The Gabelli Asset Fund
Shareholder Commentary – December 31, 2010

★ ★ ★ ★ ★

Morningstar® rated The Gabelli Asset Fund Class AAA Shares 5 stars overall and 4 stars for the three year period and 5 stars for the five and ten year periods ended December 31, 2010 among 1,753, 1,753, 1,457, and 802 Large Blend funds, respectively.

Mario J. Gabelli, CFA

Kevin V. Dreyer

Christopher Marangi

To Our Shareholders,

For the fourth quarter of 2010, the net asset value ("NAV") per Class AAA Share of The Gabelli Asset Fund (the "Fund") rose 11.7% versus an increase of 10.8% for the Standard & Poor's ("S&P") 500 Index. The Fund's annualized total returns for the three year, five year, ten year, fifteen year, twenty year, and since inception periods were 0.3%, 6.6%, 6.5%, 10.2%, 11.5%, and 12.4%, respectively, outperforming the S&P 500 benchmark for each of these periods.

COMMENTARY

The Economy

It doesn't feel possible but December marked the eighteenth month of economic recovery. Still more surprising is that nominal GDP is now at an all-time high. This means the recovery has entered the expansion phase, despite little progress on the jobs front and a lackluster housing and construction market. Consumer spending is positive but certainly not robust, as tepid wage growth and balance sheet repair constrain the urge to splurge. On the other hand, corporate profits are at an all-time high and their balance sheets are flush with cash. The manufacturing sector of the economy is strong, helped by exports and a healthy recovery in automotive production and demand. The aerospace cycle is also turning positive with production at Boeing and Airbus sold out through most of 2013. The Federal Reserve continues to do everything it can to keep interest rates low

Comparative Results

Average Annual Returns through December 31, 2010 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	Since Inception (3/3/86)
Gabelli Asset Fund Class AAA	11.66%	23.07%	0.30%	6.57%	6.49%	10.16%	11.49%	12.38%
S&P 500 Index	10.76	15.08	(2.84)	2.29	1.42	6.77	9.13	9.66(b)
Dow Jones Industrial Average	8.01	14.04	(1.58)	4.30	3.16	7.95	10.28	10.90(b)
Nasdaq Composite Index	12.00	16.91	0.01	3.76	0.71	6.36	10.29	8.38(b)

In the current prospectus, the expense ratio for Class AAA Shares is 1.40%. Class AAA Shares do not have a sales charge.

(a) ***Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Performance returns for periods of less than one year are not annualized. Visit www.gabelli.com for performance information as of the most recent month end.* ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains information about this and other matters and should be read carefully before investing.*** *Other share classes are available and have different performance characteristics. See 12 page for further details about additional classes of shares. The S&P 500 Index, Dow Jones Industrial Average and the Nasdaq Composite Index are unmanaged indicator of stock market performance. Dividends are considered reinvested. You cannot invest directly in an index.*

(b) *S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite Index since inception performance are as of February 28, 1986.*

Happy 25th Birthday!

GABELLI ASSET FUND

Maria Maggi
Bruce Alpert
Joe Egan
Katie Bonanni
Christina Bronec
Amy Mooney
Kearie Dunn
Ana Kostin
Rick Russell

March 3, 1986

Mario Gabelli.

March 3, 2011

Barron's 2011 Roundtable

Mario J. Gabelli, our Chief Investment Officer, has appeared in the prestigious Barron's Roundtable discussion annually since 1980. Many of our readers enjoyed the inclusion of selected and edited comments from Barron's Roundtable in previous reports to shareholders. As is our custom, we are including selected comments of Mario Gabelli from Barron's 2011 Roundtable, published on January 17 and January 31, 2011.

BARRON'S

ROUNDTABLE

MARIO J. GABELLI

Chairman and Chief Investment Officer – Value Portfolios

GAMCO Investors, Inc.

Think Contrarian

Our pros spot good values in the most unlikely places, from Madison Square Garden to Mongolia.

By Lauren R. Rublin

What is your outlook for this year, Mario?

Gabelli: When Obama became president, his No. 1 job should have been to create jobs. Today, his job No. 1 is to get himself re-elected. The Republican victories in the midterm elections in November gave clarity and confidence to a lot of business executives. They should build on that. But how does the U.S. compete when our jobs are being exported? When our education is not ranked in the top 20 in the world? The avionics industry in the U.S. dates back to the 1950s. As a country, we have to keep spending on R&D [research and development], but where should we focus our R&D spending for the next 20 years? On electric vehicles? Alternative energy? That's what the Chinese are doing.

Gabelli: Beijing should engineer a soft landing, because China has structural unemployment issues and a recession would create political havoc. Europe will suck it up and continue to bail out the European Union's weaker members. In the U.S., [Federal Reserve Chairman Ben] Bernanke's quantitative easing has stimulated the stock market. When is that over, and what happens next? I don't know. Barack has moved toward the political center, which has improved confidence among executives and investors. The U.S. is OK, and Europe will muddle along. China grows 7%, 8%, 9%. That gets us to 2012, which looks better.

Gabelli: Housing is going to recover because we produced roughly 500,000 new homes last year, and demand is about 1.2 million. The price of the average new house is the same today as 20 years ago. Incrementally, the housing market shouldn't decline anymore, and the rate of change should be positive and increase. In 2011, new-car sales will be up by a million units in the U.S., to 11.5 million units. From 2010 to 2015, global production should increase by 20 million. Of that, seven million new cars will be produced in China, five million in the U.S. and the balance in the rest of the world. If Boeing [ticker: BA] ever gets its Dreamliner to fly, you'll have four years of increased production. In the industrialized world, the 100% depreciation allowance should create strong demand.

Barron's: Mario, you're on.

Gabelli: Genuine Parts [GPC] has 158 million shares. The stock is around $50. The company has net cash of $50 million. Earnings will accelerate, in part because they are gaining back share in the do-it-for-me auto repair market. The automotive parts group will account for 50% of 2010's $11 billion of revenue. The other business is the sale of maintenance and repair parts for industrial customers. That business was depressed and will recover.

Genuine Parts could earn $2.90 to $3 a share for 2010. This year they could do $3.45, going to $3.90. In the next five years, the company could see 10% annual earnings growth. The dividend is $1.64 a share, and the yield is 3.5%, which should grow nicely. There are 250 million cars on the road in the U.S., and their average age is increasing. The same is true for the truck population. Auto production was up sharply in 2010 as car inventory was rebuilt. Sales will rise in 2011 by about a million units, but production will rise by only 700,000. Class A trucks will be strong for the next three or four years. Globally, China is the big dog as global production increases.

Barron's: What else do you like?

Gabelli: We had 10-baggers in a bunch of companies. **Tenneco** [TEN] went from $30 to $1 and is now $45 a share.

My next idea ties into drilling technology. The world is long shale [natural gas trapped in shale]. The gas couldn't be unlocked until companies developed ways to drill horizontally by fracturing of the shale. **National Fuel Gas** [NFG] is a conservative way to participate. The company has 82.1 million shares and sells for about $68. Its local gas utility in Buffalo is worth about $19 a share. It has a pipeline business in the Marcellus shale, which runs from West Virginia through parts of New York, and some production in the Gulf of Mexico and California. All that, with the utility, is worth $40 a share.

NFG owns most of the land it has drilling rights to. When you drill, the first few thousand feet of shale is the Upper Devonian. You will find gas in 98% of your wells. Below that is the Marcellus, and further down is the Utica. The Utica fields are likely to be more prolific. Some companies just lease the Marcellus, but when you own the mineral rights, you can drill all the way down. Atlas Energy [ATLS] has done a deal in this area with Chevron, in which it priced land at $7,000 to $8,000 an acre. Here you're paying $28 a share times roughly 80 million shares, or $2.4 billion, for something that could be worth as much as $8 billion or $97 per share. NFG is in the final stages of figuring out who its partner will be. These are utility guys who backed into a technology play. They didn't understand it, but they learned very quickly.

I left my props home today. I was looking for a bottle of Jim Beam.

Why?

Gabelli: Fortune Brands [FO] is splitting in three. What are the parts worth? The stock is $61. The company has been whittled down in the past five years to three businesses. One is spirits. Spirits, beer, and wine is an $830 billion business worldwide. Bourbon is one of Fortune Brands' fastest growing products. The company will spin off its distilled spirits business. The second business is housing products, including brands such as Moen, Master Lock, and Aristokraft. The third business is golf products.

Fortune Brands has a $9.6 billion equity value and $3.6 billion of debt, for a $13 billion enterprise value. Earnings should grow nicely in the next few years. Bill Ackman of Pershing Square pushed for a break-up of the company, but he moved it in the direction it was going anyway. Fortune Brands should earn about $2.80 a share in 2010, and, absent a break-up, earnings would march straight to $6 in 2014. Debt would come down at an accelerating rate. If there were no breakup, the company could be worth more than $110 a share. Spirits is attractive, and the housing business will recover.

Not anytime soon.

Gabelli: I agree there is a big inventory overhang in housing. We don't look for much of a recovery until 2012. In the golf business, they paid about $800 million for Cobra and sold it for $100 million, so they had a big capital loss. They had a high tax basis on the golf business. It is an important dynamic of the split-up. There could be a bidding war for the spirits business. I assume it is worth 12 times EBITDA, and you could get a premium for it.

Next, coffee is a $58 billion a year industry. People in developing markets are drinking more coffee, and the single-serve market is growing by 30% a year. It probably accounts for $3 billion. The coffee market should grow by 6% a year in the next five years, and the tea market by 9%, from $34 billion to nearly $52 billion.

How to play this? Sara Lee [SLE]. It has 639 million shares and trades for $17.50. It has about $500 million of cash from the sale of assets. It is looking to split itself up. [Sara Lee announced a split-up Friday morning.] A Brazilian company is reported to be circling the meat business. We have $23 of value today. We are looking at who will buy the coffee business.

Private-equity firms are interested.

Gabelli: They are circling. The company is in play. The best play in single-serve coffee is Nestlé [NSRGY]. But I look for split-ups and takeovers, a subset of financial engineering. Deals are one way for values to surface.

Since we last met, there is a new company, **Madison Square Garden** [MSG]. It has 62.3 million A shares, of which the Dolan family owns 2.5 million. There are 13.6 million B shares; the Dolans own them all. The stock is selling for $24. The economic value of the company isn't in the New York Knicks or Rangers but in Madison Square Garden's cable networks. They have 16 million subscribers. They receive $2 per month per subscriber. The value of the cable networks equals the market value of the company, so you are getting everything else for free.

What are they using the cash for?

They are spending $800 million to redo the Garden over several years. If the company was going private, it would have to pay probably $55 a share. That number should rise substantially. They have air rights over the Garden, which are valuable. They have naming rights for lots of venues.

Energizer Holdings [ENR] hasn't done much in the past two years. It sells batteries, shaving products, and other consumer products. There are 70.6 million shares and the stock is $70, so that's a $4.9 billion market cap. They have about $2 billion of debt. Earnings for the fiscal year ending Sept. 30 will be about $6.15 a share on $4.5 billion of

Mario Gabelli's Picks

Company	Ticker	1/7/11 Price
Genuine Parts	GPC	$50.98
National Fuel Gas	NFG	68.39
Fortune Brands	FO	61.47
Sara Lee	SLE	17.43
Madison Square Garden	MSG	24.93
Energizer Holdings	ENR	72.30
Thomas & Betts	TNB	47.60
Crane	CR	41.65
Millicom International Cellular	MICC	95.98
U.S. Cellular	USM	49.52
Brink's	BCO	26.76

Source: Bloomberg

revenue. They will have a hiccup in the first quarter, but earnings could climb to $10 a share by fiscal 2015.

Schafer: Driven by what?

Gabelli: They will be virtually debt free by 2015. EBITDA is close to $900 million, and that should keep rising. The battery business is low-growth but a great cash generator. It is a $47 billion business overall. The wet-shave market is $14.5 billion at retail globally. Energizer sells the Schick brand and just bought American Safety Razor out of bankruptcy. The company makes acquisitions and diversifies neatly. It also sells off brands, monetizing their value.

With the industrial world recovering, there is a greater need for electricity. Our play, **Thomas & Betts** [TNB], is in the energy efficiency business and has 51.6 million shares. It sells for about $48 and debt is $315 million. We were large holders of Baldor, which was acquired by **ABB** [ABB] for 13 times EBITDA. This company sells for 6.5 times 2011 EBITDA. It will earn about $2.70 a share in the year just ended, and earnings should march up to $6 by 2014. It is an important component supplier in the low-voltage electrical products market. This is a $45 billion market. In power systems, they have an addressable market of close to $115 billion, growing 5% to 6% a year. Thomas & Betts generates a lot of cash. The company should have $18 a share in cash in 2014.

How will it spend that cash?

Gabelli: It can buy back stock or make acquisitions. Thomas & Betts will be part of a global consolidation in the electrical products market.

Crane [CR] makes aircraft components. There will be 33,000 commercial aircraft flying in the next 20 years. Some 14,000 planes will be taken out of the market, allowing for 30,000 to be built. Crane sells for $41.25. It has 58.9 million shares and the market cap is $2.5 billion. Net debt is $177 million. Revenue for 2010 will be about $2.2 billion, and EBITDA, $300 million. The company should earn $2.70 a share. [Crane reported last Monday that it earned $2.59 a share for the year.]

Next, I like a batch of wireless carriers. They are takeout plays. **Millicom International Cellular** [MICC] has done well since I recommended it a year ago. They have 35 million customers in Africa and Central and South America. There are 108 million shares and the stock is at $96. U.S. Cellular [USM] is another favorite. It is based in Chicago and serves six million customers. The stock is $50 and there are 86 million shares. Telephone and Data Systems [TDS] owns all but 15 million and should buy the balance. Lastly, I'll recommend a gold stock.

Not you, too.

Gabelli: People in this room want physical gold available to them. How will it be transported? By **Brink's** [BCO]. There are 46 million shares, the stock is $27, the market cap is $1.3 billion. About 7% more currency has been put into circulation in the past five years. Brink's specializes in global logistics for the movement of precious metals and cash. There is another round of consolidation taking place in this business. Brink's should generate revenue of $3.6 billion in 2011, EBITDA of $330 million and earnings of $1.65 a share. Earnings could grow at a 17% annual rate in the next several years.

Barron's: Thank you, Mario. ■

Mario J. Gabelli is the Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Portfolio Manager of various investment products at the Firm. The securities mentioned in the article are not representative of any portfolio, and the views expressed are subject to change at any time. As of December 31, 2010, The Gabelli Asset Fund held, as a percentage of its net assets, the following companies mentioned in this article: Baldor 0.4%, Brinks less than 0.1%, Chevron 1.1%, Crane 0.6%, Energizer Holdings 0.8%, Fortune Brands 0.3%, Genuine Parts 0.9%, Madison Square Garden 0.5%, Millicom International Cellular 0.1%, National Fuel Gas 0.5%, Nestlé 0.2%, Sara Lee 0.5%, Telephone & Data Systems 1.4%, Tenneco 0.1%, Thomas & Betts 0.7%, and U.S. Cellular 0.4%.

A complete listing of the Fund's portfolio holdings as of December 31, 2010 and a current prospectus are available by calling the Fund at 800-GABELLI (800-422-3554) or by visiting our website at www.gabelli.com. ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains information about this and other matters and should be read carefully before investing.***

The views expressed in this article reflect those of the Portfolio Manager only through the date of the interview. Minor edits were made. The Portfolio Manager's views are subject to change at any time based on market and other conditions. Favorable earnings or EBITDA (earnings before interest, taxes, depreciation, and amortization) growth prospects do not necessarily translate into higher stock prices, but they do express a positive trend which we believe will develop over time. The information contained in this article is not an offer to sell or a solicitation to buy any security. No security or other product is offered or will be sold in any jurisdiction in which such offer or solicitation, purchase or sale would be unlawful under the securities, or other laws of the jurisdiction.

to promote recovery. Fed Chairman Ben Bernanke does not want to make the mistake of taking his foot off the gas too soon. We may pay a price for this sometime in the future but for now bond yields remain shockingly low, especially in shorter maturities.

In the November elections the American people sent a strong signal to policymakers to bring down the deficit. The U.S. annual budget deficit as a percentage of GDP is about 10% (surpassed only at the end of World War II) and government debt as a percentage of GDP is nearly 95% (also only surpassed in 1945-46). In other words, there is little to distinguish our financial situation from the now infamous PIIGS (Portugal, Italy, Ireland, Greece and Spain). Including over $100 trillion in entitlements (mostly Medicare) makes us look worse. We are not at a full blown crisis level only because we have our own central bank, a stronger and more diversified economy and an international reserve currency in the dollar. Unlike Japan, which funds its deficit with internal savings, the U.S. needs foreigners to help fund our debt. Roughly half of our debt is in the hands of foreigners. A weaker dollar will discourage their continuing investment. We must put our fiscal and monetary policy on a sustainable path.

Fortunately, consumers are ahead of the government in terms of balance sheet repair. The Adjusted Household Financial Obligation's Ratio (financial obligations as percentage of disposable income ex-transfer payments) shows a decrease from a peak of 22.6% in 2009 to 21.3% at the end of June (latest available data). For the past fifty years the Personal Savings Rate averaged 7%, although it was closer to 9% up until the late '80s. It fell below 7% about fifteen years ago and continued to work its way lower, bottoming in 2005 at about 1%. The savings rate spiked after the financial crisis of 2008 arrived, returning to 7% briefly in 2009. It has been in the neighborhood of 6% since then.

The economy and financial markets are dramatically better than two years ago. They are better than twelve months ago. We have come a long way since the fall of 2008. The risk of a double-dip recession continues to recede as the economic soft patch encountered this past summer has given way to a modest acceleration in activity. Economists have nudged expectations higher and now expect real GDP growth of about 3% for 2011 and 2012. Core CPI, which has been running at below 1% (annualized) levels in recent months, should move closer to 2% in 2011. Unfortunately, unemployment is expected to fall less than 1%, to about 9.0% in 2011. Bear in mind the economy has to generate roughly 150,000 new jobs every month just to keep the unemployment rate from rising. Additionally, as the job market improves, individuals who have left the labor force will return, making it tough to reduce the overall unemployment rate. On a more positive note, aggregate corporate profits should expand to another new high and S&P 500 earnings should once again grow by double-digits. With increased economic activity and a gentle whiff of inflation, interest rates should rise in 2011, but remain quite low by historical standards.

The Stock Market

It was another roller-coaster year for stocks. The Flash Crash in May tested confidence in the market's integrity. Volatility is here to stay. No doubt 2011 will bring days when China tightens monetary policy, European debt fears escalate or a terrorist attack brings forth a barrage of sell orders. Speculators will act and talk like the world is ending. Most likely we will be shopping for opportunities when this happens. Momentary skittishness aside, the stock market has proven durable over the long haul and investors who do not panic during times of stress are eventually rewarded for their strong stomachs, although not overnight.

The third year of Presidential terms has been kind to stocks, at least since the end of FDR's tenure at 1600 Pennsylvania Avenue, regardless of who is in power. This not so rigorous explanation for stock market behavior may hold sway in 2011, too. Despite the market's near doubling off the March 2009 S&P 500 intraday low of 666, stocks remain reasonably priced, equity allocations are low and cash on the sidelines is plentiful. With earnings poised to rise, inflation but a ripple and an army of investors frozen in the headlights, the backdrop for stocks is more favorable than not.

Stocks are priced at about 13 times 2011 operating earnings. This is below the historical average of 15 times and only one-half the level of 26 experienced going into 2000. It is difficult to envision stocks declining for economic reasons with earnings expected to advance by about 15% in 2011. Without any expansion in valuation multiples, stocks could rise by double-digits due to the pull from higher earnings. Bonds just don't seem competitive, especially if the improving economy nudges rates higher, resulting in negative returns for bondholders. Money market funds, with yields continuing near zero and assets of about $2.8 trillion, provide an ample source of buying power for stocks. With capital's history of chasing returns and equity allocations low for both individuals and institutions, it seems reasonable to think stocks will benefit as more investors jump on the stock bandwagon.

Deal, Deals and More Deals

With low interest rates, rising profits, large cash balances and greater confidence in the recovery, deals are back! In 2010 the Fund benefited from several deals:

- Alberto-Culver (0.1% of net assets as of December 31, 2010). In September 2010, Anglo-Dutch consumer giant Unilever agreed to pay $37.50 per share or $3.7 billion, a 21% premium for ACV. We had long believed that ACV's leading hair and skin care businesses, with brands including VO5, Nexxus and TRESemmé, would make an attractive addition for several companies.

- Baldor Electric (0.4%) (see reference in Barron's 2011 Roundtable excerpt on page 5 of this report). On December 1, ABB of Switzerland (see reference in Barron's 2011 Roundtable excerpt on page 5 of this report) agreed to pay $63.50 per share or $4.1 billion in cash, a 44% premium, for the Arkansas based manufacturer of electric motors. We identified the company as a major beneficiary of the drive toward energy efficiency.

- Del Monte Foods Co. (0.1%). In November, a KKR-led buyout group agreed to acquire Del Monte Foods in a $4 billion transaction ($19 per share in cash) to gain access to Del Monte Foods' leading pet-food brands such as Meow Mix and Kibbles 'n Bits, as well as its canned fruit and vegetable business. Notably, sales of Del Monte's pet-food business had more than doubled in the past four years, bolstered by the purchase of cat-food labels and Milk-Bone dog treats.

- Hawk Corp. The Carlisle Companies purchased Hawk, a maker of friction products for construction, mining, aerospace and defense vehicles, in October for $50 per share. We followed the company as part of our focus on suppliers to industrial manufacturers and viewed its recurring revenue profile (50%) favorably.

- Financial engineering is also being used again by companies to surface value. Cablevision Systems (2.4%) spun-off Madison Square Garden (0.5%) (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report) to shareholders on a one-for-four basis in February 2010, allowing management to focus on other potential strategic actions. Cablevision later approved the spin-off of its Rainbow programming business in mid-2011. Fortune Brands (0.3%) (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report), a company in the beverage, sporting equipment and building products businesses, announced on December 8th that it will pursue a strategy of splitting the company into as many as three separate businesses. Finally, in late 2010, after reaching agreements to sell its home and personal care and bakery businesses, Sara Lee (0.5%) (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report) was reportedly exploring a separation of its meats and coffee businesses; the company remains the subject of takeover speculation.

We believe we are in the early stages of the "Fifth Wave" in deals, as managements move to put their substantial cash holdings to work to better position themselves for the future.

Let's Talk Stocks

The following are stock specifics on selected holdings of our Fund. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time. Individual securities mentioned are not necessarily representative of the entire portfolio. For the following holdings, the percentage of net assets and their share prices stated in U.S. dollar equivalent terms are presented as of December 31, 2010.

Alberto-Culver (0.1% of net assets as of December 31, 2010) (ACV - $37.04 - NYSE) is a manufacturer of hair and skin care products, which generated approximately $1.6 billion in revenue from its leading brands, including TRESemme, Alberto VO5 and Nexxus. On September 27, 2010 they entered into an agreement to be acquired by Unilever for $37.50 per share in cash or $3.7 billion. The transaction is expected to close by June 2011.

Baldor Electric (0.4%) (ABB - $23.68 - NYSE) manufactures a broad line of energy-efficient electric motors and adjustable speed drives. We had identified the company as a major beneficiary of the drive toward energy efficiency and regulatory changes. On December 1, ABB of Switzerland (see reference in Barron's 2011 Roundtable excerpt on page 5 of this report) agreed to pay $63.50 per share or $4.1 billion in cash, a 44% premium, for the Arkansas-based manufacturer of electric motors.

Cablevision Systems Corp. (2.4%) (CVC - $33.84 - NYSE) is one of the leading broadband providers in the New York metropolitan area with over 3 million customers. The company added to its service footprint with the 2010 acquisition of Bresnan Communications, a cable provider to 300,000 subscribers in the Western U.S. A cable industry pioneer, CVC has developed the most advanced plant in the country and has converted over 70% of its subscribers into triple play (video, phone and broadband) customers. In the process, Cablevision has achieved industry leading average monthly subscription revenues and margins. More importantly, its advanced systems have withstood significant competitive threats from Verizon and satellite firms. In the financial area, management has embraced several shareholder value initiatives in recent years, including the spin-off of its Madison Square Garden (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report) sports and entertainment assets in February 2010 and the initiation of a share repurchase program. The company also announced plans to spin-off its Rainbow cable networks (including AMC, IFC, We and Sundance) in mid-2011 which would leave Cablevision a pure-play cable operation and facilitate an eventual consolidation in our view.

Del Monte Foods Co. (0.1%) (DLM - $18.80 - NYSE) is a manufacturer of pet food and snacks, with leading brands such as Kibbles 'n Bits, Milk-Bone, Meow Mix and 9Lives, and Del Monte-branded canned fruit and vegetables. In November, a KKR-led consortium of financial buyers agreed to purchase Del Monte for $19.00 per share in cash or $5.3 billion. The deal is expected to close by March 2011.

DISH Network, Inc. (0.2%) (DISH - $19.66 - Nasdaq) is the third largest pay-TV provider in the U.S. with over 14 million subscribers. As a satellite operator unburdened by local franchising requirements and wired plant, DISH can market and deliver video extremely efficiently across the entire country. Under the leadership of Charlie Ergen, founder and owner of approximately 54% of company shares, DISH has explored options for adding mobility to its service offering, including through the acquisition of spectrum. Like satellite peer DIRECTV, we believe DISH could make an attractive acquisition target for a traditional telecom operator.

Fortune Brands, Inc. (0.3%) (FO - $60.25 - NYSE) (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report), headquartered in Deerfield, IL, is a diversified consumer products company operating in three segments: Spirits, Home & Security, and Golf. The company's spirits brands include Jim Beam, Sauza, Maker's Mark, Courvoisier, Cruzan and Effen. Home & Hardware brands include Moen faucets, MasterBrand cabinets, Therma-Tru doors, Simonton windows, Master Lock padlocks and Waterloo tool storage. The Golf segment produces clubs, balls, gloves and shoes through its Titleist, FootJoy and Pinnacle brands. While the Spirits business has delivered both steady growth as well as high margins over the years, the Home & Security business saw a steep decline in profits due to the downturn in the housing market and the economy; however, management aggressively restructured the business, and is poised to grow profits sharply for the second straight year in 2011. On December 8, 2010, the company announced that it plans to separate the company's three businesses through a spin-off of the Home & Security business and either a sale or spin-off of Golf. We believe the plan has the potential to unlock value for shareholders, as one or more of the businesses may ultimately be attractive to strategic acquirors.

Madison Square Garden (0.5%) (MSG - $19.67 - Nasdaq) (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report) Cablevision Systems spun off MSG on a one-for-four basis on February 9, 2010. The company's assets includes the New York Knicks and New York Rangers professional sports franchises; the MSG/MSG+ and fuse cable networks; and entertainment properties including the Radio City Christmas Spectacular and Rockettes. These businesses are supported by six venues, including MSG's eponymous New York City arena ("the world's most famous arena") and Radio City Music Hall. MSG is embarking upon a three year, $800 million renovation of the Garden. Enhanced cash flow from the renovated arena, cyclical tailwinds, and a improvement in the on-court/ice performance of the company's sports teams should result in significantly higher future earnings.

Sara Lee Corporation (0.5%) (SLE - $17.51 - NYSE) (see reference in Barron's 2011 Roundtable excerpt on page 4 of this report) announced in January that it will split the company into two entities through a tax-free spin-off and distribute a special dividend of $3 per share. As a result, shareholders will receive shares in the New Sara Lee, which will comprise of the U.S. retail meats and foodservice businesses generating approximately $4.2 billion of revenue. In addition, shareholders will receive shares in what is currently being called Coffee Co., which generates $4.9 billion of revenue through the international beverage, foodservice and bakery segments. The spin-off is expected to be completed in early 2012.

Viacom, Inc. (0.9%) (VIA - $45.86 - NYSE) is a pure play content company that owns a global stable of cable networks, including MTV, Nickelodeon, MTV, VH1, and BET, and the Paramount movie studio. Viacom's cable networks generate revenue from advertising sales, fixed monthly subscriber fees, and ancillary revenue from toy licensing, etc. The company has benefitted from a cyclical rebound in advertising, an improvement in its viewership, and a shift in audience from broadcast networks to cable. Paramount has posted a series of box office successes with franchises such as Star Trek, Iron Man, and Transformers. Supported by its strong results and outlook, the company re-started its share repurchase program in late 2010.

Investment Scorecard

The five largest contributors to relative return in the fourth quarter included Cablevision (2.4% of net assets as of December 31, 2010) (+30%), Lufkin Industries (0.9%) (+62%), CNH Global (0.7%) (+70%), Deere & Co. (2.4%) (+32%), and BorgWarner Inc. (0.5%) (+65%) as economic activity broadly strengthened. CNH and Deere are riding increases in global agricultural demand while BorgWarner benefitted from a recovery in auto production and a shift to more fuel efficient vehicles.

DIRECTV (1.6%) (–4%) detracted slightly from performance though it was up strongly (+20%) for the year.

Conclusion

It wasn't pretty and there were moments of doubt, but the stock market continued its recovery in 2010, as robust corporate profits more than compensated for a wide range of investor concerns. Just like some games are closer than indicated by the final score, this was a more difficult year for equity investors than suggested by the market's healthy rise. There were a multitude of opportunities for investors to abandon hope and run to the perceived safety of bonds. Many did just that, driving bond yields on some maturities to historic lows. During periods like this, when uncertainty paints a different picture with every lunar cycle, the stock market is a demanding partner. It demands an unwavering commitment. Those lacking in commitment are doomed to learn that strong investment returns and comfort are sometimes mutually exclusive.

Our emphasis on individual company analysis served you well in 2010. We believe our time tested Private Market Value with a Catalyst is as valid as ever. We will continue to seek a margin of safety in the stocks we select and are secure in our belief that in investing, patience is a virtue, not a vice. With the global economy continuing to signal expansion, we think the outlook for stocks is positive.

Sincerely,

Mario J. Gabelli Kevin Dreyer Christopher J Marangi

Mario J. Gabelli, CFA	**Kevin Dreyer**	**Christopher Marangi**
Portfolio Manager and	Associate Portfolio Manager	Manager and
Chief Investment Officer – Value Portfolios		Associate Portfolio Manager

January 11, 2011

Note: The views expressed in this Shareholder Commentary reflect those of the Portfolio Managers only through the end of the period stated in this Shareholder Commentary. The Portfolio Managers' views are subject to change at any time based on market and other conditions. The information in this Portfolio Managers' Shareholder Commentary represents the opinions of the individual Portfolio Managers and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Managers and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

Portfolio Manager Compensation

Mr. Gabelli's incentive-based, variable compensation structure and dollar amount have been fully disclosed each year since April of 2000 in GAMCO Investors, Inc.'s (NYSE: GBL) annual proxy statement. Mr. Gabelli receives no base salary, no annual bonus, and no options.

As founder and portfolio manager of The Gabelli Asset Fund, Mr. Gabelli received $5,696,243 in calendar 2009. Starting in March 1986, the Fund's first year of operation, Mr. Gabelli received less than $60,000. As beneficial owner, he had $1,642,656 invested in The Gabelli Asset Fund as of December 31, 2010, which includes the holdings of GAMCO Asset Management, Inc. and GGCP, Inc., GBL's parent holding company.

Minimum Initial Investment – $1,000

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

www.gabelli.com

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

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

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

e-delivery

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our open end mutual funds can elect to receive their Annual, Semiannual, and Quarterly Fund Reports, Manager Commentaries, and Prospectus via e-delivery. For more information or to sign up for e-delivery, please visit our website at www.gabelli.com.

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund's three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund's monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA Share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Top Ten Holdings (Percent of Net Assets)
December 31, 2010

Cablevision Systems Corp. 2.4%	Rogers Communications Inc. 1.5%
Deere & Co. 2.4%	AMETEK Inc. 1.4%
News Corp. 1.8%	Telephone & Data Systems Inc. 1.4%
The DIRECTV Group Inc. 1.6%	Newmont Mining Corp. 1.3%
Precision Castparts Corp. 1.5%	Swedish Match AB 1.2%

Multi-Class Shares

The Gabelli Asset Fund began offering additional classes of Fund shares on December 31, 2003. Class AAA Shares are no-load shares offered directly by selected broker/dealers. Class A and Class C Shares are targeted to the needs of investors who seek advice through financial consultants. Class I Shares are available solely to certain institutions, directly through the Fund's distributor or brokers that have entered into selling agreements specifically with respect to Class I Shares. The minimum initial investment amount for Class I Shares is $500,000. The Board of Trustees determined that expanding the types of Fund shares available through various distribution options will enhance the ability of the Fund to attract additional investors.

Gabelli Asset Fund Average Annual Returns – December 31, 2010 (a)

	Class AAA Shares	Class A Shares	Class B Shares	Class C Shares	Class I Shares
1 Year	23.07%	23.04%	22.15%	22.14%	23.35%
		15.97(c)	17.15(d)	21.14(e)	
5 Year	6.57	6.57	5.75	5.79	6.73
		5.32(c)	5.43(d)	5.79	
10 Year	6.49	6.49	5.92	5.94	6.57
		5.86(c)	5.92	5.94	
Life of Fund (b)	12.38	12.38	12.14	12.15	12.42
		12.10(c)	12.14	12.15	
Current expense ratio	**1.40**	**1.40**	**2.15**	**2.15**	**1.15**
Maximum sales charge	**None**	**5.75**	**5.00**	**1.00**	**None**
Nasdaq Symbol	**GABAX**	**GATAX**	**GATBX**	**GATCX**	**GABIX**

(a) ***Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share prices and reinvestment of distributions and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end.* ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains information about this and other matters and should be read before investing.*** *The Class AAA Shares NAVs per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003, and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C shares would have been lower due to the additional expenses associated with theses classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares. Dividends are considered reinvested.*

(b) *Performance is calculated from inception of Class AAA Shares on March 3, 1986.*

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

(d) *Assuming payment of the maximum contingent deferred sales charge (CDSC). The maximum CDSC for Class B Shares is 5% and is reduced to 0% after six years.*

(e) *Assuming payment of the maximum CDSC. A CDSC of 1% is imposed on redemptions made within one year of purchase.*

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

The following research report was prepared by our affiliate, Gabelli & Company Inc. As of December 31, 2010 the Fund held 0.5% of National Fuel Gas Co. (NFG - $65.62 - NYSE).

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October 27, 2010

Gabelli & Company, Inc.

National Fuel Gas (NFG - $53.92 - NYSE) — Marcellus Plus Unrecognized Shale Value - Buy

Year	EPS	P/E	PMV	
2012P	$3.10	17.4X	$85	Dividend: $1.38 Current Return: 2.6%
2011P	2.85	18.9	82	Shares O/S: 82 million
2010E	2.66	20.3	79	52-Week Range: $55.84 - $42.83
2009A	2.60	20.7		

SUMMARY AND OPINION

Based in Williamsville, NY, National Fuel Gas Company is a diversified natural gas and pipeline utility with a rapidly growing exploration and production business. NFG operates business segments participating in exploration and production, pipeline and storage, local natural gas distribution, and energy marketing. The gas utility serves 731,000 customers in and around Buffalo, NY and Erie and Sharon, PA. The pipeline operates 3,000 miles of pipe and 34 storage facilities primarily in the state of New York. The E&P segment, or Seneca Resources, operates in California, the Gulf of Mexico and most importantly, Appalachia, commonly referred to as the company's "Marcellus" acreage. We have initiated coverage of NFG with a Buy rating.

We expect NFG to receive growing market recognition of its undervalued and significant natural gas reserve position associated with a roughly 800,000 acre ownership position in the Marcellus Shale, including 740,000 acres in the PA fairway.

The Catalyst

- On September 23, 2010, NFG announced that it had hired an advisor to explore joint venture opportunities in the Marcellus.

- After its third quarter call, NFG raised its Marcellus reserve potential to 8-15 Tcfe, from 4-8 Tcfe. On October 11, the company increased the preliminary reserve estimate to 201 Bcfe, from 21 Bcfe. Based on recent comparables (over $4,000/acre) paid by competitors, NFGs Marcellus acreage position would be valued at over $3.2 billion, or $40 per share. However, we believe potential acquirers would value NFGs position at the higher end of more recent transactions, which have been as high as $14,000 per acre.

- Management's strategic focus is to develop its shale reserves and 75%-85% of its 2010 and 2011 capital expenditure budget ($430-505 million in 2010 and $595-$735 million in 2011) is directed toward development. We consider its recent capital allocation program to be prudent and conservative as current drilling plans are based on cash on hand and the ability to access debt markets.

- While the Marcellus gas reserve potential offers significant share price upside, the mature regulated gas utility, growing pipeline/storage business and, to a lesser degree, legacy E&P business, provide a steady and predictable earnings stream to support the $1.38 annual dividend. Shares yield 2.6% and dividend has been raised for 40 consecutive years, including a $0.04 per share increase, or 3%, to its current rate at year-end 2009.

Table 1 **NFG Earnings By Segment**

	2007A	2008A	2009A	2010E	2011P	2012P	2013P
Utility	0.61	0.73	0.73	0.74	0.74	0.76	0.79
Pipeline & Storage	0.58	0.64	0.59	0.53	0.59	0.67	0.78
Seneca	1.01	1.74	1.21	1.35	1.48	1.61	1.96
Marketing	0.06	0.07	0.09	0.06	0.06	0.06	0.06
Other	0.01	(0.00)	(0.02)	(0.02)	(0.02)	0.00	(0.09)
Consolidated	**$2.26**	**$3.17**	**$2.60**	**$2.66**	**$2.85**	**$3.10**	**$3.50**

Source: Company data and Gabelli & Company, Inc. estimates

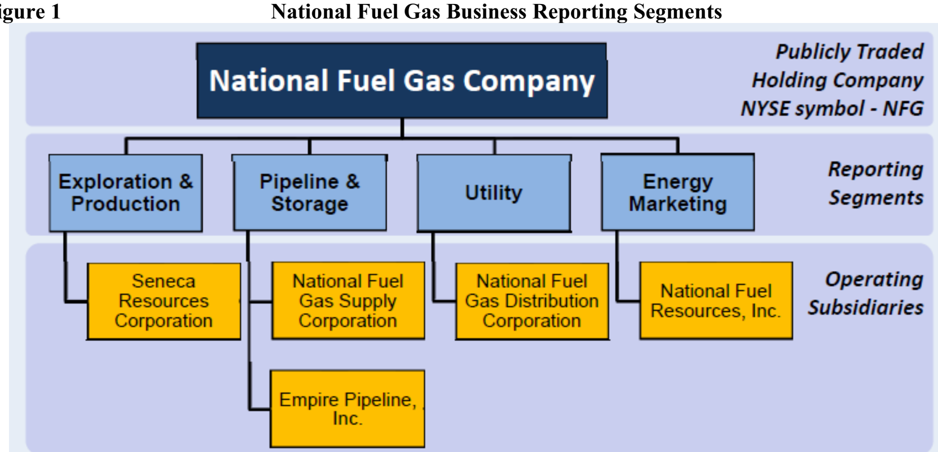
Appraisal

We have initiated coverage of NFG with a BUY rating. Seneca Resources, the E&P business, contributed over 50% of trailing twelve-months consolidated earnings of $2.64 per share and will likely continue to grow at a stronger rate than the utility and pipeline business. We expect NFG to receive growing market recognition of Seneca's undervalued and significant natural gas reserve position associated with a roughly 800,000 acre ownership position in the Marcellus Shale, including 740,000 acres in the fairway of the Pennsylvania shale. Growing drilling success in the shale by Seneca and other operators has led to significant increase in ownership interest from larger E&P players and NFGs pending evaluation of joint venture opportunities could lead to the acceleration of drilling plans or other shareholder value creating opportunities. NFGs conservative utility and pipeline business support the annual $1.38 annual dividend and a conservative capital structure allows for significant growth opportunity to explore and produce in the Marcellus shale.

We value the utility business at roughly $18 per share, the pipeline at $15, the non-Marcellus reserves at $19, timber at $2 and net debt at $12 for $42 per share before including the value of the Marcellus. Our discounted cash flow analysis of NFG's Marcellus acreage, assuming a $5/mcf natural gas price, a 3 Bcfe EUR per well, an average initial production rate of 3.5 million cubic feet per well and $3.5M well costs yields a value of roughly $37 per share.

Primary risks to our investment thesis include potential environmental restrictions on drilling in Pennsylvania, further declines in natural gas prices and increased state and/or federal regulation of hydraulic fracturing that could reduce the economic returns on the development of the Marcellus.

Figure 1 **National Fuel Gas Business Reporting Segments**



Source: Company documents

Earnings Outlook

Our 2010, 2011 and 2012 earnings estimates are $2.66, $2.85 and $3.10 per share, respectively. We expect flat to modestly growing utility contributions. The pipeline and storage contribution in 2010 declines modestly, but is expected to grow strongly thereafter as numerous expansion projects contribute in 2011 and beyond. NFGs 2010 (fiscal year-end September) earnings guidance is $2.60-2.70 and $2.60-2.90 in 2011. For the twelve-months ended June 30, 2010, NFG reported earnings of $2.64 per share and the E&P business generated 52% of results, the utility 28% and the pipeline business 18%. NFG earned $2.60 per share for the FY year 2009.

Established FY 2011 EPS guidance of $2.60-2.90 assumes oil & gas production of 60-70 Bcfe, an increase from initial estimates of 55-70 Bcfe. 2011 production guidance includes 32-39 Bcfe from Appalachia, of which 25-30 Bcfe is expected to come from the Marcellus and is an increase from 17-20 Bcfe in 2010. Our estimates assume realized natural gas prices of $5.50, $5.30 and $5.25 per mmbtu in 2010, 2011 and 2012, respectively. Our estimates by segment are highlighted above.

For the nine-months ended June 30, 2010, NFG earned $2.27 per share compared to $2.25 per share for the same period the prior year. Seneca earned $1.03 per share for the first nine months ended June 30 compared to $0.88 for the same period the prior year. Higher results were due to higher natural gas production and higher crude oil prices realized after hedging. The pipeline and storage segment contributed $0.39 per share compared with $0.52 per share for the same period last year. The utility segment contributed $0.75 per share, which was flat with the same period last year.

Valuation

We value the utility business at $18 per share, the pipeline at $15, the non-Marcellus reserves at $19, timber at $2 and net debt at $12 for $42 per share before including the value of the Marcellus. This methodology uses an EBITDA multiple for each segment (8.75X Utility, 9.5X Pipeline, 15.0X Timber) as well as a value of $2.25 per mmcfe of proved reserves. Assuming natural gas prices of $5/mmbtu or $6/mmbtu, results in Marcellus values of estimates of $37-$59/share, which results in a consolidated total of $77 to $99 value per share.

Table 2 National Fuel Gas Company Private Market Value Analysis, 2006A-2013P

Sept. 30 Fiscal Years *($ in millions, except per share data)*	**2006A**	**2007A**	**2008A**	**2009A**	**2010E**	**2011P**	**2012P**	**2013P**
Total Revenue	$2,311.7	$2,039.6	$2,400.4	$2,057.9	$2,302.5	$2,456.5	$2,606.1	$2,800.0
Utility EBITDA	$151.0	$150.0	$164.6	$167.9	$171.3	$173.6	$177.7	$182.4
Valuation Multiple	8.50	8.50	8.50	8.75	8.75	8.75	8.75	8.75
Segment Value	**$1,283.8**	**$1,275.1**	**$1,398.9**	**$1,468.7**	**$1,499.3**	**$1,519.4**	**$1,555.1**	**$1,595.9**
Pipeline & Storage EBITDA	$132.0	$133.6	$129.2	$130.9	$129.6	$139.7	$153.0	$170.0
Valuation Multiple	9.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Segment Value	**$1,187.9**	**$1,269.5**	**$1,227.1**	**$1,243.1**	**$1,231.4**	**$1,327.3**	**$1,453.3**	**$1,615.0**
Proved Reserves (Bcfe)	230.8	497.0	503.0	528.5	699.5	699.5	699.5	699.5
Wtd avg. $2.25	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25	$2.25
Value excluding undeveloped land	**$519.2**	**$1,118.3**	**$1,131.8**	**$1,189.1**	**$1,573.8**	**$1,573.8**	**$1,573.8**	**$1,573.8**
Undeveloped acreage (1)	$0.0	$0.0	$0.0	$3,021.9	$3,324.1	$3,656.5	$4,022.2	$4,424.4
Segment Value	**$519.2**	**$1,118.3**	**$1,131.8**	**$4,211.0**	**$4,632.1**	**$5,095.3**	**$5,604.9**	**$6,165.3**
Timber EBITDA	$17.8	$14.5	$7.7	$12.0	$10.0	$10.0	$10.0	$10.0
Valuation Multiple	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Segment Value	**$267.0**	**$217.5**	**$114.8**	**$180.0**	**$150.0**	**$150.0**	**$150.0**	**$150.0**
Total Value	**$3,257.9**	**$3,880.4**	**$3,872.5**	**$7,102.9**	**$7,512.8**	**$8,092.0**	**$8,763.2**	**$9,526.2**
Less: Net Debt & Preferred	1,106.6	874.0	962.6	840.8	1,011.8	1,341.9	1,740.1	2,151.1
Less: Net Options Payments (2)	75.5	98.9	113.4	127.4	78.0	80.6	85.3	90.5
Private Market Value	**$2,075.8**	**$2,907.5**	**$2,796.6**	**$6,134.7**	**$6,422.9**	**$6,669.5**	**$6,937.8**	**$7,284.6**
Shares outstanding	84.0	83.1	82.3	79.6	81.6	81.6	81.6	81.6
PMV	**$25**	**$35**	**$34**	**$77**	**$79**	**$82**	**$85**	**$89**
Discount to PMV	*-118%*	*-54%*	*-59%*	*30%*	*31%*	*34%*	*37%*	*40%*
Year End Book Value		**$19.61**	**$19.50**	**$19.95**	**$21.17**	**$22.49**	**$23.99**	**$25.78**
P/B		*275%*	*277%*	*270%*	*255%*	*240%*	*225%*	*209%*

(1) Assumes $5 /mmBtu natural gas price
(2) Payments to buy out options holders at PMV, net of taxes.
Source: Company data and Gabelli & Company, Inc. estimates

Seneca Resources-Strong Legacy Operations With Significant Reserve Potential

Headquartered in Houston, Texas, NFGs exploration and production company, Seneca Resources, operates in 3 regions: West Coast, Gulf of Mexico, and Appalachia (East). Seneca's preliminary FY 2010 proved reserve estimate was 699 Bcfe, consisting of 40% oil and 60% natural gas. In November of 2006 and as NFGs Marcellus reserve potential was internally recognized, NFG hired Matthew D. Cabell as Seneca President to help formulate its E&P strategy. Prior to joining Seneca, Mr. Cabell served as Executive Vice President and General Manager of Marubeni Oil & Gas (USA) from June 2003 to December 2006 and had over 26 years in the energy industry.

Seneca Resources produced 42.5 Bcfe in 2009, including 20.1 Bcfe in California, 8.7 Bcfe in Appalachia and 13.7 Bcfe in the GOM. Production is expected to grow to 50 Bcfe in 2010 and 60-70 Bcfe in 2011. 2011 production guidance includes 32-39 Bcfe from Appalachia (25-30 from the Marcellus) up from around 17-20 Bcfe in 2010. Marcellus Shale production is expected to total 7.3 bcfe in FY 2010 and grow to 25-30 Bcfe by

FY 2011. Seneca Resources West Coast Division assets, which are primarily oil, provide a stable and predictable cash flow that can be redeployed in to areas with higher growth rates, such as the Marcellus Shale. Management also intends to deploy less focus and capital on Gulf Coast development given opportunities in Appalachia.

Table 3 **Seneca Resources Reserve and Production Statistics**

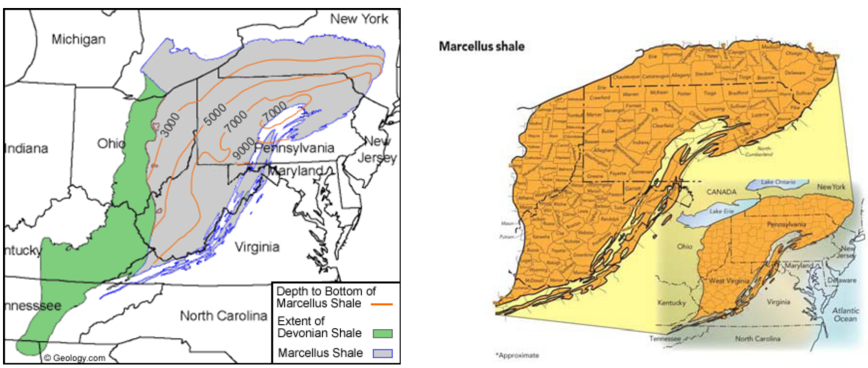
	Proved Reserves (Bcfe)		Production (Bcfe)				
	2009A	2010E	2007A	2008A	2009A	2010E	2011P
Appalchian - Upper Devonian	130	131	6.3	7.9	8.7	9.3	8.0
Gulf of Mexico	35	34	14.7	14.1	13.7	13.5	10.0
West - California	342	333	18.3	18.8	20.1	19.7	19.5
Marcellus	21	201	0.0	0.0	0.0	7.3	27.5
	528	**699**	**39.3**	**40.8**	**42.5**	**49.8**	**65.0**

Source: Company documents & Gabelli & Company, Inc. estimates

Marcellus Shale Has Potential to Add Significant Value

The Marcellus Shale is Devonian-aged shale that stretches approximately 20 million acres across portions of Ohio, West Virginia, Pennsylvania and New York. Recent studies estimate that the Marcellus might contain more than 500 TCFe of natural gas, which represents 20% of total estimated US reserves of 2,587 TCFe of technically recoverable natural gas reserves. While long considered unrecoverable, recent advances in horizontal drilling and hydraulic fracturing methods initially applied in the Barnett Shale of Texas have provided the likelihood that roughly 10% of the 500 TCF, or 50 TCF, could be recoverable. Range Resources drilled the first successful well in 2004 in Washington County, Pennsylvania and the first Marcellus gas production began in 2005.

Figure 2 and 3 **Marcellus Shale Formation**



Source: Geology.com

NFG owns roughly 800,000 acres in the Marcellus Shale, including 740,000 acres in the fairway of the Pennsylvania shale. The majority of the acreage is held in fee and carries no royalty or lease expiration. As a result, we believe Seneca's acreage has greater value and its strategic development plans can be more opportunistic and/or flexible. For example, even at a $4.00/mcf natural gas price, NFG believes it can earn 22%-43% pre-tax IRRs on its wells. Initial drilling activity and well results have been encouraging as management has stated for the past few quarters that it was drilling to gather insight as to the potential of its acreage. After the third quarter call, NFG raised its Marcellus reserve potential to 8-15 Tcfe, from 4-8 Tcfe, driven by lower risk factor of 52%, from 35%, and increasing the EUR (estimated ultimate recovery) per well to 3 Bcfe from 2.5 Bcfe. Anticipated well costs are $3.5 to $4.5 million per horizontal with 100 acre well spacing. On October 11, the company increased the preliminary reserve estimate to 201 Bcfe, from 21 Bcfe.

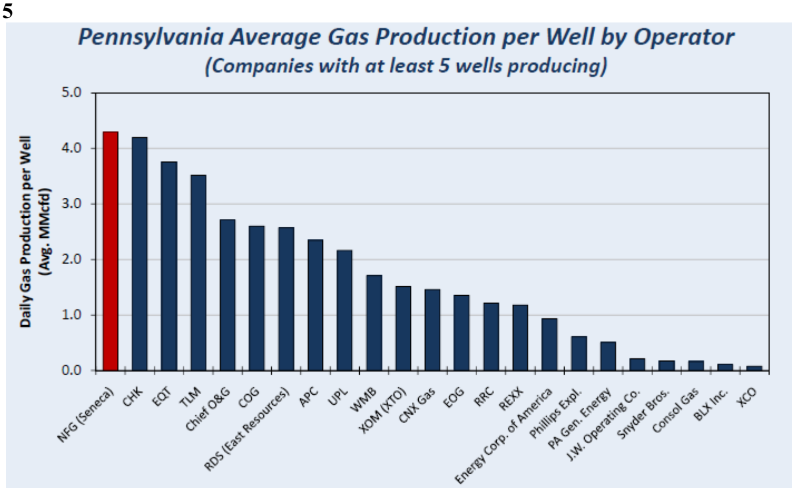
Figure 4 **NFG Marcellus Shale Pre-Tax IRR Evaluation**

Description	EUR	Well Cost ($ MM)	Net Working Interest	Net Revenue Interest	Pre-Tax IRR (NYMEX - $/MMBtu) $4.00	$5.00	$6.00
Tioga County – 15% Royalty Wells	5 Bcf	$4.0	100%	85%	43%	76%	104%
EOG JV Wells on Seneca Mineral Fee	3 Bcf	$4.0	50%	60%	35%	55%	82%
No Royalty Wells on Seneca Mineral Fee	3 Bcf	$4.0	100%	100%	22%	39%	55%
Typical Well with 15% Royalty Rate	3 Bcf	$4.0	100%	85%	14%	26%	40%

Source: Company Reports

Seneca drilled 3 horizontal wells in FY 2009 and expects to drill 29 in 2010 and 60-80 in 2011. The company's joint venture with EOG Resources completed 11 wells in 2009 and expects 29 in 2010 and 35-45 wells in 2011. In total, Seneca plans 65 drilled wells in 2010 and 100-130 in 2011. Seneca had the highest average daily natural gas production per well at 4.3 million cubic feet from July 1, 2009 through June 30, 2010, according to data released by the Pennsylvania Department of Environmental Protection.

Figure 5



Source: Company Reports, PA DEP

Joint Venture Opportunities

On September 23, NFG announced that it had hired an advisor to explore joint venture opportunities in the Marcellus. The announcement followed strong initial production rates of 15.8 million and 8.9 million cubic feet per day of gas for two completed wells in Lycoming and Clearfield counties, which management considered demonstrative of the quality of the acreage and Seneca's ability to execute. As a result, they believe they have de-risked the acreage to the point where they can consider joint venture opportunities to further accelerate development plans. We believe management is considering opportunities that allow Seneca to continue operating across most of its acreage position, but allows for a minority interest partner to pay a significant portion of early drilling costs.

Valuing NFGs Marcellus Position

While the resource value is uncertain, the price paid per acre has increased over the past several months as successful wells were drilled. As recently as 2005 there was very little interest in leasing properties for Marcellus Shale gas production. When the potential of the Marcellus was first suspected in 2006 a small number of speculators began leasing land with signing bonuses as high as $100 per acre. By early 2008 several wells with strong production rates were drilled, numerous investors began leasing and the signing bonuses rose from a few hundred dollars per acre up to over $6,000 per acre for the most desirable properties. Recent transactions have been as high as $14,000 per acre. If we were to use the midpoint of recent comparable transactions, the acreage would be worth $3.2 billion, or roughly $40 per share. Alternately, our discounted cash flow analysis of NFG's Marcellus acreage, assuming a $5/mcf natural gas price, a 3 Bcfe EUR per well, an average initial production rate of 3.5 million cubic feet per well and $3.5M well costs, also yields a value of $39 per share.

Table 4 **Marcellus Shale Acreage Transactions**

Seller	Purchaser	Date	Cash	Acreage	$/Per Acre
Linn Energy	XTO Energy	4/1/08	600	152,000	3,947
Dominion Resources	Antero Resources	6/30/08	552	205,000	2,693
PA lease sale	APC, XOM, Seneca, Hunt Oil, TLM	9/3/08	168	74,023	2,053
Chesapeake Energy	Statoil Hydro	11/11/08	3,375	585,000	5,769
East Resources	KKR Private Investment	6/9/09	350	180,000	1,944
Chief Oil & Gas	Enerplus	8/19/09	406	116,000	3,500
Rex Energy	Williams Cos.	6/22/2009	37	22,000	1,664
Private Company	Ultra Petroleum	12/21/09	400	80,000	5,000
PA lease sale	Seneca, XCO, PVA, CHK & APC	1/13/10	128	31,947	4,019
Anadarko	Mitsui	2/16/10	1,400	113,750	12,308
Private Sellers	EQT Resources	3/2/10	280	58,000	4,828
Dominion Resources	CONSOL Energy	3/15/10	3,475	1,460,000	2,380
Chesapeake Energy	Statoil Hydro	3/25/10	253	59,000	4,288
Atlas Energy	Reliance Industries	4/9/10	1,700	120,000	14,167
Not disclosed	Atlas & Reliance	4/21/10	192	42,344	4,532
EXCO Resources	BG Group	5/10/10	950	327,000	2,905
PA Lease	Anadarko	5/12/10	120	33,000	3,636
Alta Resources	Williams Cos.	5/25/10	501	42,000	11,929
Private	Penn Virginia	5/28/10	20	10,000	1,950
East Resources	Royal Dutch Shell	"	4,700	1,050,000	4,476
Trans Energy	Republic Energy Ventures	7/20/10	27	5,100	5,294
Carrizo Oil & Gas	Reliance Industries	8/5/10	392	62,600	6,262
Rex Energy	Sumitomo	8/31/10	140	12,900	9,006
Gastar	Atinum Partners	9/22/10	70	17,100	4,094
			Mean price		**$5,110**
			Median Price		**$4,191**

Source: Company releases and Gabelli & Company, Inc. estimates

Regulated Pipeline and Storage Footprint Well Positioned To Expand

National Fuel Gas Supply Corporation provides interstate natural gas transportation and storage services through a 3,000 mile pipeline system extending from southwestern Pennsylvania to the New York-Canadian border at the Niagara River and eastward to Ellisburg and Leidy, Pennsylvania. The company owns 34 underground natural gas storage fields.

Empire, an interstate pipeline company, transports natural gas for NFGs distribution utility and for other utilities, large industrial customers and power producers in New York State. The Empire Pipeline is a 157-mile pipeline that extends from the United States/Canadian border at the Niagara River near Buffalo, New York to near Syracuse, New York, and the Empire Connector, is a 76-mile pipeline extension from near Rochester, New York to an interconnection with the Millennium Pipeline near Corning, New York. The Millennium Pipeline serves the New York City area. At the end of 2008, the Empire Pipeline was expanded through the "Empire Connector" project, which created a new route to New York City and the Mid-Atlantic region for $187 million.

Services and rates are regulated by the Federal Energy Regulatory Commission (FERC), which has more recently stressed the need for robust gas pipeline growth. The Pipeline and Storage segment earned $0.59 per share in FY 2009 and $0.64 per share in fiscal 2008. We expect the contribution to decline to $0.53 per share in 2010, but expect earnings to grow strongly thereafter as numerous expansion projects contribute in 2011 and beyond.

The existing pipeline/storage footprint provides a natural competitive advantage in building pipeline, storage and gathering projects necessary to support the growing Marcellus production and move it to the densely populated area in New Jersey, New York and New England. Roughly 75% of the pipeline corridor's footprint has existing rights of way through the Northeast, and would allow for storage capacity along the way.

Currently, however, a large majority of the leased land is not adjacent to natural gas pipelines, and the current pipeline capacity is a fraction of what is predicted will be required. As result, the construction of several new large pipeline systems will be needed in order to transport natural gas to these major markets. Expansion initiatives underway are as follows:

Table 5 Pipeline & Storage / Midstream Expansion Initiatives

Project Name	Capacity (Dth/D)	Estimated CapEx ($ millions)	In-Service Date	Status
Covington Gathering System	145,000	$16	11/17/2009	Completed
Lamont Compressor Station	40,000	6	6/15/2010	Completed
Lamont Phase II Project	50,000	7	7/1/2011	
Line "N" Expansion	160,000	23	9/1/2011	
Tioga County Extension	350,000	46	"	
Trout Run Gathering System	250,000	40	Fall 2011	
Northern Access Expansion	320,000	60	Late 2012	
Line "N" Expansion Phase 2	195,000	40	11/1/2012	
W2E Overbeck to Leidy	425,000	260	2013	

Source: Company documents

Mature and Low-Risk Gas Utility Provides Steady Earnings Stream

National Fuel Gas Distribution is a local gas distribution utility serving 731,000 customers in western New York and northwestern Pennsylvania. Major areas served include Buffalo, Niagara Falls and Jamestown in New York, and Erie and Sharon in Pennsylvania. As of year-end 2009, the New York jurisdictional rate base totaled $730 million and earned a 9.7% ROE for the twelve-months ended June 30, 2010 while the Pennsylvania rate base totaled $305 million and earned a 14.3% ROE. The utility contributed $0.73 per share in 2009 and 2008 and we project $0.74 per share contribution in 2010 and 2011.

Given healthy earned returns and reasonable capital expenditure budgets, we do not expect a rate case in either jurisdiction over the near-term. The last rate case in New York was in 2007 where a rate base of $699 million and an allowed ROE of 9.1%. The New York PSC has multiple rate relief mechanisms, including revenue decoupling, a conservation incentive program, symmetrical sharing, and weather normalization adjustment clauses. These allow the rate base of the distribution company to earn a proper return even as customer usage fluctuates due to various demand factors and makes the utility whole for a modestly declining per capita usage. Moreover, in 2006 the company reached a black box settlement with the Pennsylvania commission for a $14.3 million, or 5.4% increase, for a total rate base of $280-290 million with an allowed ROE of 10-11%.

Capital Expenditures

We consider NFGs more recent capital allocation program to be prudent and conservative and its most drilling plans are based on cash on hand and the ability to access debt markets. 75%-85% of its 2010 and 2011 capital expenditure budget ($430-505 million in 2010 and $595-$735 million in 2011) is directed toward Marcellus development.

Balance Sheet

As of June 30, 2010, NFG's common equity ratio was 58% of total capitalization, with an additional $459 million of available cash and ample credit availability. Credit ratings are solid from the major rating agencies, including Standard & Poor's (BBB), Moody's (Baa1) and Fitch (BBB+).

Table 6 **National Fuel Gas Capital Expenditures By Segment**

	2007A	2008A	2009A	2010E Low		2010E High	2011P Low		2011P High
Exploration & Production	$166.5	$192.2	$188.3	$320.0		$370.0	$425.0		$500.0
Pipeline & Storage	43.2	165.2	50.1	35.0		45.0	100.0		150.0
Utility	54.4	57.5	56.2	55.0		60.0	55.0		60.0
All Other	12.6	-17.1	15.3	20.0		30.0	15.0		25.0
Consolidated	**$276.7**	**$397.7**	**$309.9**	**$430.0**	**-**	**$505.0**	**$595.0**	**-**	**$735.0**

Source: Company presentation

Dividend Policy

Shares yield 2.6% on the $1.38 annual dividend, which has been raised for 40 consecutive years. The annual dividend is supported by the utility and pipeline business, which are expected to contribute roughly $0.73 and $0.60 per share to 2011 earnings, respectively. National Fuel Gas is one of a handful of companies to increase the dividend yearly for over 100 years.

Other Companies Mentioned:

Anadarko Petroleum	(APC – NYSE)	Exxon Mobil	(XOM – NYSE)
Atlas Energy	(ATLS – NASDAQ)	Gastar Exploration	(GST – NYSE)
Carrizo Oil & Gas	(CRZO – NASDAQ)	Linn Energy	(LINE – NASDAQ)
Chesapeake Energy	(CHK – NYSE)	Penn Virginia	(PVA – NYSE)
Consol Energy	(CNX – NYSE)	Rex Energy	(REXX – NASDAQ)
Dominion Resources	(D – NYSE)	Royal Dutch Shell	(RDS – NYSE)
EQT Corporation	(EQT – NYSE)	Statoil	(STO – NYSE)
Exco Resources	(XCO – NYSE)	Talisman Energy	(TLM – NYSE)

Williams Companies (WMB – NYSE)

We, ***Tim Winter, CFA, Andrea Sharkey, CFA, and Jose Garza,*** the Research Analysts who prepared this report, hereby certify that the views expressed in this report accurately reflect the analyst's personal views about the subject companies and their securities. The Research Analysts have not been, is not and will not be receiving direct or indirect compensation for expressing the specific recommendation or view in this report.

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Important Disclosures

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Gabelli & Company, Inc. ("we" or "us") attempts to provide timely, value-added insights into companies or industry dynamics for institutional investors. Our research reports generally contain a recommendation of "buy," "hold," "sell" or "non-rated." We do not undertake to "upgrade" or "downgrade" ratings after publishing a report. We currently have reports on 741 companies, of which 44%, 39%, 2% and 15% have a recommendation of buy, hold, sell or non-rated, respectively. The percentage of companies so rated for which we provided investment banking services within the past 12 months is 0%, 0%, 0% and less than 1%.

Ratings
Analysts' ratings are largely (but not always) determined by our "private market value," or PMV methodology. Our basic goal is to understand in absolute terms what a rational, strategic buyer would pay for an asset in an open, arms-length transaction. At the same time, analysts also look for underlying catalysts that could encourage those private market values to surface.
A **Buy** rated stock is one that in our view is trading at a meaningful discount to our estimated PMV. We could expect a more modest private market value to increase at an accelerated pace, the discount of the public stock price to PMV to narrow through the emergence of a catalyst, or some combination of the two to occur.
A **Hold** is a stock that may be trading at or near our estimated private market value. We may not anticipate a large increase in the PMV, or see some other factors at work.
A **Sell** is a stock that may be trading at or above our estimated PMV. There may be little upside to the value, or limited opportunity to realize the value. Economic or sector risk could also be increasing.

We prepared this report as a matter of general information. We do not intend for this report to be a complete description of any security or company and it is not an offer or solicitation to buy or sell any security. All facts and statistics are from sources we believe to be reliable, but we do not guarantee their accuracy. We do not undertake to advise you of changes in our opinion or information. Unless otherwise noted, all stock prices reflect the closing price on the business day immediately prior to the date of this report. We do not use "price targets" predicting future stock performance. We do refer to "private market value" or PMV, which is the price that we believe an informed buyer would pay to acquire 100% of a company. There is no assurance that there are any willing buyers of a company at this price and we do not intend to suggest that any acquisition is likely. Additional information is available on request.

As of December 31, 2010, our affiliates beneficially own on behalf of their investment advisory clients or otherwise approximately 7.11% of National Fuel Gas, and less than 1% of Anadarko Petroleum, Chesapeake Energy, Consol Energy, Dominion Resources, Exxon Mobil, Royal Dutch Shell, Talisman Energy and Williams Companies. Because the portfolio managers at our affiliates make individual investment decisions with respect to the client accounts they manage, these accounts may have transactions inconsistent with the recommendations in this report. These portfolio managers may know the substance of our research reports prior to their publication as a result of joint participation in research meetings or otherwise. The analyst who wrote this report may receive commissions from our customers' transactions in the securities mentioned in this report. Our affiliates may receive compensation from the companies referred to in this report for non-investment banking securities-related services, or may be soliciting these companies as clients for non-investment banking securities-related services. The analysts who wrote this report, or members of his household, owns no shares of National Fuel Gas Co.

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Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

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

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

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

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

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

What do we do to protect your personal information?

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

GABELLI FAMILY OF FUNDS

VALUE

Gabelli Asset Fund

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

Team Managed

Gabelli Blue Chip Value Fund

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

Portfolio Manager: Barbara G. Marcin, CFA

GAMCO Westwood Equity Fund

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

FOCUSED VALUE

Gabelli Value Fund

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

Team Managed

SMALL CAP VALUE

Gabelli Small Cap Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood SmallCap Equity Fund

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

Portfolio Manager: Nicholas F. Galluccio

Gabelli Woodland Small Cap Value Fund

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

GROWTH

GAMCO Growth Fund

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

Portfolio Manager: Howard F. Ward, CFA

GAMCO International Growth Fund

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

AGGRESSIVE GROWTH

GAMCO Global Growth Fund

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

MICRO-CAP

GAMCO Westwood Mighty Mites℠ Fund

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

EQUITY INCOME

Gabelli Equity Income Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Westwood Balanced Fund

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

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

GAMCO Westwood Income Fund

Seeks to provide a high level of current income as well as long-term capital appreciation by investing in income producing equity and fixed income securities. (*Multiclass)Portfolio Manager: Barbara G. Marcin, CFA*

SPECIALTY EQUITY

GAMCO Vertumnus Fund (formerly GAMCO Global Convertible Securities Fund)

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

Portfolio Manager: Mario J. Gabelli, CFA

GAMCO Global Opportunity Fund

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

Gabelli SRI Green Fund

Seeks to invest in common and preferred stocks meeting guidelines for social responsibility (avoiding defense contractors and manufacturers of alcohol, abortifacients, gaming, and tobacco products) and sustainability (companies engaged in climate change, energy security and independence, natural resource shortages, organic living, and urbanization). The Fund's primary objective is capital appreciation. *(Multiclass)*

Co-Portfolio Managers: Christopher C. Desmarais
John M. Segrich, CFA

SECTOR

GAMCO Global Telecommunications Fund

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

GAMCO Gold Fund

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

Portfolio Manager: Caesar Bryan

Gabelli Utilities Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

MERGER AND ARBITRAGE

Gabelli ABC Fund

Seeks to invest in securities with attractive opportunities for appreciation or investment income. The Fund's primary objective is total return in various market conditions without excessive risk of capital loss.

(No-load) *Portfolio Manager: Mario J. Gabelli, CFA*

Gabelli Enterprise Mergers and Acquisitions Fund

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

Portfolio Manager: Mario J. Gabelli, CFA

CONTRARIAN

GAMCO Mathers Fund

Seeks long-term capital appreciation in various market conditions without excessive risk of capital loss.

(No-load) *Portfolio Manager: Henry Van der Eb, CFA*

Comstock Capital Value Fund

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

Portfolio Managers: Charles L. Minter
Martin Weiner, CFA

FIXED INCOME

GAMCO Westwood Intermediate Bond Fund

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

Portfolio Manager: Mark R. Freeman, CFA

CASH MANAGEMENT-MONEY MARKET

Gabelli U.S. Treasury Money Market Fund

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

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

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

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

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

The Gabelli Asset Fund
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e-mail: info@gabelli.com
Net Asset Value per share available daily by calling
800-GABELLI after 7:00 P.M.

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

GAB405Q410SC

The Gabelli Asset Fund

Morningstar® rated The Gabelli Asset Fund Class AAA Shares 5 stars overall and 4 stars for the three year period and 5 stars for the five and ten year periods ended December 31, 2010 among 1,753, 1,753, 1,457, and 802 Large Blend funds, respectively.

SHAREHOLDER COMMENTARY
DECEMBER 31, 2010

The Gabelli Asset Fund

Annual Report
December 31, 2010

★ ★ ★ ★ ★

Mario J. Gabelli, CFA

Kevin V. Dreyer

Christopher Marangi

Morningstar® rated The Gabelli Asset Fund Class AAA Shares 5 stars overall and 4 stars for the three year period and 5 stars for the five and ten year periods ended December 31, 2010 among 1,753, 1,753, 1,457, and 802 Large Blend funds, respectively.

To Our Shareholders,

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

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

Enclosed are the audited financial statements including the investment portfolio as of December 31, 2010 with a description of factors that affected the performance during the past year.

Performance Discussion (Unaudited)

The Gabelli Asset Fund (the "Fund") (Class AAA) net asset value ("NAV") per share rose 23.1% in 2010, compared with the Standard & Poor's ("S&P") 500 Index of 15.1%.

The first quarter of 2010 started the year off on relatively good footing with the S&P 500 Index up over 5%. By year end, the S&P 500 was up over 15%. Throughout the year, investors were rightfully concerned about sovereign debt issues in various European countries. The size and trend of our federal deficit led many investors to consider whether our country might eventually face these same debt issues.

Morningstar Rating™ is based on risk-adjusted returns. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with a fund's three, five, and ten year (if applicable) Morningstar Rating metrics. For funds with at least a three year history, a Morningstar Rating is based on a risk-adjusted return measure (including the effects of sales charges, loads, and redemption fees) placing more emphasis on downward variations and rewarding consistent performance. That accounts for variations in a fund's monthly performance. The top 10% of funds in each category receive 5 stars, the next 22.5% 4 stars, the next 35% 3 stars, the next 22.5% 2 stars, and the bottom 10% 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Morningstar Rating is for the AAA Share class only; other classes may have different performance characteristics. Ratings reflect relative performance. Results for certain periods were negative.

During 2010, another concern causing some volatility in the stock market was the pace at which the U.S. economy was emerging from the Great Recession. As a reminder, the National Bureau of Economic Research, which is charged with deciding when recessions begin and end, stated in September 2010 that the Great Recession actually ended in June 2009, eighteen months after it began. Although the economy did begin to rebuild inventories in the second half of 2009 and corporate profits grew throughout 2010, the pace of recovery was still of concern. The unemployment rate, which is a lagging indicator, stayed stubbornly high, hovering between 9%-10% for most of the year.

A selected holding that contributed positively to the Fund's performance in 2010 was Deere & Co., the Fund's largest holding (2.4% of net assets as of December 31, 2010). Deere manufactures, distributes, and finances a full line of equipment for use in agriculture, construction, forestry, and lawn care; manufactures engines and other powertrain components for Deere equipment and other manufacturers; and provides credit and other services to customers around the world. Other selected holdings that contributed positively to the Fund's performance were AMETEK, Inc. (1.4%), a leading global manufacturer of electronic instruments and electromechanical devices, and Lufkin Industries Inc. (0.9%). Some of the Fund's weaker performing stocks during the year were Archer-Daniels-Midland Co. (0.6%), one of the largest agricultural processors in the world, Deutsche Bank (0.4%), a leading global investment bank and YAKULT HONSHA Co. Ltd. (0.5%), a leading probiotics company headquartered in Tokyo, Japan.

We appreciate your confidence and trust.

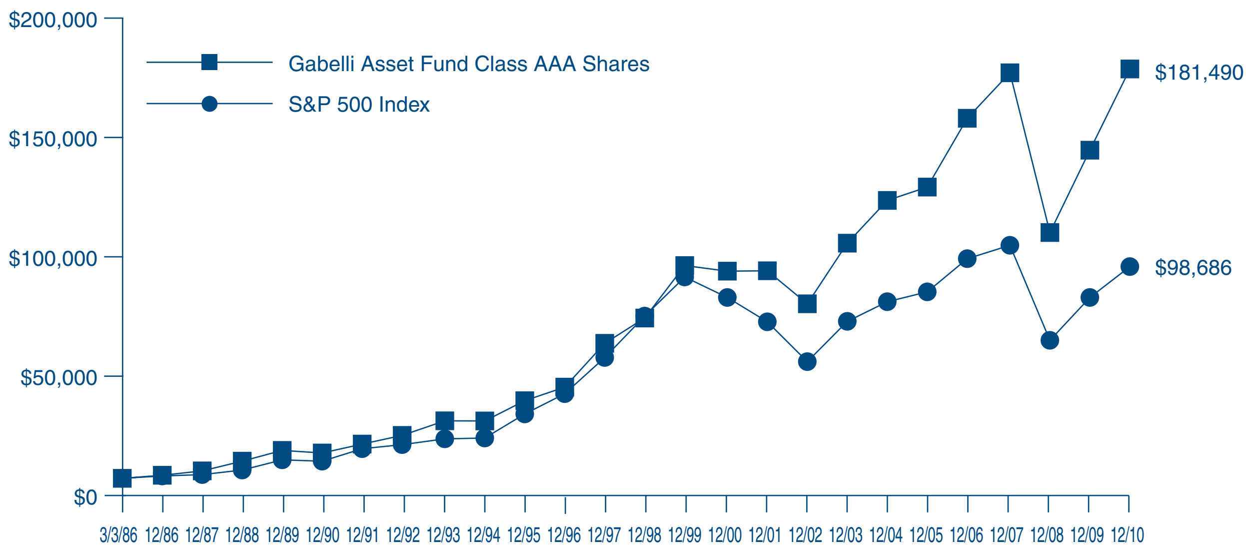
Sincerely yours,

Bruce N. Alpert

Bruce N. Alpert
President

February 24, 2011

COMPARISON OF CHANGE IN VALUE OF A $10,000 INVESTMENT IN THE GABELLI ASSET FUND CLASS AAA SHARES AND THE S&P 500 INDEX (Unaudited)



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

Comparative Results

Average Annual Returns through December 31, 2010 (a) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	Since Inception (3/3/86)
Gabelli Asset Fund Class AAA	11.66%	23.07%	0.30%	6.57%	6.49%	10.16%	11.49%	12.38%
S&P 500 Index	10.76	15.08	(2.84)	2.29	1.42	6.77	9.13	9.66(e)
Dow Jones Industrial Average	8.01	14.04	(1.58)	4.30	3.16	7.95	10.28	10.90(e)
Nasdaq Composite Index	12.00	16.91	0.01	3.76	0.71	6.36	10.29	8.38(e)
Class A	11.63	23.04	0.29	6.57	6.49	10.16	11.49	12.38
With sales charge (b)	5.21	15.97	(1.67)	5.32	5.86	9.72	11.49	12.10
Class B	11.45	22.15	(0.48)	5.75	5.92	9.77	11.19	12.14
With contingent deferred sales charge (c)	6.45	17.15	(1.48)	5.43	5.92	9.77	11.19	12.14
Class C	11.43	22.14	(0.44)	5.79	5.94	9.78	11.20	12.15
With contingent deferred sales charge (d)	10.43	21.14	(0.44)	5.79	5.94	9.78	11.20	12.15
Class I	11.70	23.35	0.54	6.73	6.57	10.21	11.53	12.42

In the current prospectus, the expense ratios for Class AAA, A, B, C, and I Shares are 1.40%, 1.40%, 2.15%, 2.15%, and 1.15%, respectively. See page 16 for the expense ratios for the year ended December 31, 2010. Class AAA and Class I Shares do not have a sales charge. The maximum sales charge for Class A, B, and C Shares is 5.75%, 5.00%, and 1.00%, respectively.

(a) ***Returns represent past performance and do not guarantee future results.*** *Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are redeemed, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Performance returns for periods of less than one year are not annualized. Visit www.gabelli.com for performance information as of the most recent month end.* ***Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus contains information about this and other matters and should be read carefully before investing.*** *The S&P 500 Index, Dow Jones Industrial Average and the Nasdaq Composite Index are unmanaged indicators of stock market performance. Dividends are considered reinvested. You cannot invest directly in an index. The Class AAA Shares NAVs per share are used to calculate performance for the periods prior to the issuance of Class A Shares, Class B Shares, and Class C Shares on December 31, 2003 and Class I Shares on January 11, 2008. The actual performance of the Class B Shares and Class C Shares would have been lower due to the additional expenses associated with these classes of shares. The actual performance of the Class I Shares would have been higher due to lower expenses related to this class of shares.*

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

(c) *Assuming payment of the maximum contingent deferred sales charge (CDSC). The maximum CDSC for Class B Shares is 5% and is reduced to 0% after six years.*

(d) *Assuming payment of the maximum CDSC. A CDSC of 1% is imposed on redemptions made within one year of purchase.*

(e) *S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite Index since inception performance are as of February 28, 1986.*

The Gabelli Asset Fund
Disclosure of Fund Expenses (Unaudited)
For the Six Month Period from July 1, 2010 through December 31, 2010 **Expense Table**

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

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

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

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

Hypothetical 5% Return: This section provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio. It assumes a hypothetical annualized return of 5% before expenses during the period shown. In this case – because the hypothetical return used is **not** the Fund's actual return – the results do not apply to your investment and you cannot use the hypothetical account value and expense to estimate the actual ending account balance or expenses you paid for the period. This example is useful in making comparisons of the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as sales charges (loads), redemption fees, or exchange fees, if any, which are described in the Prospectus. If these costs were applied to your account, your costs would be higher. Therefore, the 5% hypothetical return is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. The "Annualized Expense Ratio" represents the actual expenses for the last six months and may be different from the expense ratio in the Financial Highlights which is for the year ended December 31, 2010.

	Beginning Account Value 07/01/10	Ending Account Value 12/31/10	Annualized Expense Ratio	Expenses Paid During Period*
The Gabelli Asset Fund				
Actual Fund Return				
Class AAA	$1,000.00	$1,266.60	1.38%	$ 7.88
Class A	$1,000.00	$1,266.50	1.38%	$ 7.88
Class B	$1,000.00	$1,261.90	2.13%	$12.14
Class C	$1,000.00	$1,261.90	2.13%	$12.14
Class I	$1,000.00	$1,268.20	1.13%	$ 6.46
Hypothetical 5% Return				
Class AAA	$1,000.00	$1,018.25	1.38%	$ 7.02
Class A	$1,000.00	$1,018.25	1.38%	$ 7.02
Class B	$1,000.00	$1,014.47	2.13%	$10.82
Class C	$1,000.00	$1,014.47	2.13%	$10.82
Class I	$1,000.00	$1,019.51	1.13%	$ 5.75

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

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total net assets as of December 31, 2010:

The Gabelli Asset Fund

Food and Beverage	11.8%	Electronics	1.4%
Energy and Utilities	8.2%	Broadcasting	1.4%
Cable and Satellite	7.4%	Environmental Services	1.3%
Equipment and Supplies	7.1%	Communications Equipment	1.3%
Financial Services	7.1%	Automotive	1.3%
Diversified Industrial	5.8%	Aerospace	1.2%
Consumer Products	5.1%	Consumer Services	1.2%
Entertainment	4.4%	U.S. Government Obligations	1.0%
Machinery	3.9%	Computer Software and Services	1.0%
Automotive: Parts and Accessories	3.7%	Agriculture	0.9%
Health Care	3.4%	Wireless Communications	0.9%
Telecommunications	3.3%	Transportation	0.5%
Metals and Mining	2.8%	Real Estate	0.4%
Aviation: Parts and Services	2.5%	Manufactured Housing and Recreational Vehicles	0.1%
Publishing	2.3%	Closed-end Funds	0.0%
Hotels and Gaming	2.2%	Computer Hardware	0.0%
Retail	2.1%	Other Assets and Liabilities (Net)	0.1%
Business Services	1.5%		100.0%
Specialty Chemicals	1.4%		

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended September 30, 2010. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Proxy Voting

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

Shares		Cost	Market Value
	COMMON STOCKS — 98.8%		
	Aerospace — 1.2%		
110,000	Herley Industries Inc.†	$ 1,634,717	$ 1,905,200
5,000	Lockheed Martin Corp.	147,750	349,550
12,000	Northrop Grumman Corp.	589,097	777,360
2,100,000	Rolls-Royce Group plc†	15,537,619	20,397,561
134,400,000	Rolls-Royce Group plc., Cl. C†	212,110	209,542
112,000	The Boeing Co.	4,974,032	7,309,120
		23,095,325	30,948,333
	Agriculture — 0.9%		
490,000	Archer-Daniels-Midland Co.	6,445,610	14,739,200
92,058	Monsanto Co.	1,406,815	6,410,919
3,000	Potash Corp. of Saskatchewan Inc.	41,185	464,490
29,000	The Mosaic Co.	500,160	2,214,440
		8,393,770	23,829,049
	Automotive — 1.3%		
242,000	Ford Motor Co.†	2,861,621	4,063,180
409,000	Navistar International Corp.†	7,571,010	23,685,190
101,250	PACCAR Inc.	522,020	5,813,775
3,400	Volkswagen AG	137,862	481,151
		11,092,513	34,043,296
	Automotive: Parts and Accessories — 3.6%		
195,000	BorgWarner Inc.†	2,002,824	14,110,200
230,000	CLARCOR Inc.	1,647,194	9,864,700
340,000	Dana Holding Corp.†	2,296,152	5,851,400
40,000	Federal-Mogul Corp.†	696,942	826,000
480,000	Genuine Parts Co.	11,539,085	24,643,200
394,000	Johnson Controls Inc.	3,527,331	15,050,800
174,000	Midas Inc.†	2,283,829	1,411,140
200,000	Modine Manufacturing Co.†	3,564,025	3,100,000
190,000	O'Reilly Automotive Inc.†	4,685,384	11,479,800
260,000	Standard Motor Products Inc.	2,733,037	3,562,000
141,000	Superior Industries International Inc.	2,875,228	2,992,020
50,000	Tenneco Inc.†	319,198	2,058,000
		38,170,229	94,949,260
	Aviation: Parts and Services — 2.5%		
1,114,775	BBA Aviation plc	2,737,779	3,851,482
480,000	Curtiss-Wright Corp.	3,268,726	15,936,000
600,000	GenCorp Inc.†	2,151,726	3,102,000
110,000	Kaman Corp.	1,534,269	3,197,700
292,000	Precision Castparts Corp.	3,452,696	40,649,320
		13,145,196	66,736,502
	Broadcasting — 1.4%		
324,000	CBS Corp., Cl. A, Voting	$ 3,489,315	$ 6,165,720
20,000	Cogeco Inc.	381,659	754,098
26,666	Corus Entertainment Inc., Cl. B, OTC	43,320	595,985
13,334	Corus Entertainment Inc., Cl. B, Toronto	21,662	297,041
109,000	Fisher Communications Inc.†	3,908,472	2,376,200
843	Granite Broadcasting Corp.† (a)	69,109	0
225,000	Liberty Media Corp. - Capital, Cl. A†	722,438	14,076,000
73,000	Liberty Media Corp. - Starz, Cl. A†	645,582	4,853,040
235,000	LIN TV Corp., Cl. A†	2,444,839	1,245,500
12,000	Naspers Ltd., Cl. N	472,418	706,702
400,000	Television Broadcasts Ltd.	1,815,551	2,161,383
180,000	Tokyo Broadcasting System Holdings Inc.	4,350,218	2,556,226
		18,364,583	35,787,895
	Business Services — 1.5%		
28,000	ACCO Brands Corp.†	139,023	238,560
37,450	Ascent Media Corp., Cl. A†	648,128	1,451,562
155,000	Clear Channel Outdoor Holdings Inc., Cl. A†	1,855,555	2,176,200
190,000	Ecolab Inc.	1,778,939	9,579,800
15,000	Edenred†	273,621	355,091
15,000	Equinix Inc.†	1,217,601	1,218,900
63,000	Landauer Inc.	389,968	3,778,110
200,487	Live Nation Entertainment Inc.†	2,096,719	2,289,562
27,000	MasterCard Inc., Cl. A	2,096,893	6,050,970
97,000	Monster Worldwide Inc.†	2,190,013	2,292,110
40,000	The Brink's Co.	959,540	1,075,200
765,000	The Interpublic Group of Companies Inc.†	6,653,671	8,124,300
18,000	Visa Inc., Cl. A	950,776	1,266,840
		21,250,447	39,897,205
	Cable and Satellite — 7.4%		
1,880,000	Cablevision Systems Corp., Cl. A	3,978,805	63,619,200
180,000	Comcast Corp., Cl. A	2,622,994	3,954,600
52,000	Comcast Corp., Cl. A, Special	294,725	1,082,120
1,035,002	DIRECTV, Cl. A†	11,822,819	41,327,630
304,000	DISH Network Corp., Cl. A†	6,888,632	5,976,640
40,000	EchoStar Corp., Cl. A†	1,169,394	998,800
1,000	Jupiter Telecommunications Co. Ltd.	980,489	1,051,854
253,000	Liberty Global Inc., Cl. A†	2,886,157	8,951,140
253,000	Liberty Global Inc., Cl. C†	2,772,975	8,574,170

See accompanying notes to financial statements.

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Cable and Satellite (Continued)		
1,084,000	Rogers Communications Inc., Cl. B, New York	$ 5,935,839	$ 37,538,920
50,000	Rogers Communications Inc., Cl. B, Toronto	229,821	1,739,918
220,000	Scripps Networks Interactive Inc., Cl. A	6,664,792	11,385,000
150,000	Shaw Communications Inc., Cl. B, Non-Voting, New York	292,208	3,207,000
120,000	Shaw Communications Inc., Cl. B, Non-Voting, Toronto	164,952	2,576,687
60,000	Time Warner Cable Inc.	2,574,661	3,961,800
		49,279,263	195,945,479
	Closed-End Funds — 0.0%		
79,920	Royce Value Trust Inc.	975,443	1,162,037
	Communications Equipment — 1.3%		
535,000	Corning Inc.	3,877,674	10,336,200
600,000	Motorola Inc.†	5,227,745	5,442,000
390,000	Thomas & Betts Corp.†	7,650,699	18,837,000
		16,756,118	34,615,200
	Computer Hardware — 0.0%		
5,000	Wincor Nixdorf AG	302,584	407,641
	Computer Software and Services — 1.0%		
110,001	AOL Inc.†	2,603,817	2,608,124
190,000	Diebold Inc.	6,648,706	6,089,500
77,750	Fidelity National Information Services Inc.	1,569,838	2,129,573
100,000	NCR Corp.†	1,746,066	1,537,000
112,000	Rockwell Automation Inc.	4,132,533	8,031,520
300,000	Yahoo! Inc.†	8,249,995	4,989,000
		24,950,955	25,384,717
	Consumer Products — 5.1%		
49,000	Alberto-Culver Co.	1,097,704	1,814,960
35,000	Altria Group Inc.	525,685	861,700
78,000	Avon Products Inc.	2,346,710	2,266,680
11,000	Christian Dior SA	307,335	1,571,366
224,000	Church & Dwight Co. Inc.	1,452,510	15,460,480
25,000	Clorox Co.	1,389,061	1,582,000
360,000	Eastman Kodak Co.†	2,686,670	1,929,600
286,000	Energizer Holdings Inc.†	6,318,025	20,849,400
136,000	Fortune Brands Inc.	3,455,425	8,194,000
3,400	Givaudan SA	1,182,809	3,669,091
35,000	Harley-Davidson Inc.	$ 88,156	$ 1,213,450
73,000	Kimberly-Clark Corp.	4,424,240	4,601,920
24,000	Mattel Inc.	433,200	610,320
24,000	National Presto Industries Inc.	763,030	3,120,240
25,000	Philip Morris International Inc.	950,939	1,463,250
50,000	Reckitt Benckiser Group plc	1,570,345	2,747,894
125,000	Sally Beauty Holdings Inc.†	1,001,483	1,816,250
50,000	Svenska Cellulosa AB, Cl. B	709,301	789,515
1,080,000	Swedish Match AB	12,045,067	31,264,785
10,000	Syratech Corp.†	2,000	7
1,000	The Estee Lauder Companies Inc., Cl. A	70,902	80,700
435,000	The Procter & Gamble Co.	14,703,629	27,983,550
35,000	Wolverine World Wide Inc.	325,537	1,115,800
		57,849,763	135,006,958
	Consumer Services — 1.2%		
175,000	IAC/InterActiveCorp.†	1,901,881	5,022,500
430,000	Liberty Media Corp. - Interactive, Cl. A†	2,558,178	6,781,100
962,000	Rollins Inc.	3,345,858	18,999,500
		7,805,917	30,803,100
	Diversified Industrial — 5.8%		
13,000	Acuity Brands Inc.	153,426	749,710
5,000	Anixter International Inc.	45,044	298,650
75,403	Contax Participacoes SA, ADR	30,974	275,221
410,000	Cooper Industries plc	9,164,540	23,898,900
410,100	Crane Co.	6,317,211	16,842,807
105,000	Gardner Denver Inc.	863,061	7,226,100
123,224	Greif Inc., Cl. A	1,084,700	7,627,566
263,343	Greif Inc., Cl. B	14,277,034	16,063,923
435,000	Honeywell International Inc.	13,860,082	23,124,600
25,000	Ingersoll-Rand plc	491,296	1,177,250
575,000	ITT Corp.	9,116,823	29,963,250
95,000	Jardine Strategic Holdings Ltd.	2,028,459	2,629,600
240,000	Katy Industries Inc.†	1,301,715	288,000
310,000	Magnetek Inc.†	1,116,061	418,500
240,000	Myers Industries Inc.	1,460,520	2,337,600
52,000	Pentair Inc.	762,065	1,898,520
53,333	Smiths Group plc	880,170	1,035,229
30,000	Sulzer AG	2,817,302	4,572,193
160,000	Textron Inc.	1,241,296	3,782,400
110,000	Trinity Industries Inc.	916,097	2,927,100
166,000	Tyco International Ltd.	6,797,117	6,879,040
4,000	Waters Corp.†	287,836	310,840
		75,012,829	154,326,999

See accompanying notes to financial statements.

The Gabelli Asset Fund
Schedule of Investments (Continued) — December 31, 2010

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Electronics — 1.4%		
9,000	Chemring Group plc	$ 117,293	$ 407,484
110,000	Intel Corp.	2,352,246	2,313,300
8,500	Kyocera Corp., ADR	269,501	869,635
375,000	LSI Corp.†	2,388,881	2,246,250
1,000	Mettler-Toledo International Inc.†	136,323	151,210
24,000	Molex Inc., Cl. A	655,086	452,880
40,700	Samsung Electronics Co. Ltd., GDR (b)	7,659,136	17,171,330
50,000	Sony Corp., ADR	1,556,873	1,785,500
275,000	Texas Instruments Inc.	7,068,173	8,937,500
80,000	Tyco Electronics Ltd.	2,388,391	2,832,000
		24,591,903	37,167,089
	Energy and Utilities — 8.2%		
130,000	Allegheny Energy Inc.	1,577,562	3,151,200
11,000	Anadarko Petroleum Corp.	652,895	837,760
200,000	BP plc, ADR	5,056,777	8,834,000
29,000	CH Energy Group Inc.	1,214,873	1,417,810
324,000	Chevron Corp.	12,433,695	29,565,000
340,000	ConocoPhillips	9,732,763	23,154,000
220,000	CONSOL Energy Inc.	8,179,112	10,722,800
25,000	Constellation Energy Group Inc.	551,389	765,750
122,000	Devon Energy Corp.	1,673,036	9,578,220
6,000	Diamond Offshore Drilling Inc.	555,299	401,220
25,000	DPL Inc.	571,010	642,750
90,000	Duke Energy Corp.	1,022,606	1,602,900
20,000	Edison International	340,000	772,000
500,000	El Paso Corp.	4,324,186	6,880,000
240,000	El Paso Electric Co.†	3,007,363	6,607,200
95,000	EOG Resources Inc.	435,076	8,683,950
319,000	Exxon Mobil Corp.	7,591,950	23,325,280
130,000	GenOn Energy Inc., Escrow† (a)	0	0
90,000	Great Plains Energy Inc.	2,148,682	1,745,100
205,000	Halliburton Co.	6,436,153	8,370,150
220,100	National Fuel Gas Co.	10,840,402	14,442,962
30,000	NextEra Energy Inc.	1,408,935	1,559,700
165,000	Northeast Utilities	3,106,532	5,260,200
25,000	NSTAR	793,474	1,054,750
12,000	Occidental Petroleum Corp.	941,505	1,177,200
45,000	Oceaneering International Inc.†	1,944,964	3,313,350
48,000	Petroleo Brasileiro SA, ADR	1,864,335	1,816,320
100,000	Progress Energy Inc., CVO†	52,000	15,250
235,000	Rowan Companies Inc.†	8,664,401	8,203,850
48,000	Royal Dutch Shell plc, Cl. A, ADR	2,857,612	3,205,440

Shares		Cost	Market Value
129,100	SJW Corp.	$ 2,122,183	$ 3,417,277
255,000	Southwest Gas Corp.	4,493,970	9,350,850
245,000	Spectra Energy Corp.	5,632,832	6,122,550
50,000	Talisman Energy Inc.	1,014,455	1,109,500
100,000	The AES Corp.†	397,000	1,218,000
53,000	Transocean Ltd.†	4,067,764	3,684,030
185,000	Weatherford International Ltd.†	3,752,899	4,218,000
		121,459,690	216,226,319
	Entertainment — 4.4%		
8,010	Chestnut Hill Ventures† (a)	218,000	364,856
310,000	Discovery Communications Inc., Cl. A†	3,107,759	12,927,000
299,000	Discovery Communications Inc., Cl. C†	2,113,665	10,970,310
34,000	DreamWorks Animation SKG Inc., Cl. A†	819,381	1,001,980
750,000	Grupo Televisa SA, ADR†	7,957,615	19,447,500
477,500	Madison Square Garden Inc., Cl. A†	1,050,501	12,309,950
1,600	Nintendo Co. Ltd.	496,491	469,614
80,000	Rank Group plc	206,625	157,655
20,000	Regal Entertainment Group, Cl. A	283,108	234,800
570,001	Time Warner Inc.	14,892,388	18,336,932
515,000	Viacom Inc., Cl. A	15,234,637	23,617,900
10,000	Viacom Inc., Cl. B	317,524	396,100
560,000	Vivendi	11,211,804	15,116,326
41,000	World Wrestling Entertainment Inc., Cl. A	383,678	583,840
		58,293,176	115,934,763
	Environmental Services — 1.3%		
557,000	Republic Services Inc.	5,904,883	16,632,020
500,000	Waste Management Inc.	10,415,537	18,435,000
		16,320,420	35,067,020
	Equipment and Supplies — 7.1%		
978,000	AMETEK Inc.	2,537,859	38,386,500
6,000	Amphenol Corp., Cl. A	23,162	316,680
100,000	CIRCOR International Inc.	982,474	4,228,000
145,000	Crown Holdings Inc.†	653,703	4,840,100
175,000	CTS Corp.	1,009,883	1,935,500
8,000	Danaher Corp.	70,641	377,360
390,000	Donaldson Co. Inc.	2,250,340	22,729,200
241,000	Flowserve Corp.	3,223,052	28,732,020
190,000	Gerber Scientific Inc.†	1,799,449	1,495,300
235,000	GrafTech International Ltd.†	2,090,619	4,662,400
762,000	IDEX Corp.	2,863,178	29,809,440
151,000	Interpump Group SpA†	614,802	1,149,152
391,000	Lufkin Industries Inc.	1,769,749	24,394,490

See accompanying notes to financial statements.

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Equipment and Supplies (Continued)		
70,000	Met-Pro Corp.	$ 380,521	$ 826,700
20,000	Sealed Air Corp.	168,679	509,000
2,000	SL Industries Inc.†	5,719	34,900
104,000	Tenaris SA, ADR	4,684,312	5,093,920
100,000	The Manitowoc Co. Inc.	240,518	1,311,000
100,000	The Weir Group plc	420,789	2,775,178
29,000	Valmont Industries Inc.	232,196	2,573,170
325,000	Watts Water Technologies Inc., Cl. A	3,816,271	11,891,750
		29,837,916	188,071,760
	Financial Services — 7.1%		
15,700	Alleghany Corp.†	2,561,640	4,810,009
48,000	AllianceBernstein Holding LP	1,352,639	1,119,840
667,000	American Express Co.	18,876,525	28,627,640
14,000	Ameriprise Financial Inc.	417,729	805,700
32,000	Argo Group International Holdings Ltd.	1,152,402	1,198,400
105,000	Artio Global Investors Inc.	2,649,756	1,548,750
150,000	Bank of America Corp.	1,761,991	2,001,000
211	Berkshire Hathaway Inc., Cl. A†	809,023	25,414,950
71,000	BKF Capital Group Inc.†	413,961	81,650
20,000	Calamos Asset Management Inc., Cl. A	228,324	280,000
400,000	Citigroup Inc.†	2,030,101	1,892,000
76,000	Commerzbank AG, ADR†	1,173,814	559,360
215,000	Deutsche Bank AG	9,527,630	11,190,750
27,000	Fortress Investment Group LLC, Cl. A†	204,929	153,900
117,000	H&R Block Inc.	1,902,798	1,393,470
20,000	HSBC Holdings plc, ADR	1,083,752	1,020,800
50,000	Interactive Brokers Group Inc., Cl. A	993,830	891,000
450,000	Janus Capital Group Inc.	6,042,263	5,836,500
160,000	JPMorgan Chase & Co.	5,426,547	6,787,200
56,000	Kinnevik Investment AB, Cl. A	934,814	1,137,377
65,000	Kinnevik Investment AB, Cl. B	1,122,773	1,324,036
75,000	KKR & Co. LP	725,864	1,065,000
330,000	Legg Mason Inc.	7,310,744	11,969,100
75,000	Leucadia National Corp.	655,691	2,188,500
61,000	Loews Corp.	2,713,779	2,373,510
28,000	M&T Bank Corp.	1,759,865	2,437,400
150,000	Marsh & McLennan Companies Inc.	4,406,024	4,101,000
150,000	NewAlliance Bancshares Inc.	2,158,142	2,247,000

Shares		Cost	Market Value
45,000	Northern Trust Corp.	$ 2,326,438	$ 2,493,450
45,000	PNC Financial Services Group Inc.	1,945,789	2,732,400
750,137	Popular Inc.†	2,123,738	2,355,430
36,000	Royal Bank of Canada	1,908,428	1,884,960
100,000	State Street Corp.	1,350,485	4,634,000
20,000	SunTrust Banks Inc.	424,879	590,200
50,000	T. Rowe Price Group Inc.	850,990	3,227,000
483,000	The Bank of New York Mellon Corp.	14,687,383	14,586,600
49,000	The Blackstone Group LP	877,505	693,350
10,000	The Goldman Sachs Group Inc.	1,488,945	1,681,600
12,000	The Travelers Companies Inc.	477,578	668,520
70,866	Tree.com Inc.†	509,902	668,975
19,000	Unitrin Inc.	498,464	466,260
8,500	Value Line Inc.	136,515	122,825
180,000	Waddell & Reed Financial Inc., Cl. A	3,903,823	6,352,200
642,000	Wells Fargo & Co.	19,350,465	19,895,580
		133,258,677	187,509,192
	Food and Beverage — 11.8%		
345,000	Brown-Forman Corp., Cl. A	6,015,904	23,980,950
85,000	Brown-Forman Corp., Cl. B	1,986,156	5,917,700
120,000	Campbell Soup Co.	3,270,218	4,170,000
400,000	China Mengniu Dairy Co. Ltd.	1,191,136	1,060,107
80,000	Coca-Cola Enterprises Inc.	1,626,706	2,002,400
16,500	Coca-Cola Hellenic Bottling Co. SA, ADR	231,193	427,350
395,000	Constellation Brands Inc., Cl. A†	5,348,427	8,749,250
250,000	Corn Products International Inc.	3,045,769	11,500,000
323,000	Danone	15,485,446	20,295,137
560,000	Davide Campari - Milano SpA	2,738,267	3,644,382
130,000	Dean Foods Co.†	2,163,947	1,149,200
180,000	Del Monte Foods Co.	1,833,990	3,384,000
316,000	Diageo plc, ADR	11,802,992	23,488,280
2,000	Diamond Foods Inc.	46,909	106,360
170,000	Dr Pepper Snapple Group Inc.	3,650,477	5,977,200
70,000	Farmer Brothers Co.	943,094	1,246,000
305,000	Flowers Foods Inc.	1,354,532	8,207,550
70,000	Fomento Economico Mexicano SAB de CV, ADR	2,406,448	3,914,400
589,000	General Mills Inc.	10,330,879	20,962,510

See accompanying notes to financial statements.

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Food and Beverage (Continued)		
51,000	Green Mountain Coffee Roasters Inc.†	$ 1,308,475	$ 1,675,860
810,000	Grupo Bimbo SAB de CV, Cl. A	1,635,883	6,916,154
107,000	H.J. Heinz Co.	3,907,783	5,292,220
95,000	Heineken NV	4,504,518	4,657,771
180,000	ITO EN Ltd.	4,164,672	2,992,979
65,000	Kellogg Co.	1,736,200	3,320,200
82,000	Kerry Group plc, Cl. A	971,184	2,730,667
450,000	Kikkoman Corp.	5,314,589	5,043,725
285,229	Kraft Foods Inc., Cl. A	8,481,528	8,987,566
32,000	LVMH Moet Hennessy Louis Vuitton SA	1,117,034	5,263,988
15,000	MEIJI Holdings Co. Ltd.	678,410	678,039
245,000	Morinaga Milk Industry Co. Ltd.	909,693	1,038,059
90,000	Nestlé SA	1,868,526	5,270,054
200,000	NISSIN FOODS HOLDINGS CO. LTD.	6,899,621	7,168,370
10,000	Peet's Coffee & Tea Inc.†	360,952	417,400
244,274	PepsiCo Inc.	8,241,138	15,958,421
93,000	Pernod-Ricard SA	8,400,150	8,744,110
148,000	Ralcorp Holdings Inc.†	2,413,831	9,621,480
86,430	Remy Cointreau SA	5,079,553	6,115,575
750,016	Sara Lee Corp.	10,644,227	13,132,780
315,000	The Coca-Cola Co.	12,864,795	20,717,550
32,000	The Hain Celestial Group Inc.†	532,819	865,920
67,000	The Hershey Co.	1,589,183	3,159,050
20,000	The J.M. Smucker Co.	547,733	1,313,000
300,000	Tingyi (Cayman Islands) Holding Corp.	746,614	768,063
160,000	Tootsie Roll Industries Inc.	1,820,002	4,635,200
195,000	Tyson Foods Inc., Cl. A	2,816,874	3,357,900
440,000	YAKULT HONSHA Co. Ltd.	11,840,921	12,675,945
		186,869,398	312,700,822
	Health Care — 3.4%		
40,000	Abbott Laboratories	1,948,913	1,916,400
15,000	Alere Inc.†	255,011	549,000
50,000	Allergan Inc.	2,338,454	3,433,500
44,000	Amgen Inc.†	203,194	2,415,600
70,000	AngioDynamics Inc.†	934,504	1,075,900
10,000	ArthroCare Corp.†	235,827	310,600
75,000	Baxter International Inc.	3,881,678	3,796,500
102,000	Beckman Coulter Inc.	5,646,925	7,673,460
13,000	Becton, Dickinson and Co.	997,162	1,098,760
51,000	Biogen Idec Inc.†	$ 810,124	$ 3,419,550
220,000	Boston Scientific Corp.†	1,977,408	1,665,400
190,000	Bristol-Myers Squibb Co.	5,047,017	5,031,200
10,000	Cephalon Inc.†	560,856	617,200
15,000	Cepheid Inc.†	134,567	341,250
67,000	Chemed Corp.	1,081,042	4,255,170
32,000	CONMED Corp.†	640,430	845,760
50,000	Covidien plc	1,943,051	2,283,000
10,000	DENTSPLY International Inc.	190,509	341,700
52,000	Eli Lilly & Co.	2,020,951	1,822,080
44,000	Exactech Inc.†	671,660	828,080
38,000	Henry Schein Inc.†	1,049,459	2,332,820
136,000	Johnson & Johnson	5,801,895	8,411,600
16,000	Laboratory Corp. of America Holdings†	1,125,964	1,406,720
80,000	Life Technologies Corp.†	2,096,308	4,440,000
74,000	Mead Johnson Nutrition Co.	3,148,864	4,606,500
68,000	Medco Health Solutions Inc.†	1,216,929	4,166,360
85,000	Merck & Co. Inc.	1,950,546	3,063,400
10,000	Nobel Biocare Holding AG	285,863	188,556
125,000	Pain Therapeutics Inc.†	730,303	843,750
65,000	Patterson Companies Inc.	1,658,969	1,990,950
175,000	Pfizer Inc.	3,045,050	3,064,250
2,000	Stryker Corp.	65,440	107,400
400,000	Tenet Healthcare Corp.†	2,343,312	2,676,000
50,000	UnitedHealth Group Inc.	1,524,774	1,805,500
88,000	Watson Pharmaceuticals Inc.†	3,230,655	4,545,200
34,000	William Demant Holding A/S†	1,594,066	2,511,272
20,000	Wright Medical Group Inc.†	351,052	310,600
3,000	Young Innovations Inc.	78,887	96,030
13,000	Zimmer Holdings Inc.†	662,619	697,840
		63,480,238	90,984,858
	Hotels and Gaming — 2.2%		
15,000	Accor SA	508,153	667,486
24,000	Churchill Downs Inc.	910,628	1,041,600
355,000	Gaylord Entertainment Co.†	9,145,538	12,758,700
450,000	Genting Singapore plc†	622,648	767,912
10,000	Home Inns & Hotels Management Inc., ADR†	159,080	409,600
14,422	Host Hotels & Resorts Inc.	290,636	257,721
150,000	International Game Technology	3,373,476	2,653,500
60,000	Interval Leisure Group Inc.†	561,535	968,400
2,300,000	Ladbrokes plc	14,105,899	4,399,905
130,000	Las Vegas Sands Corp.†	1,045,073	5,973,500
4,200,000	Mandarin Oriental International Ltd.	8,011,029	8,694,000

See accompanying notes to financial statements.

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Hotels and Gaming (Continued)		
200,000	MGM Resorts International†	$ 1,201,606	$ 2,970,000
55,000	Orient-Express Hotels Ltd., Cl. A†	1,018,175	714,450
110,000	Pinnacle Entertainment Inc.†	763,073	1,542,200
98,000	Starwood Hotels & Resorts Worldwide Inc.	1,921,712	5,956,440
1,250,000	The Hongkong & Shanghai Hotels Ltd.	1,344,950	2,142,085
190,000	Universal Entertainment Corp.†	3,957,264	5,553,270
18,000	Wyndham Worldwide Corp.	470,825	539,280
15,000	Wynn Resorts Ltd.	389,245	1,557,600
		49,800,545	59,567,649
	Machinery — 3.9%		
150,000	Baldor Electric Co.	4,862,520	9,456,000
135,000	Caterpillar Inc.	893,289	12,644,100
400,000	CNH Global NV†	12,185,748	19,096,000
755,000	Deere & Co.	6,196,590	62,702,750
22,000	Mueller Water Products Inc., Cl. A	183,302	91,740
7,000	Zebra Technologies Corp., Cl. A†	270,244	265,930
		24,591,693	104,256,520
	Manufactured Housing and Recreational Vehicles — 0.1%		
180,000	All American Group Inc.†	566,333	38,700
32,000	Cavco Industries Inc.†	605,460	1,494,080
31,000	Nobility Homes Inc.†	573,574	251,410
79,000	Skyline Corp.	2,825,707	2,060,320
		4,571,074	3,844,510
	Metals and Mining — 2.8%		
5,000	Agnico-Eagle Mines Ltd.	236,238	383,500
220,000	Alcoa Inc.	3,421,195	3,385,800
365,000	Barrick Gold Corp.	6,733,535	19,410,700
89,000	Freeport-McMoRan Copper & Gold Inc.	2,869,862	10,688,010
95,000	Ivanhoe Mines Ltd.†	739,280	2,177,400
8,000	James River Coal Co.†	58,140	202,640
50,000	Kinross Gold Corp.	359,224	948,000
52,000	New Hope Corp. Ltd.	70,252	257,950
550,000	Newmont Mining Corp.	11,458,987	33,786,500
25,000	Peabody Energy Corp.	973,215	1,599,500
		26,919,928	72,840,000
	Publishing — 2.3%		
37,000	Belo Corp., Cl. A†	216,729	261,960
500,000	Il Sole 24 Ore SpA†	4,127,474	924,058
400,000	Media General Inc., Cl. A†	4,133,937	2,312,000
75,000	Meredith Corp.	$ 1,600,688	$ 2,598,750
3,260,000	News Corp., Cl. A	25,811,884	47,465,600
22,000	News Corp., Cl. B	212,046	361,240
155,000	The E.W. Scripps Co., Cl. A†	1,276,082	1,573,250
175,000	The McGraw-Hill Companies Inc.	1,542,706	6,371,750
27,000	The New York Times Co., Cl. A†	248,035	264,600
		39,169,581	62,133,208
	Real Estate — 0.4%		
11,000	Brookfield Asset Management Inc., Cl. A	294,496	366,190
103,000	Griffin Land & Nurseries Inc.	1,479,146	3,335,140
36,000	ProLogis	983,331	519,840
250,000	The St. Joe Co.†	1,870,114	5,462,500
		4,627,087	9,683,670
	Retail — 2.1%		
98,700	Aaron's Inc.†	354,993	2,012,493
250,000	AutoNation Inc.†	2,405,853	7,050,000
13,000	AutoZone Inc.†	1,154,517	3,543,670
260,000	Coldwater Creek Inc.†	1,511,908	824,200
125,000	Costco Wholesale Corp.	6,453,676	9,026,250
225,000	CVS Caremark Corp.	7,764,572	7,823,250
100,000	HSN Inc.†	1,654,539	3,064,000
400,000	Lianhua Supermarket Holdings Ltd., Cl. H	1,743,406	1,911,795
200,000	Macy's Inc.	3,263,628	5,060,000
90,000	Safeway Inc.	2,182,464	2,024,100
51,000	The Home Depot Inc.	1,586,243	1,788,060
78,000	The Kroger Co.	468,475	1,744,080
50,000	Wal-Mart Stores Inc.	2,501,213	2,696,500
80,000	Walgreen Co.	2,861,078	3,116,800
60,000	Whole Foods Market Inc.†	1,436,727	3,035,400
145,000	Winn-Dixie Stores Inc.†	2,214,371	1,039,650
		39,557,663	55,760,248
	Specialty Chemicals — 1.4%		
20,000	Airgas Inc.	1,252,377	1,249,200
17,000	Ashland Inc.	284,580	864,620
3,012	Chemtura Corp.†	4,499	48,132
520,000	Ferro Corp.†	6,990,113	7,612,800
110,000	General Chemical Group Inc.†	365,584	2,200
136,000	H.B. Fuller Co.	1,271,302	2,790,720
135,000	International Flavors & Fragrances Inc.	6,153,045	7,504,650
40,000	Material Sciences Corp.†	266,497	255,600
2,000	NewMarket Corp.	215,642	246,740
590,000	Omnova Solutions Inc.†	1,637,428	4,932,400
297,000	Sensient Technologies Corp.	5,726,600	10,908,810
70,000	Zep Inc.	732,324	1,391,600
		24,899,991	37,807,472

See accompanying notes to financial statements.

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Telecommunications — 3.3%		
5,000	AboveNet Inc.	$ 235,403	$ 292,300
145,000	AT&T Inc.	3,508,517	4,260,100
23,000	Brasil Telecom SA, ADR	706,205	504,390
14,000	Brasil Telecom SA, Cl. C, ADR	210,888	125,720
34,000	CenturyLink Inc.	488,070	1,569,780
1,000,000	Cincinnati Bell Inc.†	4,647,570	2,800,000
390,000	Deutsche Telekom AG, ADR	6,589,788	4,992,000
27,000	France Telecom SA, ADR	481,981	569,160
36,000	Hellenic Telecommunications Organization SA	735,003	294,897
11,000	Hellenic Telecommunications Organization SA, ADR	88,308	44,000
84,000	NII Holdings Inc.†	3,456,582	3,751,440
235,000	Portugal Telecom SGPS SA	2,379,092	2,631,593
150,000	Qwest Communications International Inc.	411,797	1,141,500
750,000	Sprint Nextel Corp.†	2,703,264	3,172,500
75,403	Tele Norte Leste Participacoes SA, ADR	1,001,480	1,108,424
3,100,000	Telecom Italia SpA	1,732,489	4,005,853
200,000	Telecom Italia SpA, ADR	1,395,966	2,588,000
93,000	Telefonica SA, ADR	3,334,921	6,363,060
40,000	Telefonos de Mexico SAB de CV, Cl. L, ADR	101,330	645,600
585,000	Telephone & Data Systems Inc.	12,232,605	21,381,750
500,000	Telephone & Data Systems Inc., Special	10,167,087	15,760,000
63,300	tw telecom inc.†	1,115,694	1,079,265
237,000	Verizon Communications Inc.	7,095,485	8,479,860
40,000	VimpelCom Ltd., ADR	593,825	601,600
		65,413,350	88,162,792
	Transportation — 0.5%		
375,000	AMR Corp.†	3,299,274	2,921,250
290,000	GATX Corp.	7,056,913	10,231,200
4,000	Kansas City Southern†	7,317	191,440
39,100	Providence and Worcester Railroad Co.	616,606	654,925
		10,980,110	13,998,815
	Wireless Communications — 0.9%		
93,000	America Movil SAB de CV, Cl. L, ADR	$ 580,141	$ 5,332,620
13,000	Millicom International Cellular SA	1,033,513	1,242,800
2,700	NTT DoCoMo Inc.	3,867,175	4,715,605
13,001	Tim Participacoes SA, ADR	157,722	443,854
185,000	United States Cellular Corp.†	8,925,694	9,238,900
47	Vivo Participacoes SA	656	3,086
30,000	Vivo Participacoes SA, ADR	911,624	977,700
67,075	Vodafone Group plc, ADR	1,700,195	1,772,792
		17,176,720	23,727,357
	TOTAL COMMON STOCKS	1,308,264,095	2,619,287,735
	RIGHTS — 0.0%		
	Metals and Mining — 0.0%		
95,000	Ivanhoe Mines Ltd., expire 01/26/11†	0	133,000
	WARRANTS — 0.0%		
	Automotive: Parts and Accessories — 0.0%		
14,727	Federal-Mogul Corp., expire 12/27/14†	411,720	6,185
	Broadcasting — 0.0%		
2,109	Granite Broadcasting Corp., Ser. A, expire 06/04/12† (a)	0	0
2,109	Granite Broadcasting Corp., Ser. B, expire 06/04/12† (a)	0	0
		0	0
	Energy and Utilities — 0.0%		
11,313	GenOn Energy Inc., expire 01/03/11† (a)	149,058	79
	Hotels and Gaming — 0.0%		
200,000	Indian Hotels Co. Ltd, expire 06/16/14† (b)	298,980	429,600
	TOTAL WARRANTS	859,758	435,864

See accompanying notes to financial statements.

Principal Amount		Cost	Market Value
	CONVERTIBLE CORPORATE BONDS — 0.1%		
	Automotive: Parts and Accessories — 0.1%		
$ 1,000,000	Standard Motor Products Inc., Sub. Deb. Cv., 15.000%, 04/15/11	$ 992,175	$ 1,010,000
	CORPORATE BONDS — 0.0%		
	Specialty Chemicals — 0.0%		
200,000	Chemtura Corp., Escrow, Zero Coupon, 11/17/20† (a)	0	0
	U.S. GOVERNMENT OBLIGATIONS — 1.0%		
26,994,000	U.S. Treasury Bills, 0.090% to 0.200%††, 01/20/11 to 07/28/11	26,984,157	26,985,453
	TOTAL INVESTMENTS — 99.9%	$1,337,100,185	2,647,852,052
	Other Assets and Liabilities (Net) — 0.1%		2,715,267
	NET ASSETS — 100.0%		$2,650,567,319

(a) Security fair valued under procedures established by the Board of Trustees. The procedures may include reviewing available financial information about the company and reviewing valuation of comparable securities and other factors on a regular basis. At December 31, 2010, the market value of fair valued securities amounted to $364,935 or 0.01% of net assets.
(b) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2010, the market value of Rule 144A securities amounted to $17,600,930 or 0.66% of net assets.
† Non-income producing security.
†† Represents annualized yield at date of purchase.
ADR American Depositary Receipt
CVO Contingent Value Obligation
GDR Global Depositary Receipt

The Gabelli Asset Fund

Statement of Assets and Liabilities December 31, 2010

Assets:	
Investments, at value (cost $1,337,100,185)	$2,647,852,052
Foreign currency, at value (cost $7,482)	7,523
Cash	1,574
Receivable for Fund shares issued	5,679,121
Receivable for investments sold	1,455,136
Dividends and interest receivable	2,727,283
Prepaid expenses	121,701
Total Assets	2,657,844,390
Liabilities:	
Payable for investments purchased	1,062,896
Payable for Fund shares redeemed	2,851,159
Payable for investment advisory fees	2,220,558
Payable for distribution fees	557,536
Payable for accounting fees	7,500
Other accrued expenses	577,422
Total Liabilities	7,277,071
Net Assets (applicable to 54,183,995 shares outstanding)	$2,650,567,319
Net Assets Consist of:	
Paid-in capital	$1,357,192,009
Accumulated distributions in excess of net investment income	(728,869)
Accumulated distributions in excess of net realized gain on investments and foreign currency transactions	(16,657,556)
Net unrealized appreciation on investments	1,310,751,867
Net unrealized appreciation on foreign currency translations	9,868
Net Assets	$2,650,567,319

Shares of Beneficial Interest each at $0.01 par value; unlimited number of shares authorized:	
Class AAA:	
Net Asset Value, offering, and redemption price per share ($2,571,513,551 ÷ 52,554,836 shares outstanding)	$48.93
Class A:	
Net Asset Value and redemption price per share ($23,280,028 ÷ 478,479 shares outstanding)	$48.65
Maximum offering price per share (NAV ÷ 0.9425, based on maximum sales charge of 5.75% of the offering price)	$51.62
Class B:	
Net Asset Value and offering price per share ($1,571 ÷ 33.23 shares outstanding)	$47.28(a)
Class C:	
Net Asset Value and offering price per share ($17,240,239 ÷ 362,697 shares outstanding)	$47.53(a)
Class I:	
Net Asset Value, offering, and redemption price per share ($38,531,930 ÷ 787,950 shares outstanding)	$48.90

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

Statement of Operations For the Year Ended December 31, 2010

Investment Income:	
Dividends (net of foreign withholding taxes of $1,044,728)	$ 39,006,507
Interest	188,672
Total Investment Income	39,195,179
Expenses:	
Investment advisory fees	22,689,163
Distribution fees – Class AAA	5,525,731
Distribution fees – Class A	39,014
Distribution fees – Class B	14
Distribution fees – Class C	109,528
Shareholder services fees	1,633,107
Shareholder communications expenses	362,977
Custodian fees	340,262
Legal and audit fees	144,636
Registration expenses	99,431
Trustees' fees	98,834
Accounting fees	45,000
Interest expense	12,192
Tax expense	3,375
Miscellaneous expenses	185,248
Total Expenses	31,288,512
Less:	
Advisory fee reduction on unsupervised assets (See Note 3)	(8,908)
Custodian fee credits	(111)
Total Reductions and Credits	(9,019)
Net Expenses	31,279,493
Net Investment Income	7,915,686
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:	
Net realized gain on investments	42,531,216
Net realized loss on foreign currency transactions	(76,953)
Net realized gain on investments and foreign currency transactions	42,454,263
Net change in unrealized appreciation:	
on investments	436,769,739
on foreign currency translations	7,517
Net change in unrealized appreciation on investments and foreign currency translations	436,777,256
Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency	479,231,519
Net Increase in Net Assets Resulting from Operations	$487,147,205

See accompanying notes to financial statements.

The Gabelli Asset Fund

Statement of Changes in Net Assets

	Year Ended December 31, 2010	Year Ended December 31, 2009
Operations:		
Net investment income	$ 7,915,686	$ 13,408,213
Net realized gain/(loss) on investments and foreign currency transactions	42,454,263	(20,271,749)
Net change in unrealized appreciation on investments and foreign currency translations	436,777,256	511,726,460
Net Increase in Net Assets Resulting from Operations	487,147,205	504,862,924
Distributions to Shareholders:		
Net investment income		
Class AAA	(7,601,812)	(14,237,747)
Class A	(79,054)	(86,472)
Class C	—	(10,336)
Class I	(195,336)	(43,171)
	(7,876,202)	(14,377,726)
Net realized gain		
Class AAA	(21,422,786)	—
Class A	(192,856)	—
Class B	(14)	—
Class C	(144,746)	—
Class I	(320,558)	—
	(22,080,960)	—
Total Distributions to Shareholders	(29,957,162)	(14,377,726)
Shares of Beneficial Interest Transactions:		
Class AAA	17,849,088	(97,642,183)
Class A	6,693,080	(1,797,851)
Class B	—	(3,371)
Class C	6,078,908	575,456
Class I	26,561,505	1,172,152
Net Increase/(Decrease) in Net Assets from Shares of Beneficial Interest Transactions	57,182,581	(97,695,797)
Redemption Fees	2,170	8,063
Net Increase in Net Assets	514,374,794	392,797,464
Net Assets:		
Beginning of period	2,136,192,525	1,743,395,061
End of period (including undistributed net investment income of $0 and $0, respectively)	$ 2,650,567,319	$2,136,192,525

See accompanying notes to financial statements.

The Gabelli Asset Fund
Financial Highlights

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

		Income (Loss) from Investment Operations			Distributions							Ratios to Average Net Assets/ Supplemental Data		
Period Ended December 31	Net Asset Value, Beginning of Period	Net Investment Income (Loss)(a)	Net Realized and Unrealized Gain (Loss) on Investments	Total from Investment Operations	Net Investment Income	Net Realized Gain on Investments	Total Distributions	Redemption Fees(a)(b)	Net Asset Value, End of Period	Total Return†	Net Assets, End of Period (in 000's)	Net Investment Income (Loss)	Operating Expenses	Portfolio Turnover Rate
Class AAA														
2010	$40.21	$ 0.15	$ 9.13	$ 9.28	$(0.15)	$(0.41)	$(0.56)	$ 0.00	$48.93	23.1%	$2,571,513	0.35%	1.38%	7%
2009	31.01	0.25	9.22	9.47	(0.27)	—	(0.27)	0.00	40.21	30.5	2,107,979	0.74	1.40	7
2008	49.81	0.22	(18.76)	(18.54)	(0.23)	(0.03)	(0.26)	0.00	31.01	(37.2)	1,721,697	0.52	1.38	14
2007	47.38	0.16	5.46	5.62	(0.15)	(3.04)	(3.19)	0.00	49.81	11.8	2,953,454	0.31	1.36	9
2006	41.13	0.30	8.70	9.00	(0.31)	(2.44)	(2.75)	0.00	47.38	21.8	2,516,088	0.67	1.36	7
Class A														
2010	$40.01	$ 0.15	$ 9.07	$ 9.22	$(0.17)	$(0.41)	$(0.58)	$(0.00)	$48.65	23.0%	$ 23,280	0.34%	1.38%	7%
2009	30.85	0.25	9.17	9.42	(0.26)	—	(0.26)	(0.00)	40.01	30.5	13,216	0.75	1.40	7
2008	49.59	0.23	(18.69)	(18.46)	(0.25)	(0.03)	(0.28)	0.00	30.85	(37.2)	11,522	0.55	1.38	14
2007	47.21	0.16	5.44	5.60	(0.18)	(3.04)	(3.22)	0.00	49.59	11.8	12,497	0.30	1.36	9
2006	41.01	0.32	8.66	8.98	(0.34)	(2.44)	(2.78)	0.00	47.21	21.9	4,806	0.71	1.35	7
Class B														
2010	$39.04	$(0.17)	$ 8.82	$ 8.65	—	$(0.41)	$(0.41)	$(0.00)	$47.28	22.2%	$ 2	(0.41)%	2.13%	7%
2009	30.14	0.02	8.88	8.90	—	—	—	(0.00)	39.04	29.5	2	0.08	2.15	7
2008	48.80	(0.12)	(18.29)	(18.41)	$(0.22)	(0.03)	(0.25)	0.00	30.14	(37.7)	4	(0.32)	2.13	14
2007	46.72	(0.26)	5.38	5.12	—	(3.04)	(3.04)	0.00	48.80	10.9	2	(0.52)	2.11	9
2006	40.64	0.18	8.34	8.52	—	(2.44)	(2.44)	0.00	46.72	20.9	1	0.41	2.11	7
Class C														
2010	$39.25	$(0.17)	$ 8.86	$ 8.69	—	$(0.41)	$(0.41)	$(0.00)	$47.53	22.1%	$ 17,240	(0.40)%	2.13%	7%
2009	30.31	(0.01)	9.00	8.99	$(0.05)	—	(0.05)	0.00	39.25	29.6	8,916	(0.03)	2.15	7
2008	48.68	(0.09)	(18.25)	(18.34)	—	(0.03)	(0.03)	0.00	30.31	(37.7)	6,419	(0.21)	2.13	14
2007	46.58	(0.24)	5.38	5.14	—	(3.04)	(3.04)	0.00	48.68	11.0	8,090	(0.47)	2.11	9
2006	40.54	(0.03)	8.54	8.51	(0.03)	(2.44)	(2.47)	0.00	46.58	20.9	3,348	(0.07)	2.11	7
Class I														
2010	$40.18	$ 0.27	$ 9.11	$ 9.38	$(0.25)	$(0.41)	$(0.66)	$(0.00)	$48.90	23.4%	$ 38,532	0.62%	1.13%	7%
2009	30.97	0.33	9.24	9.57	(0.36)	—	(0.36)	(0.00)	40.18	30.9	6,080	0.99	1.15	7
2008(c)	47.26	0.33	(16.25)	(15.92)	(0.34)	(0.03)	(0.37)	0.00	30.97	(33.6)	3,753	0.84(d)	1.13(d)	14

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

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

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

(c) From the commencement of offering Class I Shares on January 11, 2008 through December 31, 2008.

(d) Annualized.

1. Organization. The Gabelli Asset Fund (the "Fund") was organized on November 25, 1985 as a Massachusetts business trust. The Fund is a diversified open-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's primary objective is growth of capital. The Fund commenced investment operations on March 3, 1986.

2. Significant Accounting Policies. The Fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which may require the use of management estimates and assumptions. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

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

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than sixty days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement.The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities by inputs used to value the Fund's investments as of December 31, 2010 is as follows:

	Valuation Inputs			
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Market Value at 12/31/10
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Aerospace	$ 30,738,791	$ 209,542	—	$ 30,948,333
Broadcasting	35,787,895	—	$ 0	35,787,895
Consumer Products	135,006,951	7	—	135,006,958
Energy and Utilities	216,211,069	15,250	0	216,226,319
Entertainment	115,569,907	—	364,856	115,934,763
Other Industries (a)	2,085,383,467	—	—	2,085,383,467
Total Common Stocks	2,618,698,080	224,799	364,856	2,619,287,735
Rights	133,000	—	—	133,000
Warrants:				
Broadcasting	—	—	0	0
Energy and Utilities	—	—	79	79
Other Industries (a)	435,785	—	—	435,785
Total Warrants	435,785	—	79	435,864
Convertible Corporate Bonds	—	1,010,000	—	1,010,000
Corporate Bonds	—	—	0	0
U.S. Government Obligations	—	26,985,453	—	26,985,453
TOTAL INVESTMENTS IN SECURITIES – ASSETS	$2,619,266,865	$28,220,252	$364,935	$2,647,852,052

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

The Fund did not have significant transfers between Level 1 and Level 2 during the year ended December 31, 2010.

The following table reconciles Level 3 investments for which significant unobservable inputs were used to determine fair value:

	Balance as of 12/31/09	Accrued discounts/ (premiums)	Realized gain/ (loss)	Change in unrealized appreciation/ depreciation†	Net purchases/ (sales)	Transfers into Level 3††	Transfers out of Level 3††	Balance as of 12/31/10	Net change in unrealized appreciation/ depreciation during the period on Level 3 investments held at 12/31/10†
INVESTMENTS IN SECURITIES:									
ASSETS (Market Value):									
Common Stocks:									
Broadcasting	$ —	$—	$ —	$ —	$—	$ 0	$—	$ 0	$ —
Energy and Utilities	0	—	—	—	—	—	—	0	—
Entertainment	270,177	—	—	94,679	—	—	—	364,856	94,679
Equipment and Supplies	0	—	(32,625)	32,625	(0)	—	—	—	—
Wireless Communications	0	—	—	—	(0)	—	—	—	—
Total Common Stocks	270,177	—	(32,625)	127,304	(0)	—	—	364,856	94,679
Warrants:									
Broadcasting	—	—	—	(4)	—	4	—	0	(4)
Energy and Utilities	—	—	—	(5,351)	—	5,430	—	79	(5,351)
Total Warrants	—	—	—	(5,355)	—	5,434	—	79	(5,355)
Corporate Bonds	—	—	—	—	0	—	—	0	—
TOTAL INVESTMENTS IN SECURITIES	$270,177	$—	$(32,625)	$121,949	$ (0)	$5,434	$—	$364,935	$89,324

† Net change in unrealized appreciation/depreciation on investments is included in the related amounts in the Statement of Operations.
†† The Fund's policy is to recognize transfers into and transfers out of Level 3 as of the beginning of the reporting period.

In January 2010, the Financial Accounting Standards Board ("FASB") issued amended guidance to improve disclosure about fair value measurements which requires additional disclosures about transfers between Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). FASB also clarified existing disclosure requirements relating to the levels of disaggregation of fair value measurement and inputs and valuation techniques used to measure fair value. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2009 and interim periods within those fiscal years. Management has adopted the amended guidance and determined that there was no material impact to the Fund's financial statements except for additional disclosures made in the notes. Disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact of the additional disclosure requirements on the Fund's financial statements.

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

The Fund's derivative contracts held at December 31, 2010, if any, are not accounted for as hedging instruments under GAAP.

Swap Agreements. The Fund may enter into equity contract for difference swap transactions for the purpose of increasing the income of the Fund. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an equity contract for difference swap, a set of future cash flows is exchanged between two counterparties. One of these cash flow streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at the time a swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction.

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements. During the year ended December 31, 2010, the Fund held no investments in equity contract for difference swap agreements.

Forward Foreign Exchange Contracts. The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. During the year ended December 31, 2010, the Fund held no investments in forward foreign exchange contracts.

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

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

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

Restricted and Illiquid Securities. The Fund may invest up to 10% of its net assets in securities for which the markets are illiquid. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. The Fund held no illiquid securities at December 31, 2010. For the restricted securities the Fund held as of December 31, 2010, refer to the Schedule of Investments.

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

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

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

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

Distributions to Shareholders. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to the tax treatment of currency gains and losses, reclassifications of distributions from investments in real estate investment trusts, recharacterization of distributions, non-deductible tax expense, and reclassifications of capital gains on investments in passive foreign investment companies. These reclassifications have no impact on the NAV of the Fund, including the Fund's use of the tax accounting practice known as equalization, the utilization of earnings and profits distributed to shareholders on redemption of shares as part of the dividends paid deduction for federal income tax purposes. For the year ended December 31, 2010, reclassifications were made to decrease accumulated distributions in excess of net investment income by $57,254 and increase accumulated distributions in excess of net realized gain on investments and foreign currency transactions by $60,804, with an offsetting adjustment to additional paid-in capital.

The tax character of distributions paid during the years ended December 31, 2010 and December 31, 2009 was as follows:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Distributions paid from:		
Ordinary income	$ 7,876,202	$14,377,726
Net long-term capital gains	22,080,960	—
Total distributions paid	$29,957,162	$14,377,726

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

On Form-1120 RIC, the Fund paid a $3,375 corporate tax expense due to undiscovered investments in passive foreign investment companies.

At December 31, 2010, the components of accumulated earnings/losses on a tax basis were as follows:

Undistributed long-term capital gain	$ 217,922
Net unrealized appreciation on investments and foreign currency translations	1,293,157,388
Total	$1,293,375,310

During the year ended December 31, 2010, the Fund utilized capital loss carryforwards of $19,016,670.

At December 31, 2010, the temporary difference between book basis and tax basis net unrealized appreciation on investments was primarily due to deferral of losses from wash sales for tax purposes, mark-to-market adjustments on investments in passive foreign investment companies, basis adjustments on investments in partnerships and real estate investment trusts, and return of capital on underlying investments.

The following summarizes the tax cost of investments and the related net unrealized appreciation at December 31, 2010:

	Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Appreciation
Investments	$1,354,704,536	$1,360,126,358	$(66,978,842)	$1,293,147,516

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2010, the Fund did not incur any interest or penalties. As of December 31, 2010, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund's net assets or results of operations. Tax years ended December 31, 2007 through December 31, 2010 remain subject to examination by the Internal Revenue Service and state taxing authorities. On an ongoing basis, the Adviser will monitor the Fund's tax positions to determine if adjustments to this conclusion are necessary.

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

There was a reduction in the advisory fee paid to the Adviser relating to certain portfolio holdings, i.e., unsupervised assets, of the Fund with respect to which the Adviser transferred dispositive and voting control to the Fund's Proxy Voting Committee. During the year ended December 31, 2010, the Fund's Proxy Voting Committee exercised control and discretion over all rights to vote or consent with respect to such securities, and the Adviser reduced its fee with respect to such securities by $8,908.

The Fund pays each Trustee who is not considered an affiliated person an annual retainer of $9,000 plus $1,000 for each Board meeting attended. Each Trustee is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive $500 per meeting attended and the Chairman of each committee and the Lead Trustee each receive an annual fee of $1,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

4. Distribution Plan. The Fund's Board has adopted a distribution plan (the "Plan") for each class of shares, except for Class I Shares, pursuant to Rule 12b-1 under the 1940 Act. Gabelli & Company, Inc. ("Gabelli & Co."), an affiliate of the Adviser, serves as Distributor of the Fund. Under the Class AAA, Class A, Class B, and Class C Share Plans, payments are authorized to Gabelli & Co. at annual rates of 0.25%, 0.25%, 1.00%, and 1.00%, respectively, of the average daily net assets of those classes, the annual limitations under each Plan. Such payments are accrued daily and paid monthly.

5. Portfolio Securities. Purchases and sales of securities for the year ended December 31, 2010, other than short-term securities and U.S. Government obligations, aggregated $180,054,188 and $165,690,588, respectively.

6. Transactions with Affiliates. During the year ended December 31, 2010, the Fund paid brokerage commissions on security trades of $344,298 to Gabelli & Co. Additionally, Gabelli & Co. informed the Fund that it retained $21,827 from investors representing commissions (sales charges and underwriting fees) on sales and redemptions of Fund shares.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the year ended December 31, 2010, the Fund paid or accrued $45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

7. Line of Credit. The Fund participates in an unsecured line of credit of up to $75,000,000 under which it may borrow up to 10% of its net assets from the custodian for temporary borrowing purposes. Borrowings under this arrangement bear interest at the higher of the sum of the overnight LIBOR plus 125 basis points or the sum of the federal funds rate plus 125 basis points at the time of borrowing. This amount, if any, would be included in "interest expense" in the Statement of Operations. At December 31, 2010, there were no borrowings outstanding under the line of credit.

The average daily amount of borrowings outstanding under the line of credit during the year ended December 31, 2010 was $723,710 with a weighted average interest rate of 1.52%. The maximum amount borrowed at any time during the year ended December 31, 2010 was $6,908,000.

8. Shares of Beneficial Interest. The Fund offers five classes of shares – Class AAA Shares, Class A Shares, Class B Shares, Class C Shares, and Class I Shares. Class AAA Shares are offered without a sales charge only to investors who acquire them directly from Gabelli & Co., through selected broker/dealers, or the transfer agent. Class I Shares are offered through Gabelli & Co. and selected broker/dealers to foundations, endowments, institutions, and employee benefit plans without a sales charge. Class A Shares are subject to a maximum front-end sales charge of 5.75%. Class B Shares are subject to a contingent deferred sales charge ("CDSC") upon redemption within six years of purchase and automatically convert to Class A Shares approximately eight years after the original purchase. The applicable Class B CDSC is equal to a percentage declining from 5% of the lesser of the NAV per share at the date of the original purchase or at the date of redemption, based on the length of time held. Class C Shares are subject to a 1.00% CDSC for one year after purchase. Class B Shares are available only through exchange of Class B Shares of other funds distributed by Gabelli & Co.

The Fund imposes a redemption fee of 2.00% on all classes of shares that are redeemed or exchanged on or before the seventh day after the date of a purchase. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholders and is retained by the Fund as an increase in paid-in capital. The redemption fees retained by the Fund during the years ended December 31, 2010 and December 31, 2009 amounted to $2,170 and $8,063, respectively. The redemption fee does not apply to redemptions of shares where (i) the shares were purchased through automatic reinvestment of distributions, (ii) the redemption was initiated by the Fund, (iii) the shares were purchased through programs that collect the redemption fee at the program level and remit them to the Fund, or (iv) the shares were purchased through programs that the Adviser determines to have appropriate anti-short-term trading policies in place or as to which the Adviser has received assurances that look-through redemption fee procedures or effective anti-short-term trading policies and procedures are in place.

Transactions in shares of beneficial interest were as follows:

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Shares	Amount	Shares	Amount
Class AAA				
Shares sold	6,816,431	$ 302,566,955	5,388,661	$ 175,211,225
Shares issued upon reinvestment of distributions	557,615	27,345,434	329,931	13,406,277
Shares redeemed	(7,240,198)	(312,063,301)	(8,817,130)	(286,259,685)
Net increase/(decrease)	133,848	$ 17,849,088	(3,098,538)	$ (97,642,183)
Class A				
Shares sold	245,328	$ 10,824,049	116,658	$ 3,722,287
Shares issued upon reinvestment of distributions	4,981	242,870	1,973	79,782
Shares redeemed	(102,166)	(4,373,839)	(161,783)	(5,599,920)
Net increase/(decrease)	148,143	$ 6,693,080	(43,152)	$ (1,797,851)
Class B				
Shares redeemed	—	—	(94)	$ (3,371)
Net decrease	—	—	(94)	$ (3,371)
Class C				
Shares sold	197,241	$ 8,582,504	64,656	$ 2,148,943
Shares issued upon reinvestment of distributions	2,373	113,056	242	9,591
Shares redeemed	(64,070)	(2,616,652)	(49,492)	(1,583,078)
Net increase	135,544	$ 6,078,908	15,406	$ 575,456
Class I				
Shares sold	851,707	$ 35,319,699	46,600	$ 1,741,461
Shares issued upon reinvestment of distributions	9,005	441,335	1,063	43,170
Shares redeemed	(224,093)	(9,199,529)	(17,515)	(612,479)
Net increase	636,619	$ 26,561,505	30,148	$ 1,172,152

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

10. Other Matters. On April 24, 2008, the Adviser entered into a settlement with the SEC to resolve an inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the “Global Growth Fund”) by one investor who was banned from the Global Growth Fund in August 2002. In the administrative settlement order, the SEC found that the Adviser had willfully violated Section 206(2) of the 1940 Act, Section 17(d) of the 1940 Act and Rule 17d-1 thereunder, and had willfully aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC’s findings and allegations, paid $16 million (which included a $5 million civil monetary penalty), approximately $12.8 million of which is in the process of being paid to shareholders of the Global Growth Fund in accordance with a plan developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and acceptable to the staff of the SEC, and agreed to cease and desist from future violations of the above referenced federal securities laws and rule. The SEC order also noted the cooperation that the Adviser had given the staff of the SEC during its inquiry. The settlement did not have a material adverse impact on the Adviser or its ability to fulfill its obligations under the Advisory Agreement. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Fund, the Global Growth Fund, and other funds in the Gabelli/GAMCO fund complex. The officer denied the allegations and is continuing in his positions with the Adviser and the funds. The court dismissed certain claims and found that the SEC was not entitled to pursue various remedies against the officer while leaving one remedy in the event the SEC were able to prove violations of law. The court subsequently dismissed without prejudice the remaining remedy against the officer, which would allow the SEC to appeal the court’s rulings. On October 29, 2010 the SEC filed its appeal with the U.S. Court of Appeals for the Second Circuit regarding the lower court’s orders. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Fund or the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

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

The Gabelli Asset Fund
Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of
The Gabelli Asset Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Asset Fund (hereafter referred to as the "Fund") at December 31, 2010, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2010 by correspondence with the custodian and broker, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
New York, New York
February 28, 2011

The Gabelli Asset Fund
Additional Fund Information (Unaudited)

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

Name, Position(s) Address[1] and Age	Term of Office and Length of Time Served[2]	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee[4]
INTERESTED TRUSTEES[3]:				
Mario J. Gabelli Trustee and Chairman Age: 68	Since 1986	26	Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer – Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chief Executive Officer of GGCP, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications)
John D. Gabelli Trustee Age: 66	Since 1999	10	Senior Vice President of Gabelli & Company, Inc.	—
INDEPENDENT TRUSTEES[5]:				
Anthony J. Colavita Trustee Age: 75	Since 1989	34	President of the law firm of Anthony J. Colavita P.C.	—
James P. Conn Trustee Age: 72	Since 1992	18	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)	Director of First Republic Bank (banking) through January 2008 and LaQuinta Corp. (hotels) through January 2006
Kuni Nakamura Trustee Age: 42	Since 2009	9	President of Advanced Polymer, Inc.	—
Anthony R. Pustorino Trustee Age: 85	Since 1986	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of The LGL Group, Inc. (diversified manufacturing) (2002-2010)
Werner J. Roeder, MD Trustee Age: 70	Since 2001	22	Medical Director of Lawrence Hospital and practicing private physician	—
Anthonie C. van Ekris Trustee Age: 76	1986-1989 1992-present	20	Chairman of BALMAC International, Inc. (commodities and futures trading)	Director of Aurado Energy Inc. (oil and gas operations) through 2005
Salvatore J. Zizza Trustee Age: 65	1986-1996 2000-present	28	Chairman and Chief Executive Officer of Zizza & Co., Ltd. (private holding company) and Chief Executive Officer of General Employment Enterprises, Inc.	Director of Harbor BioSciences, Inc. (biotechnology) and Trans-Lux Corporation (business services); Chairman of each of BAM (manufacturing); Metropolitan Paper Recycling (recycling); Bergen Cove Realty Inc. (real estate); Bion Environmental Technologies (technology) (2005-2008); Director of Earl Scheib Inc. (automotive painting) through April 2009

Name, Position(s) Address[1] and Age	Term of Office and Length of Time Served[2]	Principal Occupation(s) During Past Five Years
OFFICERS:		
Bruce N. Alpert President and Secretary Age: 59	Since 1994	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex. Director of Teton Advisors, Inc. since 1998; Chairman of Teton Advisors, Inc. 2008 to 2010; President of Teton Advisors, Inc. 1998 through 2008; Senior Vice President of GAMCO Investors, Inc. since 2008
Agnes Mullady Treasurer Age: 52	Since 2006	Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex
Peter D. Goldstein Chief Compliance Officer Age: 57	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc. since 2004; Chief Compliance Officer of all of the registered investment companies in the Gabelli/GAMCO Funds complex

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

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

[3] "Interested person" of the Fund as defined in the 1940 Act. Messrs. Gabelli are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser. Mario J. Gabelli and John D. Gabelli are brothers.

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

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

2010 TAX NOTICE TO SHAREHOLDERS (Unaudited)

For the year ended December 31, 2010, the Fund paid to shareholders ordinary income distributions (comprised of net investment income) totaling $0.146, $0.169, and $0.251 per share for Class AAA, Class A, and Class I, respectively, and long-term capital gains totaling $22,080,960. The distributions of long-term capital gains have been designated as a capital gain dividend by the Fund's Board of Trustees. For the year ended December 31, 2010, 100% of the ordinary income distribution qualifies for the dividends received deduction available to corporations. The Fund designates 100% of the ordinary income distribution as qualified dividend income pursuant to the Jobs and Growth Tax Relief Reconciliation Act of 2003. The Fund designates 0.47% of the ordinary income distributions as qualified interest income, pursuant to the Tax Relief, Unemployment Reauthorization, and Job Creation Act of 2010.

U.S. Government Income:

The percentage of the ordinary income distribution paid by the Fund during 2010 which was derived from U.S. Treasury securities was 0.04%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Gabelli Asset Fund did not meet this strict requirement in 2010. The percentage of U.S. Government securities held as of December 31, 2010 was 1.02%. Due to the diversity in state and local tax law, it is recommended that you consult your personal tax adviser as to the applicability of the information provided to your specific situation.

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

Gabelli/GAMCO Funds and Your Personal Privacy

Who are we?

The Gabelli/GAMCO Funds are investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

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

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

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

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

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

What do we do to protect your personal information?

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

The Gabelli Asset Fund
One Corporate Center
Rye, New York 10580-1422
800-GABELLI
800-422-3554
fax: 914-921-5118
website: www.gabelli.com
e-mail: info@gabelli.com

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

GAB405Q410SR

EPS PMV MANAGEMENT CASH FLOW RESEARCH

★ ★ ★ ★ ★

The Gabelli Asset Fund

Morningstar® rated The Gabelli Asset Fund Class AAA Shares 5 stars overall and 4 stars for the three year period and 5 stars for the five and ten year periods ended December 31, 2010 among 1,753, 1,753, 1,457, and 802 Large Blend funds, respectively.

ANNUAL REPORT
DECEMBER 31, 2010