

# The Gabelli Small Cap Growth Fund

## Shareholder Commentary

### December 31, 2017

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

For the quarter ended December 31, 2017, the net asset value (“NAV”) per Class AAA Share of The Gabelli Small Cap Growth Fund increased 4.3% compared with an increase of 3.3% for the Russell 2000 Index. See page 2 for additional performance information.

In a year marred by acts of man and acts of nature, the prices for assets, including equities, real estate, art, and cryptocurrencies marched to record highs in 2017. This growth in U.S. equities has been accompanied by surprisingly little drama, and without even a 5% correction, for over 14 months. On the surface, it would appear the world suffers from a severe case of cognitive dissonance. A closer look at the global economic data – low unemployment, improving trade, housing and consumer trends and rising corporate profits – would suggest that optimism is not misplaced, however. Although not always efficient, the market is an effective discounting machine capable of separating meaningful signals from distracting noise. Our job is similar: to identify securities that are improperly reflecting future prospects and trading with a Margin of Safety relative to Private Market Values (PMV).

Absolute returns in (y)our Fund were strong in 2017, and we look forward to an acceleration in earnings growth and deal activity in 2018. Volatility, while present in many industrial stocks but absent in the general market, will at some point return, driven by real or imagined noise. Market corrections and economic recessions are inevitable and indeed necessary for the proper functioning of our capitalist system. We remain alert and prepared for most eventualities, and believe our PMV with a Catalyst™ approach should continue to deliver superior risk-adjusted results over the long term.

#### **The Political Economy of 2017**

##### ***State of the Consumer***

After a sluggish start to the year, the U.S. economy grew at a faster than anticipated 3.1% and 3.3% in the second and third quarters, respectively. At 4.1%, unemployment stands at a ten-year low, while consumer wealth of nearly \$97 trillion is at an all-time high. Housing starts of 1.3 million units continue their steady increase, but remain comfortably below the prior peak of 2.2 million units. The U.S. is in its ninth year of economic expansion, making this the third longest expansion at 101 months, trailing only 1961-1969 and 1991-2001 (those expansions were 106 and 120 months, respectively). Perhaps as important, the global economy is in synchronized expansion. For all of 2017, the eurozone is set to grow 2.2%, its fastest since 2007, while Japan has accelerated to 1.5%; China (by design), is likely to post growth of 6.7%. All of this bodes well for U.S. exporters and their employees.

## Comparative Results

### Average Annual Returns through December 31, 2017 (a)(b)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (10/22/91)
<b>Class AAA (GABSX)</b> .....	4.35%	18.96%	13.54%	9.42%	12.13%	12.83%
Russell 2000 Index .....	3.34	14.65	14.12	8.71	11.17	9.97
<b>Class A (GCASX)</b> .....	4.35	18.94	13.53	9.42	12.13	12.83
With sales charge (c) .....	(1.65)	12.10	12.20	8.77	11.69	12.58
<b>Class C (GCCSX)</b> .....	4.14	18.07	12.69	8.61	11.36	12.39
With contingent deferred sales charge (d) .....	3.14	17.07	12.69	8.61	11.36	12.39
<b>Class I (GACIX)</b> .....	4.41	19.23	13.82	9.69	12.32	12.94
<b>Class T (GATIX)</b> .....	4.31	18.92	13.53	9.41	12.13	12.83
With sales charge (e) .....	1.70	15.94	12.96	9.14	11.94	12.08

**In the current prospectuses dated January 26, 2018, the expense ratios for Class AAA, A, C, I, and T Shares are 1.38%, 1.38%, 2.13%, 1.13%, and 1.38%, respectively. Class AAA and Class I Shares have no sales charge. The maximum sales charge for Class A Shares, Class C Shares, and Class T Shares is 5.75%, 1.00%, and 2.50%, respectively.**

- (a) *Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at [www.gabelli.com](http://www.gabelli.com). The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003, Class I Shares on January 11, 2008, and Class T Shares on July 5, 2017. The actual performance of the Class A Shares, Class C Shares, and Class T Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 Index is an unmanaged indicator which measures the performance of the small-cap segment of the U.S. equity market. Dividends are considered reinvested. You cannot invest directly in an index.*
- (b) The Fund's fiscal year ends September 30.
- (c) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (d) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.
- (e) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

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

## ***State of the “Swamp”***

Last year we wrote that the “Trump bump” in the market was premised on (a) tax reform, (b) deregulation, and (c) fiscal stimulus. To date, the Trump administration appears to be delivering on the first two objectives, with an infrastructure bill planned for early 2018. Deregulation in the energy, financial, and media/telecom sectors has already unleashed corporate animal spirits. A change to the existing tax regime – we will resist calling the imperfect bill “reform” – should make U.S. corporate taxes more competitive with other OECD countries. Many individuals will see lower taxes with reduced rates and an increased standard deduction, but higher income households in higher state and local tax (SALT) locations could see an increase. The government has picked a new set of winners and losers (tax lawyers remain winners). The impact this change in taxes could have on the economy is dependent on myriad factors: will the marginal propensity of the “winners” to spend offset that of the “losers”? How will corporations redeploy increased cash flow? Will lower corporate taxes be competed away, lowering prices to customers but also profits to companies? Will increased government deficits cause interest rates to rise, “crowding out” other investment? For now, we would put these factors in the knowable unknowns category.

All else being equal, corporate earnings would rise in 2018 as a result of lower tax rates. However, the market likely anticipated most of this increase in the 30% rally since the November 2016 election. In addition, all else is never equal and, depending on the answers to the questions posed above, growth could either accelerate or slow. Long term, demographics and productivity growth, which are not necessarily altered by corporate tax regimes, are far more important drivers of GDP. That being said, in the near term, higher profits and a higher market are the base case, and fortunately (y)our portfolio should be well positioned to capture the benefits of lower corporate taxes, as it includes a disproportionate weighting of small and mid-sized U.S. firms which are currently paying higher effective rates and whose revenues are centered on domestic operations.

## ***The State of the Federal Reserve***

Notwithstanding excitement about potential tax windfalls, 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 Federal Reserve slashed short-term interest rates from 4.5% before the 2008-2009 financial crisis to nearly zero, lifting asset prices everywhere. The Federal Reserve began tapping the brakes by tapering QE in October 2014, and has now raised rates five times, the latest of which took the Fed Funds rate to a range of 1.25%-1.50% in December 2017. The Federal Reserve started shrinking its balance sheet, with current expectations for three additional increases in each of 2018 and 2019, which would ratchet the Federal Reserve Funds rate to 3.0%, still well below the prior peak. Newly appointed Fed Chair Jerome H. (“Jay”) Powell, a centrist and former banker, will likely continue this path.

Over the long term, the Federal Reserve’s “normalization” of rates is healthy for the economy, but the timing of this process has been the subject of debate, given 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 Federal Reserve 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.

## **Mr. Market**

### ***Global Stocks***

For 2017 the S&P 500 Index rose 21.8%. Since the March 9, 2009 low, the U.S. market is up 360%. At approximately 18x forward earnings, the market is not cheap by historical standards. Taken in the context of low interest rates, with the added prospect of lesser-taxed earnings, valuation seems less stretched. Importantly, we are not buying “the market” on your behalf. We pick individual stocks, and we can still uncover bargains, though admittedly with the need to turn over more stones than a few years ago.

Among the areas that worked in (y)our Fund were Industrials, which benefited from some combination of higher capital investment (e.g., water infrastructure company Xylem (less than 0.1% of net assets as of December 31, 2017) and truck maker Navistar (1.5%)) or defense spending (e.g., Aerojet Rocketdyne (1.0%)). Other areas were challenged by changing consumer preferences, including Consumer Staples and Media (although the announced acquisition of Fox (0.2%), discussed below, was an early Christmas gift). We think those companies could be poised to rebound in 2018, especially in the event of consolidation.

### ***A Bit on Bitcoin***

Speaking of exuberance, it may be worth mentioning Bitcoin, which over the last year has risen 2,200%. All the bitcoin mined to date would be worth \$295 billion, a large number to be sure, but a mere shade of the \$8 trillion value of all gold mined to date. Bitcoin and other cryptocurrencies are based on the “blockchain,” a secure, distributed method of storing information that could be valuable across many functions. Bitcoin itself may have a place in the future as a store of value in an environment of eroding faith in central banks. Like gold, Bitcoin is in limited supply and is no one else’s liability; it is cheaper to store, transport, and handle than gold, though it lacks a few thousand years of gold’s history. For the moment, however, its usefulness as a currency or asset class is limited by its extreme volatility and lack of wide acceptance. Bitcoin’s explosion in value seems based on a greater fool being willing to pay more for it – almost the very definition of a bubble. Much like the Tulip Mania of 1637 or the Mississippi Bubble of 1720, this bubble will also pop. Unlike those classic bubbles of yore, Bitcoin is a global phenomenon, as accessible as a touch of one’s cellphone, which gives it the potential to get much bigger, but perhaps limits the collateral damage to any one economy. Bitcoin and blockchain will be with us in some shape or form for a very long time, and are certainly worth monitoring.

### ***Deals, Deals, Deals***

U.S. deal activity has slowed slightly to \$1.1 trillion in the fourth quarter. Nevertheless, as we look into 2018, the underpinnings of “merger mania” – low interest rates, scarce organic growth, and rising corporate confidence – are even more powerful. Uncertainty around tax structures (now resolved) and a challenge to the AT&T/Time Warner merger may have given some pause. Historically, the Department of Justice has been loath to challenge vertical combinations, like distributor AT&T buying supplier Time Warner. The transaction was cruising for approval until Makan Delrahim, President Trump’s nominee as Assistant Attorney General for Antitrust who took office in September, rejected proposed behavioral remedies and is suing to block the merger. If the cynics are right and this is motivated by Time Warner-owned CNN’s negative coverage of the President, then this may not be worrisome for future mergers (albeit a blow to the rule of law); if the attempted block is a broader populist backlash against big corporations, it may be a problem. Nevertheless, the controversy did not dissuade Disney from attempting a purchase of Fox’s assets, a security we own on your

behalf. With Disney and AT&T's potentially broader reach and the entry into the entertainment arena by tech companies, including Amazon and Facebook, the need for scale becomes an even stronger impetus for consolidation in media. These same forces are being felt in other industries undergoing change, in particular consumer products. We are well represented in those sectors, and expect to see more deals in the new year.

## **Conclusion**

### ***Surmounting a Wall of Worry***

Our process tends to be very respectful of risk – we look down before we look up. A list of things that could go wrong in the larger economy is easy to compose, but, short of a hot war, major terrorist attack, or social unrest, the two biggest risks to the U.S. economy would seem to be an inflationary spike and a Federal Reserve that raises rates too fast because it finds itself behind the curve, and/or a 1930's style trade war. A little inflation might be good for the economy and (y)our Fund, as we tend to own companies with pricing power. The impact of a collapse of NAFTA or an escalation of trade tensions with China and Europe (which are not happy with the new tax plan) is difficult to gauge, and the fallout for most companies would be hard to avoid. One would hope that good sense prevails on the topic.

A different kind of risk is underestimating what could go right. What if deregulation and changes to the tax code really do spur renewed investment, while inflation is kept at bay by technology and globalization (basically the goldilocks scenario of the last year)? Ultimately the health of the U.S. economy is not reliant on who occupies the White House; the stock market is not the President's report card. Growth and markets are driven by the collective efforts of entrepreneurs and hardworking individuals, and we remain as bullish as ever on those factors. We also remain confident that our time-tested investment process and methodology should ensure you share in this prosperity.

## **Let's Talk Stocks**

The following are stock specifics on selected holdings of (y)our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the share prices are listed first in United States dollars (USD) and second in the local currency, where applicable, and are presented as of December 31, 2017.

*Crane Co. (0.9% of net assets as of December 31, 2017) (CR – \$89.22 – NYSE)* based in Stamford, Connecticut, is a diversified manufacturer of highly engineered industrial products comprised of four business segments: Fluid handling, Aerospace & Electronics, Engineered Materials, and Payments & Merchandising Systems with over 11,000 employees across 26 countries. The company recently acquired Crane Currency, a producer of currency products for more than 200 years and is entrusted by more than 50 central banks to play an integral role in the design and manufacture of their nations' banknotes. Crane Currency is the fastest growing fully integrated global currency provider and should be an excellent complement to Crane Co.'s expanding presence in the currency and payment markets.

*Dana Holding Corp. (1.0%) (DAN – \$32.01 – NYSE)* is a Maumee, Ohio, based supplier of axles, drivelines, and thermal products for the automotive and trucking industries. Dana CEO Jim Kamsickas has set into motion a new enterprise strategy that has levered Dana's expertise in driveline technology to create significant profitable opportunities and drive considerable increases in backlog across each of the company's end markets. Additionally, Dana should be optimally situated to benefit from consumer preference for crossovers, trucks, and SUVs.

*E.W. Scripps Co. (0.5%) (SSP – \$15.63 – NYSE)* owns and operates 33 television stations in 24 mainly mid-sized markets. The company also operates 34 radio stations in eight markets, five of which overlap TV markets. In October, Scripps closed on the \$300-million acquisition of the Katz broadcast networks. Katz used digital sub-tiers to deliver four thematic (African American, women, men and comedy), Nielsen-rated channels over-the-air nationwide. Over the years, the company has engaged in financial engineering, spinning off Scripps Networks Interactive (in the process of being acquired by Discovery) and more recently merging with Journal Communications. With the merger, SSP became a pure-play broadcaster when it simultaneously spun off the two companies' newspaper operations as Journal Media Group, which was subsequently acquired by Gannett.

*GATX (0.8%) (GATX – \$62.16 – NYSE)* leases, operates, manages, and remarkets assets in the rail and marine markets in North American and internationally, with North American railcar leasing its largest business. The company also has a 50/50 joint venture with Rolls Royce for the leasing of commercial aircraft engine spares, which has shown nice growth and steady profitability. Over the last year we have seen signs of a bottoming in North American railcar lease rates after a period of meaningful overbuild triggered by crude by rail demand and demand for cars transporting fracking sand. GATX has a conservative management team that has a good history of buying railcars towards the top of the cycle and selling railcars towards the top of the cycle, while also paying a healthy dividend and repurchasing shares. Outside of North American rail, GATX has a healthy and steady leasing business in Europe and emerging leasing businesses in India and Russia. The stock's trading value does not reflect the elevated prices for railcar transactions observed in the private market nor the full upside from the Rolls Royce joint venture.

*Graco Inc. (0.8%) (GGG – \$45.22 – NYSE)* manufactures highly engineered fluid-handling equipment that measures, mixes, controls, dispenses, and sprays fluids for construction and industrial markets worldwide. The company holds leading market positions and premium pricing for its technologically superior products. Graco's Contractor segment is benefitting from a continued strong recovery in the U.S. housing and construction markets with U.S. housing starts still below their long-term historical average of 1.5 million starts per year. Management has let cash levels build rather than overpay for large acquisitions or commit to significant share repurchases with the stock trading at all-time highs. Recent smaller, bolt-on transactions have positioned the company to be a greater beneficiary from any material uptick in U.S. infrastructure spending.

*HERC Holdings Inc. (0.8%) (HRI – \$62.61 – NYSE)* based in Bonita Springs, Florida, is the third largest equipment rental company in the United States after United Rentals and Sunbelt Rentals (owned by Ashtead). HRI was spun out of former parent Hertz on June 30, 2016. Underemphasized as part of a significantly larger car rental company, HRI now has the opportunity to improve profitability to levels more commensurate with peers as a standalone entity, which has the potential to create significant value for shareholders. Ultimately, we view HRI as an attractive acquisition candidate.

*Myers Industries Inc. (0.3%) (MYE – \$19.50 – NYSE)* is an Akron, Ohio-based multi-industry manufacturer and distributor of a variety of consumable products. The company's leading portfolios of branded products are in two segments: Material Handling and Distribution. After a series of acquisitions and divestitures over the past several years, Myers is set to thrive, as CEO David Banyard implements a new strategy to increase market share and optimize operations in both segments. Ultimately, we see a potential separation of Material Handling and Distribution as a way to surface value for investors.

*Navistar International Corp. (1.5%) (NAV – \$42.88 – NYSE)* based in Lisle, Illinois, manufactures Class 4-8 trucks, buses, and defense vehicles, as well as diesel engines and parts for the commercial trucking industry. NFC, a wholly-owned subsidiary, provides financing of products sold by the company's truck segment. In September, Navistar and Volkswagen (VW) Truck & Bus announced a long anticipated strategic alliance in which the two truck manufacturers would share technology and purchasing efforts in exchange for VW taking a \$256 million stake (16.6%) in Navistar. The deal, which closed on March 1, 2017, confirmed our thesis that NAV would eventually be targeted by a larger global capital equipment manufacturer. We believe this initial investment should lead to an eventual full purchase in the years ahead. In the interim, we expect NAV to benefit from several purchasing and development initiatives to drive profitable growth for the company.

*Parmalat SpA (0.8%) (PLT – \$3.72/€3.10 – Borsa Italiana Milan)* is an Italy-based global producer of milk and milk-derivative products. Parmalat's operations focus on the sale of branded milk, specialty cheese and yogurt products in Europe, Australia, Africa and North America. In recent years, the company underwent a significant expansion spending over €1.5 billion to increase its scale globally with a focus on the United States, Brazil and Australia. The company is controlled by Lactalis, the world's largest cheese manufacturer, which owns approximately 89% of Parmalat. Most recently, in April 2017, Lactalis paid €3.00 per-share to acquire 1.8% of Parmalat.

*Snyder's-Lance Inc. (1.2%) (LNCE – \$50.08 – NASDAQ)* based in Charlotte, North Carolina, manufactures and distributes snack foods such as pretzels, kettle cooked potato chips, and sandwich crackers. The company was formed in December 2010, when publicly traded Lance Inc. and privately held Snyder's of Hanover combined in a "merger of equals" that brought together two complementary snack portfolios and over 3,000 direct store distribution (DSD) routes. In the years following the merger, the company sold its private label manufacturing business and made three acquisitions: Snack Factory, a maker of pretzel crisps; Late July, a maker of natural and organic snack food; and Baptista, a contract manufacturer with significant innovation capabilities. In April 2017, a new management team was appointed and in September it introduced a plan to significantly improve operating margins from nearly 9%, a level substantially below its snacking peers and the general food peer average to 14% by 2020. On December 18, 2017, Campbell Soup announced an agreement to acquire Snyder's-Lance for \$50 per share plus the assumption of debt or approximately \$6.1 billion. The transaction is expected to close in the early second calendar quarter.

February 9, 2018

**Top Ten Holdings (Percent of Net Assets)**  
**December 31, 2017**

Navistar International Corp.	1.5%	PNM Resources Inc.	1.3%
Kikkoman Corp.	1.4%	Curtiss-Wright Corp.	1.2%
Kaman Corp.	1.3%	Snyder's-Lance Inc.	1.2%
Ferro Corp.	1.3%	BBA Aviation Plc	1.1%
RPC Inc.	1.3%	Tyler Technologies Inc.	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 individual Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Manager and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

**Minimum Initial Investment – \$1,000**

The Fund's minimum initial investment for regular accounts is \$1,000. There are no subsequent investment minimums. No initial minimum is required for those establishing an Automatic Investment Plan. Additionally, the Fund and other Gabelli/GAMCO Funds are available through the no-transaction fee programs at many major brokerage firms. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days after the date of purchase. See the prospectuses for more details.

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

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

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

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



**e-delivery**

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

**Multi-Class Shares**

The Gabelli Small Cap Growth Fund began offering additional classes of Fund shares on December 31, 2003. Class AAA Shares are no-load shares offered directly through selected broker/dealers. Class A, Class C, and Class T Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. The Board of Directors determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

## **Gabelli/GAMCO Funds and Your Personal Privacy**

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### **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](http://www.sec.gov).

### **What do we do to protect your personal information?**

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

### **Portfolio Manager Biography**

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

**Gabelli Equity Series Funds, Inc.**  
**THE GABELLI SMALL CAP GROWTH FUND**

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

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**GABELLI**  
FUNDS

# THE GABELLI SMALL CAP GROWTH FUND

*Shareholder Commentary*  
*December 31, 2017*

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

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# The Gabelli Small Cap Growth Fund

## First Quarter Report — December 31, 2017



**Mario J. Gabelli, CFA**  
Portfolio Manager

### To Our Shareholders,

For the quarter ended December 31, 2017, the net asset value (“NAV”) per Class AAA Share of The Gabelli Small Cap Growth Fund increased 4.3% compared with an increase of 3.3% for the Russell 2000 Index. See below for additional performance information.

Enclosed is the schedule of investments as of December 31, 2017.

### Comparative Results

#### Average Annual Returns through December 31, 2017 (a)(b) (Unaudited)

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (10/22/91)
<b>Class AAA (GABSX)</b> . . . . .	4.35%	18.96%	13.54%	9.42%	12.13%	12.83%
Russell 2000 Index . . . . .	3.34	14.65	14.12	8.71	11.17	9.97
<b>Class A (GCASX)</b> . . . . .	4.35	18.94	13.53	9.42	12.13	12.83
With sales charge (c) . . . . .	(1.65)	12.10	12.20	8.77	11.69	12.58
<b>Class C (GCCSX)</b> . . . . .	4.14	18.07	12.69	8.61	11.36	12.39
With contingent deferred sales charge (d) . . . . .	3.14	17.07	12.69	8.61	11.36	12.39
<b>Class I (GACIX)</b> . . . . .	4.41	19.23	13.82	9.69	12.32	12.94
<b>Class T (GATIX)</b> . . . . .	4.31	18.92	13.53	9.41	12.13	12.83
With sales charge (e) . . . . .	1.70	15.94	12.96	9.14	11.94	12.08

**In the current prospectuses dated January 26, 2018, the expense ratios for Class AAA, A, C, I and T Shares are 1.38%, 1.38%, 2.13%, 1.13%, and 1.38%, respectively. Class AAA and Class I Shares have no sales charge. The maximum sales charge for Class A Shares, Class C Shares, and T Shares is 5.75% and 1.00%, and 2.50%, respectively.**

- (a) Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Performance returns for periods less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus please visit our website at [www.gabelli.com](http://www.gabelli.com). The Class AAA Share NAVs are used to calculate performance for the periods prior to the issuance of Class A Shares and Class C Shares on December 31, 2003, and the Class I Shares on January 11, 2008, and Class T Shares on July 5, 2017. The actual performance of the Class A Shares, Class C Shares and Class T Shares would have been lower due to the additional fees and expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses associated with this class of shares. Investing in small capitalization securities involves special risks because these securities may trade less frequently and experience more abrupt price movements than large capitalization securities. The Russell 2000 Index is an unmanaged indicator which measures the performance of the small cap segment of the U.S. equity market. Dividends are considered reinvested. You cannot invest directly in an index.
- (b) The Fund’s fiscal year ends September 30.
- (c) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (d) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.
- (e) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS — 98.3%</b>				
	<b>Aerospace — 1.0%</b>				
1,240,000	Aerojet Rocketdyne Holdings Inc.†	\$ 38,688,000	23,300	Cogeco Inc.	\$ 1,677,711
20,000	Embraer SA, ADR	478,600	25,000	Gray Television Inc.†	418,750
20,000	Innovative Solutions & Support Inc.†	58,800	71,200	Gray Television Inc., Cl. A†	1,014,600
		<u>39,225,400</u>	670,000	ITV plc	1,497,111
	<b>Agriculture — 0.0%</b>		20,000	Liberty Broadband Corp., Cl. A†	1,701,000
12,000	Cadiz Inc.†	171,000	48,000	Liberty Broadband Corp., Cl. C†	4,087,680
	<b>Automotive — 1.5%</b>		115,000	Liberty Global plc LiLAC, Cl. A†	2,317,250
1,316,000	Navistar International Corp.†	56,430,080	295,000	Liberty Global plc LiLAC, Cl. C†	5,867,550
15,000	PACCAR Inc.	1,066,200	20,000	Liberty Media Corp.-Liberty Formula One, Cl. A†	654,400
		<u>57,496,280</u>	40,000	Liberty Media Corp.-Liberty Formula One, Cl. C†	1,366,400
	<b>Automotive: Parts and Accessories — 5.3%</b>		78,000	Liberty Media Corp.-Liberty SiriusXM, Cl. A†	3,093,480
5,000	Adient plc	393,500	120,000	Liberty Media Corp.-Liberty SiriusXM, Cl. C†	4,759,200
236,000	BorgWarner Inc.	12,057,240	360,000	MSG Networks Inc., Cl. A†	7,290,000
1,325,000	Brembo SpA	20,142,722	100,000	Nexstar Media Group Inc., Cl. A	7,820,000
90,022	China Automotive Systems Inc.†	432,106	282,000	Pandora Media Inc.†	1,359,240
230,000	Cooper Tire & Rubber Co.	8,130,500	70,026	RLJ Entertainment Inc.†	256,295
1,185,000	Dana Inc.	37,931,850	585,000	Salem Media Group Inc.	2,632,500
1,128,307	Federal-Mogul Holdings Corp.†(a)	11,283,070	169,000	Sinclair Broadcast Group Inc., Cl. A	6,396,650
1,000	Lear Corp.	176,660	450,000	Sirius XM Holdings Inc.	2,412,000
710,000	Modine Manufacturing Co.†	14,342,000	20,000	TiVo Corp.	312,000
22,000	Monro Muffler Brake Inc.	1,252,900	50,000	Tribune Media Co., Cl. A	2,123,500
165,000	O'Reilly Automotive Inc.†	39,689,100			<u>63,041,704</u>
45,000	Puradyn Filter Technologies Inc.†	585		<b>Building and Construction — 4.2%</b>	
185,000	SORL Auto Parts Inc.†	1,243,200	212,000	Armstrong Flooring Inc.†	3,587,040
80,375	Spartan Motors Inc.	1,265,906	55,000	Beazer Homes USA Inc.†	1,056,550
200,000	Standard Motor Products Inc.	8,982,000	295,000	D.R. Horton Inc.	15,065,650
207,000	Strattec Security Corp.(b)	9,014,850	52,000	Gibraltar Industries Inc.†	1,716,000
385,000	Superior Industries International Inc.	5,717,250	466,500	Herc Holdings Inc.†	29,207,565
455,000	Tenneco Inc.	26,635,700	720,000	Hovnanian Enterprises Inc., Cl. A†	2,412,000
24,000	Thor Industries Inc.	3,617,280	1,000	JELD-WEN Holding Inc.†	39,370
60,000	Uni-Select Inc., Toronto	1,356,086	135,000	Johnson Controls International plc	5,144,850
12,662	Visteon Corp.†	1,584,523	200,000	KB Home	6,390,000
		<u>205,249,028</u>	340,000	Layne Christensen Co.†	4,267,000
	<b>Aviation: Parts and Services — 4.3%</b>		490,800	Lennar Corp., Cl. B	25,364,544
25,000	AAR Corp.	982,250	600,000	Louisiana-Pacific Corp.†	15,756,000
9,500	Astronics Corp.†	393,965	136,080	MDC Holdings Inc.	4,338,230
18,500	Astronics Corp., Cl. B†	770,525	150,000	Meritage Homes Corp.†	7,680,000
9,300,000	BBA Aviation plc	43,909,621	2,700	NVR Inc.†	9,472,194
380,000	Curtiss-Wright Corp.	46,303,000	335,000	PulteGroup Inc.	11,138,750
44,000	Ducommun Inc.†	1,251,800	1,000	Titan Machinery Inc.†	21,170
875,000	Kaman Corp.	51,485,000	375,000	Toll Brothers Inc.	18,007,500
61,000	KLX Inc.†	4,163,250			<u>160,664,413</u>
85,000	Moog Inc., Cl. A†	7,382,250		<b>Business Services — 5.2%</b>	
16,200	Moog Inc., Cl. B†	1,399,032	36,000	ACCO Brands Corp.†	439,200
68,000	Woodward Inc.	5,204,720	83,000	Ascent Capital Group Inc., Cl. A†	953,670
		<u>163,245,413</u>	88,000	Blackhawk Network Holdings Inc.†	3,137,200
	<b>Broadcasting — 1.6%</b>		525,006	Clear Channel Outdoor Holdings Inc., Cl. A	2,415,028
246,000	Beasley Broadcast Group Inc., Cl. A	3,296,400	1,015,000	Diebold Nixdorf Inc.	16,595,250
10,000	Cogeco Communications Inc.	687,987	559,000	Edgewater Technology Inc.†	3,488,160

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

Shares	Market Value	Shares	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Business Services (Continued)</b>			
	\$ 0	8,125	Quantum Corp.†
222,000	Gerber Scientific Inc., Escrow†(a)	12,000	Rocket Internet SE†
95,000	GP Strategies Corp.†	100,000	Rockwell Automation Inc.
30,000	GSE Systems Inc.†	10,000	SecureWorks Corp., Cl. A†
1,381,215	Internap Corp.†(c)	140,000	Stratasys Ltd.†
178,785	Internap Corp.†	234,500	Tyler Technologies Inc.†
900,000	Live Nation Entertainment Inc.†	3,000	Zedge Inc., Cl. B†
192,000	Loomis AB, Cl. B		<u>96,334,904</u>
200,000	Macquarie Infrastructure Corp.		<b>Consumer Products — 1.5%</b>
94,000	McGrath RentCorp.	270,000	1-800-FLOWERS.COM Inc., Cl. A†
269,700	Scientific Games Corp., Cl. A†	74,000	Brunswick Corp.
15,000	Sealed Air Corp.	33,500	Chofu Seisakusho Co. Ltd.
15,000	Sequential Brands Group Inc.†	88,000	Church & Dwight Co. Inc.
115,000	Sohgo Security Services Co. Ltd.	20,000	Energizer Holdings Inc.
19,000	Stamps.com Inc.†	76,000	Ginko International Co. Ltd.
415,000	Team Inc.†	2,000	Harley-Davidson Inc.
38,000	The Brink's Co.	145,000	Hunter Douglas NV
1,900,000	The Interpublic Group of Companies Inc.	2,800	Kobayashi Pharmaceutical Co Ltd.
33,050	TransAct Technologies Inc.	13,000	LCI Industries
398,000	Trans-Lux Corp.†(b)	272,498	Marine Products Corp.
47,000	United Rentals Inc.†	10,000	National Presto Industries Inc.
14,444	Vectrus Inc.†	16,000	Newell Brands Inc.
	<u>198,642,542</u>	415,000	Sally Beauty Holdings Inc.†
		220,000	Samick Musical Instruments Co. Ltd.
		30,000	Scandinavian Tobacco Group A/S
167,000	<b>Cable — 1.5%</b>	13,000	Shimano Inc.
2,700	AMC Networks Inc., Cl. A†	9,750	Steven Madden Ltd.†
50,000	Cable One Inc.	150,000	Swedish Match AB
36,000	DISH Network Corp., Cl. A†	25,000	The Scotts Miracle-Gro Co.
297,990	EchoStar Corp., Cl. A†	22,000	WD-40 Co.
734,391	Liberty Global plc, Cl. A†	100,000	Wolverine World Wide Inc.
600,000	Liberty Global plc, Cl. C†		<u>58,708,810</u>
	WideOpenWest Inc.†		<b>Consumer Services — 1.6%</b>
	<u>6,342,000</u>		Bowlin Travel Centers Inc.†
	<u>57,348,058</u>		Collectors Universe Inc.
		53,000	IAC/InterActiveCorp.†
		2,750	KAR Auction Services Inc.
104,000	<b>Closed-End Business Development Company — 0.0%</b>	18,000	Liberty Expedia Holdings Inc., Cl. A†
	MVC Capital Inc.	265,017	Liberty Interactive Corp. QVC Group, Cl. A†
	<u>1,098,240</u>	20,000	Liberty TripAdvisor Holdings Inc., Cl. A†
		100,000	Liberty Ventures, Cl. A†
350,000	<b>Communications Equipment — 0.1%</b>	37,000	Rollins Inc.
52,000	Communications Systems Inc.	30,000	
	Fortinet Inc.†	823,000	
	<u>1,274,000</u>		<b>Diversified Industrial — 6.3%</b>
	<u>2,271,880</u>		Acuity Brands Inc.
	<u>3,545,880</u>		Aegion Corp.†
		15,700	Albany International Corp., Cl. A
146,000	<b>Computer Software and Services — 2.5%</b>	95,000	Ampco-Pittsburgh Corp.
60,200	Activision Blizzard Inc.	238,000	Anixter International Inc.†
12,000	Avid Technology Inc.†	6,000	Burnham Holdings Inc., Cl. A
14,000	CommerceHub Inc., Cl. A†	61,643	Crane Co.
14,000	CommerceHub Inc., Cl. C†	400,000	
255,000	comScore Inc.†		<u>2,763,200</u>
200,000	FalconStor Software Inc.†		<u>762,900</u>
42,000	InterXion Holding NV†		<u>5,837,750</u>
20,000	Mercury Systems Inc.†		<u>2,951,200</u>
20,000	MKS Instruments Inc.		<u>456,000</u>
265,000	NCR Corp.†		<u>961,631</u>
3,996	NetScout Systems Inc.†		<u>35,688,000</u>
	<u>121,678</u>		

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Diversified Industrial (Continued)</b>		200,000	Stoneridge Inc.†	\$ 4,572,000
					<u>61,626,421</u>
120,000	EnPro Industries Inc.	\$ 11,221,200		<b>Energy and Utilities — 6.5%</b>	
115,000	Greif Inc., Cl. A	6,966,700	23,500	Andeavor	2,686,990
117,970	Greif Inc., Cl. B	8,181,220	58,000	Avangrid Inc.	2,933,640
1,300,000	Griffon Corp.	26,455,000	120,000	Avista Corp.	6,178,800
35,500	Haynes International Inc.	1,137,775	270,000	Black Hills Corp.	16,229,700
190,000	Jardine Strategic Holdings Ltd.	7,520,200	700,000	Black Ridge Oil and Gas Inc.†	14,700
7,000	JSP Corp.	239,805	274,000	Callon Petroleum Co.†	3,329,100
48,000	Key Technology Inc.†	884,640	46,000	Chesapeake Utilities Corp.	3,613,300
188,000	Kimball International Inc., Cl. B	3,509,960	5,000	Clean Energy Fuels Corp.†	10,150
50,000	L.B. Foster Co., Cl. A†	1,357,500	38,000	CMS Energy Corp.	1,797,400
80,000	Lawson Products Inc.†	1,980,000	21,000	Connecticut Water Service Inc.	1,205,610
94,000	Lincoln Electric Holdings Inc.	8,608,520	11,000	Consolidated Water Co. Ltd.	138,600
60,000	Lindsay Corp.	5,292,000	155,000	Covanta Holding Corp.	2,619,500
27,000	Lydall Inc.†	1,370,250	94,800	Diamondback Energy Inc.†	11,968,500
31,000	Matthews International Corp., Cl. A	1,636,800	21,000	Dril-Quip Inc.†	1,001,700
600,076	Myers Industries Inc.	11,701,482	406,000	El Paso Electric Co.	22,472,100
126,000	Oil-Dri Corp. of America	5,229,000	80,000	Energy Recovery Inc.†	700,000
120,000	Olin Corp.	4,269,600	2,000	EXCO Resources Inc.†	420
307,500	Park-Ohio Holdings Corp.	14,129,625	20,000	Gamesa Corporacion Tecnologica SA	274,285
19,000	Pentair plc	1,341,780	115,000	Great Plains Energy Inc.	3,707,600
98,000	Raven Industries Inc.	3,366,300	110,000	Hawaiian Electric Industries Inc.	3,976,500
32,000	Roper Technologies Inc.	8,288,000	40,000	Middlesex Water Co.	1,596,400
96,000	Sonoco Products Co.	5,101,440	95,000	National Fuel Gas Co.	5,216,450
500	Spectrum Brands Holdings Inc.	56,200	15,000	Northwest Natural Gas Co.	894,750
57,000	Standex International Corp.	5,805,450	76,000	NorthWestern Corp.	4,537,200
270,046	Steel Partners Holdings LP†(b)	5,279,399	80,000	Oceaneering International Inc.	1,691,200
7,000	T Hasegawa Co. Ltd.	145,995	292,000	Otter Tail Corp.	12,979,400
8,000	Terex Corp.	385,760	12,000	Patterson-UTI Energy Inc.	276,120
390,000	Textron Inc.	22,070,100	1,245,000	PNM Resources Inc.	50,360,250
538,000	Tredegar Corp.	10,329,600	72,000	Rowan Companies plc, Cl. A†	1,127,520
260,000	Trinity Industries Inc.	9,739,600	1,997,478	RPC Inc.	50,995,613
		<u>243,021,582</u>	98,000	SJW Group	6,255,340
	<b>Educational Services — 0.0%</b>		175,500	Southwest Gas Holdings Inc.	14,124,240
59,000	Career Education Corp.†	712,720	15,000	Spire Inc.	1,127,250
113,200	Universal Technical Institute Inc.†	271,680	100,000	SunEdison Inc.†(a)	1,010
		<u>984,400</u>	41,000	The York Water Co.	1,389,900
	<b>Electronics — 1.6%</b>		14,000	Vestas Wind Systems A/S	967,525
195,000	Badger Meter Inc.	9,321,000	200,000	Westar Energy Inc.	<u>10,560,000</u>
281,500	Bel Fuse Inc., Cl. A(b)	6,598,360			<u>248,958,763</u>
542,000	CTS Corp.	13,956,500		<b>Entertainment — 2.1%</b>	
500,000	Cypress Semiconductor Corp.	7,620,000	19,000	AMC Entertainment Holdings Inc., Cl. A	286,900
40,000	Daktronics Inc.	365,200	50,000	Discovery Communications Inc., Cl. A†	1,119,000
78,000	Dolby Laboratories Inc., Cl. A	4,836,000	100,000	Discovery Communications Inc., Cl. C†	2,117,000
1,167	Fortive Corp.	84,432	431,384	Dover Motorsports Inc.	841,199
245,000	Gentex Corp.	5,132,750	25,000	Eros International plc†	241,250
22,000	IMAX Corp.†	509,300	7,000	Global Eagle Entertainment Inc.†	16,030
70,000	KEMET Corp.†	1,054,200	69,000	International Speedway Corp., Cl. A	2,749,650
350,000	Park Electrochemical Corp.	6,877,500	6,814	International Speedway Corp., Cl. B	277,330
60,000	Renesas Electronics Corp.†	699,179			

See accompanying notes to schedule of investments.



# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Entertainment (Continued)</b>		25,000	The Manitowoc Co. Inc.†	\$ 983,500
22,000	Liberty Media Corp.-		74,000	The Middleby Corp.†	9,986,300
	Liberty Braves, Cl. A†	\$ 485,100	40,000	The Timken Co.	1,966,000
255,000	Liberty Media Corp.-		48,000	The Toro Co.	3,131,040
	Liberty Braves, Cl. C†	5,666,100	7,500	Valmont Industries Inc.	1,243,875
14,000	Lions Gate Entertainment Corp., Cl. A†	473,340	102,000	Vicor Corp.†	2,131,800
40,000	Lions Gate Entertainment Corp., Cl. B†	1,269,600	7,875	Watsco Inc., Cl. B	1,335,443
30,000	Manchester United plc, Cl. A	594,000	174,000	Watts Water Technologies Inc., Cl. A	<u>13,215,300</u>
235,000	Pinnacle Entertainment Inc.†	7,691,550			<u>351,383,995</u>
115,000	Take-Two Interactive Software Inc.†	12,624,700		<b>Financial Services — 4.2%</b>	
124,000	The Madison Square Garden Co, Cl. A†	26,145,400	10,000	Alleghany Corp.†	5,960,900
260,000	Twenty-First Century Fox Inc., Cl. A	8,977,800	29,282	Argo Group International Holdings Ltd.	1,805,235
157,000	Universal Entertainment Corp.	5,782,560	10,770	BKF Capital Group Inc.†	180,398
150,000	World Wrestling Entertainment Inc., Cl. A	<u>4,587,000</u>	10,857	Canadian Imperial Bank of Commerce	1,057,580
		<u>81,945,509</u>	12,500	Capitol Federal Financial Inc.	167,625
			22,000	Crazy Woman Creek Bancorp Inc.	366,850
	<b>Environmental Services — 0.7%</b>		636,000	Energy Transfer Equity LP	10,977,360
8,000	Evoqua Water Technologies Corp.†	189,680	113	Farmers & Merchants Bank of Long Beach	888,180
400,000	Republic Services Inc.	<u>27,044,000</u>	80,000	FCB Financial Holdings Inc., Cl. A†	4,064,000
		<u>27,233,680</u>	9,967	Fidelity Southern Corp.	217,281
			500,093	Flushing Financial Corp.	13,752,558
	<b>Equipment and Supplies — 9.1%</b>		64,800	FNB Corp.	895,536
85,000	A.O. Smith Corp.	5,208,800	1,000,000	GAM Holding AG	16,162,964
513,000	AMETEK Inc.	37,177,110	155,000	Hilltop Holdings Inc.	3,926,150
41,000	AZZ Inc.	2,095,100	310,000	Hope Bancorp Inc.	5,657,500
10,000	Belden Inc.	771,700	455,800	Huntington Bancshares Inc.	6,636,448
60,000	Chart Industries Inc.†	2,811,600	520,000	Janus Henderson Group plc	19,895,200
537,230	CIRCOR International Inc.	26,152,356	110,000	KeyCorp.	2,218,700
300,000	Core Molding Technologies Inc.	6,510,000	750,072	KKR & Co. LP	15,796,516
158,000	Crown Holdings Inc.†	8,887,500	150,000	Legg Mason Inc.	6,297,000
2,335	Danaher Corp.	216,735	15,000	M&T Bank Corp.	2,564,850
175,000	Donaldson Co. Inc.	8,566,250	22,000	Manning & Napier Inc.	79,200
208,000	Entegris Inc.	6,333,600	100,000	Medallion Financial Corp.†	356,000
825,000	Federal Signal Corp.	16,574,250	300,000	Och-Ziff Capital Management Group LLC, Cl. A	750,000
300,000	Flowserve Corp.	12,639,000	165,000	Oritani Financial Corp.	2,706,000
315,000	Franklin Electric Co. Inc.	14,458,500	125,000	PJT Partners Inc., Cl. A	5,700,000
690,000	Graco Inc.	31,201,800	56,000	Pzena Investment Management Inc., Cl. A	597,520
93,000	IDEX Corp.	12,273,210	843	South State Corp.	73,467
400,000	Interpump Group SpA	12,583,989	12,000	State Auto Financial Corp.	349,440
66,000	Itron Inc.†	4,501,200	20,056	State Bank Financial Corp.	598,471
35,000	Littelfuse Inc.	6,923,700	431,887	Sterling Bancorp	10,624,420
55,000	Maezawa Kyuso Industries Co. Ltd.	982,605	14,000	T. Rowe Price Group Inc.	1,469,020
80,000	Minerals Technologies Inc.	5,508,000	14,000	TFS Financial Corp.	209,160
6,000	MSA Safety Inc.	465,120	145,000	The Charles Schwab Corp.	7,448,650
700,000	Mueller Industries Inc.	24,801,000	6,000	Thomasville Bancshares Inc.	242,250
825,000	Mueller Water Products Inc., Cl. A	10,337,250	40,782	Value Line Inc.	789,132
10,000	Plantronics Inc.	503,800	28,655	Virtu Financial Inc., Cl. A	524,387
2,000	Regal Beloit Corp.	153,200	470,000	Waddell & Reed Financial Inc., Cl. A	10,499,800
4,000	Teleflex Inc.	995,280	10,000	Waterloo Investment Holdings Ltd.†(a)	500
280,000	Tennant Co.	20,342,000	520,000	Wright Investors' Service Holdings Inc.†	<u>270,400</u>
870,000	The Gorman-Rupp Co.	27,152,700			<u>162,776,648</u>
146,000	The Greenbrier Companies Inc.	7,781,800			
288,556	The L.S. Starrett Co., Cl. A	2,481,582			

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Food and Beverage — 11.4%</b>				
575,000	Arca Continental SAB de CV..... \$	3,981,500	7,000	Anika Therapeutics Inc.†..... \$	377,370
3,000	Blue Buffalo Pet Products Inc.†.....	98,370	94,220	Biolase Inc.†.....	40,175
112,500	Brown-Forman Corp., Cl. A.....	7,564,500	12,000	Bio-Rad Laboratories Inc., Cl. A†.....	2,864,040
21,000	Bull-Dog Sauce Co. Ltd.....	422,143	18,000	Bruker Corp.....	617,760
5,000,000	China Tontine Wines Group Ltd.†.....	76,797	113,000	Cantel Medical Corp.....	11,624,310
222,000	Chr. Hansen Holding A/S.....	20,823,569	35,500	Cardiovascular Systems Inc.†.....	840,995
620,000	Cott Corp.....	10,329,200	168,000	Chemed Corp.....	40,827,360
350,000	Crimson Wine Group Ltd.†.....	3,734,500	57,000	CONMED Corp.....	2,905,290
3,800,000	Davide Campari-Milano SpA.....	29,385,439	365,000	Cutera Inc.†.....	16,552,750
50,000	Dean Foods Co.....	578,000	64,000	DexCom Inc.†.....	3,672,960
225,000	Denny's Corp.†.....	2,979,000	93,000	Evolent Health Inc., Cl. A†.....	1,143,900
302,000	Dr Pepper Snapple Group Inc.....	29,312,120	210,024	Exactech Inc.†.....	10,385,687
3,500,000	Dynasty Fine Wines Group Ltd.†(a).....	322,546	192,000	Globus Medical Inc., Cl. A†.....	7,891,200
110,000	Farmer Brothers Co.†.....	3,536,500	86,000	Henry Schein Inc.†.....	6,009,680
510,000	Flowers Foods Inc.....	9,848,100	4,000	Heska Corp.†.....	320,840
122,000	Ingredion Inc.....	17,055,600	46,500	ICU Medical Inc.†.....	10,044,000
180,000	ITO EN Ltd.....	7,092,967	50,000	Integer Holdings Corp.†.....	2,265,000
132,000	Iwatsuka Confectionery Co. Ltd.....	6,185,578	60,000	K2M Group Holdings Inc.†.....	1,080,000
23,500	J & J Snack Foods Corp.....	3,568,005	260,000	Kindred Healthcare Inc.....	2,652,000
146,000	Kameda Seika Co. Ltd.....	6,699,090	17,600	Lexicon Pharmaceuticals Inc.†.....	173,888
1,300,000	Kikkoman Corp.....	52,611,493	32,000	LivaNova plc†.....	2,557,440
215,000	Lifeway Foods Inc.†.....	1,720,000	115,000	Masimo Corp.†.....	9,752,000
1,220,000	Maple Leaf Foods Inc., Toronto.....	34,765,632	30,000	Melinta Therapeutics Inc.†.....	474,000
6,000	MEIJI Holdings Co. Ltd.....	510,672	208,000	Meridian Bioscience Inc.....	2,912,000
51,500	MGP Ingredients Inc.....	3,959,320	19,300	Neogen Corp.†.....	1,586,653
90,000	Morinaga Milk Industry Co. Ltd.....	4,073,663	150,000	NuVasive Inc.†.....	8,773,500
28,000	National Beverage Corp.....	2,728,320	25,500	Nuvectra Corp.†.....	197,880
85,000	Nissin Foods Holdings Co. Ltd.....	6,208,564	17,000	Ophthotech Corp.†.....	53,040
25,000	Nutrisystem Inc.....	1,315,000	319,500	OPKO Health Inc.†.....	1,565,550
8,548,096	Parmalat SpA.....	31,794,847	163,444	Orthofix International NV†.....	8,940,387
277,000	Post Holdings Inc.†.....	21,946,710	72,000	Owens & Minor Inc.....	1,359,360
310,000	Rock Field Co. Ltd.....	5,620,856	5,000	Pain Therapeutics Inc.†.....	20,000
885,000	Snyder's-Lance Inc.....	44,320,800	50,000	Patterson Cos., Inc.....	1,806,500
25,000	The Boston Beer Co. Inc., Cl. A†.....	4,777,500	590,000	Quidel Corp.†.....	25,576,500
392,000	The Hain Celestial Group Inc.†.....	16,616,880	200,000	RTI Surgical Inc.†.....	820,000
76,000	The J.M. Smucker Co.....	9,442,240	25,000	Seikagaku Corp.....	372,753
1,000	The Simply Good Foods Co.†.....	14,260	53,500	STERIS plc.....	4,679,645
800,000	Tingyi (Cayman Islands) Holding Corp.....	1,556,410	2,300	Straumann Holding AG.....	1,625,071
341,000	Tootsie Roll Industries Inc.....	12,412,400	3,000	Stryker Corp.....	464,520
93,000	United Natural Foods Inc.†.....	4,582,110	43,000	SurModics Inc.†.....	1,204,000
22,000	Vina Concha Y Toro SA, ADR.....	801,900	32,000	Teladoc Inc.†.....	1,115,200
1,400,000	Vitasoy International Holdings Ltd.....	3,583,839	100,000	Tetraphase Pharmaceuticals Inc.†.....	630,000
20,000	Willamette Valley Vineyards Inc.†.....	166,600	24,000	The Cooper Companies Inc.....	5,229,120
150,000	Yakult Honsha Co. Ltd.....	11,315,731	45,000	United-Guardian Inc.....	832,500
		<u>440,439,271</u>	404,500	Wright Medical Group NV†.....	<u>8,979,900</u>
					<u>220,664,324</u>
	<b>Health Care — 5.7%</b>			<b>Home Furnishings — 0.4%</b>	
50,000	Achaogen Inc.†.....	537,000	208,500	Bassett Furniture Industries Inc.....	7,839,600
8,000	Align Technology Inc.†.....	1,777,520	35,000	Bed Bath & Beyond Inc.....	769,650
22,000	Allergan plc.....	3,598,760	17,000	Ethan Allen Interiors Inc.....	486,200
64,000	AngioDynamics Inc.†.....	1,064,320	180,000	La-Z-Boy Inc.....	<u>5,616,000</u>
					<u>14,711,450</u>

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Hotels and Gaming — 3.7%</b>		15,000	Yamana Gold Inc.....	\$ 46,800
156,000	Belmond Ltd., Cl. A†.....	\$ 1,911,000			<u>32,354,318</u>
495,000	Boyd Gaming Corp.....	17,349,750		<b>Paper and Forest Products — 0.0%</b>	
190,000	Canterbury Park Holding Corp.....	3,125,500	16,000	Schweitzer-Mauduit International Inc.....	725,760
122,500	Churchill Downs Inc.....	28,505,750		<b>Publishing — 0.7%</b>	
170,000	Dover Downs Gaming & Entertainment Inc.†.....	173,400	80,000	Cambium Learning Group Inc.†.....	454,400
150,000	Formosa International Hotels Corp.....	776,249	3,000	Graham Holdings Co., Cl. B.....	1,675,050
78,000	Full House Resorts Inc.†.....	304,980	65,000	Il Sole 24 Ore SpA†.....	69,021
110,000	Gaming and Leisure Properties Inc.....	4,070,000	12,000	John Wiley & Sons Inc., Cl. B.....	790,860
1,000,000	Genting Singapore plc.....	979,476	53,000	Meredith Corp.....	3,500,650
167,000	Golden Entertainment Inc.†.....	5,452,550	65,000	News Corp., Cl. A.....	1,053,650
90,000	International Game Technology plc.....	2,385,900	1,300,000	The E.W. Scripps Co., Cl. A†.....	<u>20,319,000</u>
168,000	Las Vegas Sands Corp.....	11,674,320			<u>27,862,631</u>
3,000,000	Mandarin Oriental International Ltd.....	6,060,000		<b>Real Estate — 1.3%</b>	
30,000	Penn National Gaming Inc.†.....	939,900	71,000	Capital Properties Inc., Cl. A.....	990,450
560,000	Ryman Hospitality Properties Inc.....	38,651,200	164,000	Cohen & Steers Inc.....	7,755,560
2,900,000	The Hongkong & Shanghai Hotels Ltd.....	4,305,727	268,000	Griffin Industrial Realty Inc.(b).....	9,835,600
376,000	The Marcus Corp.....	10,283,600	6,967	Gyrodyn LLC.....	141,430
24,000	Wynn Resorts Ltd.....	<u>4,046,160</u>	19,500	Lamar Advertising Co., Cl. A.....	1,447,680
		<u>140,995,462</u>	100,000	Morguard Corp.....	14,278,441
	<b>Machinery — 1.9%</b>		38,000	New Senior Investment Group Inc.....	287,280
460,000	Astec Industries Inc.....	26,910,000	57,088	Reading International Inc., Cl. A†.....	953,370
3,000	Capstone Turbine Corp.†.....	2,310	2,337	Reading International Inc., Cl. B†.....	55,621
1,700,000	CNH Industrial NV.....	22,780,000	17,000	Seritage Growth Properties, Cl. A.....	687,820
2,000	Disco Corp.....	444,997	170,821	Tejon Ranch Co.†.....	3,546,244
229,000	Kennametal Inc.....	11,085,890	590,000	The St. Joe Co.†.....	<u>10,649,500</u>
500	NN Inc.....	13,800			<u>50,628,996</u>
6,000	Nordson Corp.....	878,400		<b>Retail — 4.8%</b>	
171,800	The Eastern Co.....	4,492,570	300,000	Aaron's Inc.....	11,955,000
188,000	Twin Disc Inc.†.....	4,995,160	200,000	AutoNation Inc.†.....	10,266,000
100,000	Welbilt Inc.†.....	2,351,000	20,224	Barnes & Noble Education Inc.†.....	166,646
5,000	Xylem Inc.....	<u>341,000</u>	31,500	Barnes & Noble Inc.....	211,050
		<u>74,295,127</u>	175,000	Big 5 Sporting Goods Corp.....	1,330,000
	<b>Manufactured Housing and Recreational Vehicles — 0.5%</b>		22,639	Biglari Holdings Inc.†.....	9,381,602
91,000	Cavco Industries Inc.†.....	13,886,600	144,000	Casey's General Stores Inc.....	16,119,360
73,992	Nobility Homes Inc.....	1,452,093	164,000	Copart Inc.†.....	7,083,160
86,500	Skyline Corp.†.....	1,111,525	1,000	Cracker Barrel Old Country Store Inc.....	158,890
59,000	Winnebago Industries Inc.....	<u>3,280,400</u>	2,500	Dunkin' Brands Group Inc.....	161,175
		<u>19,730,618</u>	150,000	GNC Holdings Inc., Cl. A.....	553,500
	<b>Metals and Mining — 0.9%</b>		790,000	Hertz Global Holdings Inc.†.....	17,459,000
290,000	Allegheny Technologies Inc.†.....	7,000,600	30,000	HSN Inc.....	1,210,500
52,003	Barrick Gold Corp.....	752,483	665,000	Ingles Markets Inc., Cl. A.....	23,009,000
168,000	Century Aluminum Co.†.....	3,299,520	700,000	J.C. Penney Co. Inc.†.....	2,212,000
25,500	Constellium NV, Cl. A†.....	284,325	75,000	Lands' End Inc.†.....	1,466,250
45,000	Ivanhoe Mines Ltd., Cl. A†.....	151,790	180,000	Macy's Inc.....	4,534,200
135,000	Kinross Gold Corp.†.....	583,200	91,000	Movado Group Inc.....	2,930,200
322,000	Materion Corp.....	15,649,200	17,000	Murphy USA Inc.†.....	1,366,120
250,000	TimkenSteel Corp.†.....	3,797,500	157,000	Nathan's Famous Inc.....	11,853,500
230,000	Turquoise Hill Resources Ltd.†.....	788,900	100,000	Penske Automotive Group Inc.....	4,785,000
			167,000	Pier 1 Imports Inc.....	691,380
			2,000,000	Rite Aid Corp.†.....	3,940,000

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

Shares		Market Value	Shares		Market Value
	<b>COMMON STOCKS (Continued)</b>				
	<b>Retail (Continued)</b>		750,000	Windstream Holdings Inc. ....	\$ 1,387,500
290,000	Rush Enterprises Inc., Cl. B† .....	\$ 13,980,900			<u>62,616,503</u>
4,000	Salvatore Ferragamo SpA .....	106,306		<b>Transportation — 0.9%</b>	
17,000	Sprouts Farmers Market Inc.† .....	413,950	490,000	GATX Corp. ....	30,458,400
10,000	SUPERVALU Inc.† .....	216,000	20,000	Irish Continental Group plc .....	136,902
399,000	The Cheesecake Factory Inc. ....	19,223,820	441,000	ModusLink Global Solutions Inc.† .....	1,098,090
194,000	Tractor Supply Co. ....	14,501,500	160,000	Navigator Holdings Ltd.† .....	<u>1,576,000</u>
43,500	Village Super Market Inc., Cl. A .....	997,455			<u>33,269,392</u>
120,000	Vitamin Shoppe, Inc.† .....	528,000		<b>Wireless Communications — 0.2%</b>	
57,600	Weis Markets Inc. ....	2,384,064	100,000	Millicom International Cellular SA, SDR .....	6,753,544
800	Winmark Corp. ....	103,520	50,000	United States Cellular Corp.† .....	<u>1,881,500</u>
12,000	Yoox Net-A-Porter Group SpA† .....	<u>419,274</u>			<u>8,635,044</u>
		<u>185,718,322</u>		<b>TOTAL COMMON STOCKS</b> .....	<u>3,789,569,134</u>
	<b>Specialty Chemicals — 3.5%</b>			<b>CLOSED-END FUNDS — 0.1%</b>	
65,000	A. Schulman Inc. ....	2,421,250	83,296	The Central Europe, Russia, and Turkey Fund	
90,000	Albemarle Corp. ....	11,510,100		Inc. ....	2,031,589
71,000	Ashland Global Holdings Inc. ....	5,055,200	31,977	The European Equity Fund Inc. ....	318,331
2,170,000	Ferro Corp.† .....	51,190,300	110,853	The New Germany Fund Inc. ....	<u>2,156,091</u>
65,000	GCP Applied Technologies Inc.† .....	2,073,500		<b>TOTAL CLOSED-END FUNDS</b> .....	<u>4,506,011</u>
91,200	General Chemical Group Inc.† .....	775		<b>PREFERRED STOCKS — 0.3%</b>	
305,000	H.B. Fuller Co. ....	16,430,350		<b>Automotive: Parts and Accessories — 0.2%</b>	
66,000	Hawkins Inc. ....	2,323,200	135,000	Jungheinrich AG .....	<u>6,373,074</u>
192,000	Huntsman Corp. ....	6,391,680		<b>Financial Services — 0.1%</b>	
15,800	NewMarket Corp. ....	6,278,762		Steel Partners Holdings LP ..	
300,000	OMNOVA Solutions Inc.† .....	3,000,000	140,000	Ser. A, 6.000%(b) .....	2,962,400
135,000	Platform Specialty Products Corp.† .....	1,339,200	48,882	Ser. a, 6.000%(b) .....	<u>1,029,944</u>
12,000	Quaker Chemical Corp. ....	1,809,480			<u>3,992,344</u>
230,000	Sensient Technologies Corp. ....	16,824,500		<b>TOTAL PREFERRED STOCKS</b> .....	<u>10,365,418</u>
26,102	SGL Carbon SE† .....	356,716		<b>CONVERTIBLE PREFERRED STOCKS — 0.0%</b>	
10,000	Takasago International Corp. ....	324,384		<b>Business Services — 0.0%</b>	
300,000	Valvoline Inc. ....	<u>7,518,000</u>	14,747	Trans-Lux Pfd., Ser. B, 6.000%(b) .....	210,145
		<u>134,847,397</u>		<b>RIGHTS — 0.0%</b>	
	<b>Telecommunications — 1.6%</b>			<b>Entertainment — 0.0%</b>	
79,000	ATN International Inc. ....	4,365,540		Media General Inc., CVR,	
560,000	Cincinnati Bell Inc.† .....	11,676,000		expire 12/31/18†(a) .....	<u>2</u>
61,000	Consolidated Communications Holdings Inc. ....	743,590		<b>Health Care — 0.0%</b>	
900,000	Gogo Inc.† .....	10,152,000	1,680,000	Sanofi, CVR,	
31,700	Harris Corp. ....	4,490,305		expire 12/31/20† .....	<u>114,000</u>
250,000	HC2 Holdings Inc.† .....	1,487,500		<b>TOTAL RIGHTS</b> .....	<u>114,002</u>
6,000	IDT Corp., Cl. B. ....	63,600			
120,000	Iridium Communications Inc.† .....	1,416,000	300,000		
44,000	Loral Space & Communications Inc.† .....	1,938,200			
134,000	New ULM Telecom Inc. ....	2,374,480			
40,000	Pharol SGPS SA† .....	11,998			
115,000	Rogers Communications Inc., Cl. B .....	5,856,950			
218,000	Shenandoah Telecommunications Co. ....	7,368,400			
850,000	Sprint Corp.† .....	5,006,500			
6,000	Straight Path Communications Inc., Cl. B† .....	1,090,740			
830,000	VEON Ltd., ADR .....	<u>3,187,200</u>			

See accompanying notes to schedule of investments.

# The Gabelli Small Cap Growth Fund

## Schedule of Investments (Continued) — December 31, 2017 (Unaudited)

<u>Principal Amount</u>	<u>Market Value</u>
	<b>U.S. GOVERNMENT OBLIGATIONS — 1.3%</b>
\$48,772,000	
	U.S. Treasury Bills, 1.163% to 1.405%††, 02/01/18 to 03/29/18 .....
	\$ 48,703,477
	<b>TOTAL INVESTMENTS — 100.0%</b>
	(Cost \$1,639,230,886) .....
	<u>\$ 3,853,468,187</u>

- (a) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.
- (b) Security considered an affiliated holding because the Fund owns at least 5% of its outstanding shares.
- (c) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2017, the market value of the Rule 144A security amounted to \$21,698,888 or 0.56% of total investments.

† Non-income producing security.

†† Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CVR Contingent Value Right

SDR Swedish Depositary Receipt

See accompanying notes to schedule of investments.

## The Gabelli Small Cap Growth Fund

### Notes to Schedule of Investments (Unaudited)

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

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

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

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

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

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

## The Gabelli Small Cap Growth Fund

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities by inputs used to value the Fund's investments as of December 31, 2017 is as follows:

	Valuation Inputs			Total Market Value at 12/31/17
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Common Stocks:				
Automotive: Parts and Accessories	\$ 193,965,958	—	\$11,283,070	\$ 205,249,028
Aviation: Parts and Services	161,846,381	\$ 1,399,032	—	163,245,413
Business Services	176,943,654	21,698,888	0	198,642,542
Consumer Services	59,264,524	107,325	—	59,371,849
Electronics	55,028,061	6,598,360	—	61,626,421
Energy and Utilities	248,957,753	—	1,010	248,958,763
Entertainment	81,668,179	277,330	—	81,945,509
Equipment and Supplies	350,048,552	1,335,443	—	351,383,995
Financial Services	161,986,650	789,498	500	162,776,648
Food and Beverage	440,116,725	—	322,546	440,439,271
Manufactured Housing and Recreational Vehicles	18,278,525	1,452,093	—	19,730,618
Publishing	27,071,771	790,860	—	27,862,631
Real Estate	49,441,495	1,187,501	—	50,628,996
Specialty Chemicals	134,846,622	775	—	134,847,397
Other Industries (a)	1,582,860,053	—	—	1,582,860,053
<b>Total Common Stocks</b>	<b>3,742,324,903</b>	<b>35,637,105</b>	<b>11,607,126</b>	<b>3,789,569,134</b>
Closed-End Funds	4,506,011	—	—	4,506,011
Preferred Stocks (a)	10,365,418	—	—	10,365,418
Convertible Preferred Stocks (a)	—	210,145	—	210,145
Rights (a)	114,000	—	2	114,002
U.S. Government Obligations	—	48,703,477	—	48,703,477
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$3,757,310,332</b>	<b>\$84,550,727</b>	<b>\$11,607,128</b>	<b>\$3,853,468,187</b>

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

#### Additional Information to Evaluate Qualitative Information.

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

**Fair Valuation.** Fair valued securities may be common or preferred equities, warrants, options, rights, or fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which

## The Gabelli Small Cap Growth Fund

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

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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 backtesting the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

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

The Fund's derivative contracts held at December 31, 2017, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

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

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2017, the Fund held no investments in futures contracts.

**Foreign Currency Translations.** The books and records of the Fund are maintained in U.S. dollars. Foreign currencies, investments, and other assets and liabilities are translated into U.S. dollars at current exchange



## The Gabelli Small Cap Growth Fund

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

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

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

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

**Restricted Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At December 31, 2017, the Fund held no restricted securities.

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

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

**Portfolio Manager Biography**

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

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

Gabelli Equity Series Funds, Inc.

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

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

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# THE GABELLI SMALL CAP GROWTH FUND

*First Quarter Report  
December 31, 2017*

