204 over the period that the swaps were outstanding.

At December 31, 2016, the value of equity contract for difference swap agreements can be found in the Statement of Assets and Liabilities under Assets, Unrealized appreciation on swap contracts. For the year ended December 31, 2016, the effect of equity contract for difference swap agreements can be found in the Statement of Operations under

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency, Net realized loss on swap contracts and Net change in unrealized appreciation/depreciation on swap contracts.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. For the year ended December 31, 2016, the effect of forward foreign exchange contracts can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency, within Net realized gain on foreign currency transactions and Net change in unrealized appreciation/depreciation on foreign currency translations.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. Forward foreign exchange contracts at December 31, 2016 are reflected within the Schedule of Investments. The Fund's volume of activity in forward foreign exchange contracts during the year ended December 31, 2016 had an average monthly notional amount of approximately \$70,129,411.

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

At December 31, 2016, the value of forward foreign exchange contracts can be found in the Statement of Assets and Liabilities under Assets, Unrealized appreciation on forward foreign exchange contracts, and under Liabilities, Unrealized depreciation on forward foreign exchange contracts. For the year ended December 31, 2016, the effect of forward foreign exchange contracts can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency, within Net realized gain on foreign currency transactions and Net change in unrealized appreciation/depreciation on foreign currency translations.

At December 31, 2016, the Fund's derivative assets (by type) are as follows:

	Gross Amounts of Recognized Assets Presented in the Statement of Assets and Liabilities	Gross Amounts Available for Offset in the Statement of Assets and Liabilities	Net Amounts of Assets Presented in the Statement of Assets and Liabilities
Assets			
Forward Foreign Exchange Contracts	\$14,322	\$(14,322)	—
Equity Contract for Difference Swap Agreements	<u>22,629</u>	<u>—</u>	<u>\$22,629</u>
Total	<u>\$36,951</u>	<u>\$(14,322)</u>	<u>\$22,629</u>
	Gross Amounts of Recognized Liabilities Presented in the Statement of Assets and Liabilities	Gross Amounts Available for Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities
Liabilities			
Forward Foreign Exchange Contracts	\$258,950	\$(14,322)	\$244,628

The following tables present the Fund's derivative assets and liabilities by counterparty net of the related collateral segregated by the Fund for the benefit of the counterparty as of December 31, 2016:

	Net Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount
	Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments	Cash Collateral Received	
Counterparty				
The Goldman Sachs Group, Inc.	\$22,629	\$(22,629)	—	—
	Net Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount
	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments	Cash Collateral Pledged	
Counterparty				
State Street Bank & Trust Co.	\$244,628	\$(244,628)	—	—

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

Securities Sold Short. The Fund enters into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of the open positions, which is adjusted periodically as the value of the position fluctuates. Securities sold short and details of collateral at December 31, 2016 are reflected within the Schedule of Investments. For the year ended December 31, 2016, the Fund incurred \$143,705 in service fees related to its investment positions sold short and held by the broker. These amounts are included in the Statement of Operations under Expenses, Service fees for securities sold short.

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

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

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

Restricted Securities. The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

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, 2016, the Fund held no restricted securities.

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

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

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

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to the tax treatment of currency gains and losses, reclassifications of gains on investments in swaps, tax equalization utilized during the year, and tax treatment of passive foreign investment companies. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2016, reclassifications were made to increase undistributed net investment income by \$6,783,414 and increase distributions in excess of net realized gain on investments, securities sold short, and foreign currency transactions by \$7,917,348, with an offsetting adjustment to paid-in capital.

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

The tax character of distributions paid during the year ended December 31, 2016 and 2015 was as follows:

	<u>Year Ended</u> <u>December 31, 2016</u>	<u>Year Ended</u> <u>December 31, 2015</u>
Distributions paid from:*		
Ordinary income (inclusive of short term capital gains)	\$26,568,268	\$28,045,478
Net long term capital gains	<u>4,181,853</u>	<u>8,066,886</u>
Total distributions paid	<u>\$30,750,121</u>	<u>\$36,112,364</u>

* Total distributions paid differs from the Statement of Changes in Net Assets due to the utilization of equalization.

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

As of December 31, 2016, the components of accumulated earnings/losses on a tax basis were as follows:

Net unrealized appreciation on investments, foreign currency translations, forwards and swap contracts	\$6,455,954
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The Fund is permitted to carry capital losses forward for an unlimited period. Capital losses that are carried forward will retain their character as either short term or long term capital losses.

At December 31, 2016, the temporary difference between book basis and tax basis net unrealized appreciation/(depreciation) on investments were primarily due to deferral of losses from wash sales for tax purposes, mark-to-market adjustments on currency gains and losses and swaps, and basis adjustments on investments in partnerships.

The following summarizes the tax cost of investments and the related net unrealized depreciation at December 31, 2016:

	<u>Cost/</u> <u>(Proceeds)</u>	<u>Gross</u> <u>Unrealized</u> <u>Appreciation</u>	<u>Gross</u> <u>Unrealized</u> <u>Depreciation</u>	<u>Net Unrealized</u> <u>Appreciation</u>
Investments	\$1,423,934,714	\$32,684,003	\$(27,279,500)	\$5,404,503
Securities sold short	(42,947,087)	1,477,490	(441,044)	1,036,446
		<u>\$34,161,493</u>	<u>\$(27,720,544)</u>	<u>\$6,440,949</u>

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund’s tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2016, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2016, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund’s net assets or results of operations. The Fund’s federal and state tax returns for the prior three fiscal years remain open, subject to examination. On an ongoing basis, the Adviser will monitor the Fund’s tax positions to determine if adjustments to this conclusion are necessary.

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

3. Investment Advisory Agreement and Other Transactions. The Fund has entered into an investment advisory agreement (the “Advisory Agreement”) with the Adviser which provides that the Fund will pay the Adviser a fee, computed daily and paid monthly, at the annual rate of 0.50% of the value of its average daily net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund’s portfolio, oversees the administration of all aspects of the Fund’s business and affairs, and pays the compensation of all Officers and Directors of the Fund who are affiliated persons of the Adviser.

The Fund pays each Director who is not considered an affiliated person an annual retainer of \$9,000 plus \$2,000 for each Board meeting attended. Each Director is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended and the Chairman of the Audit Committee and the Lead Director each receives a \$2,000 annual fee. A Director may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

4. Distribution Plan. The Fund’s Board has adopted a distribution plan (the “Plan”) for the Advisor Class Shares pursuant to Rule 12b-1 under the 1940 Act. Under the Advisor Class Share Plan, payment is authorized to G.distributors, LLC (the “Distributor”), an affiliate of the Adviser, at an annual rate of 0.25% of the average daily net assets of the Advisor Class Shares, the annual limitation under the Plan. Such payments are accrued daily and paid monthly.

5. Portfolio Securities. Purchases and sales of securities during the year ended December 31, 2016, other than short term securities and U.S. Government obligations, aggregated \$1,708,729,721 and \$1,726,411,939 respectively.

6. Transactions with Affiliates and Other Arrangements. During the year ended December 31, 2016, the Fund paid \$668,063 in brokerage commissions on security trades to G.research, LLC, an affiliate of the Adviser.

During the year ended December 31, 2016, the Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. The amount of such expenses paid through this directed brokerage arrangement during this period was \$10,350.

The cost of calculating the Fund’s NAV per share is a Fund expense pursuant to the Advisory Agreement. During the year ended December 31, 2016, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund’s NAV.

As of December 31, 2016, the Fund’s Adviser and its affiliates beneficially owned greater than 25% of the voting securities of the Fund. This includes accounts for which the affiliates of the Adviser have voting control but disclaim pecuniary interest.

During the year ended December 31, 2016, the Fund engaged in a purchase transaction with funds that have a common investment adviser. This purchase transaction complied with Rule 17a-7 under the Act and amounts to \$417,560.

7. Line of Credit. The Fund participates in an unsecured line of credit, which expires on March 9, 2017 and may be renewed annually, of up to \$75,000,000 under which it may borrow up to 10% of its net assets from

The Gabelli ABC Fund

Notes to Financial Statements (Continued)

the custodian for temporary borrowing purposes. Borrowings under this arrangement bears interest at a floating rate equal to the higher of the overnight Federal Funds rate plus 125 basis points or the 30 day LIBOR plus 125 basis points in effect on that day. This amount, if any, would be included in "Interest expense" in the Statement of Operations. During the year ended December 31, 2016, there were no borrowings outstanding under the line of credit.

8. Capital Stock. The Fund offers Class AAA Shares and Advisor Class Shares to investors without a front-end sales charge. Class AAA Shares are available directly through the Distributor or through the Fund's transfer agent. Advisor Class Shares are available through registered broker-dealers or other financial intermediaries that have entered into appropriate selling agreements with the Distributor.

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund as an increase in paid-in capital. The redemption fees retained by the Fund during the years ended December 31, 2016 and 2015, if any, can be found in the Statement of Changes in Net Assets under Redemption Fees.

Transactions in shares of capital stock were as follows:

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Shares	Amount	Shares	Amount
Class AAA				
Shares sold	12,888,893	\$ 130,848,242	5,445,366	\$ 56,087,852
Shares issued upon reinvestment of distributions	1,306,229	13,271,299	1,589,608	16,086,829
Shares redeemed	<u>(14,633,652)</u>	<u>(150,758,183)</u>	<u>(9,765,966)</u>	<u>(100,688,377)</u>
Net (decrease)	<u>(438,530)</u>	<u>\$ (6,638,642)</u>	<u>(2,730,992)</u>	<u>\$ (28,513,696)</u>
Advisor Class				
Shares sold	35,654,900	\$ 359,810,156	30,704,531	\$ 312,365,864
Shares issued upon reinvestment of distributions	1,271,472	12,803,725	1,306,706	13,106,260
Shares redeemed	<u>(31,203,881)</u>	<u>(315,509,202)</u>	<u>(31,237,934)</u>	<u>(316,852,682)</u>
Net increase	<u>5,722,491</u>	<u>\$ 57,104,679</u>	<u>773,303</u>	<u>\$ 8,619,442</u>

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

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

The Gabelli ABC Fund

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Gabelli Investor Funds, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The Gabelli ABC Fund (the "Fund"), the sole series of Gabelli Investor Funds, Inc., as of December 31, 2016, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2016, by correspondence with the Fund's custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund at December 31, 2016, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

New York, New York
February 28, 2017

The Gabelli ABC Fund

Additional Fund Information (Unaudited)

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

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Number of Funds in Fund Complex Overseen by Director</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Director⁴</u>
INTERESTED DIRECTORS³:				
Mario J. Gabelli, CFA Director and Chief Investment Officer Age: 74	Since 1993	31	Chairman, Chief Executive Officer, and Chief Investment Officer—Value Portfolios of GAMCO Investors, Inc. and Chief Investment Officer—Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies within the Gabelli/GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc.; Executive Chairman of Associated Capital Group, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group Inc. (communications); Director of RLJ Acquisition Inc. (blank check company) (2011-2012)
INDEPENDENT DIRECTORS⁵:				
Anthony J. Colavita, Esq. Director Age: 81	Since 1993	36	President of the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Director Age: 73	Since 1993	17	Former Senior Vice President and Chief Financial Officer of KeySpan Corp. (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics) (2008-2014); Director of LGL Group, Inc. (diversified manufacturing) (2011-2014)
Mary E. Hauck Director Age: 74	Since 2000	4	Retired Senior Manager of the Gabelli-O'Connor Fixed Income Mutual Funds Management Company	—
Kuni Nakamura Director Age: 48	Since 2009	20	President of Advanced Polymer, Inc. (chemical manufacturing company); President of KEN Enterprises, Inc. (real estate)	—
Werner J. Roeder, MD Director Age: 76	Since 1993	23	Practicing private physician; Former Medical Director of Lawrence Hospital (1999-2014)	—

The Gabelli ABC Fund Additional Fund Information (Continued) (Unaudited)

<u>Name, Position(s) Address¹ and Age</u>	<u>Term of Office and Length of Time Served²</u>	<u>Principal Occupation(s) During Past Five Years</u>
OFFICERS:		
Bruce N. Alpert President Age: 65	Since 2003	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; Officer of registered investment companies within the Gabelli/GAMCO Fund Complex; Senior Vice President of GAMCO Investors, Inc. since 2008; Director of Teton Advisors, Inc., 1998-2012; Chairman of Teton Advisors, Inc., 2008-2010
Andrea R. Mango Secretary Age: 44	Since 2013	Vice President of GAMCO Investors, Inc. since 2016; Counsel of Gabelli Funds, LLC since 2013; Secretary of all registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Vice President of all closed-end funds within the Gabelli/GAMCO Fund Complex since 2014; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company, 2011-2013; Vice President and Counsel of Deutsche Bank, 2006-2011
Agnes Mullady Treasurer Age: 58	Since 2006	President and Chief Operating Officer of the Fund Division of Gabelli Funds, LLC since 2010; Chief Executive Officer of G.distributors, LLC since 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Executive Vice President of Associated Capital Group, Inc. since November 2016; Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex
Richard J. Walz Chief Compliance Officer Age: 57	Since 2013	Chief Compliance Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Chief Compliance Officer of AEGON USA Investment Management, 2011-2013; Chief Compliance Officer of Cutwater Asset Management, 2004-2011

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

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

³ "Interested person" of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an "interested person" because of his affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser.

⁴ This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended, i.e., public companies, or other investment companies registered under the 1940 Act.

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

Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

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

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

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

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

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

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

What do we do to protect your personal information?

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

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

Portfolio Management Team Biographies

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

Ryan N. Kahn, CFA, is an analyst dedicated to the Gabelli merger arbitrage portfolios, specifically to our U.S. open and closed-end funds. He joined the team in 2013 after working as a generalist in the research department. Mr. Kahn earned a Bachelor of Science in Business Management from Babson College.

Gian Maria Magrini, CFA, is an analyst dedicated to the Gabelli merger arbitrage portfolios, specifically to our U.S. open and closed-end funds. He joined the team in 2013 after serving various roles in the Firm's operations and research departments. Mr. Magrini earned a B.S. in Finance from Fordham University.

Geoffrey P. Astle is involved in the analytics and foreign and domestic trading for the Gabelli merger arbitrage portfolios, specific to our U.S. mutual funds. He has been associated in this capacity since 2007. Mr. Astle earned a Bachelor of Science in both Finance and Marketing from Fairfield University.

2016 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2016, the Fund paid to shareholders ordinary income distributions (comprised of net investment income and short term capital gains) totaling \$0.210 and \$0.184 per share for Class AAA and Advisor Class Shares, respectively, and long term capital gains totaling \$4,181,853, or the maximum allowable. The distribution of long term capital gains has been designated as a capital gain dividend by the Fund's Board of Directors. For the year ended December 31, 2016, 16.16% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 19.75% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 0.61% of the ordinary income distribution as qualified interest income pursuant to the Tax Relief, Unemployment Reauthorization, and Job Creation Act of 2010. The Fund designates 100% of the ordinary income distribution as qualified short term gain pursuant to the American Jobs Creation Act of 2004.

U.S. Government Income:

The percentage of the ordinary income distribution paid by the Fund during the year ended December 31, 2016 which was derived from U.S. Treasury securities was 0.94%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli ABC Fund did not meet this strict requirement in 2016. The percentage of U.S. Government securities held as of December 31, 2016 was 58.1%. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

THE GABELLI ABC 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.

Mary E. Hauck
Former Senior Portfolio
Manager,
Gabelli-O'Connor Fixed
Income Mutual Fund
Management Co.

Kuni Nakamura
President,
Advanced Polymer, Inc.

Werner J. Roeder, MD
Former Medical Director,
Lawrence Hospital

OFFICERS

Bruce N. Alpert
President

Andrea R. Mango
Secretary

Agnes Mullady
Treasurer

Richard J. Walz
Chief Compliance
Officer

DISTRIBUTOR

G.distributors, LLC

CUSTODIAN, TRANSFER AGENT, AND DIVIDEND DISBURSING AGENT

State Street Bank and Trust
Company

LEGAL COUNSEL

Skadden, Arps, Slate, Meagher &
Flom LLP

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

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FUNDS

THE GABELLI ABC FUND

Annual Report
December 31, 2016

