

The Gabelli Blue Chip Value Fund

Shareholder Commentary December 31, 2008



Barbara G. Marcin, CFA

To Our Shareholders,

Investors everywhere were happy to close out the disastrous year of 2008 and especially happy to put the fourth quarter behind. In the fourth quarter, worldwide stock markets reacted violently to the events of the third quarter, which had included the government takeover of Fannie Mae and Freddie Mac, the sale of Merrill Lynch to Bank of America, the bankruptcy of Lehman Brothers (the largest bankruptcy in history), the takeover of AIG by the government, and the forced sale of Wachovia Bank. Investors continued to flee to Treasuries as the only safe place to park money in the fourth quarter and the yields on the benchmark 10 year note and the 30 year bond fell to record lows of 2.07% and 2.53%, respectively, in December (from 3.91% and 4.35% at the beginning of the year). The three month T-Bill yield that fell below zero in the third quarter hovered around zero in the fourth, indicating fear so strong that people were willing to give the government their money for a few months for free just to get their principal back.

The Standard & Poor's ("S&P") 500 index plunged 23% in price in the fourth quarter, its worst return since the fourth quarter of 1987 and the seventh worst quarter on record. For the year, the Dow Jones Industrial Average fell 33.8% in price, its worst year since 1931 and its third worst year ever. The S&P 500 index fell 38.6% in price, its worst performance since 1937 and also its third worst year ever.

A steady beat of dismal reports of economic activity showed the economy was solidly in recession in the fourth quarter, and finally the National Bureau of Economic Research announced that the recession had actually started in December of 2007, based upon its determination of the statistics. Consumer spending and confidence plunged, and so did corporate sentiment and spending. As a result, unemployment continued to climb, reaching 7.2% amid a growing consensus that the peak would be higher than 9% in 2009. New home sales slid to almost twenty year lows, the weakest level since the recession of the early 1990's. Sales of automobiles fell to an annual rate of ten million cars in December versus a long-term average of thirteen million, a rate not experienced in the twenty-six years since October 1982. This compares with vehicle sales of 13.5 million in 2008 and 16.3 million sold in 2007.

THE GABELLI BLUE CHIP VALUE FUND INVESTMENT RESULTS (CLASS AAA SHARES) (a)

	Quarter					Year
	1st	2nd	3rd	4th		
2008: Net Asset Value	\$13.18	\$13.27	\$12.09	\$9.40	\$9.40	
Total Return	(7.2)%	0.7%	(8.9)%	(22.1)%	(33.7)%	
2007: Net Asset Value	\$14.95	\$15.88	\$15.83	\$14.21	\$14.21	
Total Return	1.2%	6.2%	(0.3)%	(6.6)%	0.1%	
2006: Net Asset Value	\$13.28	\$13.27	\$13.82	\$14.77	\$14.77	
Total Return	5.4%	(0.1)%	4.1%	7.1%	17.5%	
2005: Net Asset Value	\$11.81	\$11.97	\$12.46	\$12.60	\$12.60	
Total Return	0.0%	1.4%	4.1%	1.1%	6.7%	
2004: Net Asset Value	\$10.69	\$11.01	\$10.83	\$11.81	\$11.81	
Total Return	1.4%	3.0%	(1.6)%	9.4%	12.4%	
2003: Net Asset Value	\$7.21	\$8.96	\$9.20	\$10.54	\$10.54	
Total Return	(1.5)%	24.3%	2.7%	14.6%	44.0%	
2002: Net Asset Value	\$10.09	\$7.55	\$6.12	\$7.32	\$7.32	
Total Return	(5.8)%	(25.2)%	(18.9)%	19.6%	(31.7)%	
2001: Net Asset Value	\$12.33	\$12.31	\$9.84	\$10.71	\$10.71	
Total Return	1.3%	(0.2)%	(20.1)%	9.1%	(11.8)%	
2000: Net Asset Value	\$12.40	\$12.16	\$13.23	\$12.17	\$12.17	
Total Return	6.4%	(1.9)%	8.8%	(2.2)%	11.1%	
1999: Net Asset Value	—	—	\$9.54	\$11.65	\$11.65	
Total Return	—	—	(4.6)% ^(b)	23.5%	17.8% ^(b)	

Average Annual Returns through December 31, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	Since Inception (8/26/99)
Gabelli Blue Chip Value Fund Class AAA	(22.08)%	(33.71)%	(7.96)%	(1.34)%	0.64%
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(2.64)
Lipper Large Cap Value Average	(21.72)	(37.36)	(8.83)	(1.91)	(0.31)

The current expense ratio is 1.78% for the Fund's Class AAA Shares. Class AAA Shares do not have a sales charge.

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and 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. Performance results for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** See page 10 for performance of other share classes. The S&P 500 Index is an unmanaged indicator of stock market performance, while the Lipper Large Cap Value 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) From commencement of investment operations on August 26, 1999.

Performance

The Gabelli Blue Chip Value Fund declined 22.08% in the fourth quarter, as compared with declines of 21.95% and 21.72% and for the S&P 500 and the Lipper Large Cap Value Average, respectively. For the year, the Fund lost 33.71%, compared to losses of 36.99% and 37.36% for the Lipper Large Cap Value Average and the S&P 500.

The Year in Review

The year started out with what seemed like huge write-offs and losses at all of the large U.S. banks and brokerage firms in the first quarter. The first few months of the year saw daily announcements of these losses along with weakening economic numbers, which turned out to be an unrelenting pattern for the year. The chief executive officers and chief financial officers of the banks and investment banks were as unknowledgeable about their holdings as any outsiders. All financial institutions made statements throughout the year about their income and capital levels that they had to retract or contradict more than once as the year wore on.

The history making events started in January, when the Federal Reserve took the extraordinary preemptive step of reacting to steep losses in overseas markets on a day when our markets were closed, to stem losses and panic in the U.S. On January 21st as we celebrated Martin Luther King, Jr. Day, the European markets lost 3-4% and the Federal Reserve met to announce a rate cut before our markets re-opened the next morning. Within a day or two, a French bank, Societe Generale announced that it had been dumping stocks on that day, rushing to unwind a trader's huge bullish position of approximately \$75 billion worth of European stocks, a position that had been unauthorized and undetected. The bank estimated that it alone was responsible for 10% of the trading that day, causing people to panic, as it appeared that investors were broadly dumping stocks.

There was much debate then about whether or not our Federal Reserve should have reacted this way. The Federal Reserve's 75 basis point interest rate cut that day turned out to be the first drop in the bucket of fiscal and monetary stimulus. Following that, our own credit crisis worsened dramatically in the next few weeks.

The sudden demise of Bear Stearns in March, with its sale at \$2 a share (later revised to \$10) on the verge of its bankruptcy, was shocking as the culmination of solvency fears in the liquidity and credit markets. Bear Stearns was a 75 year old broker dealer that experienced a "run" or withdrawal of funds by its customers and business partners and found itself unable to meet the demand for funds so suddenly it made everyone's head spin. The Federal Reserve feared the effect of this collapse, with a potential cascading run on any bank or firm that did business with it. The Treasury Secretary, Henry Paulson, and the Federal Reserve offered JPMorgan Chase a financing package to take over and guarantee Bear Stearns' obligations, an offer that was too good to pass up. This was the first of many financing and rescue packages throughout the year, which have ballooned the Fed's balance sheet.

Piling on to the Fed's effort to stabilize the markets, Congress and the administration cobbled together programs to stimulate the economy in the second quarter. In April, key senators from both parties agreed on a \$15 billion plan to spur the housing market. This surprisingly fast bipartisan effort, especially in an election year, showed that momentum had begun to shift toward an aggressive response to the struggling economy. The plan included billions of dollars in tax breaks for homebuilders, tax credits for homebuyers who buy a house facing foreclosure, and money for communities to refinance homes facing foreclosures. In addition, the administration passed an accelerated depreciation bill to spur capital spending by businesses.

Rising oil prices and the fear of inflation from high raw material and commodity prices feeding through to finished goods dominated the second quarter news. There was little hint in June of the panics and credit crises that would hit in the third quarter.

At midyear, corporate earnings and outlooks were cleanly split into two camps, with those companies that sell directly to U.S. consumers grappling with the impact of falling home prices and rising energy expenditures. Banks, homebuilders, retailers, and all who depend on discretionary spending including airline, travel, hotel, and gaming companies already were showing signs of a very difficult year. Companies that sold a large part of

their goods overseas had exposure to the faster growing developing economies that were several months behind in their slowdown, and benefited from the weaker dollar.

It took the better part of a year for the downturn in housing, which started in the spring of 2007, to pull back consumer spending. With the consumer accounting for two-thirds of spending in the United States, the slowdown spread to all sectors in the U.S. as well as to economies outside of the United States.

The financial crises accelerated in September when Fannie Mae and Freddie Mac, two “government sponsored” but public companies, were taken over by the U.S. Treasury on September 7th, all but wiping out stock investment in both companies. The government’s assumption of responsibility for their debt was expected to calm the markets, but it had the opposite effect, contributing to growing fears that the entire banking, lending, and capital markets system was filled with unmarketable securities and that the actual creditworthiness of any financial institution was unknown. All market participants grew increasingly risk averse, and the attention turned to who would be the next to go bankrupt, not *if*.

On Sunday, September 14th, under pressure from the Treasury and the Federal Reserve to find a solution, Merrill Lynch announced it was being acquired by the Bank of America. Early the next morning, Lehman Brothers, having tried desperately to find a buyer over the weekend, declared bankruptcy. The Treasury and Federal Reserve had decided that they would allow Lehman to go under to show investors that equity investments are risky and are not protected by the government. However, this shocked equity investors, resulting in a decline of 500 points in the Dow Jones Industrial Average and swiftly accelerated the fear and panic in the credit markets, which fell into a deep freeze during the next two weeks.

Within twenty-four hours the Lehman bankruptcy began to have unforeseen and potentially disastrous consequences for the economy and credit markets. On September 15th, the share price of the oldest money market fund, the Reserve Fund Primary portfolio, established in 1971, fell below the \$1.00 mark, scaring investors and savers. This \$65 billion fund held \$785 million in short-term commercial paper issued by Lehman Brothers and wrote these down as worthless. Nervous investors redeemed a reported \$40 billion, or more than half of the fund’s asset base. This escalated the loss, turning a 1% loss into 3% because the managers had to sell other securities into a weak market to fund the withdrawals.

The third quarter thus included the largest bankruptcy ever, Lehman Brothers, which eclipsed the previous record of WorldCom in 2002, and the largest bank failure ever, Washington Mutual, which dwarfed the previous record set over twenty-four years ago in 1984 when Continental Illinois was shut down. (Washington Mutual had \$307 billion in assets compared with Continental’s \$40 billion in 1984, or \$68 billion in 2008 dollars.) The quarter also included the third largest bank failure in history, that of IndyMac, a California thrift, which fell on July 12th.

It was immediately clear that the possibility of a run on money market funds would lead to a breakdown in lending among investors and banks and companies and would be disastrous to our economy. Money market funds have been considered a completely safe type of fund for savers and investors for over thirty years and are viewed by most in the same way as bank checking accounts. Just as important to our system is the fact that money market funds are the primary purchaser of commercial paper, which are short term notes issued by corporations to fund their short term needs to conduct business, such as finance accounts receivable and inventories and meet payroll. Commercial paper is not collateralized and therefore is generally issued by companies with high quality debt.

The government announced on September 19th that it would guarantee any money market fund offered to the public that would pay a small fee to participate in the program. This was enough to stop the run on money

market funds, although it had the unintended consequence of causing investors to pull their money out of hundreds of small banks and move it into money market funds. Partly in order to combat this, the FDIC raised the size of the bank account it insures from \$100,000 to \$250,000, but it also shows how the reactive steps our government and regulatory agencies are taking have unintended and unforeseen consequences.

In addition to inflicting losses on stockholders and scaring money market investors, the financial turmoil raised borrowing costs dramatically for businesses as investors fled to the safety of Treasuries and abandoned anyone else. Desperation drove investors into the most creditworthy bonds, U.S. Treasuries, to such an extent that during this tumultuous week, three month Treasury Bills were yielding a negative interest rate. Investors were so desperate to park funds safely that they were willing to lend and get less money back at the end of three months! This had never happened before in U.S. Treasuries.

Two days after the Lehman bankruptcy, the Treasury announced that it was taking over AIG with an \$85 billion loan, deciding that it could not risk this bankruptcy because of its exposure to “credit default swaps.” These swaps are insurance contracts between financial institutions requiring the insuring party to pay off the debt if another party defaults. The amount of this insurance bought and sold by all the major financial institutions who were most exposed to it was unknown, and it was feared that the settlement of these contracts, after so many large bankruptcies, would lead to more.

On September 18th the SEC abruptly banned short sales on 800 financial stocks for a period and then extended the ban until the bailout plan was signed, ending October 9, 2008. In another extraordinary development for Wall Street, the Federal Reserve announced on September 21st that the last two investment banks, Goldman Sachs and Morgan Stanley, would become bank holding companies, subjecting them to stricter federal oversight.

During this period, companies with high grade debt, such as Caterpillar and AT&T, began to report that they were having trouble selling routine debt such as commercial paper used in the normal course of funding their businesses.

Over the next two weeks, the government took unprecedented steps to backstop financial institutions and to reassure investors and savers who became convinced that money was not safe anywhere and fled to U.S. Treasuries. Treasury Secretary Hank Paulson and Federal Reserve chairman Ben Bernanke rushed to propose the Troubled Asset Relief Program (“TARP”), a program designed to buy bad assets for which there is currently no market with a \$700 billion fund and sell them when the market improves. In two days of testimony, they implored Congress to pass this to alleviate the freeze in the credit markets.

The House voted the program down on Monday, September 29th, after the weekend papers had reported the passage as a foregone conclusion. The failure to pass this package immediately, along with obvious petty and self-interested party behavior shocked the nation and caused a monumental sell off. The broad U.S. stock market, as measured by the S&P 500 index, suffered an 8.8% free fall — its biggest percentage decline since the 1987 stock market crash. The 30 stocks in the Dow Jones Industrial Average suffered their worst one day point drop ever, plunging 777 points, or 7%, to 10,365. The Senate passed the TARP on October 1st and the House responded by passing the program on October 3rd.

Also on September 29th the Federal Deposit Insurance Corporation announced that it had seized Wachovia Bank and sold its banking operations to Citigroup (a deal that was later trumped by Wells Fargo).

Over the next four weeks, the Dow Jones Industrial Average fell an additional 25% for a year to date decline of 40%. There is no question that our financial system and our economy were at risk. The flow of funds, the confidence required to purchase financial assets by investors to fund established businesses and startups

and to pay for jobs, was greatly at risk of collapse. The liquidity of the system was blocked, with no one willing to buy or sell anything. Many signs of financial stress reached extremes not seen even in the Great Depression or World War II.

U.S. corporate profits fell for the sixth quarter in a row during the last few months of 2008, which is the longest declining streak in at least twenty years. The statistics that matter the most to individuals, the jobs figures, were the worst in decades. The U.S. finished the year with a loss of about 2.5 million jobs, the worst since 1945.

By the end of the year, it was clear that the credit crisis that had come first in the United States was now global with differences in the underlying economies' regulatory and capital market structures but with the common theme that creditors froze and stopped providing funding, even to banks.

In fact, the U.S. stock market was not the worst performer, compared with similar or worse declines all over the world. For the year, Germany's Dax Index declined 40%, Japan's Nikkei Average declined 42%, France's CAC Index lost 43%, the composite Morgan Stanley Capital International Europe, Australia and the Far East Index fell 45%, the Hong Kong Hang Seng Index lost 48%, China's Shanghai Composite lost 65%, and Russia's RTS Index lost 72%.

Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the percentage of net assets and their share prices are presented as of December 31, 2008.

The largest ten positions in the fund as of December 31st comprised 29% of the fund and were Wyeth (3.5% of net assets as of December 31, 2008), Exxon Mobil (3.4%), Verizon (3.2%), AT&T (3.0%), ConocoPhillips (2.7%), Halliburton (2.7%), DuPont (2.7%), Genentech (2.6%), Johnson & Johnson (2.5%), and State Street (2.5%). Below we discuss the prospects for some of these top ten positions.

Stocks of healthcare companies made up 11% of the fund at year end and had been more before we sold off most of our position in what was one of our top ten positions in the third quarter, Barr Pharmaceuticals, when it jumped in value on a takeover offer from Teva (0.4%). The healthcare sector was the strongest performing sector in the S&P 500, with a decline of just 8.8%, and several of our holdings did better than that. *Wyeth (WYE - \$37.51 - NYSE)* is our largest position as of year end. We have owned Wyeth for a long time, expecting the combination of near term solid single digit in-line earnings growth, incremental pipeline progress, continuing abatement of diet drug litigation overhang, and the relative absence of new negatives and uncertainties to support relative outperformance. This was true in 2008, when the total return of a negative 12.5% was good enough to make it one of our top performers. However, we believe that good absolute, not just relative performance, could accrue to Wyeth in the coming year. The company has strong cash flow and high profit margins, which it earns on a group of high volume drugs such as the antidepressant, Effexor (\$3.8 billion); the leading vaccine, Prevnar (\$2.4 billion); and the world's No. 1 biotech drug, Enbrel (\$5.3 billion), prescribed for rheumatoid arthritis and psoriasis. The company also has \$3 billion in sales of consumer-health brands like Centrum, Advil, Preparation H, Robitussin, and ChapStick. These brands and the strong cash flow will allow the company to fund the growth of its pipeline and to make acquisitions to resume growth in its earnings over the next few years. The company has a drug for Alzheimer's disease which is in a large Phase III trials that has been promising enough for the FDA to fast track the study. *Johnson & Johnson* and *Genentech* are another two healthcare stocks that are in our top ten positions at year end, and were relatively strong performers in a miserable year.

At year end we had 21% of the Fund in stocks of energy companies, such as Exxon Mobil, ConocoPhillips, and Halliburton. The price of oil and gas, which drives the revenues and earnings of Exxon and Conoco, and the demand for the oil field services of Halliburton, had a wild ride in 2008. Oil started the year at \$60, more than doubled to peak at \$147 mid year, and then came crashing down to end the year at \$45. Energy stocks had been widely perceived to have a secure future as China, India, and other emerging markets built out their industries and grew the demand for oil for transportation and heating and powering factories. They fell a lot, so that this sector became the cheapest when valued on a price earnings ratio by year end, with large integrated oil and gas producers such as Exxon and ConocoPhillips and *Chevron (1.9%)* (which we also own) selling for an average of 10 times 2009 estimated earnings; equipment and servicing companies such as Halliburton, *National-Oilwell Varco (1.3%)*, and *Weatherford (0.8%)* (all three of which we own) selling for an average multiple of 6.7 times 2009 earnings, and drillers such as Diamond Offshore (1.5%) (which we own) selling at an average multiple of earnings of 4.2. As we enter the second year of the deep and potentially long recession, we believe that the big slowdown and drop in demand for oil and gas and commodities in general is priced into these stocks. We are hopeful that a recovery will emerge in 2010 and expect these stocks to do well before 2010 in anticipation of the demand increase.

Verizon (VZ - \$33.90 - NYSE) and *AT&T (T - \$28.50 - NYSE)* are both well positioned for the future with strong balance sheets and leading wireline and wireless businesses. AT&T in particular has benefited from growth in the Apple iPhone sales and was one of few stocks in our portfolio to end the year positively, with a gain of 3%. Verizon Wireless expects its acquisition of Alltel, the fifth largest mobile operator in the U.S. with 13.8 million customers, to close in early to mid January 2009. Pro forma for the transaction, Verizon Wireless will become the largest mobile carrier in the United States. While Verizon's wireline business has lost 3.6 million switched access lines (9%) over the last twelve months, it has been successful in attracting customers with its FiOS (fiber optic) broadband and TV offerings. Both AT&T and Verizon have strong dividend yields of 6%, which we enjoy in a market where returns from appreciation could be some time off.

Looking Ahead

As the new year begins and we witness the historic inauguration of incoming President Barack Obama, the first African-American president in the United States, the economic and credit market news is terrible. We are fully in a bear market. The enthusiasm for this new president is both for what he represents, the American values of mobility, change, and hard work, and also for the pain of the current economy and the hope for a new plan. The headlines are full of new plans and speculation about what the government will do next to restore confidence to the banking system, large firms announcing new job and wage cuts every day, state and city tax revenues plummeting as the recession bears down, and the economies of Europe and Asia slowing down dramatically. At the same time, the Israeli-Palestinian conflict and Israeli military operation in Gaza continues to destroy infrastructure and homes across the territory, home to 1.5 million Palestinians, amid mounting international tension.

We are hopeful that the government, which has launched several initiatives to shore up the banks and financial institutions, will come up with a solution to separate the good assets from the bad, an approach we took in the 1980s with the Resolution Trust Corporation, although there are differences now. This would allow at least some institutions to continue their core operations while the complex mortgage and loan backed paper, for which there is no market and which taints all the credit organizations, is written down or eventually sold. This worked for the United States in the mid 1980s, and there is some comparison with today although some aspects are of course quite different.

As we write this, Citibank is announcing plans to split into two in order to achieve this end; it is quite possible that the government will back this and accelerate its plans to remove the bad assets by putting them into a separate agency where they can be bundled and improved with time to make them more attractive and saleable. Our new president has asked Congress to authorize the release of the second half of the TARP funds. It is most likely that he will try to gain goodwill by contrasting his specific plan to do this with the criticism now directed at the government for the spending of the first part of the TARP that it was plan-less and irresponsible, with no accountability from those that received funds.

It is likely that this is in the works, with the new administration studying mistakes we made in the 1930s, Japan made in the 1980s, and the successful rescue by Sweden of their collapsed banking industry in the mid 1990s. While all of these were limited to their own country and today we have a global crisis, the lessons of how to clean up the banks and what it takes to restore confidence and lending are similar.

At the same time, there is talk of this being a similar period to the terrible economy of the 1930s and to talk of the need for something similar to the New Deal. However, as we now know, these policies started from a distrust – a well earned distrust, just like now – of competition and free markets. As a result, the New Deal spent hugely on programs, imposed new taxes, and discouraged free trade, resulting in a crush of innovation, risk taking, growth plans and hiring plans by entrepreneurs, investors, and corporations that hugely deepened and lengthened the downturn brought on by the stock market excesses and crash. We have learned many lessons from that period and are hopeful we will use them now.

The consensus view of economists at the start of the new year is that the economy will continue to contract until the third quarter at least but at a slowing pace in the second quarter. This would then be the longest recession since the 1930s, outlasting the two record holders, the mid 1970's and the contraction starting in 1981, both of which were brought about by an awful combination of high oil prices, high inflation, high interest rates and each of which lasted sixteen months. The current recession, determined to have started in December 2007, would reach that milestone in April and will most likely go further.

We are not going to look right through the next year, which will be bad as the economy continues to deteriorate, hopefully at a slower rate by the second half. But we do want to remember that the stock market is an extremely anticipatory mechanism, with a better record for divining future answers than even Carnac the Magnificent, who never missed in this role on the Johnny Carson show and later on David Letterman. The market peaked in October of 2007 and, through this past year end, had declined 48.5% in price. The market will similarly start to discount a recovery in the financial and credit markets and in corporate earnings, six to twelve months before it is apparent. Assuming the economic downturn lasts into next year means that a stock market recovery could start this year, and if the current recovery is like past ones, there are big gains when this happens.

We are trying to make sure that we own the companies that will survive and then take part in an eventual recovery, hopefully to recoup returns for our investors and have a much better ten years ahead than we have had for the last ten. The market has been flat for ten years, but now is a good time to remind ourselves why we invest, which is to participate in the cash flow and earnings of corporations.

Sincerely,



Barbara G. Marcin, CFA
Portfolio Manager

January 20, 2009

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 within seven days of a purchase. See the prospectus for more details.

www.gabelli.com

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

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

The Fund's daily net asset value is available each evening after 6:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554) or through financial websites on the Internet. The Fund's Nasdaq symbol is GABBX for Class AAA Shares. Please call us during the business day for further information.

e-delivery

We are pleased to offer electronic delivery of Gabelli Funds documents. Direct shareholders of our open end mutual funds can now elect to receive their Annual, Semiannual, and Quarterly Fund 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.

Multi-Class Shares

Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions which initially invest directly with the Fund. The minimum initial investment amount for Class I Shares is \$500,000. 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.

Average Annual Returns – December 31, 2008 (a)

	<u>Class AAA Shares</u>	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Class C Shares</u>	<u>Class I Shares</u>
1 Year	(33.71)%	(33.66)% (37.47)(c)	(34.17)% (37.46)(d)	(34.20)% (34.85)(e)	(33.49)%
3 Year	(7.96)	(7.94) (9.74)(c)	(8.62) (9.54)(d)	(8.65) (8.65)	(7.73)
5 Year	(1.34)	(1.27) (2.44)(c)	(2.02) (2.42)(d)	(2.04) (2.04)	(1.09)
Life of Fund (b)	0.64	0.68 0.04(c)	0.27 0.27	0.26 0.26	0.78
Current Expense Ratio ...	1.78	1.78	2.53	2.53	1.53
Maximum Sales Charge ..	None	5.75	5.00	1.00	None

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and reinvestment of distributions and are net of expenses. Current returns may be higher or lower than that shown. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.**

(b) Performance is calculated from inception of Class AAA Shares on August 26, 1999.

(c) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.

(d) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the one year, three year, and five year periods of 5%, 3%, and 2%, respectively, of the Fund's net asset value ("NAV") at the time of purchase or sale, whichever is lower.

(e) Performance results include the deferred sales charge for the Class C Shares upon redemption at the end of the one year period of 1% of the Fund's NAV at the time of purchase or sale, whichever is lower.

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/funds.

GABELLI FAMILY OF FUNDS

VALUE

Gabelli Asset Fund

Seeks to invest primarily in a diversified portfolio of common stocks selling at significant discounts to their private market value. The Fund's primary objective is growth of capital. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

Gabelli Blue Chip Value Fund

Seeks long term growth of capital through investment primarily in the common stocks of established companies which are temporarily out of favor. The fund's objective is to identify a catalyst or sequence of events that will return the company to a higher value. (Multiclass)

Portfolio Manager: Barbara Marcin, CFA

GAMCO Westwood Equity Fund

Seeks to invest primarily in the common stock of well seasoned companies that have recently reported positive earnings surprises and are trading below Westwood's proprietary growth rate estimates. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Susan M. Byrne

FOCUSED VALUE

Gabelli Value Fund

Seeks to invest in securities of companies believed to be undervalued. The Fund's primary objective is long-term capital appreciation. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

SMALL CAP VALUE

Gabelli Small Cap Fund

Seeks to invest primarily in common stock of smaller companies (market capitalizations at the time of investment of \$2 billion or less) believed to have rapid revenue and earnings growth potential. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood SmallCap Equity Fund

Seeks to invest primarily in smaller capitalization equity securities – market caps of \$2.5 billion or less. The Fund's primary objective is long-term capital appreciation. (Multiclass)

Portfolio Manager: Nicholas F. Galluccio

Gabelli Woodland Small Cap Value Fund

Seeks to invest primarily in the common stocks of smaller companies (market capitalizations generally less than \$3.0 billion) believed to be undervalued with shareholder oriented management teams that are employing strategies to grow the company's value. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Elizabeth M. Lilly, CFA

GROWTH

GAMCO Growth Fund

Seeks to invest primarily in large cap stocks believed to have favorable, yet undervalued, prospects for earnings growth. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Howard F. Ward, CFA

GAMCO International Growth Fund

Seeks to invest in the equity securities of foreign issuers with long-term capital appreciation potential. The Fund offers investors global diversification. (Multiclass)

Portfolio Manager: Caesar Bryan

AGGRESSIVE GROWTH

GAMCO Global Growth Fund

Seeks capital appreciation through a disciplined investment program focusing on the globalization and interactivity of the world's marketplace. The Fund invests in companies at the forefront of accelerated growth. The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

MICRO-CAP

GAMCO Westwood Mighty MitesSM Fund

Seeks to invest in micro-cap companies that have market capitalizations of \$300 million or less. The Fund's primary objective is long-term capital appreciation. (Multiclass)

Team Managed

EQUITY INCOME

Gabelli Equity Income Fund

Seeks to invest primarily in equity securities with above average market yields. The Fund pays monthly dividends and seeks a high level of total return with an emphasis on income. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood Balanced Fund

Seeks to invest in a balanced and diversified portfolio of stocks and bonds. The Fund's primary objective is both capital appreciation and current income. (Multiclass)

Co-Portfolio Managers: Susan M. Byrne
Mark Freeman, CFA

GAMCO Westwood Income Fund

Seeks to provide a high level of current income as well as long-term capital appreciation by investing in income producing equity and fixed income securities. (Multiclass)

Portfolio Manager: Barbara Marcin, CFA

SPECIALTY EQUITY

GAMCO Global Convertible Securities Fund

Seeks to invest principally in bonds and preferred stocks which are convertible into common stock of foreign and domestic companies. The Fund's primary objective is total return through a combination of current income and capital appreciation. (Multiclass)

Team Managed

GAMCO Global Opportunity Fund

Seeks to invest in common stock of companies which have rapid growth in revenues and earnings and potential for above average capital appreciation or are undervalued. The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

Gabelli SRI Fund

Seeks to invest in common and preferred stocks of companies that meet the Fund's guidelines for social responsibility at the time of investment, looking to avoid companies in tobacco, alcohol, and gaming, defense/weapons contractors, and manufacturers of abortifacients. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Christopher C. Desmarais

SECTOR

GAMCO Global Telecommunications Fund

Seeks to invest in telecommunications companies throughout the world – targeting undervalued companies with strong earnings and cash flow dynamics. The Fund's primary objective is capital appreciation. (Multiclass)

Team Managed

GAMCO Gold Fund

Seeks to invest in a global portfolio of equity securities of gold mining and related companies. The Fund's objective is long-term capital appreciation. Investment in gold stocks is considered speculative and is affected by a variety of worldwide economic, financial, and political factors. (Multiclass)

Portfolio Manager: Caesar Bryan

Gabelli Utilities Fund

Seeks to provide a high level of total return through a combination of capital appreciation and current income. (Multiclass)

Team Managed

MERGER AND ARBITRAGE

Gabelli ABC Fund

Seeks to invest in securities with attractive opportunities for appreciation or investment income. The Fund's primary objective is total return in various market conditions without excessive risk of capital loss. (No-load)

Portfolio Manager: Mario J. Gabelli, CFA

Gabelli Enterprise Mergers and Acquisitions Fund

Seeks to invest in securities believed to be likely acquisition targets within 12–18 months or in arbitrage transactions of publicly announced mergers or other corporate reorganizations. The Fund's primary objective is capital appreciation. (Multiclass)

Portfolio Manager: Mario J. Gabelli, CFA

CONTRARIAN

GAMCO Mathers Fund

Seeks long-term capital appreciation in various market conditions without excessive risk of capital loss. (No-load)

Portfolio Manager: Henry Van der Eb, CFA

Comstock Capital Value Fund

Seeks capital appreciation and current income. The Fund may use either long or short positions to achieve its objective. (Multiclass)

Portfolio Manager: Martin Weiner, CFA

FIXED INCOME

GAMCO Westwood Intermediate Bond Fund

Seeks to invest in a diversified portfolio of bonds with various maturities. The Fund's primary objective is total return. (Multiclass)

Portfolio Manager: Mark Freeman, CFA

CASH MANAGEMENT-MONEY MARKET

Gabelli U.S. Treasury Money Market Fund

Seeks to invest exclusively in short-term U.S. Treasury securities. The Fund's primary objective is to provide high current income consistent with the preservation of principal and liquidity. (No-load)

Co-Portfolio Managers: Judith A. Raneri
Ronald S. Eaker

An investment in the above Money Market Fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

The Funds may invest in foreign securities which involve risks not ordinarily associated with investments in domestic issues, including currency fluctuation, economic, and political risks.

To receive a prospectus, call **800-GABELLI** (422-3554). Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.

The Gabelli Blue Chip Value Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

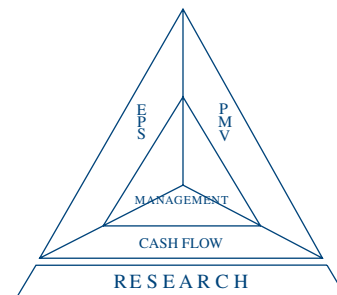
800-422-3554

fax: 914-921-5118

website: www.gabelli.com

e-mail: info@gabelli.com

Net Asset Value per share available daily by calling
800-GABELLI after 6:00 P.M.



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Portfolio Manager

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Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

The Gabelli Blue Chip Value Fund

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

GAB402Q408SC

SHAREHOLDER COMMENTARY
DECEMBER 31, 2008

The Gabelli Blue Chip Value Fund

Annual Report December 31, 2008

To Our Shareholders,

The Sarbanes-Oxley Act requires a fund's principal executive and financial officers to certify the entire contents of the semi-annual and annual shareholder reports in a filing with the Securities and Exchange Commission on Form N-CSR. This certification would cover the portfolio manager's commentary and subjective opinions if they are attached to or a part of the financial statements. Many of these comments and opinions would be difficult or impossible to certify.

Because we do not want our portfolio managers to eliminate their opinions and/or restrict their commentary to historical facts, we have separated their commentary from the financial statements and investment portfolio and have sent it to you separately. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com/funds.

Enclosed are the audited financial statements and the investment portfolio as of December 31, 2008 with a description of factors that affected the performance during the past year.

Performance Discussion (Unaudited)

For the full year 2008 The Gabelli Blue Chip Value Fund (Class AAA) declined 33.71%, which was not as bad as the S&P 500 Index decline of 36.99% and the Lipper Large Cap Value Fund Average fall of 37.36%.

The year started out with what seemed like huge write-offs and losses at all of the large U.S. banks and brokerage firms in the first quarter. The first few months of the year had daily announcements of these losses along with weakening economic numbers, which turned out to be an unrelenting pattern for the year. Rising oil prices and the fear of inflation from high raw material and commodity prices feeding through to goods, dominated the second quarter news. There was little hint in June of the panics and credit crises that would hit in the third quarter. Piling on to the Fed's effort to stabilize the markets, Congress and the Administration worked to put together programs to stimulate the economy in the second quarter.

U.S. corporate profits fell for the sixth quarter in a row during the last few months of 2008, which is the longest declining streak in at least 20 years. The statistics that matter the most to individuals, the jobs figures, were the worst in decades. The U.S. finished the year with a loss of about 2.5 million jobs, the worst since 1945.

By the end of the year it was clear that the credit crisis that had come first in the United States was global with differences in the underlying economies regulation and capital market structures but with the common theme that creditors froze and stopped providing funding even to banks. In fact, the U.S. stock market was not the worst performer, compared with declines all over the world that were similar and also worse. For the year Germany's Dax Index declined 40%, Japan's Nikkei Average declined 42%, France's CAC Index lost 43%, the composite Morgan Stanley Capital International Europe, Australia and the Far East Index fell 45%, the Hong Kong Hang Seng Index lost 48%, China's Shanghai Composite lost 65%, and Russia's RTS Index lost 72%.

This was such a miserable year, with the Dow's decline of 31.9%, its worst showing since 1931, and the S&P 500's decline of 37.0%, its poorest performance since 1937, that all ten industry sectors in the S&P 500 posted declines, which might be a first. The three best performing sectors were consumer staples, down 15%, healthcare, down 23%, and utilities, with a decline of 29%. Stocks of healthcare companies made up 11% of the fund at year end, and had been more as we sold off most of our position in what was one of our top ten positions in the third quarter, Barr Pharmaceuticals, when it jumped in value on a takeover offer from Teva (0.4% of net assets as of December 31, 2008). Stocks that did well for us, although the meaning of "well" is very relative this year, were in the healthcare and consumer staples sectors. Our two best performing stocks were healthcare companies that had buyout offers. Our best performing stock was Barr Pharmaceuticals, which was taken over by Teva Pharmaceuticals in the third quarter, followed by Genentech (2.6%), for which Roche Holdings made a tender offer for the rest of the company they did not own. This offer is still pending as of year end and we expect it will take place. Johnson & Johnson (2.5%) was also a relative outperformer, with a decline of 10%. Kraft Foods (1.4%) rose 14%. Although the energy sector declined 34%, one of our energy holdings, Exxon Mobil (3.3%), was a relative outperformer, with a decline of 14% for the year.

The three worst performing sectors were financials, materials and technology. Stocks which we held for the full year in the Fund that declined the most were in financial and energy stocks and included Citigroup (2.1%), Bank of America (0.5%), Weatherford (0.8%), and American Express (0.8%).

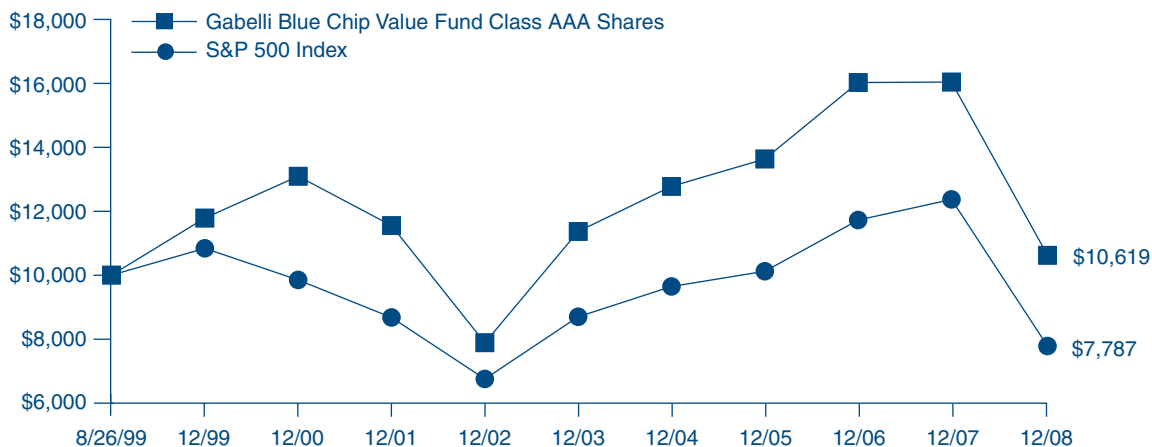
Sincerely yours,

A handwritten signature in blue ink that reads "Bruce N. Alpert". The signature is written in a cursive, slightly stylized font.

Bruce N. Alpert
President

February 20, 2009

COMPARISON OF CHANGE IN VALUE OF A \$10,000 INVESTMENT IN THE GABELLI BLUE CHIP VALUE FUND CLASS AAA SHARES AND THE S&P 500 INDEX



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.

Comparative Results

Average Annual Returns through December 31, 2008 (a)

	Quarter	1 Year	3 Year	5 Year	Since Inception (8/26/99)
Gabelli Blue Chip Value Fund Class AAA	(22.08)%	(33.71)%	(7.96)%	(1.34)%	0.64%
S&P 500 Index	(21.95)	(36.99)	(8.36)	(2.19)	(2.64)
Lipper Large Cap Value Average	(21.72)	(37.36)	(8.83)	(1.91)	(0.31)
Class A	(22.04)	(33.66)	(7.94)	(1.27)	0.68
Class B	(26.52)(b)	(37.47)(b)	(9.74)(b)	(2.44)(b)	0.04(b)
Class C	(22.21)	(34.17)	(8.62)	(2.02)	0.27
Class I	(26.10)(c)	(37.46)(c)	(9.54)(c)	(2.42)(c)	0.27
	(22.16)	(34.20)	(8.65)	(2.04)	0.26
	(22.94)(d)	(34.85)(d)	(8.65)	(2.04)	0.26
	(21.98)	(33.49)	(7.73)	(1.09)	0.78

In the current prospectus the expense ratios for Class AAA, A, B, C, and I Shares are 1.78%, 1.78%, 2.53%, 2.53%, and 1.53%, respectively. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.

(a) **Returns represent past performance and do not guarantee future results.** Total returns and average annual returns reflect changes in share price and 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. Performance returns for periods of less than one year are not annualized. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. **Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains more information about this and other matters and should be read carefully before investing.** The Standard & Poor's ("S&P") 500 Index is an unmanaged indicator of stock market performance, while the Lipper Large Cap Value 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.

The Class AAA Shares net asset values ("NAVs") per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003, and the Class I Shares on June 30, 2004. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance for the Class I Shares would have been higher due to the lower expenses related to this class of shares.

- (b) Includes the effect of the maximum 5.75% sales charge at the beginning of the period.
(c) Performance results include the deferred sales charges for the Class B Shares upon redemption at the end of the quarter, one year, three year, and five year periods of 5%, 5%, 3%, and 2%, respectively, of the Fund's NAV per share at the time of purchase or sale, whichever is lower. Class B Shares are not available for new purchases.
(d) Performance results include the deferred sales charges for the Class C Shares upon redemption at the end of the quarter and one year periods of 1% of the Fund's NAV per share at the time of purchase or sale, whichever is lower.

The Gabelli Blue Chip Value Fund

Disclosure of Fund Expenses (Unaudited)

For the Six Month Period from July 1, 2008 through December 31, 2008

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, 2008.

	Beginning Account Value 07/01/08	Ending Account Value 12/31/08	Annualized Expense Ratio	Expenses Paid During Period*
The Gabelli Blue Chip Value Fund				
Actual Fund Return				
Class AAA	\$1,000.00	\$ 709.90	2.07%	\$ 8.90
Class A	\$1,000.00	\$ 710.40	2.07%	\$ 8.90
Class B	\$1,000.00	\$ 707.60	2.82%	\$12.10
Class C	\$1,000.00	\$ 707.90	2.81%	\$12.06
Class I	\$1,000.00	\$ 711.00	1.80%	\$ 7.74
Hypothetical 5% Return				
Class AAA	\$1,000.00	\$1,014.73	2.07%	\$10.48
Class A	\$1,000.00	\$1,014.73	2.07%	\$10.48
Class B	\$1,000.00	\$1,010.96	2.82%	\$14.25
Class C	\$1,000.00	\$1,011.01	2.81%	\$14.20
Class I	\$1,000.00	\$1,016.09	1.80%	\$ 9.12

* 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, then divided by 366.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total net assets as of December 31, 2008:

Gabelli Blue Chip Value Fund

Energy	11.7%	Aerospace	3.1%
Health Care	11.4%	Entertainment	2.2%
Financial Services	10.5%	Business Services	2.2%
Energy Services	9.2%	Retail	1.9%
U.S. Government Obligations	6.9%	Cable	1.5%
Telecommunications	6.2%	Food and Beverage	1.4%
Electronics	5.7%	Paper and Forest Products	1.4%
Computer Hardware	5.0%	Publishing	1.4%
Computer Software and Services	4.9%	Metals and Mining	1.3%
Specialty Chemicals	4.5%	Insurance	0.7%
Banking	3.6%	Consumer Products	0.6%
Diversified Industrial	3.1%	Other Assets and Liabilities (Net)	(0.4)%
			<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, the last of which was filed for the quarter ended September 30, 2008. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Proxy Voting

The Fund files Form N-PX with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st 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.

2008 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2008, the Fund paid to shareholders ordinary income distributions (comprised of net investment income) totaling \$0.016, \$0.026 and \$0.049 per share for Class AAA, Class A and Class I, respectively and long-term capital gains totaling \$6,661. 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, 2008, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 84.92% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 3.42% of the ordinary income distribution as qualified interest income 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 2008 which was derived from U.S. Treasury securities was 14.62%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli Blue Chip Value Fund did not meet this strict requirement in 2008. The percentage of net assets of U.S. Government securities held as of December 31, 2008 was 6.94%. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

The Gabelli Blue Chip Value Fund

Schedule of Investments (Continued) — December 31, 2008

<u>Shares</u>	<u>Cost</u>	<u>Market Value</u>
COMMON STOCKS (Continued)		
Paper and Forest Products — 1.4%		
22,000 International Paper Co.	\$ 688,404	\$ 259,600
Publishing — 1.4%		
27,000 News Corp., Cl. B	495,627	258,660
Retail — 1.9%		
9,000 Tiffany & Co.	230,782	212,670
5,000 Yum! Brands Inc.	177,810	157,500
	<u>408,592</u>	<u>370,170</u>
Specialty Chemicals — 4.5%		
20,000 E.I. du Pont de Nemours & Co.	752,483	506,000
5,000 Monsanto Co.	376,779	351,750
	<u>1,129,262</u>	<u>857,750</u>
Telecommunications — 6.2%		
20,000 AT&T Inc.	665,082	570,000
18,200 Verizon Communications Inc.	567,543	616,980
	<u>1,232,625</u>	<u>1,186,980</u>
TOTAL COMMON STOCKS	<u>23,620,034</u>	<u>17,782,933</u>
Principal Amount		
U.S. GOVERNMENT OBLIGATIONS — 6.9%		
U.S. Treasury Cash Management Bills — 5.5%		
\$1,052,000 U.S. Treasury Cash Management Bills, 0.050% to 0.135%††, 04/29/09 to 06/24/09	<u>1,051,408</u>	<u>1,051,330</u>
U.S. Treasury Bills — 1.4%		
269,000 U.S. Treasury Bills, 0.020% to 0.198%††, 03/19/09 to 06/25/09	<u>268,898</u>	<u>268,757</u>
TOTAL U.S. GOVERNMENT OBLIGATIONS	<u>1,320,306</u>	<u>1,320,087</u>
TOTAL INVESTMENTS — 100.4%	<u>\$24,940,340</u>	19,103,020
Other Assets and Liabilities (Net) — (0.4)%		<u>(72,778)</u>
NET ASSETS — 100.0%		<u>\$19,030,242</u>

† Non-income producing security.

†† Represents annualized yield at date of purchase.

ADR American Depositary Receipt

See accompanying notes to financial statements.

The Gabelli Blue Chip Value Fund

Statement of Assets and Liabilities December 31, 2008

Assets:	
Investments, at value (cost \$24,940,340)	\$19,103,020
Cash	941
Receivable for Fund shares sold	43,889
Dividends receivable	661
Prepaid expense	26,755
Total Assets	<u>\$19,175,266</u>
Liabilities:	
Payable for Fund shares redeemed	53,589
Payable for investment advisory fees	14,211
Payable for distribution fees	3,793
Payable for legal and audit fees	36,507
Payable for shareholder communications expenses	24,684
Payable for shareholder services fees	7,653
Other accrued expenses	4,587
Total Liabilities	<u>145,024</u>
Net Assets applicable to 2,024,712 shares outstanding	<u>\$19,030,242</u>
Net Assets Consist of:	
Paid-in capital, each class at \$0.001 par value . .	\$26,643,975
Accumulated net investment income	69,934
Accumulated net realized loss on investments . .	(1,846,347)
Net unrealized depreciation on investments . . .	<u>(5,837,320)</u>
Net Assets	<u>\$19,030,242</u>
Shares of Beneficial Interest:	
Class AAA:	
Net Asset Value, offering, and redemption price per share (\$18,135,720 ÷ 1,929,270 shares outstanding; unlimited number of shares authorized)	<u>\$9.40</u>
Class A:	
Net Asset Value and redemption price per share (\$110,733 ÷ 11,773.5 shares outstanding; unlimited number of shares authorized)	<u>\$9.41</u>
Maximum offering price per share (NAV ÷ .9425, based on maximum sales charge of 5.75% of the offering price)	<u>\$9.98</u>
Class B:	
Net Asset Value and offering price per share (\$54,053 ÷ 5,902 shares outstanding; unlimited number of shares authorized)	<u>\$9.16(a)</u>
Class C:	
Net Asset Value and offering price per share (\$64,572 ÷ 7,059 shares outstanding; unlimited number of shares authorized)	<u>\$9.15(a)</u>
Class I:	
Net Asset Value, offering, and redemption price per share (\$665,164 ÷ 70,707 shares outstanding; unlimited number of shares authorized)	<u>\$9.41</u>

Statement of Operations For the Year Ended December 31, 2008

Investment Income:	
Dividends (net of foreign taxes of \$89)	\$ 536,529
Interest	53,000
Total Investment Income	<u>589,529</u>
Expenses:	
Investment advisory fees	263,558
Distribution fees – Class AAA	63,479
Distribution fees – Class A	264
Distribution fees – Class B	83
Distribution fees – Class C	567
Shareholder communications expenses	52,445
Shareholder services fees	37,802
Registration expenses	31,626
Legal and audit fees	29,734
Trustees' fees	24,602
Custodian fees	12,912
Interest expense	525
Miscellaneous expenses	12,383
Total Expenses	<u>529,980</u>
Less:	
Expense reimbursement (See Note 3)	(3,813)
Custodian fee credits	(22)
Net Expenses	<u>526,145</u>
Net Investment Income	<u>63,384</u>
Net Realized and Unrealized Loss	
on Investments:	
Net realized loss on investments	(1,669,994)
Net change in unrealized appreciation/ (depreciation) on investments	<u>(8,430,696)</u>
Net Realized and Unrealized Loss on Investments	<u>(10,100,690)</u>
Net Decrease in Net Assets Resulting from Operations	<u>\$(10,037,306)</u>

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

See accompanying notes to financial statements.

The Gabelli Blue Chip Value Fund

Statement of Changes in Net Assets

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Operations:		
Net investment income	\$ 63,384	\$ 119,905
Net realized gain/(loss) on investments	(1,669,994)	4,049,918
Net change in unrealized appreciation/(depreciation) on investments	<u>(8,430,696)</u>	<u>(3,916,735)</u>
Net Increase/(Decrease) in Net Assets Resulting from Operations	<u>(10,037,306)</u>	<u>253,088</u>
Distributions to Shareholders:		
Net investment income		
Class AAA	(30,929)	(84,811)
Class A	(309)	(306)
Class I	<u>(3,429)</u>	<u>(8)</u>
	<u>(34,667)</u>	<u>(85,125)</u>
Net realized gain		
Class AAA	(6,380)	(1,167,775)
Class A	(39)	(3,738)
Class B	(2)	(355)
Class C	(23)	(2,336)
Class I	<u>(232)</u>	<u>(50)</u>
	<u>(6,676)</u>	<u>(1,174,254)</u>
Total Distributions to Shareholders	<u>(41,343)</u>	<u>(1,259,379)</u>
Shares of Beneficial Interest Transactions:		
Class AAA	(4,188,826)	(3,748,835)
Class A	45,912	19,342
Class B	47,144	355
Class C	24,751	64,407
Class I	<u>992,214</u>	<u>57</u>
Net Decrease in Net Assets from Shares of Beneficial Interest Transactions	<u>(3,078,805)</u>	<u>(3,664,674)</u>
Redemption Fees	<u>331</u>	<u>103</u>
Net Decrease in Net Assets	<u>(13,157,123)</u>	<u>(4,670,862)</u>
Net Assets:		
Beginning of period	<u>32,187,365</u>	<u>36,858,227</u>
End of period (including undistributed net investment income of \$69,934 and \$46,238, respectively)	<u>\$ 19,030,242</u>	<u>\$32,187,365</u>

See accompanying notes to financial statements.

The Gabelli Blue Chip Value Fund

Financial Highlights

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

Period Ended December 31	Income from Investment Operations					Distributions			Ratios to Average Net Assets/ Supplemental Data						
	Net Asset Value, Beginning of Period	Net Investment Income (Loss)(a)	Net Realized and Unrealized Gain/(Loss) on Investments	Total from Investment Operations	Net Investment Income	Net Realized Gain on Investments	Total Distributions	Redemption Fees(a)	Net Asset Value End of Period	Total Return†	Net Assets End of Period (in 000's)	Net Investment Income (Loss)	Operating Expenses Before Reimbursement	Operating Expenses Net of Reimbursement(b)	Portfolio Turnover Rate††
Class AAA															
2008	\$14.21	\$0.03	\$(4.82)	\$(4.79)	\$(0.02)	\$(0.00)(c)	\$(0.02)	\$0.00(c)	\$ 9.40	(33.7)%	\$18,136	0.23%	2.02%	2.00%	90%
2007	14.77	0.05	(0.03)	0.02	(0.04)	(0.54)	(0.58)	0.00(c)	14.21	0.1	32,011	0.33	1.78	1.78	41
2006	12.60	0.03	2.18	2.21	(0.04)	—	(0.04)	0.00(c)	14.77	17.5	36,754	0.23	1.82	1.82	44
2005	11.81	(0.01)	0.80	0.79	—	—	—	0.00(c)	12.60	6.7	36,663	(0.08)	1.89	1.89	37
2004	10.54	0.03	1.27	1.30	(0.03)	—	(0.03)	0.00(c)	11.81	12.4	38,448	0.25	1.89	1.89	26
Class A															
2008	\$14.23	\$0.03	\$(4.82)	\$(4.79)	\$(0.03)	\$(0.00)(c)	\$(0.03)	\$0.00(c)	\$ 9.41	(33.7)%	\$ 111	0.24%	2.02%	2.00%	90%
2007	14.80	0.05	(0.04)	0.01	(0.04)	(0.54)	(0.58)	0.00(c)	14.23	0.1	103	0.32	1.78	1.78	41
2006	12.63	0.04	2.17	2.21	(0.04)	—	(0.04)	0.00(c)	14.80	17.5	88	0.27	1.82	1.82	44
2005	11.82	(0.01)	0.82	0.81	—	—	—	0.00(c)	12.63	6.9	42	(0.07)	1.89	1.89	37
2004	10.54	0.04	1.28	1.32	(0.04)	—	(0.04)	0.00(c)	11.82	12.5	1	0.38	1.89	1.89	26
Class B															
2008	\$13.92	\$(0.06)	\$(4.70)	\$(4.76)	—	\$(0.00)(c)	\$(0.00)(c)	\$0.00(c)	\$ 9.16	(34.2)%	\$ 54	(0.51)%	2.77%	2.75%	90%
2007	14.55	(0.06)	(0.03)	(0.09)	—	(0.54)	(0.54)	0.00(c)	13.92	(0.7)	9	(0.42)	2.53	2.53	41
2006	12.47	(0.07)	2.15	2.08	—	—	—	0.00(c)	14.55	16.7	10	0.53	2.57	2.57	44
2005	11.76	(0.09)	0.80	0.71	—	—	—	0.00(c)	12.47	6.0	1	(0.71)	2.64	2.64	37
2004	10.54	(0.04)	1.26	1.22	—	—	—	0.00(c)	11.76	11.6	1	(0.38)	2.64	2.64	26
Class C															
2008	\$13.91	\$(0.06)	\$(4.70)	\$(4.76)	—	\$(0.00)(c)	\$(0.00)(c)	\$0.00(c)	\$ 9.15	(34.2)%	\$ 64	(0.50)%	2.77%	2.75%	90%
2007	14.54	(0.05)	(0.04)	(0.09)	—	(0.54)	(0.54)	0.00(c)	13.91	(0.7)	63	(0.37)	2.53	2.53	41
2006	12.47	(0.06)	2.13	2.07	—	—	—	0.00(c)	14.54	16.6	5	(0.48)	2.57	2.57	44
2005	11.76	(0.09)	0.80	0.71	—	—	—	0.00(c)	12.47	6.0	6	(0.72)	2.64	2.64	37
2004	10.54	(0.08)	1.30	1.22	—	—	—	0.00(c)	11.76	11.6	1	(0.71)	2.64	2.64	26
Class I															
2008	\$14.23	\$0.06	\$(4.83)	\$(4.77)	\$(0.05)	\$(0.00)(c)	\$(0.05)	\$0.00(c)	\$ 9.41	(33.5)%	\$ 665	0.52%	1.77%	1.75%	90%
2007	14.80	0.09	(0.04)	0.05	(0.08)	(0.54)	(0.62)	0.00(c)	14.23	0.3	1	0.59	1.53	1.53	41
2006	12.63	0.06	2.18	2.24	(0.07)	—	(0.07)	0.00(c)	14.80	17.7	1	0.46	1.57	1.57	44
2005	11.79	0.03	0.81	0.84	—	—	—	0.00(c)	12.63	7.1	1	0.28	1.64	1.64	37
2004(d)	11.01	0.05	0.80	0.85	(0.07)	—	(0.07)	0.00(c)	11.79	7.7	1	0.81(e)	1.59(e)	1.59(e)	26

† 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.

†† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the years ended December 31, 2007, 2006, 2005, and 2004 would have been as shown.

(a) Per share data is calculated using the average shares outstanding method.

(b) The Fund incurred interest expense during the years ended December 31, 2007, 2006 and 2004. If interest expense had not been incurred, the ratio of operating expenses to average net assets would have been 1.77%, 1.81%, and 1.87% (Class AAA and Class A), 2.52%, 2.56%, and 2.62% (Class B and Class C), and 1.52%, 1.56%, and 1.62% (Class I). For the years ended December 31, 2008 and 2005, the effect of interest expense was minimal.

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

(d) From the commencement of offering Class I Shares on June 30, 2004.

(e) Annualized.

See accompanying notes to financial statements.

The Gabelli Blue Chip Value Fund

Notes to Financial Statements

1. Organization. The Gabelli Blue Chip Value Fund (the “Fund”) was organized on May 13, 1999 as a Delaware statutory trust. 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 26, 1999. The Fund’s primary objective is long-term growth of capital.

2. Significant Accounting Policies. The preparation of financial statements in accordance with United States (“U.S.”) generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the 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 instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities’ fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt (“ADR”) 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.

Statement of Financial Accounting Standard No. 157, “Fair Value Measurements” (“SFAS 157”) clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1 – quoted prices in active markets for identical securities;

The Gabelli Blue Chip Value Fund

Notes to Financial Statements (Continued)

- 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 Fund’s determinations as to the fair value of investments).

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, by inputs used to value the Fund’s investments as of December 31, 2008 is, as follows:

<u>Valuation Inputs</u>	<u>Investments in Securities (Market Value) Assets</u>
Level 1 – Quoted Prices	\$17,782,933
Level 2 – Other Significant Observable Inputs	1,320,087
Total	<u>\$19,103,020</u>

There were no Level 3 investments held at December 31, 2007 or 2008.

In March 2008, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standard No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”) that is effective for fiscal years beginning after November 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity’s results of operations and financial position. Management is currently evaluating the implications of SFAS 161 on the Fund’s financial statement disclosures.

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund’s holding period. It is the policy of the Fund to always receive and maintain securities as collateral whose market value, including accrued interest, are at least equal to 102% of the dollar amount invested by the Fund in each agreement. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At December 31, 2008, there were no open repurchase agreements.

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 ability 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 those of securities of comparable U.S. issuers.

The Gabelli Blue Chip Value Fund

Notes to Financial Statements (Continued)

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.

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

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.

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as "custodian fee credits." When cash balances are overdrawn, the Fund is charged an overdraft fee of 2.00% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations.

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 U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. 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. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2008, reclassifications were made to decrease accumulated net investment income by \$5,021 and decrease accumulated net realized loss on investments by \$5,021.

The tax character of distributions paid during the years ended December 31, 2008 and December 31, 2007 was as follows:

	<u>Year Ended</u> <u>December 31, 2008</u>	<u>Year Ended</u> <u>December 31, 2007</u>
Distributions paid from:		
Ordinary income		
(inclusive of short-term capital gains) . . .	\$34,682	\$ 85,125
Net long-term capital gains	6,661	1,174,254
Total distributions paid	<u>\$41,343</u>	<u>\$1,259,379</u>

The Gabelli Blue Chip Value Fund

Notes to Financial Statements (Continued)

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.

At December 31, 2008, the difference between book basis and tax basis unrealized depreciation was primarily due to deferral of losses from wash sales for tax purposes and basis adjustments from investments in partnerships.

As of December 31, 2008, the components of accumulated earning/losses on a tax basis were as follows:

Accumulated capital loss carryforwards	\$(1,266,550)
Undistributed ordinary income	33,371
Net unrealized depreciation on investments	<u>(6,380,554)</u>
Total	<u>\$(7,613,733)</u>

At December 31, 2008, the Fund had net capital loss carryforwards for federal income tax purposes of \$1,266,550, which are available to reduce future required distributions of net capital gains to shareholders through 2016.

The following summarizes the tax cost of investments and the related unrealized appreciation/depreciation at December 31, 2008:

	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Depreciation</u>
Investments	\$25,483,574	\$826,485	\$(7,207,039)	\$(6,380,554)

FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN 48”) provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. FIN 48 requires the evaluation of 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. Tax positions not deemed to meet the “more-likely-than-not” threshold are recorded as a tax benefit or expense in the current year. In accordance with FIN 48, management has analyzed the Fund’s tax positions taken on the federal and state income tax returns for all open tax years (the current and prior three tax years) and has concluded that no provision for income tax is required in the Fund’s financial statements. Management’s determination regarding FIN 48 may be subject to review and adjustment at a later date based on factors including, but not limited to, an on-going analysis of tax laws, regulations, and interpretations thereof.

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 Gabelli Blue Chip Value Fund

Notes to Financial Statements (Continued)

The Adviser has contractually agreed to waive its advisory fee and/or reimburse expenses of the Fund to the extent necessary to maintain the annualized total operating expenses of the Fund (exclusive of brokerage fees, interest, taxes, and extraordinary expenses) at 2.00%, 2.00%, 2.75%, 2.75%, and 1.75%, respectively, of Class AAA, Class A, Class B, Class C, and Class I Shares' average daily net assets. The Fund is obliged to repay the Adviser for a period of two years following the year in which the Adviser reimbursed the Fund only to the extent that the operating expenses of the Fund fell below those percentages of average daily net assets for those respective share classes. For the year ended December 31, 2008, the Adviser reimbursed the Fund, expenses in the amount of \$3,813. There was no expense reimbursement by the Adviser in the year ended December 31, 2007.

The Fund pays each Trustee who is not considered to be an affiliated person an annual retainer of \$3,000 plus \$500 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 a \$1,000 annual fee. 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. Gabelli & Company, Inc. ("Gabelli & Company"), an affiliate of the Adviser, serves as distributor of the Fund. Under the Class AAA, Class A, Class B, and Class C Share Plans, payments are authorized to Gabelli & Company at annual rates of 0.25%, 0.25%, 1.00%, and 1.00%, 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 proceeds from the sales of securities during 2008, other than short-term securities and U.S. Government obligations, aggregated \$21,827,348 and \$20,311,754, respectively.

Purchases and proceeds from the sales of U.S. Government obligations during 2008, other than short-term obligations, aggregated \$1,354,972 and \$1,345,407, respectively.

6. Transactions with Affiliates. During 2008, the Fund paid brokerage commissions on security trades of \$40,443 to Gabelli & Company. Additionally, Gabelli & Company informed the Fund that it retained \$74 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. A reimbursement was not sought by the Adviser during 2008.

7. Line of Credit. The Fund participates in an unsecured line of credit of up to \$75,000,000 from 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 0.75% above the federal funds rate on outstanding balances. This amount, if any, would be included in "interest expense" in the Statement of Operations. During 2008, there were no borrowings under the line of credit.

8. Shares of Beneficial Interest. The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares and Class I Shares are offered to investors without a front-end sales charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%. Class B Shares are subject to a contingent deferred sales charge ("CDSC") upon redemption within

The Gabelli Blue Chip Value Fund

Notes to Financial Statements (Continued)

six years of purchase and automatically convert to Class A Shares approximately eight years after the original purchase. The applicable CDSC is equal to a declining percentage of the lesser of the NAV per share at the date of the original purchase or at the date of redemption, based on the length of time held. Class C Shares are subject to a 1.00% CDSC for one year after purchase. Class B Shares are available only through exchange of Class B Shares of other funds distributed by Gabelli & Company.

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. The redemption fees retained by the Fund during the years ended December 31, 2008 and December 31, 2007 amounted to \$331 and \$103, respectively.

The redemption fee does not apply to redemptions of shares where (i) the shares were purchased through automatic reinvestment of distributions, (ii) the redemption was initiated by the Fund, (iii) the shares were purchased through programs that collect the redemption fee at the program level and remit them to the Fund, or (iv) the shares were purchased through programs that the Adviser determines to have appropriate anti-short-term trading policies in place or as to which the Adviser has received assurances that look-through redemption fee procedures or effective anti-short-term trading policies and procedures are in place.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2008		Year Ended December 31, 2007	
	Shares	Amount	Shares	Amount
	Class AAA		Class AAA	
Shares sold	340,547	\$ 4,042,321	180,955	\$ 2,770,597
Shares issued upon reinvestment of distributions	3,651	33,076	85,744	1,223,563
Shares redeemed	(667,545)	(8,264,223)	(501,647)	(7,742,995)
Net decrease	<u>(323,347)</u>	<u>\$ (4,188,826)</u>	<u>(234,948)</u>	<u>\$ (3,748,835)</u>
	Class A		Class A	
Shares sold	6,925	\$ 75,725	2,895	\$ 46,005
Shares issued upon reinvestment of distributions	29	265	263	3,759
Shares redeemed	(2,404)	(30,078)	(1,893)	(30,422)
Net increase	<u>4,550</u>	<u>\$ 45,912</u>	<u>1,265</u>	<u>\$ 19,342</u>
	Class B		Class B	
Shares sold	5,215	\$ 47,141	—	—
Shares issued upon reinvestment of distributions	—	3	25	\$ 355
Net increase	<u>5,215</u>	<u>\$ 47,144</u>	<u>25</u>	<u>\$ 355</u>
	Class C		Class C	
Shares sold	3,196	\$ 30,264	4,076	\$ 63,500
Shares issued upon reinvestment of distributions	3	23	167	2,336
Shares redeemed	(656)	(5,536)	(100)	(1,429)
Net increase	<u>2,543</u>	<u>\$ 24,751</u>	<u>4,143</u>	<u>\$ 64,407</u>
	Class I		Class I	
Shares sold	78,099	\$ 1,080,092	—	—
Shares issued upon reinvestment of distributions	404	3,661	4	\$ 57
Shares redeemed	(7,892)	(91,539)	—	—
Net increase	<u>70,611</u>	<u>\$ 992,214</u>	<u>4</u>	<u>\$ 57</u>

The Gabelli Blue Chip Value Fund

Notes to Financial Statements (Continued)

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

10. Other Matters. On April 24, 2008, the Adviser entered into an administrative settlement with the SEC to resolve the SEC's inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the "Global Growth Fund") by one investor who was banned from the Global Growth Fund in August 2002. In the settlement, the SEC found that the Adviser had violated Section 206(2) of the Investment Advisers Act, Section 17(d) of the 1940 Act, and Rule 17d-1 thereunder and had aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC's findings and allegations, agreed, among other things, to pay the previously reserved total of \$16 million (including a \$5 million penalty), of which at least \$11 million will be distributed to shareholders of the Global Growth Fund in accordance with a plan to be developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and the staff of the SEC and to cease and desist from future violations of the above referenced federal securities laws. The settlement is not expected to impact the Fund and will not have a material adverse impact on the Adviser or its ability to fulfill its obligations under the Advisory Agreement. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Global Growth Fund and other funds in the Gabelli/GAMCO fund complex including the Fund. The officer denies the allegations and is continuing in his positions with the Adviser and the funds. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

In a separate matter, on January 12, 2009, the SEC issued an administrative action approving a final settlement of a previously disclosed matter with the Adviser involving compliance with Section 19(a) of the Investment Company Act of 1940 and Rule 19a-1 thereunder by two closed-end funds. These provisions require registered investment companies when making a distribution in the nature of a dividend from sources other than net investment income to contemporaneously provide written statements to shareholders, which adequately disclose the source or sources of such distribution. While the two funds sent annual statements and provided other materials containing this information, the shareholders did not receive the notices required by Rule 19a-1 with any of the distributions that were made for 2002 and 2003. The Adviser believes that the funds have been in compliance with Section 19(a) and Rule 19a-1 since the beginning of 2004. As part of the settlement, in which the Adviser neither admits nor denies the findings by the SEC, the Adviser agreed to pay a civil monetary penalty of \$450,000 and to cease and desist from causing violations of Section 19(a) and Rule 19a-1. In connection with the settlement, the SEC noted the remedial actions previously undertaken by the Adviser.

The Gabelli Blue Chip Value Fund

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of
The Gabelli Blue Chip Value Fund

We have audited the accompanying statement of assets and liabilities of The Gabelli Blue Chip Value Fund (the "Fund"), including the schedule of investments, as of December 31, 2008, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2008, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The Gabelli Blue Chip Value Fund at December 31, 2008, 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 the financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Philadelphia, Pennsylvania
February 24, 2009

The Gabelli Blue Chip Value 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 Blue Chip Value Fund at One Corporate Center, Rye, NY 10580-1422.

Name, Position(s) Address¹ and Age	Term of Office and Length of Time Served²	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee⁴
INTERESTED TRUSTEES³:				
Mario J. Gabelli Trustee Age: 66	Since 1999	26	Chairman and Chief Executive Officer 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 in the Gabelli/GAMCO Funds complex; Chairman and Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board of LICIT Corp. (multimedia and communication services company)
INDEPENDENT TRUSTEES⁵:				
Anthony J. Colavita Trustee Age: 73	Since 1999	36	Partner in the law firm of Anthony J. Colavita, P.C.	—
Vincent D. Enright Trustee Age: 65	Since 1999	16	Former Senior Vice President and Chief Financial Officer of KeySpan Corporation (public utility)	Director of Echo Therapeutics, Inc. (therapeutics and diagnostics)
Mary E. Hauck Trustee Age: 66	Since 2000	3	Retired Senior Manager of the Gabelli O'Connor Fixed Income Mutual Funds Management Company	—
Werner J. Roeder, MD Trustee Age: 68	Since 1999	22	Medical Director of Lawrence Hospital and practicing private physician	—
OFFICERS:				
Bruce N. Alpert President Age: 57	Since 2003	—	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex. Director and President of Teton Advisors, Inc. (formerly Gabelli Advisors, Inc.) since 1998	—
Agnes Mullady Treasurer and Secretary Age: 50	Since 2006	—	Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Senior Vice President of U.S. Trust Company, N.A. and Treasurer and Chief Financial Officer of Excelsior Funds from 2004 through 2005; Chief Financial Officer of AMIC Distribution Partners from 2002 through 2004	—
Peter D. Goldstein Chief Compliance Officer Age: 55	Since 2004	—	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex; Vice President of Goldman Sachs Asset Management from 2000 through 2004	—

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

² 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.

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

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

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

The Gabelli Blue Chip Value Fund

One Corporate Center
Rye, New York 10580-1422

800-GABELLI

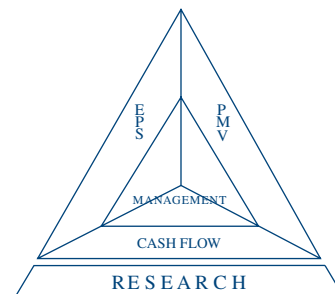
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e-mail: info@gabelli.com

Net Asset Value per share available daily by calling
800-GABELLI after 6:00 P.M.



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*Medical Director
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and Chief Financial Officer
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Bruce N. Alpert
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Chief Compliance Officer

Agnes Mullady
Secretary and Treasurer

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Gabelli & Company, Inc.

Custodian, Transfer Agent, and Dividend Agent

State Street Bank and Trust Company

Legal Counsel

Skadden, Arps, Slate, Meagher & Flom LLP

The Gabelli Blue Chip Value Fund

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

GAB402Q408SR

**ANNUAL REPORT
DECEMBER 31, 2008**