

# The Gabelli Equity Trust Inc.

Shareholder Commentary – June 30, 2017

## (Y)our Portfolio Management Team



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



**Christopher J. Marangi**  
Co-Chief Investment Officer  
BA, Williams College  
MBA, Columbia  
Business School



**Kevin V. Dreyer**  
Co-Chief Investment Officer  
BSE, University of  
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**Robert D. Leininger, CFA**  
Portfolio Manager  
BA, Amherst College  
MBA, Wharton School,  
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**Daniel M. Miller**  
Managing Director,  
GAMCO Investors  
BS, University of Miami

### To Our Shareholders,

For the quarter ended June 30, 2017, the net asset value (“NAV”) total return of The Gabelli Equity Trust (the “Fund”) was 4.1%, compared with total returns of 3.1% and 4.0% for the Standard & Poor’s (“S&P”) 500 Index and the Dow Jones Industrial Average, respectively. The total return for the Fund’s publicly traded shares was 6.0%. The Fund’s NAV per share was \$6.18, while the price of the publicly traded shares closed at \$6.18 on the New York Stock Exchange (“NYSE”).

### Comparative Results

#### Average Annual Returns through June 30, 2017 (a)

	Quarter	1 Year	5 Year	10 Year	15 Year	20 Year	25 Year	Since Inception (08/21/86)
<b>Gabelli Equity Trust</b>								
NAV Total Return (b) . . . . .	4.10%	18.30%	14.12%	6.91%	10.39%	9.35%	10.52%	10.83%
Investment Total Return (c) . . . . .	6.03	24.58	14.17	6.86	8.31	9.56	10.42	10.59
S&P 500 Index . . . . .	3.09	17.90	14.63	7.18	8.34	7.15	9.66	10.08(d)
Dow Jones Industrial Average . . . . .	3.95	22.07	13.39	7.53	8.42	7.70	10.31	11.01(d)
Nasdaq Composite Index . . . . .	4.20	28.37	17.45	10.23	11.22	8.47	10.02	9.75(e)

(a) Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The Dow Jones Industrial Average is an unmanaged index of 30 large capitalization stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested except for the Nasdaq Composite Index. You cannot invest directly in an index.

(b) Total returns and average annual returns reflect changes in the NAV per share, reinvestment of distributions at NAV on the ex-dividend date, adjustments for rights offerings, spin-offs, and taxes paid on undistributed long term capital gains and are net of expenses. Since inception return is based on an initial NAV of \$9.34.

(c) Total returns and average annual returns reflect changes in closing market values on the NYSE, reinvestment of distributions, and adjustments for rights offerings, spin-offs, and taxes paid on undistributed long term capital gains. Since inception return is based on an initial offering price of \$10.00.

(d) From August 31, 1986, the date closest to the Fund’s inception for which data is available.

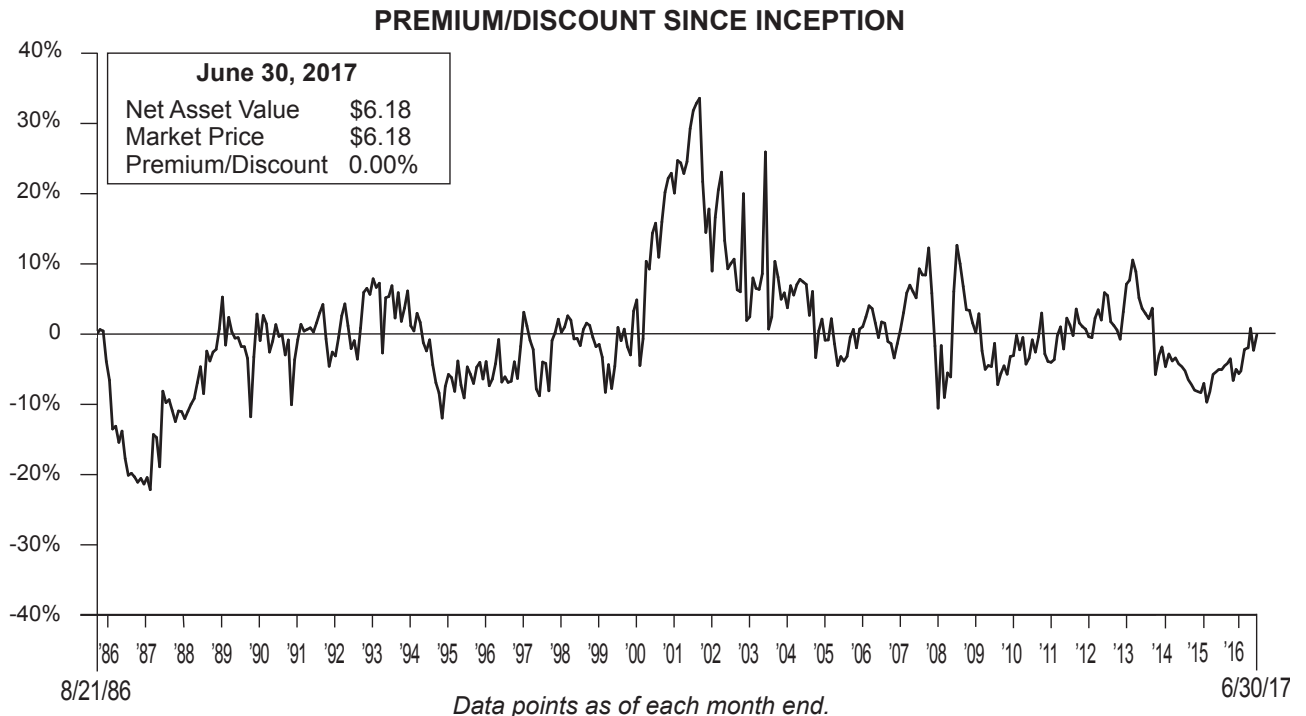
(e) From September 30, 1986, the date closest to the Fund’s inception for which data is available.

## Premium / Discount Discussion

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

Ideally, the Fund's market price will generally track the NAV. However, the Fund's premium or discount to NAV may vary over time. Over the Fund's thirty year history, the range fluctuated from a 27% discount in December 1987 to a 38% premium in June 2002. On June 30, 2017, the market price of the Fund was at par with its NAV.

The Fund's long term investment goal is growth of capital, with income as a secondary objective. The Fund seeks to generate a real rate of return of 10%. We believe that our stock selection process adds to the investment equation. We have a successful history of investment, providing shareholders average annual returns of 10.8% since inception.



## **Commentary**

### **Politics, the Economy and the Markets**

Stocks performed strongly during the first half of 2017. The S&P 500 Index rose 8.2% before dividends, despite a seemingly endless amount of noise from Washington and abroad. Markets responded positively to the election of Donald Trump in late 2016, partly in anticipation of a relaxation of the regulatory regime, reformation of corporate and individual taxes, and additional stimulus. To date, progress has only been made on the first of these items, which raises the possibility that what the market really desires is slow and incremental change, i.e., business as usual in Washington. Or perhaps the dissonance between the market's march forward and Washington's lurch sideways is an indication that fiscal policy really isn't as impactful as some believe.

Indeed, the most powerful market levitating force from Washington over the last decade did not originate from the White House or the Capitol, but from the Eccles Building, home to the Federal Reserve. Through open market activity and three rounds of quantitative easing (QE), the Fed slashed short term interest rates from 4.5% before the 2008-2009 financial crisis to nearly zero, lifting asset prices everywhere. The Fed began tapping the brakes by tapering QE in October 2014, and has now raised rates four times, the latest of which took the Fed Funds rate to a range of 1.0%-1.25% in June 2017. The Fed has indicated it will begin shrinking its balance sheet later this year, and current expectations are for one additional quarter point increase in 2017 and three in each of 2018 and 2019, which would put the Fed Funds rate at 3.0%, still well below the prior peak.

Over the long term, the Fed's "normalization" of rates is healthy for the economy, but the timing of this process has been the subject of debate, given lackluster GDP growth and a lack of inflation. The last two rate hike cycles ended in market dislocations in 2001 and 2007, but the circumstances in each were very different from today. A future recession may be unavoidable, but it need not be triggered by the Fed anytime soon. What is unquestionably unavoidable is that monetary policy has gone from being a tailwind to being a headwind for the economy and the market. Further increases in stock prices are more likely to be driven by better earnings versus multiple expansions, as had been the case over the last several years. Ironically, some sources of future earnings growth – lower taxes, defense and infrastructure investment, and a general rekindling of a propensity to spend – depend on the events taking place a few blocks east of the Fed, so it remains worth watching what happens this summer in the swamp.

### **Deals, Deals and More Deals**

Worldwide merger and acquisition (M&A) rose 2% to \$1.6 trillion in the first half of 2017, as a vibrant Europe offset a 16% decline in U.S. M&A volume. Activity in the U.S., concentrated in the Energy, Healthcare, and Real Estate sectors, may have been impeded by uncertainty around tax reform and unfamiliarity with new faces at the Department of Justice and other regulatory agencies. We believe these elements will soon fall into place, and that the solid underpinnings of the Fifth Wave of M&A continue to exist.

Among the deals announced in the second quarter was Amazon's purchase of Whole Foods for \$42 cash per share. After several years of underperformance, Whole Foods faced, and initially resisted, pressure from activist Jana Partners. It appears that founder and CEO John Mackey was eventually persuaded to sell because of the benefits of continuing to grow the chain with the cover and support of Amazon. This deal had far reaching repercussions, as fears that Amazon would increase competition and deflationary pressures weighed on

grocers, pharmacies, food distributors, and consumer goods companies, among others. While Amazon's impact remains to be seen, we do believe its presence underscores the need for consolidation in the food space. Having shown a willingness to invest aggressively in the brick and mortar world, Amazon could also become an acquirer of other retailers and distributors.

## **Conclusion**

While valuations are somewhat elevated and interest rates are rising, we see some cause for continued optimism, as employment and the housing market are improving, and the consumer remains healthy. We continue to believe we are well positioned for almost any economic backdrop by focusing on companies possessing pricing power, skilled management, and flexible balance sheets that trade at meaningful discounts to the Private Market Values. Our investment environment remains catalyst rich with financial engineering and still low borrowing costs, driving acquisition activity.

## **Investment Scorecard**

Several industrial firms were contributors to performance in the second quarter, including agricultural equipment provider Deere (1.5%, +14%), aircraft engine maker Rolls-Royce (0.8%, +24%), and diversified manufacturers IDEX (1.4%, +21%) and Ametek (1.4%, +12%). Pest control leader Rollins Inc. (3.6%, +10%) continues to be rewarded for steady and solid growth. Japanese probiotic drink maker Yakult Honsha (1.2%, +23%) rose on continued sales and profit growth overseas due to increasing consumption and expanded distribution, and in Japan through price increases. Finally, new management has gained traction at BioScrip (0.3%, +60%) which rebounded from a sharp selloff in 2016.

Detractors from performance included media companies Twenty-First Century Fox (1.5%, -12%), Viacom (0.7%, -22%), Discovery Communications (0.4%, -11%), and Scripps Networks (0.4%, -12%), where concerns that a slowdown in advertising would add to pressures from a possible acceleration in cord cutting. The perception of further encroachment by Amazon into auto parts hurt retailers, including O'Reilly Automotive (0.4%, -19%); subsequent to the quarter O'Reilly fell sharply after reporting that second quarter same store sales grew 1.7% versus expectations of 3% plus. Although mindful of Amazon's potential impact, we believe a warm winter was the biggest factor in O'Reilly's "miss," and we continue to believe the stock is attractive. Finally, Amazon also contributed to the decline in department store Macy's Inc. (0.5%, -20%).

## **Let's Talk Stocks**

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects, do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the share prices are listed first in United States dollars (USD) and second in the local currency, where applicable, and are presented as of June 30, 2017.

*Diageo plc (DEO – \$119.83 – NYSE)* is the leading global producer of alcoholic beverages, with brands including Smirnoff, Johnny Walker, Ketel One, Captain Morgan, Crown Royal, J&B, Baileys, Tanqueray, and Guinness. The company has a balanced geographic presence in both mature and emerging markets, and it

benefits from the trend of consumers around the world trading up to premium products. Over the past several years, Diageo made acquisitions that enhanced its presence in emerging markets: a majority stake in United Spirits, the leading spirits producer in India; Mey Icki, the leading spirits company in Turkey; Shui Jing Fang, a leading Chinese baiju producer; Ypioca, the leading cachaca producer in Brazil; and an increased stake in Halico, the leading domestic spirits producer in Vietnam. While economic conditions in emerging markets have caused some of these investments to struggle recently, the long term fundamentals of the spirits industry remain very favorable, and Diageo will be one of the largest beneficiaries of industry growth.

*Edgewell Personal Care Co. (EPC – \$76.02 – NYSE)*, based in St. Louis, Missouri, is the renamed Energizer Holdings Inc. following the tax-free spin-off to shareholders of the household products division on July 1, 2015. Edgewell generates approximately \$2.3 billion of revenue through its principal businesses: wet shaving, including Schick-branded razors and blades, Edge and Skintimate shaving preparation and private label shaving products; sun care, including the Banana Boat and Hawaiian Tropic brands; feminine care, Playtex and o.b. tampons and Carefree and Stayfree liners and pads; and infant care, utilizing the Playtex and Diaper Genie brands. As a pure-play personal care company, Edgewell competes in high margin, attractive categories, with leading brands. We expect management to focus on improving margins through product mix, restructuring savings and operating leverage, which should afford it flexibility to reinvest in growth opportunities. The company has approximately \$1.2 billion of net debt providing management with sufficient flexibility to invest in internal growth, make acquisitions and/or repurchase shares. EPC is a likely acquisition target, as a multinational competitor with an extensive global infrastructure would benefit from scale, international expansion and cost synergies.

*Honeywell International Inc. (HON – \$133.29 – NYSE)* operates as a diversified technology company with highly engineered products, including turbine propulsion engines, auxiliary power units, turbochargers, brake pads, environmental and combustion controls, sensors, security and life safety products, resins and chemicals, nuclear services, and process technology for the petrochemical and refining industries. One of the key drivers of HON's growth is acquisitions that increase the company's growth profile globally, creating both organic and inorganic opportunities. The company recently acquired Elster Industries, a leading provider of thermal gas solutions, smart meters, software and data analytics for the commercial, industrial and residential heating market. Elster's gas business offers products in high demand among natural gas customers and brings a strong, global distribution network and numerous cross-selling opportunities for existing HON technologies to new customers. Elster's gas, electric, and water meters are highly valued for their reliability, safety and accuracy. The company maintains an installed base of more than 200 million meter modules deployed over the course of the last 10 years that generate significant recurring revenues. We believe acquisitions such as Elster should drive meaningful and sustained growth for HON, spurred by global energy efficiency initiatives and natural resource management.

*MasterCard Inc. (MA – \$121.45 – NYSE)* is one of the largest electronic payments processing companies, providing services in more than 210 countries and territories. It continues to capitalize on the strong secular global trend of moving to electronic payments from traditional paper. For all of 2016, clients charged approximately \$4.8 trillion. At the end of 2016, cards in force totaled over 1.7 billion. Longer term, MasterCard is well positioned to increase revenue due to global growth in personal incomes, rapid increase in commerce, and movement to electronic payments

*Rogers Communications Inc. (RCI – \$47.23/C\$61.25 – NYSE)*, headquartered in Toronto, Ontario, is a diversified communications and media company that owns the largest national wireless service provider in Canada, serving approximately 10 million customers, the largest Canadian cable multiple-system operator, serving 1.8 million video customers, 2.2 million broadband connections, and 1.1 million phone subscribers, and a media business that includes TV and radio broadcasting, publishing, and sports, which represents over 50% of media revenues and includes ownership of the Toronto Blue Jays Baseball club and a 37.5% investment in Maple Leaf Sports & Entertainment, which is the owner of the Toronto Maple Leafs, Toronto Raptors, and Toronto FC (soccer). Joe Natale, formerly the CEO of competitor Telus, took over as CEO of Rogers in April 2017, and is likely to continue RCI's strategy of reinvesting in its networks and refocusing on the customer to accelerate revenue and free cash growth.

*Rollins Inc. (ROL – \$40.71 – NYSE)* provides pest control services to nearly two million residential and commercial customers throughout North America, primarily under the Orkin and Western Pest brand names. Its services are critical to homeowners and commercial establishments alike, in both expansionary and recessionary times. The company has benefited from growth in the commercial service area and mosquito and bed bug treatments. At the same time, the company has controlled costs through more efficient scheduling and routing. Rollins has been taking advantage of its strong balance sheet to make tuck-in acquisitions. It has also begun franchising more operations outside the U.S. Founded in 1901, Rollins is majority owned by members of the Rollins family.

*Swedish Match AB (SWMA – \$35.22/SEK 296.70 – Stockholm Stock Exchange)* produces tobacco products that include snus and snuff, chewing tobacco, cigars, and lights. The company has been benefiting from the growth of the smokeless tobacco market in both Scandinavia and the U.S., as public smoking bans and health concerns are driving consumers to seek alternative tobacco products to cigarettes. In October 2010, Swedish Match combined its European and premium cigar portfolios with Scandinavian cigar and pipe tobacco company STG, creating a new company that should benefit from enhanced scale and synergies. In February 2016, STG went public via an IPO on the Copenhagen Stock Exchange, with Swedish Match partially monetizing its stake. In January, Swedish Match further sold down its holdings in STG to 9% of the company, and we expect further sales in coming years. As a more focused company, we expect Swedish Match to grow sales and earnings over time, as the smokeless tobacco category continues to develop. We also believe the company could be an attractive takeover candidate for a global tobacco company that wants to increase its presence in the smokeless segment.

*Twenty-First Century Fox Inc. (FOX – \$27.87– NASDAQ)* is a diversified media company with operations in cable network television, television broadcasting, and filmed entertainment. Cable networks account for 77% of the company's EBITDA and benefit from contractually recurring affiliate fees and exposure to the fast growing global pay television market. We expect the company to benefit from rising demand for premium content, driven by emerging distribution platforms such as Netflix, and retransmission revenue growth. We believe the acquisition of satellite TV provider Sky plc will be accretive to value.

July 14, 2017



**Top Ten Holdings**  
**June 30, 2017**

Rollins Inc.	Swedish Match AB
Honeywell International Inc.	Deere & Co.
MasterCard Inc.	Twenty-First Century Fox Inc.
American Express Co.	Ilex Corp.
Berkshire Hathaway Inc.	Ametek Inc.

**Note:** The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Shareholder Commentary represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Managers and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed. Beneficial ownership of shares held in the Fund by Mr. Gabelli and various entities he is deemed to control are disclosed in the Fund's annual proxy statement.

**10% Distribution Policy for Common Stockholders**

The Board of Directors of the Fund (the "Board") has reaffirmed the continuation of the Fund's 10% distribution policy. Pursuant to its distribution policy, the Fund paid a \$0.15 per share cash distribution on June 23, 2017, to common stockholders of record on June 16, 2017.

The Fund intends to pay a quarterly distribution of an amount determined each quarter by the Board. Under the Fund's current distribution policy, the Fund intends to pay a minimum annual distribution of 10% of the average net asset value of the Fund within a calendar year or an amount sufficient to satisfy the minimum distribution requirements of the Internal Revenue Code, whichever is greater. The average net asset value of the Fund is based on the average net asset values as of the last day of the four preceding calendar quarters.

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

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

incorporates a return of capital serves as a smoothing mechanism resulting in a more stable and consistent cash flow available to shareholders.

Long term capital gains, qualified dividend income, ordinary income, and paid-in capital, if any, will be allocated on a pro-rata basis to all distributions to common shareholders for the year. Based on the accounting records of the Fund currently available, the current distribution paid to common shareholders in 2017 would include approximately 3% from net investment income, 3% from net capital gains and 90% from paid-in capital on a book basis. The estimated components of each distribution are updated and provided to shareholders of record in a notice accompanying the distribution and are available on our website ([www.gabelli.com](http://www.gabelli.com)). The final determination of the sources of all distributions in 2017 will be made after year end and can vary from the quarterly estimates. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2017 distributions in early 2018 via Form 1099-DIV.

### **Series C and Series E Auction Rate Cumulative Preferred Stock**

During the second quarter of 2017, the dividend rates for the Series C and Series E Auction Rate Cumulative Preferred Stock ranged from 1.173% to 2.030% for both series of stock. Dividend rates for the Series C and Series E Preferred Shares may be reset every seven days based on the results of an auction. Since February 2008, the number of Series C and Series E Preferred Shares subject to bid orders by potential holders has been less than the number of sell orders. Therefore the weekly auctions have failed, and the holders have not been able to sell any or all of the Series C and Series E Preferred Shares for which they submitted sell orders. The dividend rate since then has been the maximum rate. At June 30, 2017, the maximum rate was 175% of the "AA" Financial Composite Commercial Paper Rate and the Series C and Series E Preferred Shares are rated "A1" by Moody's Investors Service and "AA" by Fitch Ratings. The Series C and Series E Preferred Shares do not trade on an exchange. The Fund was authorized to issue 5,200 Series C Preferred Shares on June 27, 2002, and 2,000 Series E Preferred Shares on October 7, 2003 at \$25,000 per share. As of June 30, 2017, 2,880 and 1,120 Series C and Series E Preferred Shares, respectively, were outstanding.

### **5.875% Series D Cumulative Preferred Stock**

The Fund's 5.875% Series D Cumulative Preferred Stock paid a \$0.3671875 per share cash distribution on June 26, 2017, to preferred shareholders of record on June 19, 2017. The Series D Preferred Shares, which trade on the NYSE under the symbol "GAB Pr D", are rated "A1" by Moody's Investors Service and have an annual dividend rate of \$1.46875 per share. The Series D Preferred Shares were issued on October 7, 2003, at \$25.00 per share and pay distributions quarterly. After five years of call protection, the Series D Preferred Shares became callable at any time at the liquidation value of \$25.00 per share plus accrued dividends. The next distribution is scheduled for September 2017.

The Fund is authorized to purchase its Series D Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00 per share. In total through June 30, 2017, the Fund has repurchased and retired 156,140 Series D Preferred Shares in the open market under this share repurchase authorization. The Fund did not repurchase any Series D Preferred Shares during the second quarter of 2017.



### **Series G Cumulative Preferred Stock**

The Fund's Series G Cumulative Preferred Stock paid a \$0.3125 per share cash distribution on June 26, 2017, to preferred shareholders of record on June 19, 2017. The Series G Preferred Shares, which trade on the NYSE under the symbol "GAB Pr G", were issued on August 1, 2012 at \$25.00 per share. The Series G Preferred Shares pay distributions quarterly and for the first twelve months beginning from the date of issuance (August 1, 2012) had an annual dividend rate of 6.00%, and thereafter an annual dividend rate of 5.00% for all future dividend periods. The Series G Preferred Shares will be callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five year call protection on August 1, 2017. The next distribution is scheduled for September 2017.

The Fund is authorized to purchase its Series G Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00 per share. In total through June 30, 2017, the Fund has repurchased and retired 36,728 Series G Preferred Shares in the open market under this share repurchase authorization. No shares were repurchased during the second quarter of 2017.

### **Series H Cumulative Preferred Stock**

The Fund's Series H Cumulative Preferred Stock paid a \$0.3125 per share cash distribution on June 26, 2017, to preferred shareholders of record on June 19, 2017. The Series H Preferred Shares, which trade on the NYSE under the symbol "GAB Pr H", are rated "A1" by Moody's Investors Service and have an annual dividend rate of \$1.25 per share. The Series H Preferred Shares were issued on September 28, 2012, at \$25.00 per share and pay distributions quarterly. The Series H Preferred Shares will be callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five year call protection on September 28, 2017. The next distribution is scheduled for September 2017.

The Fund is authorized to purchase its Series H Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00 per share. In total through June 30, 2017, the Fund has repurchased and retired 27,127 Series H Preferred Shares in the open market under this share repurchase authorization. No shares were repurchased during the second quarter of 2017.

### **5.450% Series J Cumulative Preferred Stock**

The Fund's Series J Cumulative Preferred Stock paid a \$0.340625 per share cash distribution on June 26, 2017, to preferred shareholders of record on June 19, 2017. The Series J Preferred Shares, which trade on the NYSE under the symbol "GAB Pr J", are rated "A1" by Moody's Investors Service and have an annual dividend rate of \$1.3625 per share. The Series J Preferred Shares were issued on March 31, 2016, at \$25.00 per share and pay distributions quarterly. The Series J Preferred Shares will be callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five year call protection on March 31, 2021. The next distribution is scheduled for September 2017.

The Fund is authorized to purchase its Series J Preferred Shares in the open market from time to time when such shares are trading at a discount to the liquidation value of \$25.00 per share. Through June 30, 2017, the Fund has not repurchased any Series J Preferred Shares in the open market under this share repurchase authorization.

The Board shares the view of Gabelli Funds, LLC (the “Investment Adviser”) that the issuance of the Preferred Stock is designed to benefit the common shareholders. To the extent that the Fund earns in excess of the dividend rate on the Preferred Stock, additional value will thereby be created for its common shareholders. Long term capital gains, qualified dividend income, and ordinary income, if any, will be allocated on a pro-rata basis to all distributions to preferred shareholders for the year. Based on the accounting records of the Fund currently available, the current distribution paid to preferred shareholders represents approximately 45% from net investment income and 55% from net capital gains on a book basis. The estimated components of each distribution are updated and provided to shareholders of record in a notice accompanying the distribution and are available on our website ([www.gabelli.com](http://www.gabelli.com)). The final determination of the sources of all distributions in 2017 will be made after year end and can vary from the quarterly estimates. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2017 distributions in early 2018 via Form 1099-DIV.

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

All or part of the distributions may be treated as long term capital gain or qualified dividend income (or a combination of both) for individuals, each subject to the maximum federal income tax rate, which is currently 20% in taxable accounts for individuals. In addition, certain U.S. shareholders who are individuals, estates, or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surcharge on their “net investment income,” which includes dividends received from the Fund and capital gains from the sale or other disposition of shares of the Fund.

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

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

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

### **e-delivery**

We are pleased to offer electronic delivery of Gabelli fund documents. Shareholders of our closed-end funds can now elect to receive e-mail announcements regarding available materials, including shareholder commentaries and Fund reports. For more information or to register for e-delivery, please visit our website at [www.gabelli.com](http://www.gabelli.com). Tax Treatment of Distributions to Common and Preferred Shareholders.

**THE GABELLI EQUITY TRUST INC.**  
**One Corporate Center**  
**Rye, NY 10580-1422**

**Portfolio Management Team Biographies**

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

**Christopher J. Marangi** joined Gabelli in 2003 as a research analyst. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a BA in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

**Kevin V. Dreyer** joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA from Columbia Business School.

**Robert D. Leininger, CFA**, joined GAMCO Investors, Inc. in 1993 as an equity analyst. Subsequently, he was a partner and portfolio manager at Rorer Asset Management before rejoining GAMCO in 2010 where he currently serves as a portfolio manager of Gabelli Funds, LLC. Mr. Leininger is a magna cum laude graduate of Amherst College with a degree in Economics and holds an MBA from the Wharton School at the University of Pennsylvania.

**Daniel M. Miller** currently serves as a portfolio manager of Gabelli Funds, LLC. He is also a Managing Director of GAMCO Investors, Inc. Mr. Miller graduated magna cum laude with a degree in finance from the University of Miami in Coral Gables, Florida.

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

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading "General Equity Funds," in Monday's The Wall Street Journal. It is also listed in Barron's Mutual Funds/Closed End Funds section under the heading "General Equity Funds."

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

The Nasdaq symbol for the Net Asset Value per share is "XGABX."

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

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FUNDS

# THE GABELLI EQUITY TRUST INC.

## GAB

*Shareholder Commentary*

*June 30, 2017*