The Gabelli U.S. Treasury Money Market Fund

Shareholder Commentary – September 30, 2017

(Y)our Portfolio Management Team

Judith A. Raneri   Ronald S. Eaker

To Our Shareholders,

Current macro trends continue to show encouraging signs of momentum, supportive of a sustainable economy going forward. However, there are a series of broad-based key influences that can derail the current state of the recovery and limit future growth. With incoming data skewed to the downside due to hurricane season as well as uncertainty surrounding fiscal and monetary policy, the forecast heading into year-end is clouded. Excluding sudden negative shocks to the economic environment that could derail the current state of the recovery, the U.S. economy should continue to expand at a steady pace in the last quarter of 2017.

The economy was growing at a decent pace, heading into hurricane season. Second quarter real gross domestic product (GDP) expanded at an annual rate of 3.1%, a considerable acceleration over the first quarter's bleak 1.2% pace, with consumption and business investment seeing stronger results. Industrial output is back from last year's decline, to its strongest level in two years. Durable goods rose in July to +0.6%, up a confident +5.6% from a year ago. While core capital goods data; a key indicator of business investment; increased more than expected in August while shipments maintained their upward trend, pointing to underlying strength in that sector. The ISM Manufacturing Index boomed in September, hitting highest level since 2004 as the factory sector showed strength across all major measures. New orders gauge held above 60 for the third consecutive month suggesting momentum will continue and the non-manufacturing index is showing similar strength. Additionally, consumer confidence rebounded in August, close to its post-election highs, while retail sales rose a strong 1.6% in September pointing to underlying strength in domestic demand even in the aftermath of the hurricanes. Subsequently, consumer spending as a whole increased from last July. Lastly, while the 156,000 jobs gained in August fell shy of expectations it was still a pace that should continue to be supportive of steady consumption growth. Outside of the United States, conditions are also improving, Europe in particular has been a bright spot and we're seeing improved manufacturing and rising global trade levels around the world.

Given this backdrop, there are several key external uncertainties that still warrant close monitoring, as they could significantly alter the economic outlook in the near term. Both the auto and housing sectors have been in a deepening decline for the past few months. New home sales in July were down 8.9% from last year, and new housing starts were down 5.6%, while auto sales in August fell to their lowest rate in over three years. Even though the large drop may have reflected the impact from the hurricanes, the sector has been underperforming as purchases were running 4% and 6% lower in first and second quarter of 2017, respectively.

As for natural disasters, negative influences on economic activity are likely to be larger than average due to the amount of damage to property, the duration of the storms, and the populated landscape of the areas impacted. The effects are believed to be felt in very particular areas including retail sales, industrial production, transportation, and general business activity. However, once rebuilding efforts begin economic growth should rebound.

The potential for fiscal stimulus remains an unpredictable factor. The odds that Congress will endorse major pieces of legislation this year and provide significant fiscal stimulus have moderated, however, the uncertainty surrounding the debt ceiling limit continues and will have to be addressed before the December 15th deadline to avoid a government shutdown.

Lastly and most importantly, monetary policy uncertainty has heightened with inflation, trending below the Federal Reserve's 2% target. There is a possibility that the current tightening cycle could be put on hold sooner than proposed by the committee's projections (Summary of Economic Projections) and the Federal Open Market Committee will have to reconsider its overall policy approach. Simultaneously, the Federal Reserve has made a historic decision to start to gradually normalize monetary policy stimulus, by unwinding its $4.5 trillion balance sheet. Although this step reflects the Federal Reserve's rising confidence that the recovery is sufficiently durable to continue on its own, it could be a game changer even if it doesn't have an immediate impact on financial market performance. The initial reaction to the markets with the onset of quantitative easing was widespread: tightened credit spreads, lowered bond yields and increased stock valuations, to name a few. Therefore, it's understandable that policy reversal would impact markets as well. Only time will tell the exact effect the withdrawal of emergency policy measures will have on the markets and the economy.

Despite the data affected by weather-related disruptions and a few key measures that have published weaker than expected, economic growth continues at a moderate, steady pace. The third quarter gross domestic product growth is trending around 2% currently, and though the recent hurricane devastation is likely to indicate a slowdown in third quarter data, we should see a recovery-related increase in the fourth quarter. The jobs market is solid, income levels are slowly rising, retail sales are decent and manufacturing levels are increasing. And although inflation remains low, the Federal Reserve will anticipate rising inflation pressure due to further tightening in the labor market. We are intensely aware of the need to pay vigilant attention to possible headwinds that exist, but based on the data we have seen to date, the risks we can identify do not appear imminent. We believe solid economic growth trends remain in place and put us in a better position to weather any concerns that may arise.

October 27, 2017

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 Portfolio Managers' 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.

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Portfolio Management Team Biographies

Ronald S. Eaker joined GAMCO Investors, Inc. in 1987. Currently he is a Managing Director of Gabelli Fixed Income, Inc. and a portfolio manager of Gabelli Funds, LLC and the Fund. Mr. Eaker manages short term cash products and high grade intermediate fixed income products. Prior to joining Gabelli, Mr. Eaker was affiliated with Frank Henjes & Co. He is a graduate of Pennsylvania State University with a B.S. in Finance.

Judith A. Raneri joined GAMCO Investors, Inc. in 1989. Currently she is the Vice President and Senior Portfolio Manager of Gabelli Funds, LLC responsible for managing the Fund. Ms. Raneri received a B.S. with honors in Finance from Iona College.

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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.

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