DATED JUNE 13, 2001

PROSPECTUS

6,600,000 Shares

The Gabelli Equity Trust Inc.

THE GABELLI EQUITY TRUST INC.

7.20% Tax Advantaged Series B Cumulative Preferred Stock (Liquidation Preference $25 per Share)

The Gabelli Equity Trust Inc. is a closed-end non-diversified management investment company that has a primary investment objective of long-term growth of capital and a secondary investment objective of income. The Fund's investments are selected by its Investment Adviser, Gabelli Funds, LLC. The Fund invests primarily in equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities.

This prospectus offers shares of the Fund's 7.20% Tax Advantaged Series B Cumulative Preferred Stock (the "Series B Preferred"), liquidation preference $25 per share. The shares of Series B Preferred will be listed and traded on the New York Stock Exchange. As of March 31, 2001, the Fund had outstanding 5,368,900 shares of 7.25% Tax Advantaged Cumulative Preferred Stock (the "Series A Preferred").

Dividends on the Series B Preferred are cumulative from the date of original issuance of the shares at the annual rate of 7.20% of the liquidation preference of $25 per share and are payable quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on September 26, 2001.

The Fund expects that dividends paid on the Series B Preferred will consist of long-term capital gains (consisting of 20% federal tax rate capital gains from the sale of assets held longer than 12 months), net investment income, short-term capital gains and, in unusual circumstances, return of capital. Over the past one, three and five fiscal years ending December 31, 2000, the distributions of taxable income by the Fund consisted of 85%, 88%, and 86% long-term capital gains. No assurance can be given, however, as to what percentage, if any, of the dividends paid on the Series B Preferred will consist of long-term capital gains, which are taxed at lower rates for individuals than ordinary income (net investment income and short-term capital gains).

The Series B Preferred cannot be issued unless it is rated 'aaa' by the Moody's Investors Service, Inc. In order to keep that rating, the Fund will be required to maintain a minimum discounted asset coverage with respect to the Series B Preferred and Series A Preferred under guidelines established by Moody's. See "Description of Series B Preferred — Rating Agency Guidelines." The Fund is also required to maintain a minimum asset coverage by the Investment Company Act of 1940, as amended (the "1940 Act"). If the Fund fails to maintain either of those two minimum asset coverage requirements, the Fund can require that some or all of the Series A or Series B Preferred be sold back to it (redeemed) for cash at a price equal to $25 per share plus accumulated but unpaid dividends (whether or not earned or declared). See "Description of Series B Preferred — Redemption."

On or after June 20, 2006 the Fund has the option of redeeming some or all of the Series B Preferred for cash at a price equal to the Redemption Price.

Application has been made to list the Series B Preferred on the New York Stock Exchange. Trading of the Series B Preferred on the New York Stock Exchange is expected to commence within 30 days of the date of this prospectus. Prior to this offering, there has been no public market for the Series B Preferred. See "Underwriting."

Investing in our Series B Preferred involves risks. See "Risk Factors" beginning on page 14.

	Per Share	Total
Public Offering Price(1)	$25.0000	$165,000,000
Underwriting Discount(2)	$.7875	$5,197,500
Proceeds to the Fund (before expenses)(3)	$24.2125	$159,802,500

(1) Plus accumulated dividends, if any, from June 20, 2001.

(2) The Fund and the Investment Adviser have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

(3) Offering expenses payable by the Fund are estimated at $473,325.

The shares of Series B Preferred are being offered by the underwriters listed in this prospectus, subject to prior sale, when, as and if accepted by them and subject to certain conditions. The Fund expects that delivery of the shares of Series B Preferred will be made in book-entry form through the facilities of The Depository Trust Company on or about June 20, 2001.

Salomon Smith Barney

Merrill Lynch & Co.

Gabelli & Company, Inc.

June 13, 2001

This prospectus sets forth concisely important information about the Fund that you should know before deciding whether to invest. You should read the prospectus and retain it for future reference.

The Fund has also filed with the Securities Exchange Commission a Statement of Additional Information, dated June 13, 2001 (the "SAI"), which contains additional information about the Fund. The SAI is incorporated by reference in its entirety into this prospectus. You can review the table of contents of the SAI on page 36 of this prospectus. You may request a free copy of the SAI by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1434 or calling the Fund toll-free at (800) 422-3554. You may also obtain the SAI on the Securities and Exchange Commission's web site (http://www.sec.gov).

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the market price of the Series B Preferred of the Fund, including the entry of stabilizing bids, syndicate covering transactions or the imposition of penalty bids. For a description of these activities, see "Underwriting."

You should rely only on the information contained in or incorporated by reference into this Prospectus. Neither the Fund nor the underwriters have authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the Fund nor the underwriters are making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Prospectus is accurate as of the date on the front cover of this Prospectus only.

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PROSPECTUS SUMMARY

This is only a summary. You should review the more detailed information contained in the prospectus and the SAI.

The Fund	The Fund is a closed-end non-diversified management investment company that has been in operation since August 21, 1986. As of March 31, 2001, the net assets of the Fund were approximately $1.4 billion. The Fund's outstanding common stock, par value $.001 per share, is listed and traded on the New York Stock Exchange. As of March 31, 2001, the Fund had 126,803,143 shares of common stock outstanding. The Fund recently completed a Rights Offering for shares of common stock at a per share purchase price of $7.00. As of March 31, 2001, the Fund also had outstanding 5,368,900 shares of Series A Preferred, $25 per share liquidation preference. The Fund is offering shares of its Series B Preferred pursuant to this prospectus. The Series A Preferred and Series B Preferred have the same seniority with respect to dividends and liquidation preference.
Investment Objectives	The Fund's primary investment objective is long-term growth of capital, primarily through investment in a portfolio of equity securities including common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities. Income is a secondary objective of the Fund. No assurance can be given that the Fund will achieve its investment objectives. See "Investment Objectives and Policies."
Dividends and Distributions	Dividends on the Series B Preferred, at the annual rate of 7.20% of its liquidation preference, are cumulative from the original issue date and are payable, when, as and if declared by the Board of Directors of the Fund, out of funds legally available therefor, quarterly on March 26, June 26, September 26 and December 26 in each year, commencing September 26, 2001. In the event that for any calendar year the total distributions on shares of the Series A Preferred and Series B Preferred (collectively, the "Preferred Stock") exceed the Fund's net investment income and net capital gain allocable to those shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder's tax basis in his or her shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted basis in his or her shares of Series B Preferred, thereby increasing the stockholder's potential gain or reducing his or her potential loss on the sale of the shares.
	The Fund has a policy, which may be modified at any time by its Board of Directors, of paying distributions on its common stock of at least 10% of average quarter-end net assets attributable to common stock. To implement this policy, the Fund makes quarterly distributions of $0.27 per share at the end of each of the first three calendar quarters of each year to holders of its common stock. The Fund's distribution in December for each calendar year is an adjusting distribution (equal to the sum of 2.5% of the net asset value of the Fund as of the last day of the four preceding calendar quarters less the aggregate distributions of $0.81 per share made for the most

	recent three calendar quarters) in order to meet the Fund's 10% pay-out goal.
	The common stock dividend policy of the Fund may be modified from time to time by the Board of Directors.
The Offering	The Fund is offering 6,600,000 shares of 7.20% Tax Advantaged Series B Cumulative Preferred, par value $.001 per share, liquidation preference $25 per share, at a purchase price of $25 per share.
Potential Tax Benefit to Certain Investors	Most individuals pay Federal income tax at a lower rate on long term capital gains than on ordinary income and short-term capital gains. For individuals in the highest tax brackets this differential currently can be as great as 19.1%, the difference between 39.1% on ordinary income and short-term capital gains and 20% on long-term capital gains. In accordance with the current view of the Internal Revenue Service, the Fund intends to allocate its net long-term capital gain, net short-term capital gain and ordinary investment income proportionately among its common stock and Preferred Stock. Over the past one, three and five fiscal years ending December 31, 2000, the distributions of taxable income by the Fund consisted of 85%, 88%, and 86% long-term capital gains. If the Fund continues to pay a portion of its distributions in the form of long-term capital gain distributions, most individual investors will accordingly realize a tax benefit and pay a lower rate of Federal income tax on their Series B Preferred dividends than if the Fund did not distribute long-term capital gains.
Rating and Asset Coverage Requirements	Before it can be issued, the Series B Preferred must receive a rating of 'aaa' from Moody's. The Fund's Articles Supplementary, which set forth the rights and preferences of the Series B Preferred, contain certain tests that the Fund must satisfy to obtain and maintain a rating of 'aaa' from Moody's on the Series B Preferred. See "Description of Series B Preferred — Rating Agency Guidelines."
	Under the asset coverage tests to which the Fund is subject, the Fund is required to maintain (i) adjusted assets greater than or equal to a basic maintenance amount, both of which are calculated pursuant to the rating agency guidelines, and (ii) an asset coverage of at least 200% (or such higher or lower percentage as may be required at the time under the Investment Company Act of 1940, as amended), with respect to all outstanding senior stock of the Fund, including the Preferred Stock. See "Description of Series B Preferred — Asset Maintenance."
Mandatory Redemption	The Series B Preferred may be subject to mandatory redemption by the Fund to the extent the Fund fails to maintain the asset coverage requirements in accordance with the rating agency guidelines or the 1940 Act described above and does not cure such failure by the applicable cure date. Any such redemption will be made for cash at a price equal to $25 per share plus

	accumulated and unpaid dividends (whether or not earned or declared) to the redemption date. In such circumstances, the Fund may, but is not required to, redeem a sufficient number of shares of Preferred Stock so that after the redemption it exceeds the asset coverage required by each of the rating agency guidelines and the 1940 Act by 10%. See "Description of Series B Preferred — Redemption — Mandatory Redemption."
Optional Redemption	Commencing June 20, 2006 and at any time thereafter, the Fund at its option may redeem the Series B Preferred, in whole or in part, for cash at a price per share equal to the Redemption Price. Prior to June 20, 2006, the Series B Preferred will be redeemable at the option of the Fund at the redemption price only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company. See "Description of Series B Preferred — Redemption — Optional Redemption."
Voting Rights	At all times, holders of shares of the Fund's preferred stock (including the Series B Preferred) outstanding at the time, voting as a single class, will be entitled to elect two members of the Fund's Board of Directors, and holders of the preferred stock and common stock, voting as a single class, will elect the remaining directors. However, upon a failure by the Fund to pay dividends on any of its preferred stock in an amount equal to two full years' dividends, holders of the preferred stock, voting as a single class, will have the right to elect the smallest number of directors that would constitute a majority of the directors until all cumulative dividends on all shares of preferred stock have been paid or provided for. Holders of Series B Preferred and any other preferred stock will vote separately as a class on certain other matters, as required under the Articles Supplementary, the 1940 Act and Maryland law. Except as otherwise indicated in this prospectus and as otherwise required by applicable law, holders of Series B Preferred will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with holders of shares of common stock and any other preferred stock as a single class. See "Description of Series B Preferred — Voting Rights."
Liquidation Preference	The liquidation preference of each share of Series B Preferred is $25 plus an amount equal to accumulated but unpaid dividends (whether or not earned or declared) to the date of distribution. See "Description of Series B Preferred — Liquidation Rights."
Use of Proceeds	The Fund will use the net proceeds from the Offering to purchase additional portfolio securities in accordance with its investment objectives and policies. See "Use of Proceeds."
Listing	Prior to the Offering, there has been no public market for the Series B Preferred. Series B Preferred will be listed on the New York Stock Exchange. However, during an initial period which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange.
Special Characteristics and Risks	The market price for the Series B Preferred will be influenced by changes in interest rates, the perceived credit quality of the

	Series B Preferred and other factors. As indicated above, the Series B Preferred is subject to redemption under specified circumstances. Subject to such circumstances, the Series B Preferred is perpetual. The credit rating on the Series B Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series B Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series B Preferred. The Series B Preferred is not an obligation of the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series B Preferred for the full redemption price. As a non-diversified investment company under the 1940 Act, the Fund is not limited in the proportion of its assets that may be invested in securities of a single issuer, and, accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See "Risk Factors and Special Considerations — Non-Diversified Status." The Fund may invest up to 35% of its total assets in foreign securities. Investing in securities of foreign companies and foreign governments, which generally are denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies and could cause the Fund to be affected favorably or unfavorably by changes in currency exchange rates and revaluation of currencies. See "Risk Factors and Special Considerations — Foreign Securities." The Investment Adviser (as hereinafter defined) is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund's investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser. During an initial period which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series B Preferred; however, they have no obligation to do so. Consequently, an investment in the Series B Preferred may be illiquid during such period.
Federal Income Tax Considerations . . .	The Fund has qualified, and intends to remain qualified, for Federal income tax purposes, as a regulated investment company. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common stock if the Fund fails to satisfy the 1940 Act's asset coverage requirements could jeopardize the Fund's ability to meet the distribution requirements. The Fund presently intends, however, to purchase or

	redeem Preferred Stock to the extent necessary in order to maintain compliance with such asset coverage requirements. See "Taxation" for a more complete discussion of these and other Federal income tax considerations.
Management and Fees	Gabelli Funds, LLC serves as the Fund's investment adviser and is compensated for its services and its related expenses at an annual rate of 1.00% of the Fund's average weekly net assets. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party administrator. Notwithstanding the foregoing, the Investment Adviser will waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Series B Preferred for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than the stated dividend rate of the Series B Preferred (prorated during the year the Series B Preferred is issued and the final year the Series B Preferred is outstanding).
Repurchase of Common Stock and Anti-takeover Provisions	The Fund is authorized, subject to maintaining required asset coverage on the Preferred Stock, to repurchase its common stock on the open market when the shares are trading at a discount of 10% or more (or such other percentage as its Board of Directors may determine from time to time) from their net asset value. In addition, certain provisions of the Fund's Charter and By Laws may be regarded as "anti-takeover" provisions. Pursuant to these provisions, only one of three classes of directors is elected each year, and the affirmative vote of the holders of 66⅔% of the outstanding shares of each class of stock of the Fund is necessary to authorize the conversion of the Fund from a closed-end to an open-end investment company and an affirmative vote of 66⅔% of each class of the outstanding voting shares of the Fund may be necessary to authorize certain business transactions with any beneficial owner of more than 5% of the outstanding shares of the Fund. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal stockholder. These provisions may have the effect of depriving Fund stockholders of an opportunity to sell their shares at a premium to the prevailing market price. See "Certain Provisions of the Charter and By Laws."
Custodian, Transfer Agent and Dividend-Disbursing Agent	Boston Safe Deposit and Trust Company serves as the Fund's custodian. With respect to the Series B Preferred, State Street Bank and Trust Company serves as transfer and dividend-disbursing agent and registrar and as agent to provide notice of redemption and certain voting rights. See "Custodian, Transfer Agent and Dividend-Disbursing Agent."

TAX ATTRIBUTES OF PREFERRED STOCK DIVIDENDS

The Fund intends to distribute to its stockholders substantially all of its net capital gains and net investment income. The Fund operates as a regulated investment company under the Internal Revenue Code of 1986, as amended, (the "Code") and distributions by a regulated investment company generally retain their character as capital gain or ordinary income when received by its preferred and common stockholders. Distributions of short-term capital gain are taxed at ordinary income rates. Thus, the stated 7.20% dividends paid by the Fund to holders of the Series B Preferred may, for Federal income tax purposes, consist of varying proportions of long-term capital gain, short-term capital gain, ordinary income and/or returns of capital.

Capital gain on assets held longer than 12 months generally is currently taxable to individuals at a maximum rate of 20%. Net investment income and short-term capital gain of the Fund are currently taxable to individuals at a maximum rate of 39.1%.

Although the Fund is not managed using a tax-focused investment strategy and does not seek to achieve any particular distribution composition, individual investors in the Series B Preferred would, under current Federal income tax law, realize a tax savings on their investment to the extent that distributions by the Fund to its stockholders are composed of long-term capital gain taxed at a lower rate. In contrast, preferred stock dividends distributed by corporations that are not regulated investment companies are generally comprised, for Federal income tax purposes, only of ordinary income.

Over the past one, three and five fiscal years ending December 31, 2000, the distributions of taxable income by the Fund consisted of 85%, 88%, and 86% long-term capital gains. The Fund has no reason to expect that these percentages will decrease materially in the future although it cannot provide any assurances in this regard.

The Federal income tax characteristics of the Fund and the taxation of its stockholders are described more fully under "Taxation."

Assumptions

The following tables show examples of the pure ordinary income equivalent yield that would be generated by the stated dividend rate on the Series B Preferred, assuming distributions for Federal income tax purposes consisting of different proportions of long-term capital gain and ordinary income (including short-term capital gain) for an individual in the 39.1% and 30.5% Federal marginal income tax brackets. In reading these tables, you should understand that a number of factors could affect the actual composition for Federal income tax purposes of the Fund's distributions each year. Such factors include (i) the Fund's investment performance for any particular year, which may result in distributions of varying proportions of long-term capital gain, ordinary income and/or return of capital, and (ii) revocation or revision of the Internal Revenue Service revenue ruling requiring the proportionate allocation of types of income among holders of various classes of a regulated investment company's capital stock.

These tables are for illustrative purposes only and cannot be taken as an indication of the actual composition for Federal income tax purposes of the Fund's future distributions.

Percentage of Series B Preferred Stated Annual Dividend Comprised of: Long-Term Capital Gains	Ordinary Income	Series B Preferred Annual Dividend Rate 7.20% — Tax Equivalent Yield for an Individual in the 39.1% Federal Income Tax Bracket(1)	Series B Preferred Annual Dividend Rate 7.20% — Tax Equivalent Yield for an Individual in the 30.5% Federal Income Tax Bracket(1)
83.3%	16.7%	9.08%	8.11%
75.0%	25.0%	8.89%	8.02%
66.7%	33.3%	8.71%	7.93%
50.0%	50.0%	8.33%	7.74%
33.3%	66.7%	7.95%	7.56%
25.0%	75.0%	7.76%	7.47%
16.7%	83.3%	7.58%	7.38%
0.0%	100.0%	7.20%	7.20%

(1) Annual taxable income levels corresponding to the 2001 Federal marginal tax brackets are as follows:

2001 Federal Income Tax Bracket[2]	Single	Joint
39.1%	over $297,300	over $297,300
35.5%	over $136,750 - $297,300	over $166,450 - $297,300
30.5%	over $65,550 - $136,750	over $109,250 - $166,450
27.5%	over $27,050 - $65,550	over $45,200 - $109,250
15.0%	over $6,000 - $27,050	over $12,000 - $45,200
10.0%	up to and including $6,000	up to and including $12,000

Your Federal marginal income tax rates may exceed the rates shown in the above tables due to the reduction, or possible elimination, of the personal exemption deduction for high-income taxpayers and an overall limit on itemized deductions. Income may be subject to certain state, local and foreign taxes. **If you pay alternative minimum tax, equivalent yields may be lower than those shown above**. The tax rates shown above do not apply to corporate taxpayers.

(2) The Economic Growth and Tax Relief Reconciliation Act of 2001, effective for taxable years beginning after December 31, 2000, creates a new 10 percent income tax bracket and reduces the tax rates applicable to ordinary income over a six year phase-in period. Beginning in the taxable year 2006, ordinary income will be subject to a 35% maximum rate, with approximately proportionate reductions in the other ordinary rates.

FINANCIAL HIGHLIGHTS

The selected data set forth below is for shares of common stock outstanding for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund incorporated by reference into this prospectus and the SAI. The financial information for each of the five years ended December 31, 2000 has been audited by PricewaterhouseCoopers LLP, independent accountants, whose unqualified report on such financial statements is included in the SAI.

	Year Ended December 31,				
	2000(a)	1999(a)	1998(a)	1997(a)	1996(a)
Operating Performance:					
Net asset value, beginning of period	$ 12.75	$ 11.47	$ 11.56	$ 9.77	$ 9.95
Net investment income	0.05	0.04	0.07	0.08	0.11
Net realized and unrealized gain (loss) on investments	(0.51)	3.25	1.09	2.75	0.71
Total from investment operations	(0.46)	3.29	1.16	2.83	0.82
Increase (decrease) in net asset value from Equity Trust share transactions	—	—	—	—	—
Offering expenses charged to capital surplus	—	—	(0.04)	—	—
Distributions to Common Stock Shareholders:					
Net investment income	(0.04)	(0.03)(c)	(0.06)	(0.08)	(0.11)
In excess of net investment income	—	—	—	(0.00)(d)	—
Net realized gain on investments	(1.25)	(1.21)(c)	(1.10)	(0.92)	(0.78)
In excess of net realized gains on investments	(0.02)	—	—	(0.01)	(0.00)(d)
Paid-in capital	—	(0.68)(c)	—	(0.03)	(0.11)
Distributions to Preferred Stock Shareholders:					
Net investment income	(0.00)(d)	(0.00)(d)	(0.00)(d)	—	—
Net realized gain on investments	(0.09)	(0.09)	(0.05)	—	—
Total distributions	(1.40)	(2.01)	(1.21)	(1.04)	(1.00)
Net asset value, end of period	$ 10.89	$ 12.75	$ 11.47	$ 11.56	$ 9.77
Market value, end of period	$ 11.44	$ 12.56	$ 11.56	$ 11.69	$ 9.38
Net asset value total return**	(4.39)%	29.49%	9.55%	30.46%	9.00%
Total investment return*	1.91%	26.57%	9.23%	37.46%	11.00%
Ratios to Average Net Assets Available to Common Stock Shareholders and Supplemental Data:					
Net assets, end of period (in 000's)	$1,318,263	$1,503,641	$1,352,190	$1,210,570	$1,015,437
Net assets attributable to common shares, end of period (in 000's)	$1,184,041	$1,368,981	$1,217,190	$1,210,570	$1,015,437
Ratio of net investment income to average net assets attributable to common stock	0.42%	0.34%	0.60%	0.76%	1.07%
Ratio of operating expenses to average total net assets attributable to common stock	1.14%	1.27%	1.15%	1.14%	1.18%
Ratio of operating expenses to average total net assets(e)	1.03%	1.15%	1.09%	1.14%	1.18%
Portfolio turnover rate	32.1%	38.0%	39.8%	39.2%	18.9%
Preferred Stock:					
Liquidation value, end of period (in 000's)	$ 134,223	$ 134,660	$ 135,000	—	—
Total shares outstanding (in 000's)	5,369	5,386	5,400	—	—
Asset coverage	972%	1,117%	1,001%	—	—
Liquidation preference per share	$ 25.00	$ 25.00	$ 25.00	—	—
Average market value(f)	$ 22.62	$ 24.43	$ 25.63		

See footnotes on following page.

	Year Ended December 31,				
	1995(a)	1994(a)	1993(a)	1992	1991
Operating Performance:					
Net asset value, beginning of period	$ 9.46	$ 11.23	$ 10.58	$ 10.61	$ 10.49
Net investment income	0.13	0.14	0.14	0.19	0.27
Net realized and unrealized gain (loss) on investments	1.74	(0.08)	2.13	1.21	1.37
Total from investment operations	1.87	0.06	2.27	1.40	1.64
Increase (decrease) in net asset value from Equity Trust share transactions	(0.37)	—	(0.50)	(0.36)	(0.42)
Offering expenses charged to capital surplus	(0.01)	—	(0.01)	(0.01)	(0.01)
Distributions to Common Stock Shareholders:					
Net investment income	(0.13)	(0.14)(b)	(0.11)	(0.19)	(0.27)
In excess of net investment income	—	—	—	—	—
Net realized gain on investments	(0.47)	(0.37)(b)	(0.77)	(0.38)	(0.14)
In excess of net realized gain on investments	(0.02)	—	(0.02)	—	—
Paid-in capital	(0.38)	(1.32)(b)	(0.21)	(0.49)	(0.68)
Distributions to Preferred Stock Shareholders:					
Net investment income	—	—	—	—	—
Net realized gain on investments	—	—	—	—	—
Total distributions	(1.00)	(1.83)	(1.11)	(1.06)	(1.09)
Net asset value, end of period	$ 9.95	$ 9.46	$ 11.23	$ 10.58	$ 10.61
Market value, end of period	$ 9.375	$ 9.625	$ 12.125	$ 10.250	$ 10.125
Net asset value total return**	20.60%	0.50%	22.40%	14.20%	16.20%
Total investment return*	11.70%	(5.10)%	36.50%	15.90%	10.90%
Ratios to Average Net Assets Available to Common Stock Shareholders and Supplemental Data:					
Net assets, end of period (in 000's)	$1,034,091	$ 825,193	$ 937,773	$ 725,263	$ 595,151
Net assets attributable to common shares, end of period (in 000's)	$1,034,091	$ 825,193	$ 937,773	$ 725,263	$ 595,151
Ratio of net investment income to average net assets attributable to common stock	1.26%	1.29%	1.25%	1.88%	2.34%
Ratio of operating expenses to average total net assets(e)	1.21%	1.19%	1.20%	1.22%	1.24%
Portfolio turnover rate	25.1%	22.2%	24.4%	12.5%	11.2%
Preferred Stock:					
Liquidation value, end of period (in 000's)	—	—	—	—	—
Total shares outstanding (in 000's)	—	—	—	—	—
Asset coverage	—	—	—	—	—
Liquidation preference per share	—	—	—	—	—
Average market value(f)					

* Based on market value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholder.

** Based on net asset value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholder.

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

(b) A distribution equivalent to $0.75 per share for The Gabelli Global Multimedia Trust Inc. spin-off from net investment income, realized short-term gains, and paid-in capital were $0.064, $0.031, and $0.655, respectively.

(c) A distribution equivalent to $0.75 per share for the Gabelli Utility Trust spin-off from net investment income, realized short-term gains, realized long-term gains, and paid-in capital were $0.01029, $0.07453, $0.34218 and $0.32300, respectively.

(d) Amount represents less than $0.005 per share.

(e) Amounts are attributable to both common and preferred stock assets. Prior to 1998, there was no preferred stock outstanding.

(f) Based on weekly prices.

The following table provides information about the Fund's Series A Preferred since its issuance in June 1998. The information has been audited by PricewaterhouseCoopers LLP, independent accountants.

Year ended December 31,	Shares Outstanding	Asset Coverage Per Share	Involuntary Liquidation Preference Per Share	Average Market Value Per Share
2000	5,368,900	$245.54	$25.00	$22.62
1999	5,386,400	$279.16	$25.00	$24.43
1998	5,400,000	$250.41	$25.00	$25.63

For purposes of the foregoing table, the Asset Coverage Per Share is calculated by dividing the total value of the Fund's assets on December 31 of the relevant year by the number of shares of Series A Preferred outstanding on that date. Involuntary Liquidation Preference Per Share refers to the amount holders of Series A Preferred are entitled to receive per share in the event of liquidation of the Fund prior to the holders of common stock being entitled to receive any amounts in respect of the assets of the Fund. The Average Market Value Per Share is the average of the weekly closing prices of the Series A Preferred on the New York Stock Exchange each week during the relevant year.

USE OF PROCEEDS

The net proceeds of the Offering are estimated at $159,329,175, after deduction of the underwriting discounts and estimated offering expenses payable by the Fund. The Investment Adviser expects that it will be able to invest the proceeds of the Offering according to the Fund's investment objectives and policies within six months after the completion of the Offering. Pending such investment, the Fund will hold the proceeds in high quality short-term debt securities and instruments.

THE FUND

The Fund, incorporated in Maryland on May 20, 1986, is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund's common stock is traded on the New York Stock Exchange under the symbol "GAB." The Fund recently completed a Rights Offering for 18,114,735 shares of common stock at a per share purchase price of $7.00. The Fund's Series A Preferred is traded on the New York Stock Exchange under the symbol "GAB Pr."

The Fund's primary investment objective is long-term growth of capital. The Fund seeks to achieve its objective by investing primarily in a portfolio of equity securities which include the common stock, preferred stock, convertible securities, options and warrants of foreign and domestic companies selected by the Investment Adviser. Income is the secondary investment objective of the Fund. Under normal market conditions, the Fund will invest at least 65% of its total assets in equity securities.

INVESTMENT OBJECTIVES AND POLICIES

The primary investment objective of the Fund is long-term growth of capital. Income is a secondary objective of the Fund. The Fund attempts to achieve its objectives by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities and warrants and rights to purchase such securities selected by the Investment Adviser. The Investment Adviser selects investments on the basis of fundamental value and, accordingly, the Fund typically invests in the securities of companies that are believed by the Investment Adviser to be priced lower than justified in relation to their underlying assets. Other important factors in the selection of investments include favorable price/earnings and debt/equity ratios and strong management.

The Fund's secondary investment objective is income, which the Fund seeks to achieve, in part, by investing up to 10% of its total assets in a portfolio consisting primarily of high-yielding, fixed-income securities, such as corporate bonds, debentures, notes, convertible securities, preferred stocks and domestic and foreign government obligations. Generally, debt securities purchased by the Fund will be rated in the lower rating categories of recognized statistical rating agencies, such as securities rated "CCC" or lower by Standard & Poor's Ratings Services or "Caa" or lower by Moody's, or will be nonrated securities of comparable quality. These debt securities are predominantly speculative and involve major risk exposure to adverse conditions and are often referred to in the financial press as "junk bonds."

The Fund's investment objectives of long-term growth of capital and income are fundamental policies and may not be changed without shareholder approval.

Investment Methodology of the Fund

In selecting securities for the Fund, the Investment Adviser normally will consider the following factors, among others: (1) the Investment Adviser's own evaluations of the private market value, cash flow, earnings per share and other fundamental aspects of the underlying assets and business of the company, (2) the potential for capital appreciation of the securities; (3) the interest or dividend income generated by the securities; (4) the prices of the securities relative to other comparable securities; (5) whether the securities are entitled to the benefits of call protection or other protective covenants (e.g., events of acceleration or events of default for failure to comply with certain financial ratios or to satisfy other financial covenants or benchmarks); (6) the existence of any anti-dilution protections or guarantees of the security; and (7) the diversification of the portfolio of the Fund as to issuers. The Investment Adviser's investment philosophy with respect to equity securities seeks to identify securities of companies that are selling in the public market at a discount to their private market value, which the Investment Adviser defines as the value informed purchasers are willing to pay to acquire assets with similar characteristics. The Investment Adviser also normally evaluates the issuer's free cash flow and long-term earnings trends. Finally, the Investment Adviser looks for a catalyst — something in the company's industry or indigenous to the company or country itself that will surface additional value.

Investment Practices

Foreign Securities. The Fund may invest up to 35% of its total assets in foreign securities. Among the foreign securities in which the Fund may invest are those issued by companies located in developing countries, which are countries in the initial stages of their industrialization cycles. Investing in the equity and debt markets of developing countries involves exposure to economic structures that are generally less diverse and less mature, and to political systems that can be expected to have less stability, than those of developed countries. The markets of developing countries historically have been more volatile than the markets of the more mature economies of developed countries, but often have provided higher rates of return to investors. The Fund may also invest in debt securities of foreign governments.

Temporary Investments. Although under normal market conditions at least 65% of the Fund's total assets will consist of equity securities, when a temporary defensive posture is believed by the Investment Adviser to be warranted ("temporary defensive periods"), the Fund may without limitation hold cash or invest its assets in money market instruments and repurchase agreements in respect of those instruments. The Fund may also invest up to 10% of the market value of its total assets during temporary defensive periods in shares of money market mutual funds that invest primarily in U.S. Government Securities and repurchase agreements in respect of those securities. For a further description of such transactions, see "Investment Objectives and Policies — Investment Practices" in the SAI. Such actions on the part of the Fund may adversely affect its ability to achieve its investment objectives.

Lower Rated Securities. The Fund may invest up to 10% of its total assets in fixed-income securities issued by U.S. and foreign corporations, governments and agencies that are rated below investment grade by primary rating services such as S&P and Moody's. These high-yield, higher-risk securities are commonly known as "junk bonds." These debt securities are predominantly speculative and involve major risk exposure to adverse conditions.

Repurchase Agreements. The Fund may engage in repurchase agreement transactions with banks, registered broker-dealers and government securities dealers approved by the Investment Adviser under the supervision of the Board of Directors. The Fund will not enter into repurchase agreements with the Investment Adviser or any of its affiliates. Under the terms of a typical repurchase agreement, the Fund would acquire an underlying debt obligation for a relatively short period (usually not more than one week) subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed price and time, thereby determining the yield during its holding period. Thus, repurchase agreements may be seen to be loans by the Fund collateralized by the underlying debt obligation. This arrangement results in a fixed rate of return that is not subject to market fluctuations during the holding period. The value of the underlying securities will be at least equal at all times to the total amount of the repurchase obligation, including interest. The Fund bears a risk of loss in the event that the other party to a repurchase agreement defaults on its obligations and the Fund is delayed in or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period in which it seeks to assert these rights. The Investment Adviser, acting under the supervision of the Fund's Board of Directors, reviews the creditworthiness of those banks and dealers with which the Fund enters into repurchase agreements to evaluate these risks and monitors on an ongoing basis the value of the securities subject to repurchase agreements to ensure that the value is maintained at the required level.

Other Investments. The Fund is permitted to invest in special situations, illiquid securities, warrants, options and other rights and futures contracts, engage in forward currency transactions and enter into forward commitments for the purchase or sale of securities, including on a "when issued" or "delayed delivery" basis. See the SAI for a discussion of these investments and techniques and the risks associated with them.

Leveraging

As provided in the 1940 Act, the Fund may issue debt or preferred stock so long as the Fund's net assets exceed 300% of the amount of the debt outstanding and exceed 200% of the amount of preferred stock and debt outstanding. Leverage entails two primary risks. The first risk is that the use of leverage magnifies the impact on the common stockholders of changes in net asset value. For example, a fund that uses 33% leverage will show a 1.5% increase or decline in net asset value for each 1% increase or decline in the value of its total assets. The second risk is that the cost of leverage will exceed the return on the securities acquired with the proceeds of leverage, thereby diminishing rather than enhancing the return to common stockholders. These two risks would generally make the Fund's total return to common stockholders more volatile to the extent it utilizes leverage. In addition, the Fund may be required to sell investments in order to meet dividend or interest payments on the debt or preferred stock when it may be disadvantageous to do so.

If the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock dividend payments and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Code. See "Taxation." Finally, if the asset coverage for preferred stock or debt securities declines to less than the level required under the 1940 Act or the terms of the preferred stock or debt (as a result of market fluctuations or otherwise), the Fund may be required to sell a portion of its investments to redeem the preferred stock or repay the debt when it may be disadvantageous to do so.

Further information on the investment objectives and policies of the Fund are set forth in the SAI.

Investment Restrictions

The Fund operates under certain restrictions that may not be changed without shareholder approval. For a description of such restrictions, see "Investment Restrictions" in the SAI.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Investors should consider the following special considerations associated with investing in the Fund.

Preferred Stock

There are a number of risks associated with an investment in Series B Preferred. The market price for the Series B Preferred will be influenced by changes in interest rates, the perceived credit quality of the Series B Preferred and other factors. The Series B Preferred is subject to redemption under specified circumstances and investors may not be able to reinvest the proceeds of any such redemption in an investment providing the same or a better rate than that of the Series B Preferred. Subject to such circumstances, the Series B Preferred is perpetual. The credit rating on the Series B Preferred could be reduced or withdrawn while an investor holds shares, and the credit rating does not eliminate or mitigate the risks of investing in the Series B Preferred. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series B Preferred. The Series B Preferred is not an obligation of the Fund. The Series B Preferred would be junior in respect of dividends and liquidation preference to any indebtedness incurred by the Fund. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series B Preferred for the full redemption price.

Non-Diversified Status

The Fund is classified as a "non-diversified" investment company under the 1940 Act, which means the Fund is not limited by the 1940 Act in the proportion of its assets that may be invested in the securities of a single issuer. However, the Fund has in the past conducted and intends to conduct its operations so as to qualify as a "regulated investment company" for purposes of the Code, which will relieve it of any liability for Federal income tax to the extent its earnings are distributed to shareholders. To qualify as a "regulated investment company," among other requirements, the Fund will limit its investments so that, with certain exceptions, at the close of each quarter of the taxable year:

- not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer or any two or more issuers that the Fund controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses, and

- at least 50% of the market value of the Fund's assets will be represented by cash, securities of other regulated investment companies, U.S. Government Securities and other securities with such other securities limited, in respect of any one issuer to an amount not greater than 5% of the value of the Fund's assets and not more than 10% of the outstanding voting securities of such issuer.

The investments of the Fund in U.S. Government Securities are not subject to the foregoing limitations. As a non-diversified investment company, the Fund may invest in the securities of individual issuers to a greater degree than a diversified investment company. As a result, the Fund may be more vulnerable to events affecting a single issuer and therefore subject to greater volatility than a fund that is more broadly diversified. Accordingly, an investment in the Fund may present greater risk to an investor than an investment in a diversified company.

Lower Rated Securities

High yield securities, also sometimes referred to as "junk bonds," generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following:

- greater volatility

- greater credit risk

- potentially greater sensitivity to general economic or industry conditions
- potential lack of attractive resale opportunities (illiquidity)
- additional expenses to seek recovery from issuers who default

The market value of lower-rated securities may be more volatile than the market value of higher-rated securities and generally tends to reflect the market's perception of the creditworthiness of the issuer and short-term market developments to a greater extent than more highly rated securities, which reflect primarily fluctuations in general levels of interest rates.

Ratings are relative and subjective and not absolute standards of quality. Securities ratings are based largely on the issuer's historical financial condition and the rating agencies' analysis at the time of rating. Consequently, the rating assigned to any particular security is not necessarily a reflection of the issuer's current financial condition.

For a further description of lower rated securities and the risks associated therewith, see "Investment Objectives and Policies — Investment Practices" in the SAI. For a description of the ratings categories of certain recognized statistical ratings agencies, see Appendix A to this prospectus.

Foreign Securities

The Fund may invest up to 35% of its total assets in foreign securities. The risks which the Fund faces when it invests in securities of foreign companies and foreign governments include:

- fluctuations in exchange rates between the U.S. dollar and foreign currencies
- unavailable or deficient key information about an issuer, security or market
- lack of uniform financial reporting standards and other regulatory requirements
- expropriations, capital or currency controls, punitive taxes or nationalizations
- economic policy changes, social and political instability, military action and war
- changed circumstances in dealings between nations
- greater volatility and illiquidity of foreign securities
- costs incurred in connection with conversion between various currencies
- higher foreign brokerage commissions
- possible extended settlement period
- revaluations of currencies
- transfer taxes or transaction charges
- greater difficulty in protecting and enforcing the Fund's rights

Each of the above risks is more pronounced with respect to the Fund's investments in securities of companies and governments in the world's emerging (less developed) markets. For a further description of the Fund's investments in foreign securities, see "Investment Objectives and Policies — Certain Practices — Foreign Securities."

The Fund may purchase sponsored American Depository Receipts of U.S. denominated securities of foreign issuers, which shall not be included in the Fund's 35% foreign securities investment limitation. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs.

Dependence on Key Personnel

The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund's investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser.

Illiquidity Prior to Exchange Listing

Prior to the Offering, there has been no public market for the Series B Preferred. Application has been made to list the Series B Preferred on the New York Stock Exchange. However, during an initial period which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series B Preferred; however, they have no obligation to do so. Consequently, an investment in the Series B Preferred may be illiquid during such period.

MANAGEMENT OF THE FUND

Directors and Officers

The business and affairs of the Fund are managed under the direction of the Fund's Board of Directors, and the day-to-day operations of the Fund are conducted through or under the direction of the officers of the Fund. Although the Fund is a Maryland corporation, Karl Otto Pohl, one of its Directors, is a resident of Germany, and substantially all of his assets are located outside of the United States. Mr. Pohl has not authorized an agent for service of process in the United States. Consequently, it may be difficult for investors to effect service of process upon him within the United States or to enforce, in United States courts, judgments against him obtained in such courts predicated on the civil liability provisions of the United States securities laws. In addition, there is doubt as to the enforceability in German courts of liabilities predicated solely upon the United States securities laws, whether or not such liabilities are based upon judgments of courts in the United States. For certain information regarding the Directors and officers of the Fund, see "Management of the Fund" in the SAI.

Investment Adviser

The Investment Adviser, whose principal business address is One Corporate Center, Rye, New York 10580, is a New York limited liability company which also serves as investment adviser to other closed-end investment companies and open-end investment companies with aggregate assets in excess of $10.3 billion as of March 31, 2001. The Investment Adviser is a registered investment adviser under the Investment Advisers Act of 1940. Mr. Mario J. Gabelli may be deemed a "controlling person" of the Investment Adviser on the basis of his controlling interest in the parent company of the Investment Adviser. The Investment Adviser has several affiliates that provide investment advisory services: GAMCO Investors, Inc. acts as investment adviser for individuals, pension trusts, profit-sharing trusts and endowments, and had assets under management of approximately $10.7 billion under its management as of March 31, 2001; Gabelli Advisers, Inc. acts as investment adviser to the Gabelli Westwood Funds with assets under management of approximately $494 million as of March 31, 2001; Gabelli Securities, Inc. acts as general partner or investment manager to certain alternative investments products, consisting primarily of risk arbitrage and merchant banking limited partnerships and offshore companies, with assets under management of approximately $473 million as of March 31, 2001; and Gabelli Fixed Income, LLC acts as investment adviser for the three portfolios of The Treasurer's Fund and separate accounts having assets under management of approximately $1.7 billion as of March 31, 2001.

The Investment Adviser has sole investment discretion for the Fund with respect to the Fund's portfolio under the supervision of the Fund's Board of Directors and in accordance with the Fund's stated policies. The Investment Adviser will select investments for the Fund and will place purchase and sale orders on behalf of the Fund. For its services, the Investment Adviser is paid a fee computed daily and paid monthly at an annual rate of 1.00% of the average weekly net assets of the Fund. The Investment Adviser is responsible for administration of the Fund and currently utilizes and pays the fees of a third party administrator. Notwithstanding the foregoing, the Investment Adviser will waive the portion of its investment advisory fee attributable to an amount of assets of the Fund equal to the aggregate stated value of the Series B Preferred for any calendar year in which the net asset value total return of the Fund allocable to the common stock, including distributions and the advisory fee subject to potential waiver, is less than the stated dividend rate of the Series B Preferred (prorated during the year the Series B Preferred is issued and the final year the Series B Preferred is outstanding). For additional information regarding the Investment Adviser, see "The Investment Adviser" in the SAI.

Non-U.S. shareholders should note that there may be difficulty enforcing any legal rights against the Investment Adviser because it is resident only in the U.S. and all of its assets are situated in the U.S.

Portfolio Management

Mario J. Gabelli, who is Chief Investment Officer of the Investment Adviser, has managed the Fund's assets since its inception. In addition, over the past five years, Mr. Gabelli has served as Chairman of the Board and Chief Executive Officer of Gabelli Asset Management Inc.; Chief Investment Officer of GAMCO Investors, Inc.; Chairman of the Board and Chief Executive Officer of Lynch Corporation, a diversified manufacturing company, and Lynch Interactive Corporation, a multimedia and communications services company; and Director of Spinnaker Industries, Inc., a manufacturing company.

Sub-Administrator

The Investment Adviser has certain administrative responsibilities to the Fund under its Advisory Agreement with the Fund. The Investment Adviser has retained PFPC, Inc. as Sub-Administrator to provide certain administrative services necessary for the Fund's operations other than those performed by the Investment Adviser under its Advisory Agreement. These services include, but are not limited to, supplying the Investment Adviser with office facilities, statistical and research data, data processing services, clerical, accounting and bookkeeping services, internal audit and regulatory administration services, the preparation and distribution of materials for meeting of the Fund's Board of Directors, compliance testing of the Fund's activities and the preparation of stockholder reports, tax returns and other regulatory filings. For such services by the Sub-Administrator, the Investment Adviser pays the Sub-Administrator a monthly fee based upon the aggregate average daily net assets of certain funds advised by the Investment Adviser, including the Fund, as follows: .0275% on aggregate net assets under administration of $0-$10 billion, .0125% on aggregate net assets under administration of $10-$15 billion and .0100% on aggregate net assets under administration over $15 billion, which together with services rendered, is subject to re-negotiation if net assets under administration exceed $20 billion. The Investment Adviser also reimburses the Sub-Administrator for certain out-of-pocket expenses incurred by the Sub-Administrator as a result of its duties under the sub-administrative agreement. The Sub-Administrator has its principal office located at 3200 Horizon Drive, King of Prussia, Pennsylvania 19406.

Payment of Expenses

For purposes of the calculation of the fees payable to the Investment Adviser by the Fund, average weekly net assets of the Fund are determined at the end of each month on the basis of its average net assets for each week during the month. The assets for each weekly period are determined by averaging the net assets at the end of a week with the net assets at the end of the prior week.

The Investment Adviser will be obligated to pay expenses associated with providing the services contemplated by the Advisory Agreement including compensation of and office space for its officers and employees connected with investment and economic research, trading and investment management and administration of the Fund, as well as the fees of all Directors of the Fund who are affiliated with the Investment Adviser. The Fund pays all other expenses incurred in its operation including, among other things, expenses for legal and independent accountants' services, costs of printing proxies, stock certificates and shareholder reports, rating agency fees, charges of the custodian, any subcustodian and transfer and dividend paying agent, Securities and Exchange Commission fees, fees and expenses of unaffiliated Directors, accounting and pricing costs, membership fees in trade associations, fidelity bond coverage for its officers and employees, directors' and officers' errors and omission insurance coverage, interest, brokerage costs, taxes, stock exchange listing fees and expenses, expenses of qualifying its shares for sale in various states, litigation and other extraordinary or non-recurring expenses, and other expenses properly payable by the Fund.

PORTFOLIO TRANSACTIONS

Principal transactions are not entered into with affiliates of the Fund. However, Gabelli & Company, Inc., an affiliate of the Investment Adviser, may execute portfolio transactions on stock exchanges and in the over-the-counter markets on an agency basis and receive a stated commission therefor. For a more detailed discussion of the Fund's brokerage allocation practice, see the SAI under "Portfolio Transactions."

DIVIDEND AND DISTRIBUTION POLICY

Distribution Policy

The Fund's policy is to make quarterly distributions of $0.27 per share at the end of each of the first three calendar quarters of each year to holders of its common stock. The Fund's distribution in December for each calendar year is an adjusting distribution (equal to the sum of 2.5% of the net asset value of the Fund as of the last day of the four preceding calendar quarters less the aggregate distributions of $0.81 per share made for the most recent three calendar quarters) in order to meet the Fund's 10% pay-out goal.

The dividend policy of the Fund may be modified from time to time by the Board of Directors. As a regulated investment company under the Code, the Fund will not be subjected to U.S. Federal income tax on its net investment income that it distributes to shareholders, provided that at least 90% of its net investment income for the taxable year is distributed to its shareholders.

The Fund, along with other closed-end registered investment companies advised by the Investment Adviser has obtained an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting the Fund to make periodic distributions of long-term capital gains provided that the Fund maintains distribution policies with respect to the common stock and preferred stock calling for periodic distributions over a specified period of time in an amount equal to a fixed dollar amount or percentage of the Fund's average net asset value or market price per share of common stock or, in the case of the preferred stock, in accordance with its terms. If the total distributions required by the proposed periodic pay-out policy exceed the Fund's net investment income and net capital gains, the excess will be treated as a return of capital. If the Fund's net investment income, net short-term capital gains and net long-term capital gains for any year exceed the amount required to be distributed under the proposed periodic pay-out policy, the Fund generally intends to pay such excess once a year, but may, in its discretion, retain and not distribute net long-term capital gains to the extent of such excess.

DESCRIPTION OF SERIES B PREFERRED

The following is a brief description of the terms of the Series B Preferred. This description does not purport to be complete and is qualified by reference to the Articles Supplementary, the form of which is filed as an exhibit to the Fund's Registration Statement. For complete terms of the Series B Preferred, including definitions of terms used in this prospectus, please refer to the actual terms of the Series B Preferred, which are set forth in the Articles Supplementary.

General

Under the Articles Supplementary, the Fund is authorized to issue up to 10,000,000 shares of preferred stock as Series B Preferred. No fractional shares of Series B Preferred will be issued. As of March 31, 2001, there were 5,368,900 shares of Series A Preferred outstanding. The Board of Directors reserves the right to issue additional shares of preferred stock, including Preferred Stock, from time to time, subject to the restrictions in the Articles Supplementary and the 1940 Act. The shares of Series B Preferred will, upon issuance, be fully paid and nonassessable and will have no preemptive, exchange or conversion rights. Any shares of Series B Preferred repurchased or redeemed by the Fund will be classified as authorized but unissued preferred stock. The Board of Directors may by resolution classify or reclassify any authorized but unissued capital stock of the Fund from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or terms or conditions of redemption. The Fund will not issue any class of stock senior to the shares of Preferred Stock. The Board of Directors, to the extent permitted by law, may amend the Articles Supplementary to resolve any inconsistency or ambiguity or to remedy any formal defect so long as the amendment does not materially adversely affect any of the contract rights of holders of the Series B Preferred or any other capital stock of the Fund, or adversely affect the then current rating on the Series B Preferred.

Rating Agency Guidelines

Moody's has established various requirements in connection with the Fund's receipt and maintenance of a rating for the Series B Preferred of 'aaa' by Moody's. Moody's, a nationally-recognized securities rating organization, issues ratings for various securities reflecting the perceived creditworthiness of such securities. The requirements utilized for both the Series A and Series B Preferred have been developed by Moody's in connection with issuances of asset-backed and similar securities, including debt obligations and various types of preferred stocks. The requirements are designed to ensure that assets underlying outstanding debt or preferred stock will be sufficiently varied and will be of sufficient quality and amount to justify investment-grade ratings. The requirements do not have the force of law but are being adopted by the Fund in order for the above-described rating for the Series B Preferred, which may be relied upon by investors in determining whether to purchase the Series B Preferred and at what price in relation to other fixed income securities. The requirements provide a set of tests for portfolio composition and asset coverage that supplement (and in some cases are more restrictive than) the applicable asset coverage requirements of the 1940 Act. Moody's current guidelines are included in the Articles Supplementary and are referred to in this prospectus as the "Rating Agency Guidelines."

The Rating Agency Guidelines require that the Fund maintain a level of asset coverage that is at least equal to a Basic Maintenance Amount set by Moody's. In general terms, the Basic Maintenance Amount (as of a particular valuation date) is a dollar amount equal to the sum of:

- the total liquidation preference of all outstanding shares of Preferred Stock;
- the amount of any indebtedness for borrowed money;

- the unpaid dividends due or accruing in respect of such shares over the next 70 days; and
- current and other liabilities of the Fund due or accruing over the next 90 days,

reduced by:

- the Fund's cash and
- certain of the Fund's high-grade investments.

In determining asset coverage, the Rating Agency Guidelines give no credit for certain securities or for shares of a particular issuer in excess of specified issuer diversification and industry concentration limitations and apply specified discounts to all other securities (except certain money market securities) that range from 5% to 75% of the market value of such securities.

Moody's discounts are based on factors including the sensitivity of the market value of the relevant asset to changes in interest rates, the liquidity and depth of the market for the relevant asset, the historical volatility of common stock prices in general and within particular industry groups, the credit quality of the relevant asset (for example, the lower the rating of a corporate debt obligation, the higher the related discount factor), the frequency with which the relevant asset is marked to market and the amount of time the Fund may take to cure a failure to meet the Basic Maintenance Amount test. The Moody's discount percentage relating to any asset of the Fund, the assets eligible for inclusion in the calculation of adjusted assets for the purpose of meeting the Basic Maintenance Amount, and the Basic Maintenance Amount and the definitions and methods of calculation relating thereto may be changed from time to time by the Board of Directors, provided that, among other things, such changes will not impair the rating then assigned to the Series B Preferred by the Moody's. This feature will permit the Fund to respond to changes required or permitted by Moody's from time to time without requiring a vote of stockholders and should enhance the ability of the Fund to earn an incremental return for the holders of its common stock without impairing the rating of the Series B Preferred. For a detailed description of these provisions, which are (or are related to) the Basic Maintenance Amount and Adjusted Value, see the description in the Articles Supplementary.

If the Fund fails to maintain asset coverage at least equal to the Basic Maintenance Amount and such failure is not cured by the applicable cure date, the Fund will be required to redeem some or all of the Preferred Stock. See "Description of Series B Preferred — Redemption — Mandatory Redemption Relating to Asset Cover age Requirements." The Investment Adviser does not believe that compliance with the Rating Agency Guidelines will have an adverse effect on its management of the Fund's portfolio or on the achievement of the Fund's investment objectives. It is the Fund's present intention to continue to comply with the Rating Agency Guidelines.

On or before the fifth Business Day after each quarterly valuation date, the Fund is required to deliver to Moody's a report setting forth whether the Fund was in compliance with the Rating Agency Guidelines asset coverage requirements as of the relevant valuation date. Within ten Business Days after delivery of such report to Moody's and on one other occasion chosen annually at random by Fund's independent accountants, the Fund will deliver letters prepared by the Fund's independent accountants regarding the accuracy of the calculations made by the Fund in, and certain other matters relating to, its most recent report.

The Fund may, but is not required to, adopt any modifications to the Rating Agency Guidelines that may hereafter be established by Moody's. Failure to adopt such modifications, however, may result in a change in Moody's rating or a withdrawal of a rating altogether. In addition, Moody's may, at any time, change or withdraw such rating. However, failure to comply with the Rating Agency Guidelines included in the Articles Supplementary would require the Fund to redeem all or part of the Preferred Stock if such failure to comply is not cured within the specified time periods.

A preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock obligations. The rating on the Series B Preferred is not a recommendation to purchase, hold or sell such shares, inasmuch as the rating does not comment as to market price or suitability for a particular investor. Nor do Moody's requirements address the likelihood that a holder of Series B Preferred will be able to sell such shares. The rating is based on current information furnished to Moody's by the Fund and the Investment Adviser and information obtained from other sources. The rating may be changed, suspended or withdrawn as a result of changes in, or the unavailability of, such information.

Dividends

Holders of shares of Series B Preferred will be entitled to receive, when, as and if declared by the Board of Directors of the Fund out of funds legally available therefor, cumulative cash dividends, at the annual rate of 7.20% of the liquidation preference of $25 per share, payable quarterly on March 26, June 26, September 26 and December 26 in each year or, if any such day is not a Business Day, the next succeeding Business Day (the "Dividend Payment Date"), commencing on September 26, 2001, to the persons in whose names the shares of Series B Preferred are registered at the close of business on the fifth preceding Business Day.

Dividends on the shares of Series B Preferred will accumulate from the date on which such shares are issued; provided, however, that any shares of Series B Preferred issued within 30 days of the original issue date of the series, will accumulate dividends from the series' original date of issue.

No dividends will be declared or paid or set apart for payment on shares of Series B Preferred for any dividend period or part thereof unless full cumulative dividends have been or contemporaneously are declared and paid on all outstanding shares of Preferred Stock through the most recent dividend payment date thereof. If full cumulative dividends are not paid on the Preferred Stock, all dividends on the shares of Preferred Stock will be paid pro rata to the holders of the shares of Preferred Stock in proportion to the respective amounts of dividends accumulated but unpaid on each such series. Holders of Series B Preferred will not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest, or sum of money in lieu of interest, will be payable in respect of any dividend payment that may be in arrears.

For so long as any shares of Preferred Stock are outstanding, the Board of Directors of the Fund will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares or rights to purchase shares of stock ranking junior to the Preferred Stock as to dividends and upon liquidation) in respect of the common stock or any other stock of the Fund ranking junior to the Preferred Stock as to dividends and upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any shares of its common stock or any other stock of the Fund ranking junior to the Preferred Stock as to dividends and upon liquidation (except by conversion into or exchange for stock of the Fund ranking junior to the Preferred Stock as to dividends and upon liquidation), unless, in each case:

- immediately after such transaction, the Fund will meet the asset coverage requirements set forth both in the Rating Agency Guidelines and under the 1940 Act (see "— Rating Agency Guidelines" above and "— Asset Maintenance Requirements" below);
- full cumulative dividends on all shares of Preferred Stock due on or prior to the date of the transactions have been declared and paid (or sufficient cash or cash equivalents to cover such payment have been deposited with the Dividend-Disbursing Agent); and
- the Fund has redeemed the full number of shares of Preferred Stock required to be redeemed by any provision for mandatory redemption contained in the Articles Supplementary.

Asset Maintenance Requirements

The Fund will be required to satisfy two separate asset maintenance requirements under the terms of the Articles Supplementary. The Moody's requirements are summarized under "— Rating Agency Guidelines" above. The 1940 Act requirements are summarized below.

The Fund will be required under the Articles Supplementary to maintain as of the last Business Day of each March, June, September and December of each year, an "asset coverage" (as defined in the 1940 Act) of at least 200% (or such higher or lower percentage as may be required at the time under the 1940 Act) with respect to all outstanding senior securities of the Fund which are stock, including the Series B Preferred. If the Fund fails to maintain the asset coverage required under the 1940 Act on such dates and such failure is not cured within 60 days, the Fund will be required under certain circumstances to redeem shares of Preferred Stock sufficient to satisfy such asset coverage. See "— Redemption" below.

If the shares of Series B Preferred offered hereby had been issued and sold as of December 31, 2000, the asset coverage required under the 1940 Act immediately following such issuance and sale (after giving effect to the deduction of the underwriting discounts and estimated offering expenses for such shares of ($5,670,825), would have been computed as follows:

> value of Fund assets less liabilities not constituting senior securities ($1,477,592,589) ÷ senior securities representing indebtedness plus liquidation preference of each class of preferred stock ($299,222,500) = 494%

Redemption

Mandatory Redemption Relating to Asset Coverage Requirements. The Fund will be required to redeem, at a redemption price equal to $25 per share plus accumulated and unpaid dividends through the date of redemption (whether or not earned or declared), shares of Preferred Stock (to the extent permitted under the 1940 Act and Maryland law) in the event that:

- the Fund fails to maintain the asset coverage requirements specified under the 1940 Act and such failure is not cured on or before 60 days following such failure; or
- the Fund fails to maintain the asset coverage requirements as calculated in accordance with the Rating Agency Guidelines as of any valuation date, and such failure is not cured on or before the 7th day after such valuation date.

The number of shares of Preferred Stock that will be redeemed in the case of a mandatory redemption will equal the minimum number of outstanding shares of Preferred Stock the redemption of which, if such redemption had occurred immediately prior to the opening of business on the applicable cure date, would have resulted in the relevant asset coverage requirement having been met or, if the required asset coverage cannot be so restored, all of the shares of Preferred Stock. In the event that shares of Preferred Stock are redeemed due to a failure to satisfy the 1940 Act asset coverage requirements, the Fund may, but is not required to, redeem a sufficient number of shares of Preferred Stock so that the Fund's assets exceed the asset coverage requirements under the 1940 Act after the redemption by 10% (that is, 220% asset coverage). In the event that shares of Preferred Stock are redeemed due to a failure to satisfy the Rating Agency Guidelines, the Fund may, but is not required to, redeem a sufficient number of shares of Preferred Stock so that the Fund's adjusted assets (as determined in accordance with the Rating Agency Guidelines) after redemption exceed the Rating Agency Guidelines' asset coverage requirements by up to 10%.

If the Fund does not have funds legally available for the redemption of, or is otherwise unable to redeem, all the shares of Preferred Stock to be redeemed on any redemption date, the Fund will redeem on such redemption date that number of shares for which it has legally available funds, or is otherwise able to redeem ratably from each holder whose shares are to be redeemed, and the remainder of the shares required to be redeemed will be redeemed on the earliest practicable date on which the Fund will have funds legally available for the redemption of, or is otherwise able to redeem, such shares upon written notice of redemption.

If fewer than all shares of the Preferred Stock are to be redeemed, the Fund, at its discretion will select the series from which shares will be redeemed. If fewer than all of the shares of a series of Preferred Stock are to be redeemed, such redemption will be made pro rata from each holder of such shares in accordance with the respective number of shares of such series held by each such holder on the record date for such redemption. If fewer than all shares of the Preferred Stock held by any holder are to be redeemed, the notice of redemption mailed to such holder will specify the number of shares to be redeemed from such holder.

Optional Redemption. Prior to June 20, 2006, the shares of Series B Preferred are not subject to any optional redemption by the Fund unless such redemption is necessary, in the judgment of the Fund, to maintain the Fund's status as a regulated investment company under the Code. Commencing June 20, 2006 and thereafter, the Fund may at any time redeem shares of Series B Preferred in whole or in part at the redemption price. Such redemptions are subject to the limitations of the 1940 Act and Maryland law.

Redemption Procedures. A notice of redemption will be given to the holders of record of Preferred Stock selected for redemption not less than 30 or more than 45 days prior to the date fixed for the redemption. Each notice of redemption will state (i) the redemption date, (ii) the number of shares of Preferred Stock to be redeemed, (iii) the CUSIP number(s) of such shares, (iv) the redemption price, (v) the place or places where such shares are to be redeemed, (vi) that dividends on the shares to be redeemed will cease to accrue on such redemption date and (vii) the provision of the Articles Supplementary under which the redemption is being made. No defect in the notice of redemption or in the mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law.

Liquidation Rights

Upon a liquidation, dissolution or winding up of the affairs of the Fund (whether voluntary or involuntary), holders of shares of Series B Preferred then outstanding will be entitled to receive out of the assets of the Fund available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment of assets is made to holders of the common stock or any other class of stock of the Fund ranking junior to the Preferred Stock as to liquidation payments, a liquidation distribution in the amount of $25 per share, plus an amount equal to all unpaid dividends accrued to and including the date fixed for such distribution or payment (whether or not earned or declared by the Fund but excluding interest thereon), and such holders will be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up. If, upon any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the assets of the Fund available for distribution among the holders of all outstanding shares of Preferred Stock and any other outstanding class or series of preferred stock of the Fund ranking on a parity with the Preferred Stock as to payment upon liquidation, will be insufficient to permit the payment in full to such holders of Preferred Stock and other parity preferred stock of the amounts due upon liquidation with respect to such shares, then such available assets will be distributed among the holders of Series B Preferred and such other Preferred Stock and other parity preferred stock ratably in proportion to the respective preferential amounts to which they are entitled. Unless and until the liquidation payments due to holders of the Series B Preferred and such other Preferred Stock and other parity preferred stock have been paid in full, no dividends or distributions will be made to holders of the common stock or any other stock of the Fund ranking junior to the Preferred Stock and other parity preferred stock as to liquidation.

Voting Rights

Except as otherwise stated in this prospectus and as otherwise required by applicable law, holders of shares of Series B Preferred, along with holders of shares of Series A Preferred and any other preferred stock, will be entitled to one vote per share on each matter submitted to a vote of stockholders and will vote together with holders of shares of common stock and of any other preferred stock then outstanding as a single class.

In connection with the election of the Fund's directors, holders of shares of Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class, will be entitled at all times to elect two of the Fund's directors, and the remaining directors will be elected by holders of shares of common stock and holders of shares of Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class. In addition, if at any time dividends on outstanding shares of

Series B Preferred, Series A Preferred and/or any other preferred stock are unpaid in an amount equal to at least two full years' dividends thereon, then the number of directors constituting the Board of Directors automatically will be increased by the smallest number that, when added to the two directors elected exclusively by the holders of shares of Preferred Stock and any other preferred stock as described above, would constitute a majority of the Board of Directors as so increased by such smallest number. Such additional directors will be elected by the holders of Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class, at a special meeting of stockholders which will be called and held as soon as practicable. The terms of office of the persons who are directors at the time of that election will continue. If the Fund thereafter pays, or declares and sets apart for payment in full, all dividends payable on all outstanding shares of Preferred Stock and any other preferred stock for all past dividend periods, the additional voting rights of the holders of shares of Preferred Stock and any other preferred stock as described above will cease, and the terms of office of all of the additional or replacement directors elected by the holders of shares of Preferred Stock and any other preferred stock (but not of the directors with respect to whose election the holders of shares of common stock were entitled to vote or the two directors the holders of shares of Preferred Stock and any other preferred stock have the right to elect as a separate class in any event) will terminate at the earliest time permitted by law.

So long as shares of the Series B Preferred are outstanding, the Fund will not, without the affirmative vote of the holders of a majority (as defined in the 1940 Act) of the shares of Preferred Stock outstanding at the time, voting separately as one class, amend, alter or repeal the provisions of the Fund's Charter, whether by merger, consolidation or otherwise, so as to materially adversely affect any of the contract rights expressly set forth in the Charter of holders of shares of the Preferred Stock or any other preferred stock. Also, to the extent permitted under the 1940 Act, in the event shares of more than one series of Preferred Stock are outstanding, the Corporation shall not approve any of the actions set forth in the preceding sentence which materially adversely affect the contract rights expressly set forth in the Charter of a holder of shares of a series of Preferred Stock (such as the Series B Preferred Stock) differently than those of a holder of shares of any other series of Preferred Stock without the affirmative vote of the holders of at least a majority of the shares of Preferred Stock of each series materially adversely affected and outstanding at such time (each such materially adversely affected series voting separately as a class). Unless a higher percentage is provided for under the Charter or applicable provisions of Maryland General Corporation Law, the affirmative vote of a majority of the votes entitled to be cast by holders of outstanding shares of the Series B Preferred, Series A Preferred and any other preferred stock, voting together as a single class, will be required to approve any plan of reorganization adversely affecting such shares or any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in the Fund's investment objective or changes in the investment restrictions described as fundamental policies under "Investment Objectives and Policies" and "Investment Restrictions" in the prospectus and the SAI. For purposes of this paragraph, except as otherwise required under the 1940 Act, the phrase "vote of the holders of a majority of the outstanding shares of Preferred Stock" means, in accordance with Section 2(a)(42) of the 1940 Act, the vote, at the annual or a special meeting of the stockholders of the Fund duly called (A) of 67% or more of the shares of Preferred Stock present at such meeting, if the holders of more than 50% of the outstanding shares of Preferred Stock are present or represented by proxy or (B) more than 50% of the outstanding shares of Preferred Stock, whichever is less. The class vote of holders of shares of the Series B Preferred, Series A Preferred and any other preferred stock described above in each case will be in addition to a separate vote of the requisite percentage of shares of common stock, Preferred Stock and any other preferred stock, voting together as a single class, that may be necessary to authorize the action in question.

Under applicable Maryland law, the holders of Preferred Stock may take action or consent to any action without holding a meeting by the written consent of the stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a stockholders meeting if the Fund gives notice of the action to each stockholder not later than 10 days after the effective time of the action. Also, the calculation and the elements and definitions of the terms of the Rating Agency Guidelines may be modified by action of the Board of Directors without further action by the stockholders if the Board determines that such modification is necessary to prevent a reduction in rating of the shares of Preferred Stock by Moody's or is in the best interests of the holders of shares of common stock and is not adverse to the holders of Preferred Stock in view of advice to the Fund by Moody's that such modification would not adversely affect its then current rating of the shares of Series B Preferred Stock.

The foregoing voting provisions will not apply to any shares of Series B Preferred if, at or prior to the time when the act with respect to which such vote otherwise would be required will be effected, such shares will have been (i) redeemed or (ii) called for redemption and sufficient cash or cash equivalents provided to the Dividend-Disbursing Agent to effect such redemption. The holders of Series B Preferred will have no preemptive rights or rights to cumulative voting.

Limitation on Incurrence of Additional Indebtedness and Issuance of Additional Preferred Stock

So long as any shares of Series B Preferred are outstanding and subject to compliance with the Fund's investment objectives, policies and restrictions, the Fund may issue and sell one or more series of a class of senior securities of the Fund representing indebtedness under the 1940 Act and/or otherwise create or incur indebtedness, provided that the Fund will, immediately after giving effect to the incurrence of such indebtedness and to its receipt and application of the proceeds thereof, have an "asset coverage" for all senior securities of the Fund representing indebtedness, as defined in the 1940 Act, of at least 300% of the amount of all indebtedness of the Fund then outstanding and no such additional indebtedness will have any preference or priority over any other indebtedness of the Fund upon the distribution of the assets of the Fund or in respect of the payment of interest. Any possible liability resulting from lending and/or borrowing portfolio securities, entering into reverse repurchase agreements, entering into futures contracts and writing options, to the extent such transactions are made in accordance with the investment restrictions of the Fund then in effect, will not be considered to be indebtedness limited by the Articles Supplementary.

So long as any shares of Series B Preferred are outstanding, subject to receipt of approval from Moody's, and subject to compliance with the Fund's investment objectives, policies and restrictions, the Fund may issue and sell shares of one of more other series of preferred stock in addition to the shares of Series B Preferred, provided that the Fund will, immediately after giving effect to the issuance of such additional preferred stock and to its receipt and application of the proceeds thereof, have an "asset coverage" for all senior securities of the Fund which are stock, as defined in the 1940 Act, of at least 200% of the sum of the liquidation preference of the shares of Preferred Stock and all other preferred stock of the Fund then outstanding and all indebtedness of the Fund constituting senior securities and no such additional preferred stock will have any preference or priority over any other preferred stock of the Fund upon the distribution of the assets of the Fund or in respect of the payment of dividends.

Repurchase of Series B Preferred

The Fund is a closed-end investment company and, as such, holders of Series B Preferred do not, and will not, have the right to redeem their shares of the Fund. The Fund, however, may repurchase shares of the Series B Preferred when it is deemed advisable by the Board of Directors in compliance with the requirements of the 1940 Act and the rules and regulations thereunder and other applicable requirements.

Book-Entry

Shares of Series B Preferred will initially be held in the name of Cede & Co ("Cede"), as nominee for The Depository Trust Company ("DTC"). The Fund will treat Cede as the holder of record of the Series B Preferred for all purposes. In accordance with the procedures of DTC, however, purchasers of Series B Preferred will be deemed the beneficial owners of shares purchased for purposes of dividends, voting and liquidation rights. Purchasers of Series B Preferred may obtain registered certificates by contacting the Transfer Agent (as defined below).

DESCRIPTION OF CAPITAL STOCK AND OTHER SECURITIES

Common Stock. The Fund, which was incorporated under the laws of the State of Maryland on May 20, 1986, is authorized to issue 200,000,000 shares of capital stock of which 184,000,000 shares are currently classified as common stock, par value $.001 per share. Each share of common stock has equal voting, dividend, distribution and liquidation rights. The Fund's capital stock is subject to reclassification from time to time by the Board of Directors. The shares of common stock outstanding are fully paid and nonassessable. Shares of the common stock are not redeemable and have no preemptive, conversion or cumulative voting rights. The Fund's shares of common stock are listed and traded on the New York Stock Exchange under the symbol "GAB."

Preferred Stock. Currently, 16,000,000 shares of the Fund's capital stock are authorized as preferred stock, par value $.001 per share. The terms of such preferred stock may be fixed by the Board of Directors and would materially limit and/or qualify the rights of the holders of the Fund's common stock. As of March 31, 2001, the Fund had outstanding 5,368,900 shares of Series A Preferred, which, along with the Series B Preferred being issued in connection with this prospectus, are senior securities of the Fund. The Series A Preferred is the same class as the Series B Preferred and is ranked on a parity with the Series B Preferred as to dividend and liquidation preference. Dividends on the Series A Preferred accrue at an annual rate of 7.25% of the liquidation preference of $25 per share, are cumulative from the date of original issuance thereof and are payable quarterly on March 26, June 26, September 26 and December 26 in each year. The Series A Preferred is listed and traded on the New York Stock Exchange under the symbol "GAB Pr."

The Series A Preferred is rated "aaa" by Moody's and the Fund is required to meet identical asset coverage requirements with respect to the Series A Preferred as are described in this prospectus for the Series B Preferred.

As with the Series B Preferred, the Series A Preferred is subject to mandatory redemption in whole or in part at its redemption price if the Fund fails to maintain either of the minimum asset coverages required by Moody's or the 1940 Act. Commencing June 9, 2003 and thereafter, the Fund at its option may redeem the Series A Preferred in whole or in part for cash at a price equal to its redemption price. Prior to June 9, 2003, the Series A Preferred may be redeemed, at the option of the Fund, for a cash price equal to its redemption price, only to the extent necessary for the Fund to continue to qualify for tax treatment as a regulated investment company.

All shares of Series A Preferred are fully paid and nonassessable.

The following table shows the number of shares of (i) capital stock authorized, (ii) capital stock held by the Fund for its own account and (iii) capital stock outstanding for each class of authorized securities of the Fund as of March 31, 2001.

Class of Stock	Amount Authorized	Amount Held by Fund for Its Own Account	Amount Outstanding
Common Stock	184,000,000 shares	N/A	126,803,143 shares
Preferred Stock	16,000,000 shares	N/A	5,368,900 shares*

* Does not include the Series B Preferred shares being offered pursuant to this prospectus.

TAXATION

The following is a description of certain U.S. Federal income tax consequences to a stockholder of acquiring, holding and disposing of Preferred Stock of the Fund. The discussion reflects applicable tax laws of the United States as of the date of this prospectus, which tax laws may be changed or subject to new interpretations by the courts or the Internal Revenue Service (the "IRS") retroactively or prospectively.

No attempt is made to present a detailed explanation of all U.S. Federal, state, local and foreign tax concerns affecting the Fund and its stockholders, and the discussion set forth herein does not constitute tax advice. Investors are urged to consult their own tax advisers to determine the tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund has elected to be treated and has qualified as, and intends to continue to qualify as, a regulated investment company under Subchapter M of the Code. As a regulated investment company, the Fund will not be subject to U.S. Federal income tax on the portion of its net investment income (i.e., its investment company taxable income as defined in the Code without regard to the deduction for dividends paid) and its net capital gain (i.e., the excess of its net realized long-term capital gain over its net realized short-term capital loss) which it distributes to its stockholders in each taxable year, provided that it distributes to its stockholders at least 90% of the sum of its net investment income and any tax-exempt income for such taxable year.

Qualification as a regulated investment company requires, among other things, that the Fund: (a) derive at least 90% of its gross income in each taxable year from dividends, interest, payments with respect to securities loans, gains from the sale or other disposition of stock or securities or foreign currencies or other income (including gains from options, futures or forward contracts) derived from its business of investing in stock, securities or currencies and (b) diversify its holdings so that, at the end of each quarter of each taxable year, subject to certain exceptions, (i) at least 50% of the market value of the Fund's assets is represented by cash, cash items, U.S. government securities, securities of other regulated investment companies, and other securities with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's assets and 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of the Fund's assets is invested in the securities (other than U.S. government securities or the securities of other regulated investment companies) of any one issuer or any two or more issuers that the Fund controls and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses.

If the Fund were unable to satisfy the 90% distribution requirement or otherwise were to fail to qualify to be taxed as a regulated investment company in any year, the Fund would be subject to tax in such year on all of its taxable income, whether or not it made any distributions. To re-qualify to be taxed as a regulated investment company in a subsequent year, the Fund would be required to distribute to preferred stockholders and common stockholders its earnings and profits attributable to non-regulated investment company years reduced by an interest charge on 50% of such earnings and profits payable by the Fund to the IRS. In addition, if the Fund failed to qualify as a regulated investment company for a period greater than one taxable year, then the Fund would be required to recognize and pay tax on any net built-in gains (the excess of aggregate gains, including items of income, over aggregate losses that would have been realized if the Fund had been liquidated) or, alternatively, to elect to be subject to taxation on such built-in gains recognized for a period of ten years, in order to qualify as a regulated investment company in a subsequent year.

Under the Code, amounts not distributed by a regulated investment company on a timely basis in accordance with a calendar year distribution requirement are subject to a 4% excise tax. To avoid the tax, the Fund must distribute during each calendar year an amount at least equal to the sum of (1) 98% of its ordinary income for the calendar year, (2) 98% of its capital gain net income (both long-term and short-term) for the one year period ending on October 31 of such year or, in the case of a fund (such as the Fund) with a fiscal year ending in November or December that makes an election, the end of its fiscal year, and (3) all ordinary income and capital gain net income for previous years that were not previously distributed or subject to tax under Subchapter M. While the Fund intends to distribute its ordinary income and capital gain net income in a manner that will minimize imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's ordinary income and capital gain net income will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

If the Fund does not meet the asset coverage requirements of its Articles Supplementary and the 1940 Act, the Fund will be required to suspend distributions to the holders of the common stock until the asset coverage is restored. See "Description of Series B Preferred — Dividends" and "Description of Capital Stock and Other Securities." Such a suspension of distributions might prevent the Fund from distributing 90% of its net investment income, as is required in order to avoid Fund-level Federal income taxation on the Fund's distributions, or might prevent it from distributing enough income and capital gain to avoid completely the imposition of the excise tax. Upon any failure to meet the asset coverage requirements of its Articles Supplementary or the 1940 Act, the Fund may, and in certain circumstances will, be required to partially redeem the shares of Preferred Stock in order to restore the requisite asset coverage and avoid the adverse consequences to the Fund and its stockholders of failing to qualify as a regulated investment company. If asset coverage were restored, the Fund would again be able to pay dividends and would generally be able to avoid Fund-level Federal income taxation on the income that it distributes.

Taxation of Stockholders

Dividends paid by the Fund are taxable to stockholders whether such dividends are paid in cash or paid in additional shares of stock under the Fund's plan for the automatic reinvestment of dividends. Dividends paid by the Fund from its net investment income are taxable to stockholders as ordinary income. Dividends paid from net capital gain (including gains or losses from certain transactions in warrants, rights, futures and options) and properly designated by the Fund as capital gain dividends are taxable to stockholders as long-term capital gains, regardless of the length of time the stockholder has owned Fund shares. Any loss upon the sale or exchange of Fund shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received by the stockholder (or credited to the stockholder as an undistributed capital gain) with respect to such shares. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gain to such holder (assuming the shares are held as a capital asset).

Capital gain dividends may be taxed at a lower rate than ordinary income dividends for certain non-corporate taxpayers. See "Tax Attributes of Preferred Stock Dividends."

Not later than 60 days after the close of its taxable year, the Fund will provide its stockholders with a written notice designating the amounts of any ordinary income dividends or capital gain dividends. If the Fund pays a dividend in January which was declared in the previous October, November or December to stockholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its stockholders on December 31 of the year in which such dividend was declared.

Stockholders may be entitled to offset their capital gain dividends with capital losses. There are a number of statutory provisions affecting when capital losses may be offset against capital gains, and limiting the use of losses from certain investments and activities. Accordingly, stockholders with capital losses are urged to consult their tax advisers.

Gain or loss, if any, recognized on the sale of other disposition of shares of the Fund, including, without limitation, a redemption by the Fund, will be taxed as a capital gain or loss if the shares are capital assets in the stockholder's hands and will be taxed as long-term or short-term gain or loss, as the case may be. A loss realized on a sale or exchange of shares of the Fund will be disallowed if other Fund shares of the same class are acquired within a 61-day period beginning 30 days before and ending 30 days after the date that the shares are disposed of. In such a case, the basis of the shares acquired will be adjusted to reflect the disallowed loss.

The Code provides that capital gain recognized on the termination of a position held as part of a "conversion transaction" will be treated as ordinary income, to the extent the recognized gain does not exceed the interest that would have accrued on the net investment in the conversion transaction at an interest rate prescribed by the Code. A "conversion transaction," for these purposes, is a transaction substantially all of the return from which is attributable to the time value of the net investment in the transaction, and which is marketed as producing capital gains, but having the characteristics of a loan. Although there are no regulations construing this provision, the conversion transaction rules would not apply to an investment in the Series B Preferred because dividends paid with respect to the Series B Preferred will not constitute gain which is recognized on the disposition or other termination of any position which was held as part of a conversion transaction.

Ordinary income dividends (but not capital gain dividends) paid to stockholders who are non-resident aliens or foreign entities will be subject to a 30% United States withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Non-resident stockholders are urged to consult their own tax advisers concerning the applicability of the United States withholding tax.

Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes.

Under certain provisions of the Code, some stockholders may be subject to a withholding tax on ordinary income dividends, capital gain dividends and redemption payments ("backup withholding"). A stockholder, however, may generally avoid becoming subject to this requirement by filing an appropriate form with the payor (*i.e.*, the financial institution or brokerage firm where the stockholder maintains his or her account), certifying under penalties of perjury that such stockholder's taxpayer identification number is correct and that such stockholder (i) has never been notified by the IRS that he or she is subject to backup withholding, (ii) has been notified by the IRS that he or she is no longer subject to backup withholding, or (iii) is exempt from backup withholding. Corporate stockholders and certain other stockholders are exempt from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from payments made to a stockholder may be credited against such stockholder's Federal income tax liability.

At the time of a stockholder's purchase, the market price of the Fund's common stock or Preferred Stock may reflect undistributed net investment income or net capital gain. A subsequent distribution of these amounts by the Fund will be taxable to the stockholder even though the distribution economically is a return of part of the stockholder's investment. Investors should carefully consider the tax implications of acquiring shares just prior to a distribution, as they will receive a distribution that would nevertheless be taxable to them.

Since the Fund may invest in foreign securities, its income from such securities may be subject to non-U.S. taxes. The Fund will not invest more than 35% of its total assets in foreign securities. Accordingly, the Fund will not be eligible to elect to "pass-through" to stockholders of the Fund the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid with respect to qualifying taxes. In order to make such an election, at least 50% of the Fund's total assets would be required to be invested in foreign securities at the close of the Fund's fiscal year.

Designation of Capital Gain Dividends to Preferred Stock. The IRS has taken the position in Revenue Ruling 89-81 that if a regulated investment company has two classes of stock, it may designate distributions made to each class in any year as consisting of no more than such class's proportionate share of particular types of income, such as long-term capital gain. A class's proportionate share of a particular type of income is determined according to the percentage of total dividends paid by the regulated investment company during such year that was paid to such class. Consequently, the Fund will designate distributions made to the common stock and Preferred Stock and any other preferred stock as consisting of particular types of income in accordance with the classes' proportionate shares of such income. Because of this rule, the Fund is required to allocate a portion of its net capital gain, ordinary investment income and dividends qualifying for the dividends received deduction to holders of common stock, Preferred Stock and any other preferred stock. The amount of net capital gain, ordinary investment income and dividends qualifying for the dividends received deduction allocable among holders of the common stock, the Preferred Stock and any other preferred stock will depend upon the amount of such net capital gain, ordinary investment income and dividends qualifying for the dividends received deduction realized by the Fund and the total dividends paid by the Fund on shares of common stock, Preferred Stock and any other preferred stock during a taxable year.

The Fund believes that under current law the manner in which the Fund intends to allocate net capital gain, ordinary investment income and dividends qualifying for the dividends received deduction between shares of common stock and Preferred Stock will be respected for Federal income tax purposes. However, the Fund has not requested and will not request direct guidance from the IRS specifically addressing whether the Fund's method of allocation will be respected for Federal income tax purposes, and it is possible that the IRS could disagree with the Fund and attempt to reallocate the Fund's net capital gain, ordinary investment income and dividends qualifying for the dividends received deduction.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. A more complete discussion of the tax rules applicable to the Fund can be found in the SAI which is incorporated by reference into this prospectus. For the complete provisions applicable to both stockholders and the Fund, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative, judicial or administrative action, either prospectively or retroactively.

CERTAIN PROVISIONS OF THE CHARTER AND BY LAWS

The Fund presently has provisions in its Charter and By Laws which could have the effect of limiting, in each case:

- the ability of other entities or persons to acquire control of the Fund;
- the Fund's freedom to engage in certain transactions; or
- the ability of the Fund's Directors or shareholders to amend the Charter and By Laws or effectuate changes in the Fund's management.

These provisions may be regarded as "anti-takeover" provisions. The Board of Directors of the Fund is divided into three classes, each having a term of no more than three years. Each year the term of one class of Directors will expire. Accordingly, only those Directors in one class may be changed in any one year, and it would require two years to change a majority of the Board of Directors. Such system of electing Directors may have the effect of maintaining the continuity of management and, thus, make it more difficult for the shareholders of the Fund to change the majority of Directors. See "Management of the Fund" in the SAI. A Director of the Fund may be removed, but only with cause and by a vote of a majority of the votes entitled to be cast for the election of Directors of the Fund.

In addition, the affirmative vote of the holders of 66⅔% of the Fund's outstanding shares of each class is required to authorize the conversion of the Fund from a closed-end to an open-end investment company or generally to authorize any of the following transactions:

- the merger or consolidation of the Fund with any entity;
- the issuance of any securities of the Fund for cash to any entity or person;
- the sale, lease or exchange of all or any substantial part of the assets of the Fund to any entity or person (except assets having an aggregate fair market value of less than $1,000,000); or
- the sale, lease or exchange to the Fund, in exchange for securities of the Fund, of any assets of any entity or person (except assets having an aggregate fair market value of less than $1,000,000);

if such corporation, person or entity is directly, or indirectly through affiliates, the beneficial owner of more than 5% of the outstanding shares of any class of capital stock of the Fund. However, such vote would not be required when, under certain conditions, the Board of Directors approves the transaction. Reference is made to the Charter and By Laws of the Fund, on file with the Securities and Exchange Commission.

The provisions of the Charter and By Laws described above could have the effect of depriving the owners of shares in the Fund of opportunities to sell their shares at a premium over prevailing market prices, by discouraging a third party from seeking to obtain control of the Fund in a tender offer or similar transaction. The overall effect of these provisions described above is to render more difficult the accomplishment of a merger or the assumption of control by a principal shareholder. The Board of Directors has determined that the foregoing voting requirements, which are generally greater than the minimum requirements under Maryland law and the 1940 Act, are in the best interests of the shareholders generally.

CUSTODIAN, TRANSFER AGENT AND DIVIDEND-DISBURSING AGENT

Boston Safe Deposit and Trust Company, located at One Boston Place, Boston, Massachusetts 02019, serves as the custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the Custodian will receive a monthly fee based upon the average weekly value of the total assets of the Fund, plus certain charges for securities transactions.

State Street Bank and Trust Company, located at Two Heritage Drive, Quincy, Massachusetts 02171, serves as the Fund's dividend-disbursing agent, as agent under the Fund's dividend reinvestment plan and as transfer agent and registrar for shares of the Fund.

UNDERWRITING

Salomon Smith Barney Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Gabelli & Company, Inc are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has agreed to purchase, and the Fund has agreed to sell to that underwriter, the number of shares of Series B Preferred set forth opposite the underwriter's name.

Underwriter	Number of Shares
Salomon Smith Barney Inc.	2,150,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	2,150,000
Gabelli & Company, Inc.	1,000,000
Bear, Stearns & Co. Inc.	250,000
Dain Rauscher Incorporated	175,000
A.G. Edwards & Sons, Inc.	175,000
First Union Securities, Inc.	175,000
H&R Block Financial Advisors, Inc.	175,000
Prudential Securities Incorporated	175,000
The Robinson-Humphrey Company, LLC	175,000
Total	6,600,000

The underwriting agreement provides that the obligations of the underwriters to purchase the shares of Series B Preferred included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares if they purchase any of the shares.

The underwriters propose to offer some of the shares of Series B Preferred directly to the public at the public offering price set forth on the cover page of this prospectus and some of the shares to dealers at the public offering price less a concession not to exceed $0.50 per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $0.35 per share on sales to other dealers. If all of the shares are not sold at the initial offering price, the representatives may change the public offering price and the other selling terms.

The underwriting discount of $0.7875 per share is equal to 3.15% of the initial offering price. Investors must pay for any shares of Series B Preferred on or before June 20, 2001.

Prior to the Offering, there has been no public market for the Series B Preferred. Application has been made to list the Series B Preferred on the New York Stock Exchange. However, during an initial period which is not expected to exceed 30 days after the date of this prospectus, the Series B Preferred will not be listed on any securities exchange. During such period, the underwriters intend to make a market in the Series B Preferred; however, they have no obligation to do so. Consequently, an investment in the Series B Preferred may be illiquid during such period.

In connection with the offering, certain of the underwriters may purchase and sell shares of Series B Preferred in the open market. These transactions may include short sales and stabilizing transactions. Short sales involve syndicate sales of shares in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the underwriters repurchase shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the stock. They may also cause the price of the Series B Preferred to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

The underwriters have performed investment banking and advisory services for the Fund from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for the Fund in the ordinary course of their business.

The underwriters have acted in the past and may continue to act from time to time during and subsequent to the completion of the offering of Series B Preferred hereunder as a broker or dealer in connection with the execution of portfolio transactions for the Fund.

Gabelli & Company, Inc. is a wholly-owned subsidiary of Gabelli Securities, Inc., which is a majority-owned subsidiary of the parent company of the Investment Adviser which is, in turn, indirectly majority-owned by Mario J. Gabelli. As a result of these relationships, Mr. Gabelli, the Fund's President and Chief Investment Officer, may be deemed to be a "controlling person" of Gabelli & Company, Inc.

The Fund has agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

Certain matters concerning the legality under Maryland law of the Series B Preferred will be passed on by Miles & Stockbridge P.C., Baltimore, Maryland. Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, special counsel to the Fund in connection with the offering of the Series B Preferred, and by Simpson Thacher & Bartlett, New York, New York, counsel to the underwriters. Skadden, Arps, Slate, Meagher & Flom LLP and Simpson Thacher & Bartlett will each rely as to matters of Maryland law on the opinion of Miles & Stockbridge P.C.

EXPERTS

The audited financial statements of the Fund as of December 31, 2000 have been incorporated by reference into the SAI in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing. The report of Pricewaterhouse-Coopers LLP is included in the SAI. PricewaterhouseCoopers LLP is located at 1177 Avenue of the Americas, New York, New York 10036.

ADDITIONAL INFORMATION

The Fund is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and the 1940 Act and in accordance therewith files reports and other information with the Securities and Exchange Commission. Reports, proxy statements and other information filed by the Fund with the Securities and Exchange Commission pursuant to the informational requirements of such Acts can be inspected and copied at the public reference facilities maintained by the Securities and Exchange Commission 450 Fifth Street, N.W., Washington, D.C. 20549; Seven World Trade Center, Suite 1300, New York, New York 10048; and 500 West Madison Street, Chicago, Illinois 60661. The Securities and Exchange Commission maintains a Web site at http://www.sec.gov containing reports, proxy and information statements and other information regarding registrants, including the Fund, that file electronically with the Securities and Exchange Commission.

The Fund's common stock and Series A Preferred are listed on the New York Stock Exchange, and reports, proxy statements and other information concerning the Fund and filed with the Securities and

Exchange Commission by the Fund can be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

This prospectus constitutes part of a Registration Statement filed by the Fund with the Securities and Exchange Commission under the 1933 Act and the 1940 Act. This prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Series B Preferred offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Securities and Exchange Commission. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the Securities and Exchange Commission upon payment of the fee prescribed by its rules and regulations or free of charge through the Securities and Exchange Commission's web site (http://www.sec.gov).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Fund to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under "Risk Factors" and elsewhere in this prospectus. As a result of the foregoing and other factors, no assurance can be given as to the future results, levels of activity or achievements, and neither the Fund nor any other person assumes responsibility for the accuracy and completeness of such statements.

TABLE OF CONTENTS OF SAI

An SAI dated June 13, 2001 has been filed with the Securities and Exchange Commission and is incorporated by reference in this prospectus. An SAI may be obtained without charge by writing to the Fund at its address at One Corporate Center, Rye, New York 10580-1434 or by calling the Fund toll-free at (800) GABELLI (422-3554). The Table of Contents of the SAI is as follows:

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this prospectus in connection with the offer contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Fund, the Investment Adviser or the Underwriters. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Fund since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. This prospectus does not constitute an offer to sell or the solicitation of an offer to buy such securities in any circumstance in which such an offer or solicitation is unlawful.

CORPORATE BOND RATINGS

Moody's Investors Service, Inc.

Aaa Bonds that are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa Bonds that are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than in Aaa Securities.

A Bonds that are rated A possess many favorable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa Bonds that are rated Baa are considered as medium-grade obligations i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba Bonds that are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future Uncertainty of position characterizes bonds in this class.

B Bonds that are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small. Moody's applies numerical modifiers (1, 2, and 3) with respect to the bonds rated "Aa" through "B." The modifier 1 indicates that the company ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the company ranks in the lower end of its generic rating category.

Caa Bonds that are rated Caa are of poor standing. These issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca Bonds that are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C Bonds that are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Standard & Poor's Ratings Services

AAA This is the highest rating assigned by S&P to a debt obligation and indicates an extremely strong capacity to pay interest and repay principal.

AA Debt rated AA has a very strong capacity to pay interest and repay principal and differs from AAA issues only in small degree.

A Principal and interest payments on bonds in this category are regarded as safe. Debt rated A has a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB This is the lowest investment grade. Debt rated BBB has an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

Speculative Grade

Debt rated BB, CCC, CC and C are regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation, and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major exposures to adverse conditions. Debt rated C 1 is reserved for income bonds on which no interest is being paid and debt rated D is in payment default.

In July 1994, S&P initiated an "r" symbol to its ratings. The "r" symbol is attached to derivatives, hybrids and certain other obligations that S&P believes may experience high variability in expected returns due to noncredit risks created by the terms of the obligations.

"AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major categories.

"NR" indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

6,600,000 Shares

The Gabelli Equity Trust Inc.

7.20% Tax Advantaged Series B Cumulative Preferred Stock

PROSPECTUS

June 13, 2001

Salomon Smith Barney
Merrill Lynch & Co.
Gabelli & Company, Inc.