

# The Gabelli Utilities 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 Utilities Fund increased 0.7% compared with an increase of 0.2% for the Standard & Poor’s (“S&P”) 500 Utilities Index (SPU). See page 2 for additional performance information.

### Commentary

In 2017, the S&P 500 Utilities Index (SPU) returned 12.1%, including dividends, compared with a 21.8% total return for the S&P 500 Index. The SPU reached an all-time high (287.8, up 20.0%) on November 14, 2017, but corrected over 7% by year end. Utility stocks continue to benefit from strong fundamentals, above-average earnings growth, merger activity, and low interest rates. We attribute the healthy correction to relatively full valuations, and concerns over the potential for a higher U.S. Treasury yield curve. In addition, the California utilities, Edison International and PG&E Corp., declined significantly on potential liabilities associated with October and November wildfires.

At year end 2017, electric utilities traded at 19x-20x 2018 earnings estimates. The 10-year and 30-year U.S. Treasuries yielded 2.41% and 2.74%, close to the 2016 levels of 2.45% and 3.1%, respectively. On December 13, 2017, the Federal Reserve raised the Federal Funds rate 0.25% to a 1.25%-1.5% range, marking the fifth rate increase in two years (three increases in 2017). In the face of the “rate hikes” since the end of 2015, the two-year U.S. Treasury yield climbed to 1.9% (the highest since 2008), the S&P Utilities Index returned 34.7%, the S&P 500 returned 36.6%, and the long end of the yield curve flattened. We continue to emphasize that, while utility stocks are sensitive to interest rates, they are by no means bond proxies. Earnings and dividend growth rates primarily determine long term total returns and mitigate the negative impact of higher interest rates.

### Outlook: Infrastructure Investment Drives Earnings and Dividend Growth

The fundamentals of the sector are as strong as ever, and include focused strategies, opportunities for infrastructure investment, improved regulatory principles, low natural gas prices, healthy balance sheets, and investment grade credit ratings. Electric utility stocks offer a median current return of 3.2% and 5%-6% annual earnings and dividend growth, which is higher than forecast inflation and historical 3%-4% growth rates. Nonetheless, our fundamental enthusiasm is tempered by macro concerns, specifically that the lower corporate tax could accelerate economic growth and lead to higher long term interest rates, which would negatively

## Comparative Results

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

	Quarter	1 Year	5 Year	10 Year	15 Year	Since Inception (8/31/99)
<b>Class AAA (GABUX)</b> .....	0.73%	8.93%	8.87%	5.93%	9.41%	7.77%
S&P 500 Utilities Index .....	0.21	12.11	12.62	6.31	11.15	6.86
S&P 500 Index .....	6.64	21.83	15.79	8.50	9.92	5.94
Lipper Utility Fund Average .....	0.35	11.46	10.12	5.58	10.44	6.63
<b>Class A (GAUAX)</b> .....	0.61	8.79	8.85	5.93	9.43	7.78
With sales charge (b) .....	(5.17)	2.53	7.57	5.30	9.00	7.44
<b>Class C (GAUCX)</b> .....	0.57	8.04	8.07	5.14	8.61	7.12
With contingent deferred sales charge (c) .....	(0.43)	7.04	8.07	5.14	8.61	7.12
<b>Class I (GAUIX)</b> .....	0.80	9.11	9.13	6.18	9.58	7.91
<b>Class T (GAUTX)</b> .....	0.62	8.81	8.85	5.92	9.41	7.77
With sales charge (d) .....	(1.89)	6.09	8.30	5.65	9.22	7.76

In the current prospectuses dated April 28, 2017, 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 do not have a 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 Gabelli Funds, LLC, the Adviser not reimbursed certain expenses of the Fund for periods prior to December 31, 2002. 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 value of utility stocks generally changes as long term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. 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, 2002, 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. The S&P 500 Utilities Index is an unmanaged market capitalization weighted index of large capitalization stocks that may include facilities generation and transmission or distribution of electricity, gas, or water. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Lipper Utility Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.
- (b) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.
- (c) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.
- (d) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

### Monthly Distributions – \$0.07 per share

The Gabelli Utilities Fund has a \$0.07 per share monthly distribution policy in place. For more specific dividend and tax information, please visit our website at [www.gabelli.com](http://www.gabelli.com) or call 800-GABELLI (800-422-3554). **Shareholders should be aware that a portion of the distribution may represent a non-taxable return of capital.** Such distributions will reduce the cost basis of your shares if you hold them in a taxable account. The distributions should not be confused with the yield or total return of the Fund.

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

impact historically high utility valuation multiples. We take some comfort in the Fed's ongoing and vigilant fight to balance growth and inflation, as well as the low global interest rate environment. The Fed remains in a tightening mode and committed to shrinking its portfolio, which puts downward pressure on the longer end of the yield curve (i.e., flattens the curve). We also highlight that the defensive nature of utility stocks provides ballast to portfolios, should geopolitical risk heighten.

## **2017 Performance Snapshot**

In 2017, most electric, gas and water utility stocks saw high single digit returns, with top performances from renewable developers, including NextEra Energy Partners (0.07% of net assets as of December 31, 2017) NEP \$41.39-buy-up 62%), Avangrid Inc. (0.41%)(AGR-\$50.58- buy-up 34%), and NextEra Energy (4.4%) (NEE \$156.19-buy- up 31%). The utility sector continued to consolidate (seven deals announced, three completed), resulting in takeover premiums and added growth opportunities.

However, we were more surprised by significant declines from SCANA (0.88%)(SCG \$39.78-hold- down 46%), Edison International (1.8%) (EIX \$63.24-down 12%) and PG&E (0.3%)(PCG \$44.83-down 26%). SCG's decline resulted from political fallout and potential lack of investment recovery following its decision to abandon the Virgil C. Summer Nuclear Generating Station expansion, after investing \$4.9 billion (\$9.0 billion total) in the project. On January 3, 2018, SCG agreed to be purchased by Dominion Energy (0.6%)(D \$81.06-hold) for 0.6690 Dominion shares, or \$55 per share. PCG and EIX declined on potential liabilities associated with the October northern California and December southern California wildfires. These events highlight the significance of diversifying utility portfolios.

## **U.S. Tax Reform Positive for the Utility Industry**

We view U.S. tax reform as a modest positive for utilities. The lower corporate tax rate of 21%, down from 35%, does not directly help utility earnings, as the benefits will be passed onto customers through lower rates. Lower rates create "headroom" for future rate increases to recognize investment and grow earnings. In addition, the lower tax rate will help the non-regulated businesses of some utility companies.

The reform includes a "carve out" for regulated utilities to continue to deduct interest expense, as well as state and local taxes. In addition, utilities will not be required to expense 100% of capital investments like other sectors, and thus can continue to grow rate base. Finally, the late 2015 renewable tax credit extension and phase-out were left unchanged. On the negative side, the deductibility of holding company interest expense is subject to the 30% of EBITDA parameter, and tax equity financing for renewable projects can only offset 80% of the Base Erosion Abuse Tax (BEAT) with renewable credits. We believe the dynamics favoring renewable energy are strong, and we expect renewable development to continue in earnest, regardless of a dampened demand for tax equity financing from foreign corporations. Also, the renewable development landscape is highly fragmented, and large developers with tax appetites and balance sheets will likely increase market share.

## Merger and Acquisition Activity Update

On January 3, 2018, SCANA Corp (SCG) agreed to be purchased by Dominion Energy (D) for 0.6690 D shares, or \$55.35 per share. In 2017, the utility sector saw 7 mergers announced (2 for Oncor), including two gas utilities (WGL and DGAS), two independent producers (CPN and DYN) and two electric utilities (AVA and Oncor).

Date	Buyer	Target Entity	Enterprise Value	Premium**
1/3/2018	Dominion Energy (0.6%*)	SCANA (0.8%)	\$14.6 billion	31%
10/30/2017	Dynegy	Vistra Energy	\$11.1 billion	12%
8/21/2017	Sempra Energy	Oncor	\$18.8 billion	NA
8/18/2017	Energy Capital Partners	Calpine (0.03%)	\$5.6 billion	23%
7/19/2017	Hydro One	Avista (0.7%)	\$5.3 billion	24%
7/6/2017	Berkshire Energy	Oncor	\$18.5 billion	NA
2/21/17	Steel River	DeltaGas	\$258 million	17%
1/26/17	AltaGas	WGL Resources (0.4%)	\$6.4 billion	12%
10/10/16	First Reserve	Gas Natural	\$196 million	39%

## Deals Closed in 2016/2017

Date	Buyer	Target Entity	Enterprise Value	Premium**
1/2/2017	Algonquin PU (0.2%)	Empire District Electric	\$2.4 billion	21%
10/14/16	Fortis (0.3%)	ITC Holdings	\$11.3 billion	14%
10/3/16	Duke Energy (1.1%)	Piedmont Natural Gas	\$6.7 billion	42%
9/16/16	Dominion Energy	Questar Corp.	\$6.0 billion	22%
9/12/16	Spire (0.4%)	Energy South	\$344 million	Private
7/1/16	Emera (0.3%)	TECO Energy	\$10.4 billion	31%
7/1/16	Southern Co. (0.9%)	AGL Resources	\$12 billion	38%
3/30/16	Macquarie (0.1%)	CLECO	\$4.7 billion	15%
3/23/16	Exelon (0.6%)	Pepco Hldgs.	\$11.9 billion	20%
2/12/16	Black Hills (1.3%)	Source Gas	\$1.89 billion	Private

\* of net assets as of December 31, 2017.

\*\*Represents the premium to the closing share price on the last trading day prior to the announcement of the deal.

Calpine (0.03% of net assets as of December 31, 2017) (Houston, Texas) agreed to be bought by private equity Energy Capital Partners, and Avista (0.7%) (Spokane, Washington) agreed to be a bought by Hydro One (Toronto, Canada). In addition, Sempra Energy (San Diego, California) became the fourth potential buyer (Hunt, NextEra Energy, and Berkshire Energy) of Texas' largest (but bankrupt) distribution utility, Oncor (Dallas, Texas). In the first half of 2017, two gas utilities agreed to be purchased by infrastructure funds: WGL Holdings (Washington, D.C.) by Canadian infrastructure fund AltaGas (Calgary, Canada), and Delta Gas (Winchester, Kentucky) by Steel River Infrastructure. In 2016, eight regulated utility acquisitions were announced, nine were completed (including four of those announced in 2016), and one deal was terminated.

For several decades, utility companies have acquired other utilities and utility assets for the sake of gaining economies of scale and efficiency. Since 1995, the electric utility sector has experienced over 140 acquisition announcements and over 100 completed deals. The electric and gas utility sector remains fragmented, with over fifty electric utilities and twenty gas utilities. The long term consolidation trend has benefited shareholders, as some premiums have been significant. We attribute the recent acceleration of activity to the low interest rate environment, desire for scale in the face of ongoing infrastructure investment, and the emergence of the Canadian utilities.

Our Fund's portfolio includes small-to-mid-cap utilities, with earnings and dividend growth potential that could attract premiums. More significant takeover premiums are normally associated with fundamentally sound, reasonably priced, mid-cap and small-cap utilities. Attractive takeover characteristics include; constructive regulatory environments, healthy service areas, transmission growth potential, low carbon footprints, strategic geographies, or a particularly stressful situation. Given the significant long term demand for natural gas, we consider most gas distribution utilities, particularly those with pending pipeline development projects, to be highly coveted.

### **Earnings and Dividend Growth Driven By Infrastructure Investment**

The successful formula driving the strong earnings outlook remains: Investment Opportunities + Constructive Regulation = Earnings Growth. In 2017, electric utilities grew dividends 5.9%, which is higher than historical averages of roughly 3%-4%. In 2016, electric utilities grew EPS 6.1%, and consensus estimates call for 4.4% EPS growth in 2017, followed by 5.7% in 2018 and 5.8% in 2019. We expect regulated electric, gas, and water utilities to grow 2017-2020 EPS and dividends at the high end of the recent 4%-6% CAGR, driven by ongoing infrastructure investment. Edison Electric Institute (EEI) member utilities expect to invest a record \$123 billion in 2017, which will mark the fifth consecutive year of record investment. The Edison Electric Institute projects industry investment of \$114 billion in 2018 and \$109 billion in 2019, but we expect higher levels, given that individual company forecasts only reflect visible projects.

Public and political support of investment, combined with the low cost of natural gas, have allowed for an increasingly constructive regulatory environment. State Public Utility Commissions (PUC) regulatory principles

have evolved to include numerous adjustments and mechanisms to address infrastructure investment, as well as rate design changes to address efficiency and distributed generation. Many state PUCs allow frequent (quarterly, semi-annual, or annual) rate adjustments for environmental, transmission, renewable, and other items, as well as “pass-through” for fuel, healthcare, and pension expenses. Given flattish demand growth, and in order to encourage distributed generation and efficiency, many regulators have “decoupled,” or separated, revenues from sales. The improved regulatory treatment results in a greater opportunity to earn the ROEs allowed, and results in “stair-step” earnings growth. We expect this level of investment to lead to the high end of 4%-6% annual earnings growth, which is in line with most utility management target growth rates.

### **Allowed Returns Lower but Favorable Relative to Interest Rates and Cost-of-Capital**

Driven by declines in long term interest rates, allowed-ROEs have gradually declined over the past two decades to below 10.0%. In 2017, the average authorized allowed-ROE was 9.6%, which is the lowest in thirty years, compared to 9.75% in 2016. Despite the declining ROE, the decreases in the utility cost-of-capital have been even greater. The spread between the allowed-ROE and the 10-year U.S. Treasury yield has ranged from 700-850 basis points over the past few years, which is significantly better than the 400-600 basis point spread experienced in the 1990s.

### **The Great Power Generation Transformation; Renewable Flood**

Despite a more relaxed EPA, withdrawal from the Paris Agreement on climate change, an end to the Clean Power Plan, and federal/state efforts to subsidize older baseload coal and nuclear generation, the nation’s power sector is experiencing an accelerated “greening,” including the rapid development of wind and solar generation and the retirement of older coal and nuclear units.

In 2017, 36% (33% in 2016) of U.S. generation came from zero-carbon emitting nuclear (20%), hydro (7%), and renewables (9%), 32% from low emitting natural gas, and 31% was derived from coal. In 1986, 58% of generation was from coal. In 2016, CO<sub>2</sub> was 25% below 2005 levels, SO<sub>2</sub> down 91% and NO<sub>x</sub> down 82%. There hasn’t been a coal plant built in more than five years, and, absent technological breakthroughs, there may never be another built. The nation’s nuclear plants continue to age, and the low cost of natural gas and renewables challenge the ongoing economics of upgrades. Some forecasts show \$700 billion, or \$30 billion per year, of investment in renewable generation resulting in 40% of total generation by 2040.

From 2018-2021, we expect 75 GW’s (60 GW’s in 2017-2020) of wind and 21 GW’s of solar to be added to the roughly 1,200 GW’s current generating capacity. Cleaner generation is driven by the economics and efficiency of new gas plants and low gas prices, increasing state renewable portfolio standards, federal tax credits, public demands, and technology improvement. Cost declines have made large scale wind and solar farms competitive with new combined cycle gas plants.

Currently, 29 states have renewable portfolio standards, including California (80%) and Hawaii, which will require 100% by 2045. Many utilities and developers are rushing to meet safe harbor provisions of the late 2015 tax credit extensions, which allow the wind production tax credit (PTC) to continue, but phase-out through 2020 (2016-100%, 2017-80%, 2018-60%, 2019-40%). Importantly, the safe harbor feature allows a project started in 2016/2017/2018/2019 and finished in 2020/2021/2022/2023 to qualify for 100%/80%/60%/40% PTC. The 30% solar investment tax credit extends through 2019, and will decline to 26% in 2020, 22% in 2021, and then permanently to 10% for commercial and 0% for residential.

Finally, the large commercial and industrial customer base is increasingly seeking to advertise progressive sustainable strategies, including owned or contracted renewable generation. The RE100 is a collaborative, global initiative uniting more than 100 influential businesses, including Apple, AB InBev, Bank of America, and Bloomberg, which are committed to 100% renewable electricity.

### **Battery Storage to ‘Disrupt’ the Power Sector**

We believe large scale battery storage has the potential to revolutionize the power sector, driven by the proliferation of intermittent renewable generation and declining costs of both technologies. Storage’s unique beneficial qualities include the ability to absorb excess renewable energy and discharge that same energy when renewable resources are less available. Storage can provide peaking power, frequency, and voltage support, as well as seasonal load shifting capabilities. The pace of development and deployment is accelerating, and lithium ion battery prices have declined significantly over the last several years.

### **New FERC Commissioners and Pending FERC Issues FERC**

In December 2017, Kevin McIntyre was sworn in as the new chairman of the FERC, marking the first time in two years that FERC will operate with the full roster of five Commissioners. Political gridlock had slowed (or halted) interstate gas and electric transmission development, given a lack of a “quorum” to rule on major items. We expect the newly-appointed FERC commissioners to be more constructive in approving interstate gas and electric transmission development, as well as addressing electric transmission ROE complaints. We expect a more relaxed regulatory atmosphere and loosened development restrictions to lead to accelerated infrastructure investment.

FERC’s favorable, incentive oriented regulation make transmission investment one of the more compelling uses of capital for electric utilities. However, complaints for lower returns on equity (ROE) have dampened enthusiasm for over the last few years. We consider it likely that the new FERC commissioners will award constructive ROE’s as well as implement policy to end the pancaking of complaints, which would be favorable for future utility earnings growth.



## Grid Modernization and Electrification

Electric demand growth has been relatively flat for several years, due primarily to conservation and efficiency efforts. However, an increased push for electric vehicles (EVs) could create new demand for electricity, which will require a modernized electric grid. California is on pace to have a total of 2.8-4.2 million light-duty, zero-emission vehicles on the road by 2030 (according to a December 2017 forecast from the California Energy Commission), compared to ~350,000 in use in 2017.

Electric and gas distributions systems have aged, and require replacement even before the modernization required for renewable development, reliability concerns, power storage, and electric vehicles. In January 2017, PCG, SRE, and EIX proposed investing more than \$1 billion on transportation electrification projects. In New England, the Massachusetts Department of Public Utilities authorized Eversource Energy (2.3%) subsidiaries to invest \$45 million in electric vehicle infrastructure in the state, and fifteen electric utilities have teamed with General Motors to promote electric vehicles and utility-owned charging infrastructure to state governments. The governors of California, Connecticut, Maryland, Massachusetts, New York, Oregon, Rhode Island, and Vermont have agreed to a combined goal of 3.3 million zero emission vehicles in their states by 2025, and promised to work together to create the necessary charging infrastructure. Utilities and customers would experience significant benefits (savings and higher revenues) from large scale off-peak charging.

Separately, natural gas distribution pipeline replacement is accelerating, in light of recent explosions and new standards. Given that many states are moving to frequent rate adjustments to replace pipe, it becomes a great source of consistent earnings growth.

## Interest Rates, the Fed and Utility Stocks

The low interest rate environment has aided the utility multiple expansion. Utility share prices are a function of earnings and dividend growth rates, risk profile, and the discount rate (interest rate) used to discount future cash flows. Utility dividend yield and 10-year U.S. Treasury Note yield are highly correlated, and will likely remain so in the future, but utility stock prices, unlike Treasury bond prices, are likely to rise should earnings and dividends grow over time. Factors that mitigate the negative impact of higher interest rates on utility share prices include:

- **Annual dividend hikes:** Utilities target annual dividend increases, which serve to mitigate the negative impact of higher rates. In 2017, electric utilities increased the annual dividend by a median of 5.9%.
- **ROE is set based on interest rates:** A utility's cost-of-capital, including equity returns (ROEs), is set by state PUCs and increases (decreases) as interest rates rise (fall).
- **Annual riders minimize inflation risk:** State PUCs and FERC regulatory principles have improved to include more frequent rate adjustments, which mitigate inflation risk.
- **Utility stocks pay higher dividends than other sectors:** The present value of a higher near term dividend stream is less impacted by changes in interest rates than a lower near term dividend stream.



The current 3.16% utility dividend return is more than 131% of the 2.41% yield on the 10-year U.S. Treasury Note, which is right at the twenty year median level. On December 13, 2017, the Fed raised the Federal Funds rate 0.25% to 1.25%-1.5%, marking the fifth rate increase in two years. We expect the Fed to continue its vigilant fight against inflation, which puts downward pressure on the mid-to-longer end of the yield curve. However, should economic growth accelerate, we expect inflation concerns and higher 10- and 30-year Treasury yields, which would pressure utility valuation multiples.

The fundamentals of the sector are as strong as ever, including focused strategies, opportunities for infrastructure investment, improved regulatory principles, low natural gas prices, healthy balance sheets, and investment grade credit ratings. Electric utility stocks offer a median current return of 3.2% and 5%-6% annual earnings and dividend growth, which is higher than forecast inflation and historical 3%-4% growth rates. Nonetheless, our fundamental enthusiasm is tempered by macro concerns, specifically that the lower corporate tax could accelerate economic growth and lead to higher long term interest rates, which would negatively impact historically high utility valuation multiples.

### **Let's Talk Stocks**

*American Electric Power Co. Inc. (2.3% of net assets as of December 31, 2017.) (AEP – \$73.57– NYSE)* is one of the nation's largest electric utilities. It serves more than 5.4 million retail customers in eleven states (Ohio and Texas are the largest), owns approximately 26 GWs of generating capacity, 40,000 miles of transmission lines (the nation's largest), and 223,000 miles of distribution lines. Following recent non-regulated power plant sales, AEP is focused on the regulated utility business with plans to invest \$17 billion over the 2017-2019 time period in regulated assets, including 74% to retransmission and distribution. Management expects 5%-7% annual earnings growth, driven by capital investment and rate recovery, and sustainable cost controls. AEP Transco, a transmission development subsidiary, expects to grow earnings to \$0.89-\$0.92 per share by 2019 from \$0.54 per AEP share in 2016, driven by a \$4.5 billion transmission capital investment plan for 2017-2019. AEP currently pays an annual dividend of \$2.48 per share representing a payout ratio of roughly 68% (using \$3.65 per share, midpoint of the 2017 earning guidance of \$3.55-\$3.75 per share), right at the targeted payout ratio of 60%-70%.

*El Paso Electric Co. (2.0%) (EE – \$55.35 – NYSE)* is a vertically integrated electric utility serving approximately 411,000 customers in and around El Paso, Texas and Las Cruces, New Mexico. Roughly 70% of capacity is natural gas and 30% nuclear. We consider El Paso Electric to be a well managed, low risk, traditional utility investment, with solid earnings growth potential. We expect above average annual customer and sales growth, driven by military base expansion, increased cross border trade, customer additions, as well as an increased use of refrigerated air conditioning. Only 35% of El Paso residences have refrigerated air conditioning, but 99% of new residences install central air conditioning. In February of 2017, EE requested an additional \$42.5 million revenue increase for its Texas jurisdiction to recognize investment in its new peaking power plants (MPS Units 3 and 4), with rates effective early 2018. A rate request in New Mexico is planned for the second quarter of

2017. Full earnings power of \$2.80 per share reflects rate recognition of the new peaking Units 3 and 4 and a stronger cash flow position.

*Eversource Energy (2.3%) (ES – \$63.18 – NYSE)* is New England's largest electric and gas distribution utility and delivery system. ES is the product of a 2012 merger between Northeast Utilities, headquartered in Hartford, Connecticut, and NSTAR, headquartered in Boston, Massachusetts, creating a premier New England distribution utility. ES serves 3.6 million customers in Connecticut, New Hampshire, and Massachusetts. The company targets 5%–7% long term earnings growth driven by transmission investment, cost cutting opportunities, and oil-to-gas heat conversions in the northeast. ES expects its 192-mile, \$1.6 billion Northern Pass electric transmission line to be completed in late 2020, with construction to begin early 2018, following a final environmental impact statement and New Hampshire siting approval. In late 2017, ES completed the acquisition of Aquarion water company in Connecticut, Massachusetts, and New Hampshire for \$1.6 billion. The company expects further transmission development as aging nuclear and coal facilities are replaced with renewables, including offshore wind generation.

*National Fuel Gas Co. (4.7%) (NFG – \$54.91 – NYSE)* is a diversified natural gas company. NFG owns a regulated gas utility serving the region around Buffalo, New York, gas pipelines that move gas between the Midwest and Canada and from the Marcellus to the Northeast, gathering and processing systems, and an oil and gas exploration and production business. NFG's regulated utility and pipeline businesses, as well as its California oil production business, provide stable earnings and cash flows to support the dividend, while the natural gas production business offers significant upside potential. Natural gas prices have been depressed over the past few years, but NFG's net ownership of 785,000 acres in the Marcellus Shale, holds enormous natural gas reserve potential and the company has proven to be among the lower cost producers. We continue to expect above average long term earnings and cash flow growth from improving gas prices, growing gas production and strategically located pipeline expansion. The company has increased its dividend for 46 consecutive years.

*National Grid plc (0.1%) (NGG – \$58.81 – NYSE)*, based in London, England, is an electricity and gas utility company focused on transmission and distribution activities in electricity and gas in both the United Kingdom (65% of assets) and the U.S (35%). The company's segments include U.K. Electricity Transmission, which is engaged in high voltage electricity transmission networks in Great Britain; U.K. Gas Transmission, which is the gas transmission network in Great Britain and United Kingdom liquefied natural gas (LNG) storage activities; U.K. Gas Distribution, which includes four of the eight regional networks of Great Britain's gas distribution system, and U.S. Regulated, which includes gas distribution networks, electricity distribution networks and high voltage electricity transmission networks in New York, and New England and electricity generation facilities in New York.

*NextEra Energy Inc. (4.4%) (NEE – \$156.19 – NYSE)* is the holding company for Florida Power & Light (FP&L), the largest electric utility in Florida, and NextEra Energy Resources, a leading wholesale renewables operator. Florida Power & Light operates one of the premier utility franchises in the nation, with favorable long term demographics and above average rate base growth potential, due to power plant rate adjustments, flexible amortization, and other regulatory mechanisms. In late 2016, FP&L implemented a four year rate plan (2017-2020) based on a 10.6% (+/- 100 basis points) allowed ROE. Additionally, NER owns and operates the nation's largest renewable power portfolio, with a significant pipeline of future growth opportunities, and owns 65% of the NextEra Energy Partners, a yieldco focused on renewable development and acquisitions. NEE is also developing several gas pipeline projects designed to bring more natural gas into Florida. We regard NEE as one of the better positioned electric companies to grow earnings and dividends over the next several years.

*PNM Resources (2.91%) (PNM – \$40.45 – NYSE)* (Albuquerque, NM) is the holding company for regulated electric utilities Public Service Company of New Mexico (PSNM) and Texas-New Mexico Power Company (TNMP). PSNM serves 520,000 customers in and around Albuquerque, Rio Rancho and Santa Fe and owns 2,800 MWs (15% nuclear) of generation. TNMP is a distribution/transmission company and serves 247,000 customers in three non-contiguous areas of Texas. PSNM is awaiting regulatory approval of a rate settlement calling for a \$32 million revenue increase in 2018 and an additional \$30 million in 2019 based on a 9.575% allowed ROE. Higher rates are necessary to recognize its environmental plan, the addition of Palo Verde 3 at \$1,118/kW (\$150 million) into rate base, other investments, and declining sales. Importantly, the request was based on a future 2018 test year. PNM targets earnings growth of 7%-8% and provides 2018 and 2019 earnings guidance of \$1.70-\$1.78 per share and \$2.00-\$2.16 per share, respectively.

*Severn Trent plc (0.4%) (SVT – \$29.19/£21.62 – London Stock Exchange)* is an international provider of water and wastewater services. Severn Trent Water, the UK-based utility, provides water to 8 million people and wastewater services to 9 million people in the Midlands and Mid-Wales. Severn Trent operates under a 2015-2020 five year rate plan that provides inflation adjusted annual rates increases approved by OFWAT, the U.K. water regulator. The plan allows SVT to achieve efficiencies and modestly growing returns. Additionally, as one of the U.K.'s premier water and wastewater providers, Severn Trent is well positioned to provide expertise and infrastructure investment opportunities in less developed regions of the world. Severn Trent Services, the non-regulated water and waste water service division of the company, which focuses on water purification projects and operating plants and systems for municipalities, has a growing presence in Europe, the Middle East, and Asia.

*Southwest Gas Corp. (3.3%) (SWX – \$80.48 – NYSE)* is a natural gas distribution utility serving 1.9 million customers in geographically diverse portions of Arizona (~1.0 million, or 53%), Nevada (~700,000, or 37%), and California (~185,000, or 10%). SWX serves one of the faster growing service areas with above-average long-term customer growth potential. SWX also owns Centuri Construction Group, a full service underground piping contractor that provides trenching and installation, replacement, and maintenance services for energy distribution systems. The pipeline construction business is growing strongly, given the industry's focus on

safety related pipeline replacement programs and has broken the \$1 billion revenue milestone. We consider SWX to be a high quality gas utility with a focused, low risk strategy and solid earnings outlook, driven by recent and future rate increases, expanded infrastructure tracking mechanisms, customer growth, and cost controls.

*WEC Energy Group Inc. (1.8%) (WEC – \$66.43 – NYSE)* is based in Milwaukee, Wisconsin. Following Wisconsin Energy Company's mid-2015 acquisition of Integrys Energy Group, the combined company's assets include Wisconsin Electric, the state's largest electric utility, with over 1.1 million electric customers and 1.1 million gas customers in southeastern, east central, and northern Wisconsin, and 400,000 electric customers and 1.7 million gas customers in Illinois, Michigan, Minnesota, and Wisconsin. Management forecasts the combined company growth rate at 5%-7% over the long term. Additionally, WEC has a 60% ownership stake in the American Transmission Corp., which provides another investment opportunity as well as financial engineering optionality.

*Westar Energy, Inc. (2.2%) (WR – \$52.80 – NYSE)* (Topeka, Kansas) is an electric utility serving 700,000 customers in central and northeastern Kansas, including the cities of Topeka, Lawrence, Manhattan, and Hutchinson; and south-central and southeastern Kansas, including the city of Wichita. WR's 6,800 MW generation portfolio includes coal (75% of output), nuclear (13%), natural gas (10%) and wind. On May 31, 2016, WR announced a definitive agreement to be acquired by GXP for an enterprise value of \$12.2 billion, or \$60.00 per share. On July 10, 2017, WR and GXP amended the merger agreement where the two companies would combine via a merger of equals (MOE). WR shareholders would receive one share of the new company and GXP shareholders would receive 0.5891 shares. We expect this transaction to be approved, accretive in the first year, produce a higher growth rate, stronger credit profile and result in a higher dividend of \$1.84 per share (from \$1.60 per share) to WR holders. The companies expect the transaction to close in the first half of 2018 and be accretive (to respective stand-alone earnings) in the first year after closing and then generate 6%-to-8% annual earnings growth from 2016-2021, which is higher than the previous transaction projection of 5%-7% and stand-alone 4%-6% projections. GXP expects to have \$1.25 billion in cash on its balance sheet which the combined company plans to use to buy-back 30 million shares per year over the following two years. We consider the \$60 per share price to be fair-to-full value and represents healthy multiples, including 2016 and 2017 P/E's of 24.0x and 23.1x, 2016 and 2017 EV/EBITDA of 11.1x and 10.6x, and price to book of 230% (\$23.60 per share). We believe the combination makes great strategic sense given that the two companies have contiguous service areas, own and operate the Wolf Creek Nuclear Generating Station, the La Cygne and Jeffrey power plants and together would own one of the largest portfolios of wind generation in the country. We expect significant synergies and economies of scale

January 22, 2018

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

National Fuel Gas Co.	4.7%	EverSource Energy	2.3%
NextEra Energy Inc.	4.4%	Westar Energy Inc.	2.2%
Southwest Gas Holdings Inc.	3.3%	El Paso Electric Co.	2.0%
PNM Resources Inc.	2.9%	WEC Energy Group Inc.	1.8%
American Electric Power Co Inc.	2.3%	Edison International	1.8%

**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).

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

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

**e-delivery**

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

**Multi-Class Shares**

The Gabelli Utilities Fund began offering additional classes of Fund shares on December 31, 2002. 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 Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

**THE GABELLI UTILITIES 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 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.



## THE GABELLI UTILITIES FUND

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[GABELLI.COM](http://GABELLI.COM)

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

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### LEGAL COUNSEL

Skadden, Arps, Slate, Meagher &  
Flom LLP

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

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GABELLI  
FUNDS

# THE GABELLI UTILITIES FUND

*Shareholder Commentary*  
*December 31, 2017*

# The Gabelli Utilities Fund

## Annual Report — December 31, 2017

### To Our Shareholders,

For the year ended December 31, 2017, the net asset value (“NAV”) per Class AAA Share of The Gabelli Utilities Fund increased 8.9% compared with an increase of 12.1% for the Standard & Poor’s (“S&P”) 500 Utilities Index (SPU). Other classes of shares are available. See page 2 for performance information for all classes of shares.

Enclosed are the financial statements, including the schedule of investments, as of December 31, 2017.

### Performance Discussion (Unaudited)

The objective of the Fund is to provide a high level of total return through a combination of capital appreciation and current income.

The investment strategy of the Fund is to invest at least 80% of its net assets in securities of domestic or foreign companies that are involved to a substantial extent in providing products, services, or equipment for the generation or distribution of electricity, gas, and water and the provision of infrastructure operations or telecommunications services, such as telephone, telegraph, satellite, cable, microwave, radiotelephone, mobile communication and cellular, paging, electronic mail, videotext, voice communications, data communications, and internet and that derive at least 50% of their revenue or earnings from, or devote at least 50% of their assets to, utilities that the Fund’s investment adviser, Gabelli Funds, LLC (the “Adviser”), believes have the potential to provide either capital appreciation or current income. The Fund may invest up to 40% of its total assets in securities of non-U.S. issuers.

In selecting investments, the Adviser will consider factors such as: (i) the market price of the issuer’s common stock, earnings expectations, earnings and price histories, balance sheet characteristics, perceived management skills, and the conditions affecting the industry in which the issuer practices; (ii) the level of interest rates, local and national government regulations, the price and availability of materials used in the particular utility, environmental protection or energy conservation regulations, the level of demand for services, and the risks associated with constructing and operating certain kinds of facilities such as nuclear power facilities; (iii) the potential for capital appreciation of the stock; (iv) the dividend income generated by the stock; (v) the prices of the stock relative to other comparable stocks; and (vi) the diversification of the portfolio of the Fund as to issuers. The Adviser will also consider changes in economic and political outlooks as well as individual corporate developments.

In 2017, most electric, gas, and water utility stocks returned high single digits with top performances coming from renewable developers. The utility sector also had seven announced mergers. Despite a more lenient Environmental Protection Agency, withdrawal from the Paris Agreement on climate change, an end to the Clean Power Plan, and federal and state efforts to subsidize older baseload coal and nuclear generation, the nation’s power sector is experiencing an accelerated “greening” including the rapid development of wind and solar generation and the retirement of older coal and nuclear units. In December, the Federal Reserve raised rates 0.25% for the fifth time in two years, ending the year in the 1.25%-1.50% range.

Among the better performing stocks for the fiscal year were Nextera Energy Inc. (4.4% net assets as of December 31, 2017), the world’s largest utility company with a market capitalization of more than \$62 billion. NextEra’s electric utility subsidiary, Florida Power & Light Company, assembled and pre-positioned the largest restoration workforce in U.S. history in order to restore service to 4.4 million customers after Hurricane Irma. Other contributors to the Fund include PNM Resources Inc. (2.9%), which serves electricity to over 761,000 homes and businesses

in Texas and New Mexico, and outperformed the industry in the second half of 2017, and Sony Corp (1.2%), whose stock advanced in 2017 due to its diversified product range and gaming and networking services.

Some of our weaker performers were Scana Corp. (0.8%), a South Carolina energy based holding company which lost \$210 million associated with an abandoned nuclear project, Dish Network Corp. (0.9%) an American based direct-broadcast satellite service provider who cut 145,000 subscribers after Hurricane Maria took out power in Puerto Rico and the U.S. Virgin Islands, and Windstream Holdings Inc. (0.05%) a provider of advanced network communications and technology solutions which cut its very attractive dividend payout to zero in early August.

Thank you for your investment in the Gabelli Utilities Fund.

We appreciate your confidence and trust.

### Comparative Results

Average Annual Returns through December 31, 2017 (a) (Unaudited)					Since Inception (8/31/99)
	1 Year	5 Year	10 Year	15 Year	
<b>Class AAA (GABUX)</b> .....	8.93%	8.87%	5.93%	9.41%	7.77%
S&P 500 Utilities Index .....	12.11	12.62	6.31	11.15	6.86
S&P 500 Index .....	21.83	15.79	8.50	9.92	5.94
Lipper Utility Fund Average .....	11.46	10.12	5.58	10.44	6.63
<b>Class A (GAUAX)</b> .....	8.79	8.85	5.93	9.43	7.78
With sales charge (b) .....	2.53	7.57	5.30	9.00	7.44
<b>Class C (GAUCX)</b> .....	8.04	8.07	5.14	8.61	7.12
With contingent deferred sales charge (c) .....	7.04	8.07	5.14	8.61	7.12
<b>Class I (GAUIX)</b> .....	9.11	9.13	6.18	9.58	7.91
<b>Class T (GAUTX)</b> .....	8.81	8.85	5.92	9.41	7.77
With sales charge (d) .....	6.09	8.30	5.65	9.22	7.76

**In the current prospectuses dated April 28, 2017, as amended, 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. See page 13 for the expense ratios for the year ended December 31, 2017. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, Class C, and Class T Shares is 5.75%, 1.00%, and 2.50%, respectively.**

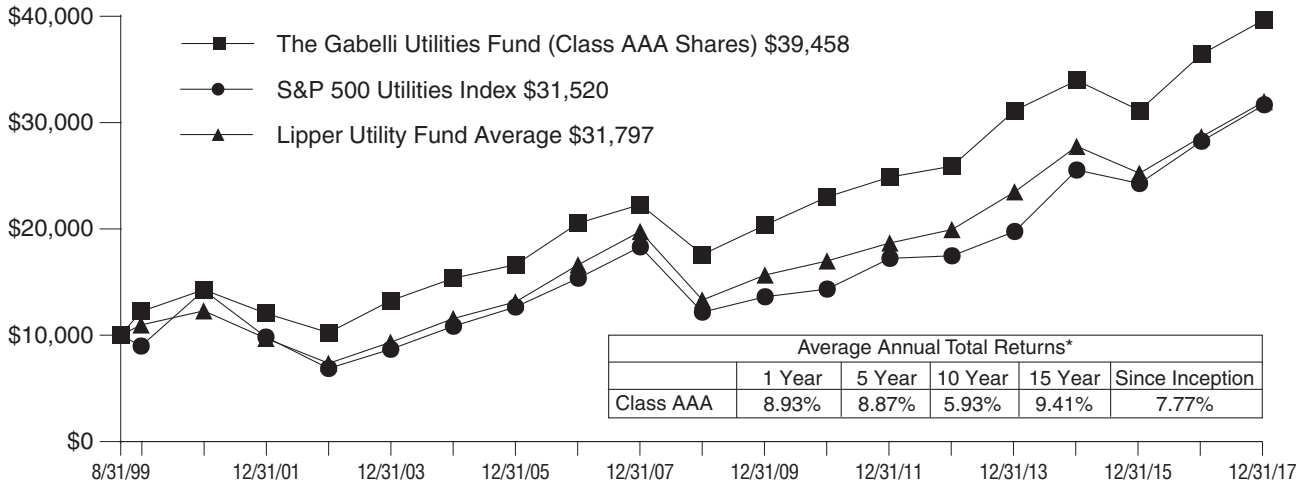
(a) Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, 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 Gabelli Funds, LLC, the Adviser, not reimbursed certain expenses of the Fund for periods prior to December 31, 2002. The Fund imposes a 2% redemption fee on shares sold or exchanged within seven days of purchase. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at [www.gabelli.com](http://www.gabelli.com). The value of utility stocks generally changes as long term interest rates change. Funds investing in a single sector, such as utilities, may be subject to more volatility than funds that invest more broadly. The utilities industry can be significantly affected by government regulation, financing difficulties, supply or demand of services or fuel, and natural resources conservation. 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, 2002, 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. The S&P 500 Utilities Index is an unmanaged market capitalization weighted index of large capitalization stocks that may include facilities generation and transmission or distribution of electricity, gas, or water. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks commonly used to represent the U.S. equity market. The Lipper Utility Fund Average reflects the average performance of mutual funds classified in this particular category. Dividends are considered reinvested. You cannot invest directly in an index.

(b) Performance results include the effect of the maximum 5.75% sales charge at the beginning of the period.

(c) Assuming payment of the 1% maximum contingent deferred sales charge imposed on redemptions made within one year of purchase.

(d) Performance results include the effect of the maximum 2.50% sales charge at the beginning of the period.

**COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI UTILITIES FUND (CLASS AAA SHARES), S&P 500 UTILITIES INDEX, AND LIPPER UTILITY FUND AVERAGE (Unaudited)**



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

## The Gabelli Utilities Fund

### Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from July 1, 2017 through December 31, 2017

### Expense Table

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

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

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

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

**Hypothetical 5% Return:** This section provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio. It assumes a hypothetical annualized return of 5% before expenses during the period shown. In this case – because the hypothetical return used is **not**

the Fund's actual return – the results do not apply to your investment and you cannot use the hypothetical account value and expense to estimate the actual ending account balance or expenses you paid for the period. This example is useful in making comparisons of the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended December 31, 2017.

	Beginning Account Value 07/01/17	Ending Account Value 12/31/17	Annualized Expense Ratio	Expenses Paid During Period*
<b><i>The Gabelli Utilities Fund</i></b>				
<b>Actual Fund Return</b>				
Class AAA	\$1,000.00	\$1,034.20	1.36%	\$ 6.97
Class A	\$1,000.00	\$1,032.60	1.36%	\$ 6.97
Class C	\$1,000.00	\$1,029.20	2.11%	\$10.79
Class I	\$1,000.00	\$1,034.90	1.11%	\$ 5.69
Class T**	\$1,000.00	\$1,033.10	1.37%	\$ 6.87
<b>Hypothetical 5% Return</b>				
Class AAA	\$1,000.00	\$1,018.35	1.36%	\$ 6.92
Class A	\$1,000.00	\$1,018.35	1.36%	\$ 6.92
Class C	\$1,000.00	\$1,014.57	2.11%	\$10.71
Class I	\$1,000.00	\$1,019.61	1.11%	\$ 5.65
Class T	\$1,000.00	\$1,018.30	1.37%	\$ 6.97

\* Expenses are equal to the Fund's annualized expense ratio for the last six months multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half year (184 days), then divided by 365.

\*\* Class T Shares use a beginning account value date of 07/05/17, and Class T Share expenses are equal to the Funds' annualized expense ratio for the period since inception multiplied by the number of days since inception (180 days), then divided by 365.

## Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of net assets as of December 31, 2017:

### The Gabelli Utilities Fund

Energy and Utilities . . . . .	69.0%
Communications . . . . .	19.4%
Other . . . . .	7.3%
U.S. Government Obligations . . . . .	4.3%
Other Assets and Liabilities (Net) . . .	<u>0.0%</u>
	<u>100.0%</u>

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

### Proxy Voting

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

# The Gabelli Utilities Fund

## Schedule of Investments — December 31, 2017

Shares	Cost	Market Value	Shares	Cost	Market Value
<b>COMMON STOCKS — 95.5%</b>					
<b>ENERGY AND UTILITIES — 68.8%</b>					
<b>Alternative Energy — 0.5%</b>					
370,000			51,125		Unitil Corp. .... \$ 1,483,755 \$ 2,332,323
			440,000		Vectren Corp. .... 12,163,963 28,608,800
			597,000		WEC Energy Group Inc. .... 16,121,112 39,658,710
			920,000		Westar Energy Inc. .... 22,248,661 48,576,000
			310,000		Xcel Energy Inc. .... 6,350,159 14,914,100
					<u>488,393,019 950,086,837</u>
			<b>Electric Transmission and Distribution — 0.6%</b>		
			67,000		Consolidated Edison Inc. .... 2,745,224 5,691,650
36,000			360,000		Red Electrica Corp. SA .... 4,191,840 8,081,686
63,261			3,400		Uniper SE .... 38,231 106,066
					<u>6,975,295 13,879,402</u>
			<b>Electric Integrated — 42.5%</b>		
			<b>Global Utilities — 2.0%</b>		
304,000			11,352		AES Tiete Energia SA .... 155,996 43,634
174,000			40,000		Chubu Electric Power Co. Inc. .... 671,887 497,182
550,000			28,000		E.ON SE .... 524,216 304,411
700,000			20,800		EDF SA .... 308,177 260,050
			5,000		EDP - Energias de Portugal SA, ADR .... 134,159 173,300
6,000			200,000		Electric Power Development Co. Ltd. .... 4,991,198 5,387,175
180,000			10,000		Eletropaulo Metropolitana Eletricidade de Sao Paulo SA .... 32,332 49,290
290,000			185,000		Emera Inc. .... 4,545,769 6,914,320
474,000			35,000		Enagas SA .... 916,226 1,002,412
50,000			100,000		Endesa SA .... 2,186,478 2,142,326
60,000			265,000		Enel SpA .... 1,382,306 1,631,131
165,000			4,000		EuroSite Power Inc.† .... 1,670 660
4,000			550,000		Hera SpA .... 1,195,166 1,920,354
298,000			66,000		Hokkaido Electric Power Co. Inc. .... 1,054,241 434,631
620,000			40,000		Hokuriku Electric Power Co. .... 661,406 321,988
814,000			180,000		Huaneng Power International Inc., ADR .... 4,762,737 4,500,000
1,400			45,000		Iberdrola SA, ADR .... 1,344,640 1,392,075
800,000			289,300		Iberdrola SA, Aquis .... 2,262,874 2,242,367
355,000			405,000		Korea Electric Power Corp., ADR† .... 5,392,840 7,172,550
380,000			110,000		Kyushu Electric Power Co. Inc. .... 1,563,462 1,152,962
78,960			32,000		Shikoku Electric Power Co. Inc. .... 578,871 348,755
111,040			2,000		Snam SpA .... 8,967 9,791
900,000			75,000		Statoil ASA .... 1,693,070 1,600,370
915,000			28,000		The Chugoku Electric Power Co. Inc. .... 509,466 300,936
42,000			305,000		The Kansai Electric Power Co. Inc. .... 4,106,512 3,735,523
311,000			55,000		The Tokyo Electric Power Co. Holdings Inc.† .... 208,402 217,706
630,500					
260,000					
434,000					
785,000					
740,000					
137,000					
320,000					
1,610,000					
572,000					
190,000					
439,112					
430,000					

See accompanying notes to financial statements.





# The Gabelli Utilities Fund

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

Shares		Cost	Market Value	Shares		Cost	Market Value
	<b>COMMON STOCKS (Continued)</b>						
	<b>ENERGY AND UTILITIES (Continued)</b>						
	<b>Environmental Services — 0.1%</b>						
26,000	Covanta Holding Corp. ....	\$ 414,429	\$ 439,400	2,200	Orange Belgium SA .....	\$ 33,392	\$ 46,194
80,000	Veolia Environnement SA .....	1,097,512	2,042,139	330,000	Orascom Telecom Media and Technology Holding SAE, GDR .....	534,301	53,130
		1,511,941	2,481,539	60,000	Pharol SGPS SA† .....	28,418	17,998
	<b>TOTAL ENERGY AND UTILITIES .....</b>	<b>877,813,499</b>	<b>1,539,195,509</b>	220,000	Pharol SGPS SA, ADR† .....	182,432	54,450
	<b>COMMUNICATIONS — 19.4%</b>			68,000	PLDT Inc., ADR .....	3,226,928	2,045,440
	<b>Cable and Satellite — 5.7%</b>			150,000	Proximus SA .....	4,775,028	4,922,370
42,000	Charter Communications Inc., Cl. A† .....	4,216,493	14,110,320	2,000	PT Indosat Tbk .....	1,061	708
25,000	Cogeco Communications Inc. .	684,204	1,719,968	2,300,000	Singapore Telecommuni- cations Ltd. ....	5,695,042	6,139,295
70,000	Cogeco Inc. ....	1,589,491	5,040,334	800,000	Sprint Corp.† .....	4,794,592	4,712,000
40,000	Comcast Corp., Cl. A .....	402,189	1,602,000	121,000	Swisscom AG, ADR .....	4,440,719	6,452,930
430,000	DISH Network Corp., Cl. A† ...	12,903,460	20,532,500	10,000	Tele2 AB, Cl. B .....	158,627	122,880
308,000	EchoStar Corp., Cl. A† .....	10,215,374	18,449,200	170,000	Telecom Italia SpA, ADR† .....	2,206,728	1,467,100
344,366	Liberty Global plc, Cl. A† .....	5,402,825	12,342,077	235,000	Telefonica Brasil SA, ADR .....	4,137,121	3,485,050
600,000	Liberty Global plc, Cl. C† .....	10,353,788	20,304,000	53,000	Telefonica Deutschland Holding AG. ....	280,618	266,196
80,000	Liberty Global plc LiLAC, Cl. A† .....	1,566,814	1,612,000	525,000	Telefonica SA, ADR .....	8,961,856	5,082,000
150,000	Liberty Global plc LiLAC, Cl. C† .....	3,323,789	2,983,500	1,000,000	Telekom Austria AG .....	7,767,364	9,273,613
90,000	Rogers Communications Inc., Cl. B .....	2,426,676	4,583,700	340,000	Telenet Group Holding NV† .....	15,333,232	23,697,687
12,000	Shaw Communications Inc., Cl. B .....	148,195	273,960	546,000	Telephone & Data Systems Inc. ....	14,762,101	15,178,800
1,650,000	Sky plc† .....	18,135,231	22,544,757	60,000	Telesites SAB de CV† .....	45,551	45,528
50,000	Tokyo Broadcasting System Holdings Inc. ....	683,652	1,248,724	700,000	VEON Ltd., ADR .....	3,208,119	2,688,000
		72,052,181	127,347,040	715,000	Verizon Communications Inc. .	22,935,173	37,844,950
	<b>Computer Services Software and Systems — 0.0%</b>			580,000	Windstream Holdings Inc. ....	2,749,496	1,073,000
102,500	Internap Corp.† .....	2,116,716	1,610,275			182,424,062	223,316,984
	<b>Telecommunications — 10.0%</b>				<b>Wireless Communications — 3.7%</b>		
35,000	AT&T Inc. ....	1,197,700	1,360,800	65,000	America Movil SAB de CV, Cl. L, ADR .....	1,049,728	1,114,750
560,000	BCE Inc. ....	15,759,354	26,885,600	27,000	ATN International Inc. ....	883,543	1,492,020
886,442	CenturyLink Inc. ....	18,600,909	14,785,853	69,000	China Mobile Ltd., ADR .....	2,765,327	3,487,260
790,000	Cincinnati Bell Inc.† .....	13,106,597	16,471,500	53,000	China Unicom Hong Kong Ltd., ADR† .....	665,499	717,090
35,000	Deutsche Telekom AG .....	428,748	621,310	200	Hutchison Telecommuni- cations Hong Kong Holdings Ltd. ....	19	80
515,000	Deutsche Telekom AG, ADR ...	6,311,945	9,095,415	86,000	Millicom International Cellular SA .....	6,232,178	5,797,260
1,750,000	Global Telecom Holding SAE, GDR† .....	1,357,829	730,315	252,000	Millicom International Cellular SA, SDR .....	17,797,413	17,018,932
28,000	Harris Corp. ....	2,161,989	3,966,200	6,500	Mobile TeleSystems PJSC, ADR .....	86,498	66,235
1,440,000	Koninklijke KPN NV .....	4,192,069	5,024,381	465,000	NTT DoCoMo Inc. ....	7,286,947	10,981,717
18,000	Koninklijke KPN NV, ADR .....	80,480	63,000	135,000	SK Telecom Co. Ltd., ADR .....	2,383,798	3,767,850
134,470	Loral Space & Communi- cations Inc.† .....	5,551,093	5,923,403	400	SmarTone Telecommuni- cations Holdings Ltd. ....	207	482
35,200	NextGenTel Holding ASA .....	257,885	76,311	35,000	Tim Participacoes SA, ADR .....	684,957	675,850
290,000	Nippon Telegraph & Telephone Corp. ....	7,159,565	13,643,577	400,000	Turkcell Iletisim Hizmetleri A/S, ADR .....	5,592,425	4,080,000

See accompanying notes to financial statements.

# The Gabelli Utilities Fund

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

Shares		Cost	Market Value	Shares		Cost	Market Value
	<b>COMMON STOCKS (Continued)</b>				<b>Health Care — 0.0%</b>		
	<b>COMMUNICATIONS (Continued)</b>			12,000	Tsumura & Co. ....	\$ 261,956	\$ 398,846
	<b>Wireless Communications (Continued)</b>				<b>Machinery — 1.7%</b>		
367,000	United States Cellular Corp.† ..	\$ 16,064,751	\$ 13,810,210	92,500	Astec Industries Inc. ....	3,264,589	5,411,250
600,000	Vodafone Group plc, ADR .....	22,651,401	19,140,000	34,000	Flowserve Corp. ....	1,366,581	1,432,420
		84,144,691	82,149,736	79,000	The Gorman-Rupp Co. ....	1,815,066	2,465,590
	<b>TOTAL COMMUNICATIONS</b> ...	<b>340,737,650</b>	<b>434,424,035</b>	428,000	Xylem Inc. ....	11,593,897	29,189,600
	<b>OTHER — 7.3%</b>					18,040,133	38,498,860
	<b>Aerospace — 1.0%</b>				<b>Metals and Mining — 0.4%</b>		
2,000,000	Rolls-Royce Holdings plc .....	16,373,302	22,871,493	215,000	Freeport-McMoRan Inc.† .....	3,045,141	4,076,400
92,000,000	Rolls-Royce Holdings plc, Cl. C†(a) .....	121,904	124,214	48,000	Haynes International Inc. ....	2,243,063	1,538,400
		16,495,206	22,995,707	17,000	Vulcan Materials Co. ....	797,880	2,182,290
	<b>Building and Construction — 0.4%</b>					6,086,084	7,797,090
12,000	Acciona SA .....	1,140,701	979,651		<b>Transportation — 0.9%</b>		
170,000	Johnson Controls International plc .....	4,577,647	6,478,700	311,000	GATX Corp. ....	8,998,435	19,331,760
		5,718,348	7,458,351		<b>TOTAL OTHER</b> .....	<b>99,669,588</b>	<b>161,996,327</b>
	<b>Business Services — 0.4%</b>				<b>TOTAL COMMON STOCKS</b> ...	<b>1,318,220,737</b>	<b>2,135,615,871</b>
1,420,000	Clear Channel Outdoor Holdings Inc., Cl. A .....	5,708,815	6,532,000		<b>CONVERTIBLE PREFERRED STOCKS — 0.1%</b>		
40,000	Macquarie Infrastructure Corp. ....	737,100	2,568,000		<b>ENERGY AND UTILITIES — 0.1%</b>		
17,500	Vectrus Inc.† .....	316,783	539,875		<b>Natural Gas Utilities — 0.1%</b>		
		6,762,698	9,639,875	54,000	Corning Natural Gas Holding Corp., 4.800%, Ser. B (b) .....	1,120,500	1,080,000
	<b>Consumer Products — 0.0%</b>				<b>COMMUNICATIONS — 0.0%</b>		
10,000	Essity AB, Cl. A† .....	130,732	282,454		<b>Telecommunications — 0.0%</b>		
	<b>Diversified Industrial — 0.3%</b>			21,000	Cincinnati Bell Inc., 6.750%, Ser. B .....	695,010	1,071,000
1,000	Alstom SA .....	31,457	41,521		<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b> .....	<b>1,815,510</b>	<b>2,151,000</b>
40,000	Bouygues SA .....	1,406,190	2,078,614		<b>WARRANTS — 0.0%</b>		
4,000	Donaldson Co. Inc. ....	133,040	195,800		<b>COMMUNICATIONS — 0.0%</b>		
10,000	Raven Industries Inc. ....	219,638	343,500		<b>Telecommunications — 0.0%</b>		
10,000	Svenska Cellulosa AB, Cl. A ...	34,751	115,810	80,000	Bharti Airtel Ltd., expire 11/30/20†(c) .....	438,064	664,000
105,600	Twin Disc Inc.† .....	1,959,602	2,805,792		<b>Principal Amount</b>		
		3,784,678	5,581,037		<b>CORPORATE BONDS — 0.1%</b>		
	<b>Electronics — 1.3%</b>				<b>Energy and Utilities — 0.1%</b>		
90,000	Corning Inc. ....	1,005,890	2,879,100	\$ 1,500,000	Mueller Industries Inc., 6.000%, 03/01/27 .....	1,500,000	1,541,250
595,000	Sony Corp., ADR .....	10,687,692	26,745,250				
		11,693,582	29,624,350				
	<b>Entertainment — 0.5%</b>						
633,332	Grupo Televisa SAB, ADR .....	15,594,360	11,824,308				
	<b>Financial Services — 0.4%</b>						
168,000	Kinnevik AB, Cl. A .....	3,583,754	5,859,346				
80,000	Kinnevik AB, Cl. B .....	2,519,622	2,704,343				
		6,103,376	8,563,689				

See accompanying notes to financial statements.

# The Gabelli Utilities Fund

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

<u>Principal Amount</u>	<u>Cost</u>	<u>Market Value</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 \$664,000 or 0.03% of net assets.
\$97,520,000			† Non-income producing security.
			†† Represents annualized yield at date of purchase.
			ADR American Depositary Receipt
			GDR Global Depositary Receipt
			SDR Swedish Depositary Receipt
	<b>U.S. GOVERNMENT OBLIGATIONS — 4.3%</b>		
	U.S. Treasury Bills,		
	1.065% to 1.542%††,		
	01/25/18 to 06/28/18..... \$	97,235,208 \$	97,221,304
	<b>TOTAL</b>		
	<b>INVESTMENTS — 100.0% ...</b>	<u>\$1,419,209,519</u>	2,237,193,425
	<b>Other Assets and Liabilities (Net) — 0.0% . .</b>		<u>(53,448)</u>
	<b>NET ASSETS — 100.0% .....</b>		<u>\$2,237,139,977</u>

See accompanying notes to financial statements.

## The Gabelli Utilities Fund

### Statement of Assets and Liabilities December 31, 2017

<b>Assets:</b>	
Investments, at value (cost \$1,414,403,621) . . . . .	\$2,228,531,825
Investments in affiliates, at value (cost \$4,805,898) . . . . .	8,661,600
Cash . . . . .	2,319
Receivable for Fund shares sold . . . . .	3,101,568
Dividends receivable . . . . .	4,193,501
Prepaid expenses . . . . .	80,243
<b>Total Assets</b> . . . . .	<u>2,244,571,056</u>
<b>Liabilities:</b>	
Payable for Fund shares redeemed . . . . .	4,093,791
Payable for investment advisory fees . . . . .	1,930,604
Payable for distribution fees . . . . .	928,108
Payable for accounting fees . . . . .	3,750
Other accrued expenses . . . . .	474,826
<b>Total Liabilities</b> . . . . .	<u>7,431,079</u>
<b>Net Assets</b> (applicable to 273,608,814 shares outstanding) . . . . .	<u>\$2,237,139,977</u>
<b>Net Assets Consist of:</b>	
Paid-in capital . . . . .	\$1,434,283,780
Distribution in excess of net investment income . . . . .	(1,019,191)
Distributions in excess of net realized gains on investments and foreign currency transactions . . . . .	(14,116,420)
Net unrealized appreciation on investments . . . . .	817,983,906
Net unrealized appreciation on foreign currency translations . . . . .	7,902
<b>Net Assets</b> . . . . .	<u>\$2,237,139,977</u>
<b>Shares of Beneficial Interest, each at \$0.001 par value; unlimited number of shares authorized:</b>	
<b>Class AAA:</b>	
Net Asset Value, offering, and redemption price per share (\$350,708,716 ÷ 38,007,368 shares outstanding) . . . . .	<u>\$9.23</u>
<b>Class A:</b>	
Net Asset Value and redemption price per share (\$837,684,252 ÷ 89,368,197 shares outstanding) . . . . .	<u>\$9.37</u>
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price) . . . . .	<u>\$9.94</u>
<b>Class C:</b>	
Net Asset Value and offering price per share (\$776,369,587 ÷ 118,008,211 shares outstanding) . . . . .	<u>\$6.58(a)</u>
<b>Class I:</b>	
Net Asset Value, offering, and redemption price per share (\$272,376,389 ÷ 28,224,926 shares outstanding) . . . . .	<u>\$9.65</u>
<b>Class T:</b>	
Net Asset Value and redemption price per share (\$1,033 ÷ 112 shares outstanding) . . . . .	<u>\$9.22</u>
Maximum offering price per share (NAV ÷ 0.975, based on maximum sales charge of 2.50% of the offering price) . . . . .	<u>\$9.46</u>

(a) Redemption price varies based on the length of time held.

### Statement of Operations For the Year Ended December 31, 2017

<b>Investment Income:</b>	
Dividends - Unaffiliated (net of foreign withholding taxes of \$1,408,709) . . . . .	\$ 64,226,189
Dividends - Affiliated . . . . .	263,250
Interest . . . . .	790,293
Other income* . . . . .	235
<b>Total Income</b> . . . . .	<u>65,279,967</u>
<b>Expenses:</b>	
Investment advisory fees . . . . .	22,195,032
Distribution fees - Class AAA . . . . .	909,780
Distribution fees - Class A . . . . .	2,054,701
Distribution fees - Class C . . . . .	7,963,130
Distribution fees - Class T . . . . .	1
Shareholder services fees . . . . .	1,630,497
Shareholder communications expenses . . . . .	304,911
Custodian fees . . . . .	225,255
Trustees' fees . . . . .	137,000
Registration expenses . . . . .	126,820
Accounting fees . . . . .	45,000
Legal and audit fees . . . . .	28,778
Interest expense . . . . .	210
Miscellaneous expenses . . . . .	131,525
<b>Total Expenses</b> . . . . .	<u>35,752,640</u>
Less:	
Expenses paid indirectly by broker (See Note 6) . . . . .	<u>(15,703)</u>
<b>Net Expenses</b> . . . . .	<u>35,736,937</u>
<b>Net Investment Income</b> . . . . .	<u>29,543,030</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:</b>	
Net realized gain on investments . . . . .	18,926,765
Net realized loss on foreign currency transactions . . . . .	(34,159)
Net realized gain on investments and foreign currency transactions . . . . .	<u>18,892,606</u>
Net change in unrealized appreciation: on investments . . . . .	131,864,424
on foreign currency translations . . . . .	32,758
Net change in unrealized appreciation on investments and foreign currency translations . . . . .	<u>131,897,182</u>
<b>Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency</b> . . . . .	<u>150,789,788</u>
<b>Net Increase in Net Assets Resulting from Operations</b> . . . . .	<u>\$180,332,818</u>

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

See accompanying notes to financial statements.

# The Gabelli Utilities Fund

## Statement of Changes in Net Assets

	<u>Year Ended December 31, 2017</u>	<u>Year Ended December 31, 2016</u>
<b>Operations:</b>		
Net investment income.....	\$ 29,543,030	\$ 29,079,713
Net realized gain on investments and foreign currency transactions .....	18,892,606	33,246,905
Net change in unrealized appreciation on investments and foreign currency translations .....	<u>131,897,182</u>	<u>252,754,372</u>
<b>Net Increase in Net Assets Resulting from Operations.....</b>	<u>180,332,818</u>	<u>315,080,990</u>
<b>Distributions to Shareholders:</b>		
Net investment income		
Class AAA.....	(5,020,519)	(5,471,301)
Class A .....	(11,262,972)	(11,112,907)
Class C .....	(9,795,159)	(9,783,665)
Class I .....	(3,875,959)	(2,542,331)
Class T .....	(17)	—
	<u>(29,954,626)</u>	<u>(28,910,204)</u>
Net realized gain		
Class AAA.....	(2,839,155)	(5,335,408)
Class A .....	(6,375,891)	(10,854,504)
Class C .....	(8,501,854)	(14,643,900)
Class I .....	(1,855,631)	(2,115,401)
Class T .....	(8)	—
	<u>(19,572,539)</u>	<u>(32,949,213)</u>
Return of capital		
Class AAA.....	(24,415,223)	(24,739,141)
Class A .....	(54,425,845)	(50,581,784)
Class C .....	(78,809,061)	(73,313,008)
Class I .....	(14,720,187)	(9,476,054)
Class T .....	(21)	—
	<u>(172,370,337)</u>	<u>(158,109,987)</u>
<b>Total Distributions to Shareholders .....</b>	<u>(221,897,502)</u>	<u>(219,969,404)</u>
<b>Shares of Beneficial Interest Transactions:</b>		
Class AAA.....	(12,582,880)	(30,345,592)
Class A .....	32,227,780	49,728,141
Class C .....	35,021,113	23,406,890
Class I .....	114,337,169	9,333,224
Class T .....	1,046	—
<b>Net Increase in Net Assets from Shares of Beneficial Interest Transactions.....</b>	<u>169,004,228</u>	<u>52,122,663</u>
<b>Redemption Fees .....</b>	<u>13,123</u>	<u>7,011</u>
<b>Net Increase in Net Assets .....</b>	<u>127,452,667</u>	<u>147,241,260</u>
<b>Net Assets:</b>		
Beginning of year .....	<u>2,109,687,310</u>	<u>1,962,446,050</u>
End of year (including undistributed net investment income of \$0 and \$0, respectively) .....	<u>\$2,237,139,977</u>	<u>\$2,109,687,310</u>

See accompanying notes to financial statements.

# The Gabelli Utilities Fund

## Financial Highlights

Selected data for a share of beneficial interest outstanding throughout each period:

Year Ended December 31	Income (Loss)				Distributions			Ratios to Average Net Assets/ Supplemental Data								
	Net Asset Value Beginning of Period	Net Investment Income(a)	Net Gain (Loss) on Investments	Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Net Investment Income	Net Realized Gain on Investments	Return of Capital	Total Distributions	Redemption Fees (a)(b)	Net Asset Value End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income	Operating Expenses	Portfolio Turnover Rate
<b>Class AAA</b>																
2017	\$ 9.26	\$ 0.15	\$ 0.66	\$ 0.81	\$ (0.13)	\$ (0.07)	\$ (0.64)	\$ (0.84)	\$ 0.00	\$ 9.23	8.9%	\$ 350,709	1.58%	1.37%(c)	2%	
2016	8.70	0.15	1.28	1.43	(0.14)	(0.13)	(0.60)	(0.87)	0.00	9.26	17.0	364,411	1.65	1.38(c)	4	
2015††	10.50	0.11	(1.07)	(0.96)	(0.09)	(0.70)	(0.05)	(0.84)	0.00	8.70	(8.3)	371,419	1.42	1.39(c)	8	
2014††	11.24	0.18	0.76	0.94	(0.10)	(0.10)	(1.44)	(1.68)	0.00	10.50	8.9	820,328	1.64	1.36	9	
2013††	10.86	0.18	1.88	2.06	(0.14)	(0.20)	(1.34)	(1.68)	0.00	11.24	20.2	738,742	1.60	1.37	11	
<b>Class A</b>																
2017	\$ 9.40	\$ 0.15	\$ 0.66	\$ 0.81	\$ (0.13)	\$ (0.07)	\$ (0.64)	\$ (0.84)	\$ 0.00	\$ 9.37	8.8%	\$ 837,684	1.57%	1.37%(c)	2%	
2016	8.82	0.15	1.30	1.45	(0.13)	(0.13)	(0.61)	(0.87)	0.00	9.40	17.0	808,349	1.64	1.38(c)	4	
2015††	10.64	0.12	(1.10)	(0.98)	(0.09)	(0.70)	(0.05)	(0.84)	0.00	8.82	(8.3)	713,208	1.45	1.39(c)	8	
2014††	11.36	0.18	0.78	0.96	(0.10)	(0.10)	(1.44)	(1.68)	0.00	10.64	9.0	1,231,349	1.64	1.36	9	
2013††	10.96	0.18	1.90	2.08	(0.14)	(0.20)	(1.34)	(1.68)	0.00	11.36	20.2	1,109,532	1.60	1.37	11	
<b>Class C</b>																
2017	\$ 6.88	\$ 0.06	\$ 0.48	\$ 0.54	\$ (0.09)	\$ (0.07)	\$ (0.68)	\$ (0.84)	\$ 0.00	\$ 6.58	8.0%	\$ 776,370	0.83%	2.12%(c)	2%	
2016	6.71	0.06	0.98	1.04	(0.09)	(0.13)	(0.65)	(0.87)	0.00	6.88	16.2	776,780	0.89	2.13(c)	4	
2015††	8.40	0.05	(0.90)	(0.85)	(0.09)	(0.70)	(0.05)	(0.84)	0.00	6.71	(9.1)	736,494	0.73	2.14(c)	8	
2014††	9.38	0.08	0.62	0.70	(0.14)	(0.10)	(1.44)	(1.68)	0.00	8.40	8.1	1,111,695	0.89	2.11	9	
2013††	9.36	0.08	1.62	1.70	(0.14)	(0.20)	(1.34)	(1.68)	0.00	9.38	19.5	1,037,073	0.85	2.12	11	
<b>Class I</b>																
2017	\$ 9.63	\$ 0.18	\$ 0.68	\$ 0.86	\$ (0.15)	\$ (0.07)	\$ (0.62)	\$ (0.84)	\$ 0.00	\$ 9.65	9.1%	\$ 272,376	1.81%	1.12%(c)	2%	
2016	8.99	0.18	1.33	1.51	(0.16)	(0.13)	(0.58)	(0.87)	0.00	9.63	17.4	160,147	1.89	1.13(c)	4	
2015††	10.80	0.14	(1.11)	(0.97)	(0.09)	(0.70)	(0.05)	(0.84)	0.00	8.99	(8.1)	141,325	1.70	1.14(c)	8	
2014††	11.48	0.20	0.80	1.00	(0.10)	(0.10)	(1.44)	(1.68)	0.00	10.80	9.3	255,651	1.86	1.11	9	
2013††	11.04	0.22	1.90	2.12	(0.14)	(0.20)	(1.34)	(1.68)	0.00	11.48	20.4	179,913	1.85	1.12	11	
<b>Class T(d)</b>																
2017	\$ 9.33	\$ 0.05	\$ 0.26	\$ 0.31	\$ (0.16)	\$ (0.07)	\$ (0.19)	\$ (0.42)	\$ 0.00	\$ 9.22	3.3%	\$ 1	0.98%(e)	1.37%(e)	2%	

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the period and sold at the end of the period including reinvestment of distributions and does not reflect applicable sales charges. Total return for a period of less than one year is not annualized.

†† All per share amounts and net asset values have been adjusted as a result of the 1 for 2 reverse stock split on March 6, 2015.

(a) Per share amounts have been calculated using the average shares outstanding method.

(b) Amount represents less than \$0.005 per share.

(c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the years ended December 31, 2017, 2016, and 2015, there was no impact on the expense ratios.

(d) Class T Shares were initially offered on July 5, 2017.

(e) Annualized.

See accompanying notes to financial statements.



## The Gabelli Utilities Fund

### Notes to Financial Statements

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**1. Organization.** The Gabelli Utilities Fund was organized on May 18, 1999 as a Delaware statutory trust. On July 5, 2017, the Fund began to offer for sale Class T Shares. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund commenced operations on August 31, 1999. The Fund’s primary objective is to provide a high level of total return through a combination of capital appreciation and current income.

The Fund invests a high percentage of its assets in the utilities sector. As a result, the Fund may be more susceptible to economic, political, and regulatory developments, positive or negative, and may experience increased volatility to the Fund’s NAV and a magnified effect in its total return.

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

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

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

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).

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:				
ENERGY AND UTILITIES				
Global Utilities	\$ 45,929,368	\$ 660	—	\$ 45,930,028
Merchant Energy	36,153,441	—	\$ 0	36,153,441
Other Industries (a)	1,457,112,040	—	—	1,457,112,040
COMMUNICATIONS (a)	434,424,035	—	—	434,424,035
OTHER				
Aerospace	22,871,493	—	124,214	22,995,707
Other Industries (a)	139,000,620	—	—	139,000,620
Total Common Stocks	2,135,490,997	660	124,214	2,135,615,871
Convertible Preferred Stocks (a)	1,071,000	1,080,000	—	2,151,000
Warrants (a)	—	664,000	—	664,000
Corporate Bonds(a)	—	1,541,250	—	1,541,250
U.S. Government Obligations	—	97,221,304	—	97,221,304
<b>TOTAL INVESTMENTS IN SECURITIES – ASSETS</b>	<b>\$2,136,561,997</b>	<b>\$100,507,214</b>	<b>\$124,214</b>	<b>\$2,237,193,425</b>

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

The Fund did not have material transfers among Level 1, Level 2, and Level 3 during the year ended December 31, 2017. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

#### Additional Information to Evaluate Qualitative Information.

**General.** The Fund uses recognized industry pricing services – approved by the Board and unaffiliated with the Adviser – to value most of its securities, and uses broker quotes provided by market makers of securities not valued by these and other recognized pricing sources. Several different pricing feeds are received to value domestic equity securities, international equity securities, preferred equity securities, and fixed income securities. The data within these feeds are ultimately sourced from major stock exchanges and trading systems where

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

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these securities trade. The prices supplied by external sources are checked by obtaining quotations or actual transaction prices from market participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

**Fair Valuation.** Fair valued securities may be common or preferred equities, warrants, options, rights, or fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. Among the factors to be considered to fair value a security are 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 include back testing the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

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

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

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

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

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**Restricted Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than 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. For the restricted securities the Fund held at December 31, 2017, refer to the Schedule of Investments.

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

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

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

**Distributions to Shareholders.** Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions made in excess of current earnings and profits on a tax basis are treated as a non-taxable return of capital. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to foreign currency gains and losses and prior period adjustments. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2017, reclassifications were made to decrease distributions in excess of net investment income by \$379,617 and decrease distributions in excess of net realized gains on investments and foreign currency transactions by \$66,469, with an offsetting adjustment to paid-in capital.

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

The tax character of distributions paid during the years ended December 31, 2017 and 2016 was as follows:

	<u>Year Ended</u> <u>December 31, 2017</u>	<u>Year Ended</u> <u>December 31, 2016</u>
<b>Distributions paid from:</b>		
Ordinary income (inclusive of short term capital gains) .....	\$ 30,251,265	\$ 33,987,237
Long term capital gains .....	19,275,900	27,872,180
Return of capital .....	<u>172,370,337</u>	<u>158,109,987</u>
Total distributions paid .....	<u>\$221,897,502</u>	<u>\$219,969,404</u>

Since January 2000, the Fund has had a fixed distribution policy. Under the policy, the Fund declares and pays monthly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current earnings and profits, they are considered ordinary income or long term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pass through to shareholders all of its net realized long term capital gains as a Capital Gain Dividend, and may cause such gains to be treated as ordinary income. Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund. The Board continues to evaluate the distribution policy in light of ongoing economic and market conditions and may change the amount of the monthly distributions in the future.

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

As of December 31, 2017, the components of accumulated earnings/losses on a tax basis were as follows:

Net unrealized appreciation on investments and foreign currency translations .....	\$802,856,197
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At December 31, 2017, the temporary differences between book basis and tax basis net unrealized appreciation on investments were primarily due to deferral of losses from wash sales for tax purposes, tax basis adjustments on investments in partnerships, and mark-to-market adjustments on investments in passive foreign investment companies.

The Fund is permitted to carry capital losses forward for an unlimited period. Capital losses that are carried forward will retain their character as either short term or long term capital losses.

The following summarizes the tax cost of investments and the related net unrealized appreciation at December 31, 2017:

	<u>Cost</u>	<u>Gross</u> <u>Unrealized</u> <u>Appreciation</u>	<u>Gross</u> <u>Unrealized</u> <u>Depreciation</u>	<u>Net Unrealized</u> <u>Appreciation</u>
Investments .....	\$1,434,345,128	\$883,622,626	\$(80,774,329)	\$802,848,297

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

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tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2017, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2017, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund's net assets or results of operations. The Fund's federal and state tax returns for the prior three fiscal years remain open, subject to examination. On an ongoing basis, the Adviser will monitor the Fund's tax positions to determine if adjustments to this conclusion are necessary.

**3. Investment Advisory Agreement and Other Transactions.** The Fund has entered into an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Fund will pay the Adviser a fee, computed daily and paid monthly, at the annual rate of 1.00% of the value of its average daily net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio, oversees the administration of all aspects of the Fund's business and affairs, and pays the compensation of all Officers and Trustees of the Fund who are affiliated persons of the Adviser.

The Fund pays each Trustee who is not considered an affiliated person an annual retainer of \$18,000 plus \$2,000 for each Board meeting attended and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended and the Chairman of the Audit Committee and the Lead Trustee each receives an annual fee of \$2,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**4. Distribution Plan.** The Fund's Board has adopted a distribution plan (the "Plan") for each class of shares, except for Class I Shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Class AAA, Class A, Class C, and Class T Share Plans, payments are authorized to G.distributors, LLC (the "Distributor"), an affiliate of the Adviser, at annual rates of 0.25%, 0.25%, 1.00%, and 0.25%, respectively, of the average daily net assets of those classes, the annual limitations under each Plan. Such payments are accrued daily and paid monthly.

**5. Portfolio Securities.** Purchases and sales of securities during the year ended December 31, 2017, other than short term securities and U.S. Government obligations, aggregated \$43,366,598 and \$113,042,742, respectively.

**6. Transactions with Affiliates and Other Arrangements.** During the year ended December 31, 2017, the Fund paid \$85,154 in brokerage commissions on security trades to G.research, LLC, an affiliate of the Adviser. Additionally the Distributor retained a total of \$1,336,561 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

During the year ended December 31, 2017, the Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. The amount of such expenses paid through this directed brokerage arrangement during this period was \$15,703.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement. During the year ended December 31, 2017, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

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**7. Line of Credit.** The Fund participates in an unsecured line of credit, which expires March 8, 2018 and may be renewed annually, of up to \$75,000,000 under which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bear interest at a floating rate equal to the higher of the overnight Federal Funds rate plus 125 basis points or the 30-day LIBOR plus 125 basis points in effect on that day. This amount, if any, would be included in "Interest expense" in the Statement of Operations. During the year ended December 31, 2017, there were no borrowings outstanding under the line of credit.

**8. Shares of Beneficial Interest.** The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class C Shares, Class I Shares and Class T Shares. Class AAA Shares and Class I Shares are offered without a sales charge. Class A Shares and Class T Shares are subject to a maximum front-end sales charge of 5.75% and 2.50%, respectively. Class C Shares are subject to a 1.00% contingent deferred sales charge for one year after purchase.

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund as an increase in paid-in capital. The redemption fees retained by the Fund during the years ended December 31, 2017 and 2016, if any, can be found in the Statement of Changes in Net Assets under Redemption Fees.



# The Gabelli Utilities Fund

## Notes to Financial Statements (Continued)

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Shares	Amount	Shares	Amount
<b>Class AAA</b>				
Shares sold .....	4,891,720	\$ 46,210,450	4,639,468	\$ 43,018,104
Shares issued upon reinvestment of distributions .....	3,072,628	28,996,855	3,454,038	31,946,668
Shares redeemed .....	(9,291,649)	(87,790,185)	(11,440,214)	(105,310,364)
Net decrease .....	<u>(1,327,301)</u>	<u>\$ (12,582,880)</u>	<u>(3,346,708)</u>	<u>\$ (30,345,592)</u>
<b>Class A</b>				
Shares sold .....	20,115,610	\$ 193,210,651	16,726,963	\$ 158,562,726
Shares issued upon reinvestment of distributions .....	6,308,397	60,419,407	6,431,994	60,335,587
Shares redeemed .....	(23,064,626)	(221,402,278)	(18,041,906)	(169,170,172)
Net increase .....	<u>3,359,381</u>	<u>\$ 32,227,780</u>	<u>5,117,051</u>	<u>\$ 49,728,141</u>
<b>Class C</b>				
Shares sold .....	17,834,104	\$ 122,991,759	14,746,021	\$ 103,855,094
Shares issued upon reinvestment of distributions .....	11,946,577	81,896,943	11,607,259	81,152,204
Shares redeemed .....	(24,679,977)	(169,867,589)	(23,171,261)	(161,600,408)
Net increase .....	<u>5,100,704</u>	<u>\$ 35,021,113</u>	<u>3,182,019</u>	<u>\$ 23,406,890</u>
<b>Class I</b>				
Shares sold .....	15,609,938	\$ 153,940,468	5,401,511	\$ 52,129,624
Shares issued upon reinvestment of distributions .....	1,495,658	14,720,067	1,186,059	11,379,762
Shares redeemed .....	(5,511,547)	(54,323,366)	(5,672,219)	(54,176,162)
Net increase .....	<u>11,594,049</u>	<u>\$ 114,337,169</u>	<u>915,351</u>	<u>\$ 9,333,224</u>
<b>Class T(a)</b>				
Shares sold .....	107	\$ 1,000	—	—
Shares issued upon reinvestment of distributions .....	5	46	—	—
Net increase .....	<u>112</u>	<u>\$ 1,046</u>	<u>—</u>	<u>—</u>

(a) Class T Shares were initially offered on July 5, 2017.

**9. Transactions in Securities of Affiliated Issuers.** The 1940 Act defines affiliated issuers as those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. A summary of the Fund's transactions in the securities of these issuers during the year ended December 31, 2017 is set forth below:

	Beginning Shares	Stock Dividend	Ending Shares	Dividend Income	Realized Gain	Value at December 31, 2017	Change in Unrealized Appreciation	Percent Owned of Shares Outstanding
Corning Natural Gas Holding Corp.	324,000	64,800	388,800	\$209,304	—	\$7,581,600	\$1,425,600	12.99%
Corning Natural Gas Holding Corp., 4.800%, Ser. B	54,000	—	54,000	53,946	—	1,080,000	54,428	22.11%
Total				<u>\$263,250</u>	<u>—</u>	<u>\$8,661,600</u>	<u>\$1,480,028</u>	

## The Gabelli Utilities Fund

### Notes to Financial Statements (Continued)

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

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

# The Gabelli Utilities Fund

## Report of Independent Registered Public Accounting Firm

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To the Shareholders and Board of Trustees of  
The Gabelli Utilities Fund

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of The Gabelli Utilities Fund (the "Fund"), including the schedule of investments, as of December 31, 2017, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2017, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Ernst + Young LLP*

We have served as the auditor of one or more Gabelli/GAMCO Funds investment companies since 1992.

Philadelphia, Pennsylvania  
February 28, 2018

## The Gabelli Utilities Fund

### Additional Fund Information (Unaudited)

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

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Number of Funds in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past Five Years</u>	<u>Other Directorships Held by Trustee<sup>3</sup></u>
<b>INTERESTED TRUSTEES<sup>4</sup>:</b>				
<b>Mario J. Gabelli, CFA</b> Trustee Age: 75	Since 1999	32	Chairman, Chief Executive Officer, and Chief Investment Officer— Value Portfolios of GAMCO Investors, Inc. and Chief Investment Officer— Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/ Trustee or Chief Investment Officer of other registered investment companies within the Gabelli/GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc.; Executive Chairman of Associated Capital Group, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICIT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group Inc. (communications)
<b>INDEPENDENT TRUSTEES<sup>5</sup>:</b>				
<b>Anthony J. Colavita</b> Trustee Age: 82	Since 1999	28	President of the law firm of Anthony J. Colavita, P.C.	—
<b>Vincent D. Enright</b> Trustee Age: 74	Since 1999	17	Former Senior Vice President and Chief Financial Officer of KeySpan Corp. (public utility) (1994-1998)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics) (2008-2014); Director of the LGL Group, Inc. (diversified manufacturing) (2011-2014)
<b>Mary E. Hauck</b> Trustee Age: 75	Since 2000	11	Retired Senior Manager of the Gabelli-O'Connor Fixed Income Mutual Funds Management Company	—
<b>Kuni Nakamura</b> Trustee Age: 49	Since 2009	33	President of Advanced Polymer, Inc. (chemical manufacturing company); President of KEN Enterprises, Inc. (real estate)	—
<b>Werner J. Roeder</b> Trustee Age: 77	Since 1999	23	Retired physician; Former Vice President of Medical Affairs (Medical Director) of New York Presbyterian/Lawrence Hospital (1999-2014)	—

## The Gabelli Utilities Fund Additional Fund Information (Continued) (Unaudited)

<u>Name, Position(s) Address<sup>1</sup> and Age</u>	<u>Term of Office and Length of Time Served<sup>2</sup></u>	<u>Principal Occupation(s) During Past Five Years</u>
<b>OFFICERS:</b>		
<b>Bruce N. Alpert</b> President Age: 66	Since 2003	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; Officer of registered investment companies within the Gabelli/GAMCO Fund Complex; Senior Vice President of GAMCO Investors, Inc. since 2008
<b>John C. Ball</b> Treasurer Age: 41	Since 2017	Treasurer of all the registered investment companies within the Gabelli/GAMCO Fund Complex since 2017; Vice President and Assistant Treasurer of AMG Funds, 2014-2017; Vice President of State Street Corporation, 2007-2014
<b>Agnes Mullady</b> Vice President Age: 59	Since 2006	Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex since 2006; President and Chief Operating Officer of the Fund Division of Gabelli Funds, LLC since 2015; Chief Executive Officer of G.distributors, LLC since 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Executive Vice President of Associated Capital Group, Inc. since 2016
<b>Andrea R. Mango</b> Secretary Age: 45	Since 2013	Vice President of GAMCO Investors, Inc. since 2016; Counsel of Gabelli Funds, LLC since 2013; Secretary of all registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Vice President of all closed-end funds within the Gabelli/GAMCO Fund Complex since 2014; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company, 2011-2013
<b>Richard J. Walz</b> Chief Compliance Officer Age: 58	Since 2013	Chief Compliance Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Chief Compliance Officer of AEGON USA Investment Management, 2011-2013

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

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

<sup>3</sup> This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended, i.e., public companies, or other investment companies registered under the 1940 Act.

<sup>4</sup> "Interested person" of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an "interested person" because of his affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser.

<sup>5</sup> Trustees who are not interested persons are considered "Independent" Trustees.

## **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. that is a publicly held company with subsidiaries and affiliates that provide investment advisory services for a variety of clients.

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

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

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

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

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

**THE GABELLI UTILITIES 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.

**2017 TAX NOTICE TO SHAREHOLDERS (Unaudited)**

For the year ended December 31, 2017, the Fund paid to shareholders ordinary income distributions (comprised of net investment income and short term capital gains) totaling \$0.120, \$0.119, \$0.104, \$0.141, and \$0.222 per share for Class AAA, Class A, Class C, Class I, and Class T Shares, respectively, and long term capital gains totaling \$19,275,900 or the maximum allowable. The distributions of long term capital gains have been designated as a capital gain dividend by the Fund's Board of Trustees. For the year ended December 31, 2017, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 1.21% of the ordinary income distribution as qualified interest income pursuant to the Tax Relief, Unemployment Recharacterization, and Job Creation Act of 2010. The Fund designates 100% of the ordinary income distribution as qualified short term gain pursuant to the American Jobs Creation Act of 2004.

**U.S. Government Income**

The percentage of the ordinary income distribution paid by the Fund during 2017 which was derived from U.S. Treasury securities was 1.04%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Fund did not meet this strict requirement in 2017. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

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).



## THE GABELLI UTILITIES FUND

One Corporate Center  
Rye, New York 10580-1422

t 800-GABELLI (800-422-3554)

f 914-921-5118

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

[GABELLI.COM](http://GABELLI.COM)

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

### BOARD OF TRUSTEES

Mario J. Gabelli, CFA  
Chairman and Chief  
Executive Officer,  
GAMCO Investors, Inc.  
Executive Chairman,  
Associated Capital Group, Inc.

Anthony J. Colavita  
President,  
Anthony J. Colavita, P.C.

Vincent D. Enright  
Former Senior Vice President and  
Chief Financial Officer,  
KeySpan Corp.

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

Kuni Nakamura  
President,  
Advanced Polymer, Inc.

Werner J. Roeder  
Former Medical Director,  
Lawrence Hospital

### OFFICERS

Bruce N. Alpert  
President

John C. Ball  
Treasurer

Agnes Mullady  
Vice President

Andrea R. Mango  
Secretary

Richard J. Walz  
Chief Compliance Officer

### DISTRIBUTOR

G.distributors, LLC

### CUSTODIAN

State Street Bank and Trust  
Company

### TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

DST Asset Manager  
Solutions Inc.

### LEGAL COUNSEL

Skadden, Arps, Slate, Meagher &  
Flom LLP

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

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GABELLI  
FUNDS

# THE GABELLI UTILITIES FUND

*Annual Report*  
*December 31, 2017*

