

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-30D

GABELLI EQUITY TRUST INC

Form N-30D

August 30, 2002

[GRAPHIC OMITTED]

[Graphic of U.S. Flag Omitted]

[GRAPHIC OMITTED]

[Graphic of The Gabelli Equity Trust Inc. Omitted]

SEMI-ANNUAL REPORT

JUNE 30, 2002

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[Graphic of The Gabelli Equity Trust Inc. Omitted]

Our cover icon represents the underpinnings of Gabelli. The Teton mountains in Wyoming represent what we believe in America -- that creativity, ingenuity, hard work and a global uniqueness provide enduring values. They also stand out in an increasingly complex, interconnected and interdependent economic world.

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INVESTMENT OBJECTIVE:

The Gabelli Equity Trust Inc. is a closed-end, non-diversified management investment company whose primary objective is long-term growth of capital, with income as a secondary objective.

THIS REPORT IS PRINTED ON RECYCLED PAPER.

[PHOTO OMITTED]

[Photo of Mario J. Gabelli Omitted]

[GRAPHIC OMITTED]

[Graphic of The Gabelli Equity Trust Inc. Omitted]

TO OUR SHAREHOLDERS,

Ongoing uncertainty over the strength of the economic and corporate profit recovery, turmoil in the Middle East, renewed fear of terrorism at home, accounting scandals, and revelations about conflicts of interest on Wall Street combined to undermine equities in the second quarter. At the close of the quarter, the Standard and Poor's ("S&P") 500 Index and Nasdaq Composite Index were re-testing their post-9/11 intra-day lows of 944.75 and 1,387.06, respectively.

In general, the Gabelli Equity Trust's (the "Trust's") industrial holdings held up relatively well in this uncompromising market. However, the dismal performance of our media and telecommunications investments, which comprise about 26% of our Trust, penalized overall returns.

COMPARATIVE RESULTS

AVERAGE ANNUAL RETURNS THROUGH JUNE 30, 2002 (A)

	SINCE			
QUARTER	INCEPTION (B)	10 YEAR	5 YEAR	3 YEAR
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Gabelli Equity Trust NAV Return (c) .....	(12.67)%	11.31%	10.78%	6.22%	(1.58)%
Gabelli Equity Trust Investment Return (d) ....	(6.31)%	12.79%	13.67%	13.30%	7.86%
Dow Jones Industrial Average .....	(10.74)%	10.56%	13.20%	5.59%	(3.94)%
S&P 500 Index .....	(13.39)%	9.07%	11.42%	3.67%	(9.17)%
Nasdaq Composite Index .....	(20.71)%	8.85%	10.01%	0.29%	(18.33)%

- (a) Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. The Dow Jones Industrial Average is an unmanaged index of 30 large industrial stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested (except for the Nasdaq Composite Index). Performance for periods less than one year are not annualized.
- (b) From commencement of investment operations on August 21, 1986.
- (c) Total returns and average annual returns reflect changes in net asset value ("NAV"), reinvestment of distributions, adjustments for rights offerings, spin-offs and taxes paid on undistributed long-term capital gains, and are net of expenses. Since Inception return based on initial net asset value of \$9.34.
- (d) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange, reinvestment of distributions, adjustments for rights offerings, spin-offs and taxes paid on undistributed long-term capital gains. Since Inception return based on an initial offering price of \$10.00.

### PREMIUM/DISCOUNT DISCUSSION

As a refresher to our shareholders, the price of a closed-end mutual fund is determined in the open market by willing buyers and sellers. Shares of the Trust trade on the New York Stock Exchange and may trade at a premium to (higher than) net asset value ("NAV") (the market value of the Trust's underlying portfolio) or a discount to (lower than) net asset value. Of the 502 publicly-traded closed-end funds in the U.S., approximately 37% currently trade at premiums to NAV versus 26% five years ago and 61% ten years ago. For general equity funds such as the Trust, approximately 31% currently trade at premiums to NAV versus 33% five years and 14% ten years ago.

Ideally, the Trust's market price will generally track the NAV. The Trust's premium or discount to NAV fluctuates over time. Over our Trust's 15-year history, the range fluctuated from a 38% premium in June 2002 to a 27% discount in December 1987. The average variance from NAV for the Trust since inception is a 0.3% discount to

NAV. Beginning in early 2001, the market price of the Trust exceeded the NAV and this premium has gradually increased since. The previous extended period in which a premium existed occurred during a 20-month period from August 1993 to March 1995.

"Mr. Market" often provides opportunities to invest at a discount. The Trust has undertaken various initiatives to narrow the discount when appropriate through distribution policies, rights offerings, share repurchase programs and use of leverage.

The Trust's long-term investment goal is to generate a real rate of return of 10%. We believe that our stock selection process adds to the investment equation. We have a successful history of investment providing shareholders average annual returns of 11% since inception. However, it is important to remember that "Mr. Market" is a pendulum that swings both ways. As the market moves away from momentum investing and back to basics, we believe that an

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excessive premium for the Trust is not likely to be sustainable.

## PREMIUM/DISCOUNT SINCE INCEPTION [GRAPHIC OMITTED]

JUNE 30, 2002

Net Asset Value	\$ 7.59
Market Price	\$10.03
Premium	32.15%

8/21/86	0
9/30/86	0.0067
10/31/86	0.0046
11/30/86	-0.039
12/31/86	-0.0661
1/31/87	-0.1363
2/28/87	-0.1323
3/31/87	-0.1555
4/30/87	-0.1393
5/31/87	-0.1788
6/30/87	-0.2028
7/31/87	-0.2
8/31/87	-0.2052
9/30/87	-0.2128
10/31/87	-0.2074
11/30/87	-0.2154
12/31/87	-0.2061
1/31/88	-0.2235
2/29/88	-0.1145
3/31/88	-0.1523
4/30/88	-0.1477
5/31/88	-0.1906
6/30/88	-0.0819
7/31/88	-0.0984
8/31/88	-0.0942
9/30/88	-0.1097
10/31/88	-0.1256
11/30/88	-0.1104
12/31/88	-0.1113
1/31/89	-0.1214
2/28/89	-0.1108
3/31/89	-0.1006
4/30/89	-0.0925
5/31/89	-0.0699
6/30/89	-0.0468
7/31/89	-0.0854
8/31/89	-0.0243
9/30/89	-0.0385
10/31/89	-0.0257
11/30/89	-0.0217
12/31/89	0.0076
1/31/90	0.0534
2/28/90	-0.0156
3/31/90	0.0242
4/30/90	0.0033
5/31/90	-0.0056
6/30/90	-0.0049
7/31/90	-0.0176
8/31/90	-0.018
9/30/90	-0.0348
10/31/90	-0.1187

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11/30/90	-0.0327
12/31/90	0.029
1/31/91	-0.0091
2/28/91	0.0269
3/31/91	0.015
4/30/91	-0.0257
5/31/91	-0.01
6/30/91	0.0138
7/31/91	-0.0032
8/31/91	-0.0009
9/30/91	-0.0298
10/31/91	-0.0083
11/30/91	-0.1014
12/31/91	-0.0366
1/31/92	-0.0077
2/29/92	0.0141
3/31/92	0.0045
4/30/92	0.0069
5/31/92	0.0092
6/30/92	0.0032
7/31/92	0.0165
8/31/92	0.0309
9/30/92	0.0427
10/31/92	-0.0068
11/30/92	-0.0461
12/31/92	-0.0257
1/31/93	-0.0312
2/28/93	-0.0046
3/31/93	0.0265
4/30/93	0.0436
5/31/93	0.012
6/30/93	-0.0207
7/31/93	-0.0093
8/31/93	-0.0358
9/30/93	0.0088
10/31/93	0.0601
11/30/93	0.0659
12/31/93	0.0573
1/31/94	0.0797
2/28/94	0.0673
3/31/94	0.0733
4/30/94	-0.027
5/31/94	0.0524
6/30/94	0.0542
7/31/94	0.0233
8/31/94	0.0597
9/30/94	0.0185
10/31/94	0.0375
11/30/94	0.0622
12/31/94	0.0121
1/31/95	0.0047
2/28/95	0.03
3/31/95	0.017
4/30/95	-0.0122
5/31/95	-0.024
6/30/95	-0.0081
7/31/95	-0.044
8/31/95	-0.0697
9/30/95	-0.0845
10/31/95	-0.1206
11/30/95	-0.075
12/31/95	-0.0578

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1/31/96	-0.0625
2/29/96	-0.0821
3/31/96	-0.0385
4/30/96	-0.0732
5/31/96	-0.0916
6/30/96	-0.047
7/31/96	-0.0576
8/31/96	-0.0708
9/30/96	-0.0474
10/31/96	-0.0405
11/30/96	-0.0644
12/31/96	-0.0394
1/31/97	-0.0741
2/28/97	-0.0644
3/31/97	-0.0424
4/30/97	-0.0077
5/31/97	-0.0688
6/30/97	-0.0613
7/31/97	-0.0693
8/31/97	-0.0676
9/30/97	-0.0397
10/31/97	-0.0636
11/30/97	-0.0175
12/31/97	0.0316
1/31/98	0.0119
2/28/98	-0.0088
3/31/98	-0.022
4/30/98	-0.0788
5/31/98	-0.0885
6/30/98	-0.04
7/31/98	-0.042
8/31/98	-0.0814
9/30/98	-0.0091
10/31/98	0.0025
11/30/98	0.0216
12/31/98	0.0026
1/31/99	0.0103
2/28/99	0.0264
3/31/99	0.0202
4/30/99	-0.0068
5/31/99	-0.006
6/30/99	-0.0163
7/31/99	0.007
8/31/99	0.0159
9/30/99	0.0126
10/31/99	-0.0045
11/30/99	-0.0178
12/31/99	-0.0147
1/31/00	-0.0331
2/29/00	-0.0835
3/31/00	-0.0438
4/30/00	-0.078
5/31/00	-0.046
6/30/00	0.0097
7/31/00	-0.0093
8/31/00	0.0073
9/30/00	-0.0179
10/31/00	-0.0298
11/30/00	0.0332
12/31/00	0.0493
1/31/01	-0.045
2/28/01	-0.0067

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3/31/01	0.1048
4/30/01	0.0937
5/31/01	0.1453
6/30/01	0.1596
7/31/01	0.1107
8/31/01	0.1614
9/30/01	0.2041
10/31/01	0.2241
11/30/01	0.2314
12/31/01	0.2029
1/31/02	0.2497
2/28/02	0.2463
3/31/02	0.2311
4/30/02	0.248
5/30/02	0.2955
6/30/02	0.3215

### SERIES C AUCTION RATE CUMULATIVE PREFERRED STOCK

On June 27, 2002, the Trust successfully completed its offering of Series C Auction Rate Cumulative Preferred Stock ("Preferred Shares") which was rated 'Aaa' by Moody's Investors Service, Inc. and 'AAA' by Standard & Poor's Rating Services. Shareholder response has been positive and we appreciate the efforts of Salomon Smith Barney Inc. and Gabelli & Company, Inc., the underwriters, and wish to thank and welcome all those investors who participated.

The Trust issued 5,200 Preferred Shares at \$25,000 per share (\$130 million) with an initial annualized dividend rate of 1.85% payable on July 3, 2002. Dividend rates for the Preferred Shares are cumulative at a rate that may be reset every seven days based on the results of an auction. The Preferred Shares are redeemable at the option of the Trust, in whole or in part, following any dividend payment date with not less than 15 days and not more than 40 days

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notice at \$25,000 per share plus any accumulated or unpaid dividends. These Preferred Shares do not trade on an exchange. Consistent with our conservative approach, the Trust issued the Preferred Shares in a cost-effective manner at less than an estimated \$0.013 per share.

How do the additional Preferred Shares benefit Common Shareholders? The Trust has earned an 11.31% average annual total return from inception on August 21, 1986 through June 30, 2002. The Preferred Shares were issued with an initial annualized dividend rate of 1.85%. Going forward, the dividend rate will fluctuate weekly based on market conditions. Additionally, the Trust was able to leverage the current low interest rate environment and protect the Trust from increases in such interest rates by entering into a five-year interest rate swap agreement with Citibank at a rate of 4.494%. Any return earned in excess of the stated 4.494% swap rate would benefit Common Shareholders; however, any shortfall from the stated swap rate would have an adverse effect on the Common Shareholder. Therefore, by taking advantage of the historically low interest rate environment and achieving our long-term investment objectives, the Preferred Share issuance offers what we believe is a method of potentially adding wealth for our Common Shareholders. Similar to the Trust's previous preferred offerings, the Adviser will not earn any management fee on the incremental assets during any year in which the net asset value total return on the Trust does not exceed the stated five-year swap rate related to the Preferred Shares. Following the expiration of the swap agreement, the variable dividend rate on the Preferred Shares will serve as the hurdle rate for the Adviser to earn any management fee on the incremental assets, unless the Trust enters into a new swap agreement. Coupled with the Trust's existing Preferred

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Stock outstanding, the effective dividend rate for the Trust's three classes of Preferred Stock is 6.40%.

Realized long-term capital gains of the Trust are passed through to all shareholders. In 2001, 87.89% of the common and preferred distributions was classified as long-term capital gains, taxable at a maximum rate of 20%. Accordingly, the ordinary income equivalent yield on the preferred stock at the initial dividend rate of 1.85%, for a shareholder in the 38.6% tax bracket, would be 2.35%.

### COMMENTARY

#### THE ECONOMY: THE RECOVERY IS FOR REAL

Although consumer confidence readings and retail sales softened in May, most other economic data has been encouraging. Industrial production and productivity continued to trend higher, new housing starts approached record levels, and there was a modest up-tick in business investment. Importantly, inflation remained dormant, most likely postponing any Federal Reserve Board ("Fed") interest rate hikes. We believe full year 2002 Gross Domestic Product ("GDP") growth will be above the 3% to 3.5% range we expected at the beginning of the year and that capital spending plus a recovery in Europe and Japan in 2003 will help sustain economic growth in the year ahead.

Presently, investors appear to be questioning whether corporate earnings will meet expectations in the coming quarters. We believe profits will be up sharply this year as a result of the economic expansion, increased productivity, cost cutting, financial re-engineering, and big decline in the "everything including the kitchen sink" write-offs taken in 2001. Financial Accounting Standards Board ("FASB") Rule 142, which does not require companies to amortize goodwill, will also help earnings for many companies. In addition, a gradual weakening of the dollar will boost profits for the large U.S.-based multinationals in the S&P 500 Index. Although stocks are still not cheap by historical standards, rising earnings will make equity valuations considerably more reasonable.

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#### THE MARKET: A CRISIS IN CONFIDENCE

Unfortunately, over the short term, a recovering economy, a rebound in corporate profits, and more reasonable equity valuations may not do much to improve investor psychology, which has been battered by geopolitical tensions and a crisis in confidence in the integrity of corporate America and Wall Street.

It has become apparent that our quick victory over the Taliban in Afghanistan has not eliminated the threat of terrorism at home or abroad. The seemingly never-ending cycle of violence in the Middle East has further unnerved investors. For a few tense weeks, investors also worried about a nuclear confrontation between Pakistan and India over Kashmir. Clearly, it's a dangerous world out there.

Investors have come to believe the stock market is a dangerous place as well. Not only have they lost a pile of money over the last two years, but "Enronitis," "Tycosis," "Marthritis" (the insider trading investigation of Martha Stewart), and most recently "WorldCon" have many investors wondering what malady will strike their portfolios next. Following the revelations (to some) that Wall Street research is not what it's cracked up to be, investors are reluctant to go to their broker for a portfolio check-up, fearing the cure may be worse than the disease.

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### REALITY CHECK

At this stage, some perspective on the recent scandals in corporate America and Wall Street is in order. I've spent nearly 40 years grilling corporate managers about their businesses. Most have been honest, albeit with a tendency to "accentuate the positives and de-centuate the negatives." Some have been disingenuous, doing their best to sweep the bad news under the rug. While I've seen many incompetent managements run good companies into the ground, I've only encountered a few who have been outright crooks.

Unfortunately, corporate skullduggery was on the rise, in part due to "momentum" investing, which focuses on short-term earnings dynamics, as well as the widespread use of stock options -- the cocaine of the corporate elite -- that reward managements on the basis of their companies' stock prices rather than improving business fundamentals. It is little wonder that some managements are willing to cook the books to enhance and/or protect the value of these enormous options packages.

We are a little more cynical regarding Wall Street's improprieties. We have always been wary of Wall Street research, primarily because we feel most sell-side analysts do not do as thorough a job as we do. Also, although the conflict of interest between investment banking and equity research may be front-page news to the investor public, it is old hat to investment professionals. Writing a negative research report on the stock of one of your firm's investment banking clients has always been a sure-fire way for sell-side analysts to end up on the unemployment line.

Although corporate accounting has never been transparent -- we have been fighting our way through pages of footnotes attached to corporate financial statements for years -- we would welcome reform in this area as well. We expect a certain amount of accounting gimmickry will always be the norm, as the bean counters figure out how to skirt whatever new rules are put in place. However, separation of auditors from management consultants would be the first step in resolving potential conflicts of interest.

Hopefully, we will make some progress on all these fronts. In the coming quarters, we may continue to see negative headlines further denting investor confidence. However, we believe that as the economic recovery unfolds and corporate earnings meet or beat consensus expectations, investors will refocus on an expanding number of excellent opportunities in the stock market.

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### BACK TO BASICS

In an economic dynamic and stock market turmoil like this we want to go back to basics. The stock market is a function of several inter-related elements:

- o Earnings/Economy
- o Inflation/Interest Rates
- o Mr. Market/Psychology

### DOUBLE-DIGIT RETURNS - ARE THEY ACHIEVABLE?

Many corporate sponsors (public companies tied to liabilities with plan assets) have made certain assumptions about inflation. In the 1990s, stocks returned 18.2% and in the 1980s, 17.5%. Those lofty returns were not sustainable and the past couple years have proved that premise. Expectations for returns in the future should be more in line with the historical numbers. 9% to 9.5% is the



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number that most have migrated to over the past several years. Is this sustainable? What portfolio mix is necessary to achieve these results if rates on fixed income instruments are under 6%? To help guide us on a going-forward basis, below is a road map of returns over the last seventy-five years prepared by Ibbotson Associates, a data services firm that provides historical research information.

Chart I compares the returns by decade of three separate asset classes and the rate of inflation. The "Stocks" category consists of the S&P 500 Composite Index with dividends reinvested. The "Bonds" consist of Long Term Government Bonds with a maturity of 20 years. The "Bills" represent the total return of 30-day Treasury bills. "Inflation" reflects the Consumer Price Index of all Urban consumers and is not seasonally adjusted.

CHART I: A CENTURY OF INVESTING  
COMPOUNDED ANNUAL RATES OF RETURN

	STOCKS	BONDS	BILLS	INFLATION
02 (YTD)	-13.2%	3.6%	0.9%	1.8%
01	-11.9	3.6	4.1	2.0
00	-9.1	21.5	5.9	3.4
90's	18.2	8.8	4.9	2.9
80's	17.5	12.6	8.9	5.1
70's	5.9	5.5	6.3	7.4
60's	7.8	1.4	3.9	2.5
50's	19.4	-0.1	1.9	2.2
40's	9.2	3.2	0.4	5.4
30's	0.0	4.9	0.6	-2.0
1926-2002	10.6%	5.9%	3.8%	3.0%

SOURCE: IBBOTSON ASSOCIATES AS OF 6/30/2002

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Chart II details returns on the S&P 500 Index. Note the number of declines.

### S&P 500 TOTAL RETURNS

ONLY TWICE HAS THE S&P 500 HAD TOTAL RETURN DOWN THREE OR MORE YEARS. IT LOOKS LIKE WE'RE POISED FOR THE THIRD, BUT NOTE THE MARKET GAINS IN THE YEARS FOLLOWING CONSECUTIVE DECLINES.

[GRAPHIC OMITTED]

[GRAPHIC OF ARROWS OMITTED]

YEAR	TOTAL RETURNS
2001	-11.9%
2000	-9.1
1999	21.0
1998	28.6
1997	33.4
1996	23.1
1995	37.4
1994	1.3
1993	10.0
1992	7.7
1991	30.6
1990	-3.2

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1989	31.5
1988	16.8
1987	5.2
1986	18.5
1985	32.2
1984	6.3
1983	22.5
1982	21.4
1981	-4.9
1980	32.4
1979	18.4
1978	6.6
1977	-7.2
1976	23.8
1975	37.2
1974	-26.5
1973	-14.7
1972	19.0
1971	14.3
1970	4.0
1969	-8.5
1968	11.1
1967	24.0
1966	-10.1
1965	12.5
1964	16.5

YEAR	TOTAL RETURNS
1963	22.8%
1962	-8.7
1961	26.9
1960	0.1
1959	12.0
1958	43.3
1957	-10.8
1956	6.6
1955	31.6
1954	52.6
1953	-1.0
1952	18.4
1951	24.0
1950	31.7
1949	18.8
1948	5.5
1947	5.7
1946	-8.1
1945	36.4
1944	19.8
1943	25.9
1942	20.3
1941	-11.6
1940	-9.8
1939	-0.4
1938	31.1
1937	-35.0
1936	33.9
1935	47.7
1934	-1.4
1933	54.0
1932	-8.2
1931	-43.3
1930	-24.9

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1929	-8.4
1928	43.6
1927	37.5
1926	11.6

SOURCE: ISI GROUP

As we have said in our previous shareholder reports, we believe that the economy in the decade of the aughts will grow at 3% to 3.5% and that inflation will be about 3% (don't get concerned with our country's ability to deal with guns and Guccis). As a result, the overall markets should return 6% to 8% to investors. We believe that our Trust will be able to continue to generate double-digit returns.

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### CORPORATE GOVERNANCE

It has become fashionable for institutional investors to talk about corporate governance. Some are focusing on compensation, some are focusing on stock options. We want to share with you the following table labeled "The Magna Carta of Shareholder Rights," which we published in 1988. In it, we indicated what we believe as ombudsman for our shareholders -- we are not for management or against management, we are for shareholders. This is our long-standing tenet.

655 Third Ave.  
New York, N.Y. 10017

Gabelli & Company, Inc.  
May 16, 1988

### MAGNA CARTA OF SHAREHOLDER RIGHTS

There has been a great deal of dialogue among fund sponsors, especially among corporate sponsors, about the voting of proxies. The U.S. Department of Labor has focused on this as well. We thought it timely to share with you our thought process on the voting of proxies.

#### THE MAGNA CARTA (A) OF SHAREHOLDER RIGHTS

As we have stated in the past, we are neither for nor against management. We are for shareholders.

As security analysts we are best informed (sic!) to make the decisions on matters that will affect the economic value of investments. We believe a Magna Carta of Shareholder Rights should exist. What do you as a professional in the investment business think?

We feel there are issues that affect corporate governance. The following list outlines our position on these issues:

#### WE ARE IN FAVOR OF:

- 
- o Cumulative Voting
- o Golden Parachutes
- o One Share: One Vote
- o Cash Incentives
- o Pre-emptive Rights

#### WE WILL VOTE AGAINST:

- 
- o Greenmail
- o Poison Pills
- o Supermajority Voting
- o Blank Check Preferreds
- o Super-Dilutive Stock Options

This is our policy. We will make exceptions when we encounter management that demonstrates superior sensitivity to the needs of shareholders. What are you doing?

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(a) The MAGNA CARTA (L. great charter) was signed in June 1215 at Runnymede on the Thames. It was the decisive step forward in the establishment of constitutional government in England.

Mario J. Gabelli, C.F.A.

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Where art thou now, White Knight? Today our focus is to suggest that we need to eliminate the poison pill. Why? We believe in an old maxim, that "power corrupts and absolute power corrupts absolutely."

The introduction of the poison pill weakened a discipline to management's errant activities -- a takeover by someone who could marshal and energize the assets better. The second part was that with all of us desiring to align management's interests with shareholders, we want to reframe that with this premise: Management's responsibility is to grow the intrinsic value of the enterprise as well as to make sure that the public price tracks that intrinsic value. Another basic premise of the free market system is that capital has to move to its highest returns. Lazy assets and lazy managements have to be energized. A takeover that attempts to narrow the spread acts as a powerful cleansing tool and a powerful catalyst to stimulate management.

Poison pills are major deterrents that have to be eliminated. Our adviser and its affiliate, Gabelli Asset Management Company, are initiating actions to have companies remove their poison pills.

We will again refocus our energies, as we have identified in our Magna Carta, on stock options. If companies want to issue them in lieu of cash, then account for them as an expense! We will also echo comments of other observers that the accounting for these options has to be reexamined, namely they should flow through the P&L (profit and loss statement) as opposed to just the balance sheet. Obviously, the issues with stock options will be resolved.

### THE BEAUTY AND THE BEAST

Many of the shares in our portfolio, which we view as princely, turned out to be beasts because they weren't capable of making love (i.e. nobody would make love to them).

In other words, the consolidation we thought would occur in broadcasting, cable, wireless and telecom did not unfold. The culprit: constraints were not lifted as readily as we anticipated at the Federal Communications Commission ("FCC").

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### FEDERAL COMMUNICATIONS COMMISSION

### DEEP SIXING THE BIG 6?

On September 17th, 2001, we published a report entitled REGULATORY CHANGE = CATALYST. In it, we laid out our bullish case for a sweeping near-term media and telecommunications regulatory overhaul, led by FCC Chairman Michael Powell (See Exhibit 1 below and our September report).

### EXHIBIT 1: SEPTEMBER 2001 BULL CASE

-----  
REGULATION

CURRENT STATUS

"BULL CASE"  
-----

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- Cable Ownership Cap	30% of pay TV subscribers	Above 50% or no cap
- Affiliated Programming Cap	Affiliated content <40% of first 75 channels	No cap
- Cable/Broadcast Cross-ownership	No cable and broadcast TV in same Designated Market Area (DMA)	Removal of ban
- Cable Dual Must Carry	Must carry analog broadcast signal	Not forced to carry digital and analog
- Cable Open Access	Notice of Inquiry	No forced open access
- Satellite Must Carry	Must carry all local analog broadcasts if carry one	DBS Co. chooses which stations to carry
- Broadcast/Newspaper Cross-ownership	No newspaper and broadcast station in same DMA	Removal of ban
- National TV Ownership Cap	35% of television audience	Above 50% or no cap
- TV Duopolies	Can own two stations in one market if only one is in top four and eight independent voices exist	Eliminate rating and ownership rules
- Wireless Spectrum Cap	45 MHz in urban and 55 MHz in rural markets	No cap
- Wireline - Section 271	Regional Bell Operating Companies (RBOCs) cannot offer in-region Long Distance (LD)	RBOCs can offer in-region Long Distance (LD)

While the deregulation roadmap we laid out for the media and telecom industries in our report (see the "Bull Case" above) is still valid, progress is taking longer than we had originally expected. Whether this delay is political or due to a cautious FCC is a subject of debate. Considerable friction has developed between Michael Powell and vocal Democratic Senator Fritz Hollings. The facts are that on June 17th, 2002, the FCC announced that it was combining the rule making proceedings of six key media rules that were moving along separate tracks into one. According to the FCC, the new universal rule should be ready by Spring 2003.

### THE "BIG 6"

The six rules to be reviewed together are as follows (The first four we addressed in September - see Exhibit 1.):

- o 35% National TV Ownership Cap
- o TV Duopoly Rule
- o Newspaper/Broadcast Cross-Ownership Rule
- o Cable/Broadcast Cross Ownership
- o Radio Concentration Rule (limited to eight stations within the largest markets)
- o Dual Network Rule (No company can own two of the top four national broadcast networks.)

### KEY POINTS

- THE OPTIMIST: STRONGER THEORETICAL UNDERPINNINGS. There will now be one

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coherent, well thought out rule that should stand the test of intense judicial scrutiny. A series of rulings by the United States Court of Appeals for the District of Columbia Circuit have brought into focus the underpinnings of the FCC rules. We specifically refer to the Court's comments on the 35% TV Ownership Cap, Cable/Broadcast Cross-Ownership and the Local TV Ownership Rules (Duopoly). In general, the court felt the rules were arbitrary. We believe the new merger rule will require a rational market analysis of the broad competitive landscape in each specific media market, similar to what takes place today in an FTC anti-trust review. There will be one fabric, as opposed to six rules.

- THE PESSIMIST: DEEP SIX? Again, it remains open for debate what is being driven by politics and what is being driven by the theoretical underpinnings. The cynical side in us tells us that Powell is pushing off the tough decisions until after the 2002 election. If the Republicans take control of the Senate, he may be able to push through the rules without having to joust with Hollings.
- OVERALL MOMENTUM REMAINS POSITIVE. Regardless of what the real driver may be, we believe change is still coming and that remains evident. Given the Court's recent decisions severely criticizing the FCC's rules, we continue to expect more than ever that the industry will be deregulated. (See our Broadcast Deregulation reports dated 3/11/02 and 4/5/02.)
- CONCLUSION OF ENTIRE REVIEW POSSIBLY MOVED FORWARD. Though new regulatory rules were expected to be promulgated in 2002, most industry watchers did not expect all six of the above issues to be addressed this year. Thus, instead of several relatively smaller catalysts hitting the market over the next several years, we believe the unified rule will provide one powerful catalyst in 2003.
- UNCERTAINTY. There still exists a level of uncertainty in the media mergers and acquisitions marketplace.

### CONCLUSION

Since a notice of proposed rule making (NPRM) was initiated by the FCC in September 2001 for the Newspaper/Broadcast Cross-Ownership rule and the comment periods have ended, we believe that this rule was the furthest along in the FCC review process and therefore slowed down the most by this event. However, we think that this new process will speed up the time frame for a wider-ranging review of media rules. We note that the rule making process on the 30% cable ownership cap is unaffected here.

More importantly, we believe that this decision by the FCC may have little to no effect on companies' long-term acquisition strategies. The powerful need for consolidation to achieve economies of scale for the global marketplace remains the driver behind the propensity to merge. Several companies have indicated that when faced with an attractive acquisition opportunity they may very well go ahead with it and challenge the rules instead of waiting for the FCC. The FCC's rule changes will provide more fuel to drive natural consolidation. Deals should surface asset value and should therefore drive higher valuations for many companies in the media space.

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This report has been prepared as a matter of general information. It is not intended to be a complete description of any security or company mentioned and is not an offer to buy or sell any security. Unless otherwise noted, stock prices for 2002 reflect the closing price through the business day immediately prior to the date of this report. All facts and statistics are from sources believed reliable, but are not guaranteed as to accuracy. The firm and its affiliates, employees, and clients may have recently established or disposed of, or may be establishing or disposing of, positions in securities mentioned in this report. Since portfolio managers make individual investment decisions in the accounts under their supervision, transactions in such accounts may be inconsistent with research reports. Additional information on these securities and companies is available upon request. [COPYRIGHT]Gabelli & Company, Inc. 2002

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On top of that, the Beast got particularly ugly as Adelphia and WorldCom, not to mention the Winstars, Teligents, Global Crossings and Qwests, over-impacted on the market. Indeed, instead of positive developments out of the FCC we had negative ones -- for example Senator Feingold from Wisconsin recently introduced legislation to curtail the ability of radio companies to expand their ownership.

### INVESTMENT SCORECARD

Defense contractors (Curtiss-Wright, Lockheed Martin and Northrup Grumman), food and beverage stocks (Coca-Cola Enterprises, Kellogg Co. and Kerry Group), manufacturers (Nortek and Watts Industries) and industrial companies (Acuity Brands, Nashua and ITT Industries) finished this quarter at the top of our performance list.

Media and telecommunications stocks dominated our laggard's list with portfolio holdings such as Cablevision Systems, UnitedGlobalCom, Vivendi Universal, AT&T, Sprint and Broadwing giving substantial ground.

### THE MEDIA STOCK MASSACRE

Media stocks, with the exception of newspaper publishers, were clobbered in the second quarter, with some of our favorite companies near the bottom of the Trust's performance list. Several factors -- investor concern over relatively high debt levels in the media industry (especially in cable television), heavy institutional ownership and an absence of deals despite regulatory changes that should promote further consolidation in the industry -- were responsible for the media stock massacre.

We believe these three factors will work in media stocks' favor in the year ahead. Ad spending should improve as the economic recovery and "political spending" unfolds. In fact, "up-front" advertising sales for broadcasters have already firmed considerably. The implication is that corporations believe ad prices will rise in the spot market in the coming quarters. As media company cash flows improve, investor concern over debt will diminish. Finally, we think it is simply a matter of time before we see more deals resulting from new rules that permit ownership of broadcast and cable television properties in the same markets and that allow broadcasters to increase their national "footprint." As regulatory barriers continue to come down -- we expect rules currently preventing companies from owning television stations and newspapers in the same market to be modified or eliminated this year -- deal activity should resume, helping to surface values in the beaten down media sector.

### LET'S TALK STOCKS

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The following are stock specifics on selected holdings of our Trust. 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.

AMERICAN EXPRESS CO. (AXP - \$36.32 - NYSE), one of the most widely recognized brands around the world, is focused on increasingly cross-selling financial products and services to its customers. The company consists of three segments: its Travel Related Services business, which contributes 80% of revenues, provides charge cards, credit cards, travelers cheques, and travel services to corporations and consumers; American Express Financial Advisors, which contributes 17% of revenues, provides investment advisory services and financial products such as mutual funds, insurance, and annuities; finally, American Express Bank, which accounts for 3% of revenues, offers banking services to other financial institutions, wholesale banking for corporations, and private banking for high net worth

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individuals. The company's long-term goal is to deliver revenue growth of at least 8% and earnings per share ("EPS") growth between 12% and 15%.

AT&T CORP. (T - \$10.70 - NYSE) provides voice, data and video communications services to large and small businesses, as well as consumers and government entities. AT&T and its subsidiaries furnish domestic and international long distance, regional and local telecommunications, cable television and Internet services. The company is in the process of splitting itself into four separate entities. As part of the restructuring, AT&T has converted AT&T Wireless (AWE - \$5.85 - NYSE) from a tracking stock to an asset-based stock and spun it off to AT&T shareholders. AT&T Broadband, which includes cable, is in the process of being acquired by Comcast Corp. (CMCSK - \$23.84 - Nasdaq) in a \$70 billion transaction that will form the largest cable operator in the country with about 22 million subscribers. The deal has recently received shareholder approval and pending regulatory approvals is expected to close by the end of 2002. As a result of the Comcast merger, AT&T will be left with a significantly de-leveraged balance sheet and two businesses: business services catering to large corporations and consumer operations providing long distance services to about 50 million households.

BERKSHIRE HATHAWAY INC. (BRK'A - \$66,800 - NYSE) is Warren Buffett. The company has interests in insurance (notably GEICO and General Re), publishing, aviation, retailing, and manufacturing. Its investment portfolio includes over \$28 billion of marketable equity securities. Berkshire has grown rapidly through acquisitions over the past 15 years, including Kirby vacuum cleaners; World Book encyclopedias; H. H. Brown, Dexter and Justin footwear; Executive Jet aviation; Dairy Queen restaurants and snack treats; Johns Manville building products; Benjamin Moore paints; Shaw Industries carpets; MiTek steel connectors; XTRA transportation leasing; GEICO insurance; and General Re reinsurance. GEICO, the sixth largest auto insurer in the U.S., contributes 17% of revenues while General Re, the fourth largest reinsurer globally, contributes 23% of revenues.

GENUINE PARTS CO. (GPC - \$34.87 - NYSE), a Georgia corporation incorporated in 1928, is the premier service organization engaged in the traditional distribution of automotive and industrial replacement parts, office products and electrical/electronic materials. The company's NAPA automotive parts distribution centers distribute replacement parts (other than body parts) for substantially all motor vehicle makes and models in service in the United States, including imported vehicles, trucks, buses, motorcycles, recreational vehicles and farm vehicles. The Industrial Parts Group distributes a wide variety of products to its customers, primarily industrial concerns, to maintain and operate plants, machinery and equipment. The Office Products Group (S. P. Richards Company), is engaged in the wholesale distribution of a broad line of



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office and other products that are used in the daily operation of businesses, schools, offices and institutions. The financially troublesome Electrical/Electronic Materials Group ("EIS") distributes materials for the manufacture and repair of electrical and electronic apparatus.

LIBERTY MEDIA CORP. (L - \$10.00 - NYSE), run by savvy deal maker and media investor John Malone, is engaged in businesses that provide programming services (including production, acquisition and distribution through all media formats) as well as businesses engaged in electronic retailing, direct marketing and other services. Liberty Media holds interests in globally branded entertainment networks such as the Discovery Channel, USA Interactive, QVC, Encore and STARZ!. Liberty's investment portfolio also includes interests in international video distribution businesses, international telephony and domestic wireless companies, plant and equipment manufacturers, and other businesses related to broadband services.

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PEPSICO INC. (PEP - \$48.20 - NYSE) is a \$25 billion food and beverage company after the acquisition of Quaker Oats was completed on August 2, 2001. PepsiCo added several products to its existing portfolio of the Pepsi-Cola and Frito Lay brands, such as Gatorade and the Quaker Oat snack and food businesses. The company is focused on the faster growing convenience category, improving their distribution systems and extracting the synergies expected from the merger. PepsiCo is also benefiting from the introduction of new products such as Mountain Dew Code Red, Pepsi Twist, Pepsi Blue, Starbucks Doubleshot, Bistro chips and the continued robust growth of Aquafina.

SCRIPPS (E.W.) CO. (SSP - \$77.00 - NYSE), headquartered in Cincinnati, Ohio, is a diversified media company with operations throughout the United States combining traditional and new media. The company is the tenth largest newspaper publisher in the U.S. with 21 daily newspapers. Scripps also has 10 television stations, reaching one in every ten homes in America. Additionally, Scripps Networks includes four national cable networks: Home & Garden Television, Food Network, Do It Yourself and Fine Living. Lastly, the company has a global licensing and syndication business which syndicates more than 150 comic strips and editorial features, including PEANUTS and DILBERT. Scripps is focused on growing and strengthening its cable television business.

SPS TECHNOLOGIES INC. (ST - \$38.17 - NYSE) is a leading manufacturer of fasteners, superalloys and magnetic materials for the aerospace, automotive and industrial markets. The Precision Fasteners and Components group produces high strength fasteners for the aerospace, automotive and machinery markets. The Specialty Materials and Alloys group makes superalloys for the aerospace and industrial gas turbine markets and the Magnetic Products group produces magnetic materials used in automotive, electronics and other specialty applications. SPS has made 18 acquisitions since 1996 and has positioned the nearly \$1 billion company to be a strategic global supplier in the fastener and component industry. We believe the company will continue to use its strong cash flow to augment internal revenue and earnings growth with acquisitions.

TELEPHONE & DATA SYSTEMS INC. (TDS - \$60.55 - AMEX) provides mobile and local phone services to 3.6 million customers in 35 states. TDS conducts its cellular operations through 81%-owned United States Cellular (USM - \$25.45 - AMEX) and its wireline telephone operations through its wholly owned TDS Telecommunications ("TDS Telecom") subsidiary, a full-service local exchange carrier. Having completed a merger of its 82%-owned PCS subsidiary Aerial Communications with VoiceStream Wireless, which was acquired by Deutsche Telekom (DT - \$9.31 - NYSE), a former German phone monopoly, TDS owns 131.6 million shares of Deutsche Telekom, representing 2.25 shares of DT per share of TDS. As part of the VoiceStream/Deutsche Telekom deal, TDS also received \$570 million in

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cash.

VIACOM INC. (VIA - \$44.46 - NYSE) is a diversified media company with businesses across many media platforms. The firm operates cable networks (including VH1, MTV, Showtime and Nickelodeon), television networks and stations (including the CBS and UPN Television networks and numerous affiliated TV stations in major markets), major market radio stations and outdoor advertising (through Infinity Broadcasting), a movie studio (Paramount), a publishing house (Simon and Schuster), amusement parks (Paramount Parks) and video rental operations (Blockbuster). The company focuses on high growth businesses and aims to deliver cash flow growth that is above the industry average.

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### SHAREHOLDER MEETING - MAY 20, 2002 - FINAL RESULTS

The Annual Meeting of Shareholders was held on May 20, 2002 at the Bruce Museum in Greenwich, Connecticut. At that meeting, common shareholders and preferred shareholders voting as a single class elected Frank J. Fahrenkopf, Jr., Arthur V. Ferrara and Salvatore J. Zizza as Directors of the Trust. A total of 120,975,558 votes, 121,385,966 votes and 121,266,291 votes were cast in favor of each Director and 1,106,598 votes, 1,026,191 votes and 805,865 votes were withheld for each Director, respectively. Preferred shareholders voting as a separate class elected Anthony J. Colavita as a Director of the Trust. A total of 11,564,422 votes were cast in favor of this Director and 72,412 votes were withheld for this Director.

Mario J. Gabelli, Thomas E. Bratter, James P. Conn, Karl Otto Pohl and Anthony R. Pustorino continue to serve in their capacities as Directors of the Trust.

We thank you for your participation and appreciate your continued support.

### COMMON STOCK 10% DISTRIBUTION POLICY

The Trust continues to maintain its 10% Distribution Policy whereby the Trust pays to common stock shareholders 10% of its average net assets each year. Pursuant to this policy, the Trust distributed \$0.27 per share on June 24, 2002.

Under the policy, distributions are made at the annual rate of 10% of the average of the calendar quarter-end net assets of the Trust's common stock at December 2001 and March, June, and September 2002. The Trust normally distributes \$0.27 per share to common stock shareholders in March, June, and September. The fourth quarter distribution is a variable adjusting distribution in December. The adjusting distribution is the greater of the remaining portion of 10% of the average net assets to be distributed (10% of the average net assets less the cumulative amount paid in March, June, and September) or the minimum distribution required by IRS regulations.

Using June quarter-end net asset figures in place of September quarter-end net asset figures for discussion purposes, 10% of the Trust's average net assets equates to \$0.81 per share. Under the existing policy, a distribution of \$0.27 per share in September would bring the total distribution for 2002 to \$0.81 per share (\$0.27 per share per quarter x 3 quarters = \$0.81 per share), satisfying the Trust's 10% Distribution Policy projected required amount.

Each quarter, the Board of Directors reviews the amount of any potential distribution based on the income, capital gains or capital available. As of June 30, 2002, the Trust has approximately \$366 million (\$2.78 per common share) of gross unrealized appreciation on portfolio securities which could be realized through the sale of portfolio securities and distributed to shareholders. In any event, the Trust will continue to make every effort to provide our common stock

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shareholders with consistent distributions throughout the year pursuant to our policy.

### 7.25% TAX ADVANTAGED CUMULATIVE PREFERRED STOCK - DIVIDENDS

The Trust's 7.25% Tax Advantaged Cumulative Preferred Stock paid a cash distribution on June 26, 2002 of \$0.453125 per share. For the twelve months ended June 30, 2002, Preferred Stock shareholders received distributions totaling \$1.8125, the annual dividend rate per share of Preferred Stock. The next distribution is scheduled for September 2002.

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### 7.20% TAX ADVANTAGED SERIES B CUMULATIVE PREFERRED STOCK - DIVIDENDS

The Trust's 7.20% Tax Advantaged Series B Cumulative Preferred Stock paid a cash distribution on June 26, 2002 of \$0.45 per share. The Series B Preferred Shares were issued on June 20, 2001 at \$25.00 per share and will pay distributions quarterly at an annual dividend rate of \$1.80 per share. The next distribution is scheduled for September 2002.

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Please visit us on the Internet. Our homepage at <http://www.gabelli.com> contains information about Gabelli Asset Management Inc., the Gabelli Mutual Funds, IRAs, 401(k)s, quarterly reports, closing prices and other current news. You can send us e-mail at [closedend@gabelli.com](mailto:closedend@gabelli.com).

In our efforts to bring our shareholders more timely portfolio information, Gabelli Fund's portfolio managers regularly participate in chat sessions at [www.gabelli.com](http://www.gabelli.com) as reflected below.

	WHO	WHEN
	---	----
Special Chats:	Mario J. Gabelli	First Monday of each month
	Howard Ward	First Tuesday of each month

In addition, every Wednesday will feature a different portfolio manager. The upcoming Wednesday chat schedule is as follows:

	AUGUST	SEPTEMBER	OCTOBER
	-----	-----	-----
1st Wednesday	Susan Byrne	Caesar Bryan	Walter Walsh
2nd Wednesday	Lynda Calkin	Hart Woodson	Caesar Bryan
3rd Wednesday	Walter Walsh & Laura Linehan	Charles Minter & Martin Weiner	Henry Van de
4th Wednesday	Barbara Marcini	Barbara Marcini	Lynda Calkin
5th Wednesday			Barbara Marcini

All chat sessions start at 4:15 PM (Eastern Time). Please arrive early, as participation is limited.

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

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IN CONCLUSION

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As the old saying goes, "the darkest hour is just before dawn." We are not suggesting the stock market is about to take off in the coming quarters. However, the fundamental picture -- an expanding economy, low interest rates, rising earnings and more reasonable equity valuations -- raises the floor under equities.

Sincerely,

/S/ Mario J. Gabelli

MARIO J. GABELLI, CFA  
Portfolio Manager and Chief Investment Officer

August 1, 2002

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### SELECTED HOLDINGS JUNE 30, 2002

American Express Co.	PepsiCo Inc.
AT&T Corp.	Scripps (E.W.) Co.
Berkshire Hathaway Inc.	SPS Technologies Inc.
Genuine Parts Co.	Telephone & Data Systems Inc.
Liberty Media Corp.	Viacom Inc.

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NOTE: The views expressed in this report reflect those of the portfolio managers only through the end of the period stated in this report. The managers' views are subject to change at any time based on market and other conditions.

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### THE GABELLI EQUITY TRUST INC. PORTFOLIO CHANGES QUARTER ENDED JUNE 30, 2002 (UNAUDITED)

	SHARES	OWNERSHIP AT JUNE 30, 2002
	-----	-----
NET PURCHASES		
COMMON STOCKS		
Abbott Laboratories .....	20,000	20,000
Adelphia Communications Corp., Cl. A ...	120,000	120,000
AES Corp. ....	52,000	52,000
Agere Systems Inc., Cl. B (a) .....	134,393	134,393
Allegiance Telecom Inc. ....	1,500	9,000
AOL Time Warner Inc. ....	45,000	620,000
AT&T Wireless Services Inc. ....	50,000	550,170
Bank Of Ireland, Ireland .....	11,000	110,000
Boots Co. pl .....	60,000	60,000
Bristol-Meyers Squibb Co. ....	110,000	110,000
Broadwing Inc. ....	40,000	850,000
BT Group plc, ADR .....	5,000	34,000
Cablevision Systems Corp., Cl. A .....	20,000	535,000
Campbell Soup Co. ....	5,000	70,000
Charter Communications Inc., Cl. A .....	30,000	30,000
Cheung Kong (Holdings) Ltd. - Rts. (b) .	3,000	3,000
Clear Channel Communications Inc. (c ) .	15,015	15,015
Coca-Cola Hellenic Bottling Co. SA .....	20,000	20,000

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Cooper Industries Ltd., Cl. A .....	120,000	120,000
Corning Inc. ....	50,000	510,000
Curtiss-Wright Corp. Cl. B .....	3,000	101,320
DQE Inc. ....	50,000	100,000
Dreyer's Grand Ice Cream Inc. ....	20,000	20,000
El Paso Corp. ....	80,000	80,000
Ferro Corp. ....	25,000	340,000
Ford Motor Co. ....	5,000	20,000
Gas Natural SDG SA .....	25,000	25,000
Gemstar-TV Guide International Inc. ....	110,000	140,432
Genuity Inc. (d) .....	30,000	30,000
GrafTech International Ltd. ....	75,000	75,000
Greek Organization Of Football Prognostics .....	30,000	30,000
Grupo Bimbo SA de CV, Ser. A .....	89,000	440,000
Grupo TMM SA de CV, Cl. A, ADR .....	20,000	20,000
GTECH Holdings Corp. (e) .....	4,000	8,000
HBOS plc .....	10,000	66,000
Heinz (H.J.) Co. ....	29,000	114,000
Hilton Group plc .....	810,000	2,460,000
IVAX Corp. ....	15,000	15,000
Knight-Ridder Inc. ....	15,900	15,900
Leap Wireless International Inc. ....	20,000	160,000
Liberty Media Corp., Cl. A .....	40,000	1,840,000
Liberty Satellite & Technology Inc., Cl. A (f) .....	34,000	34,000
Lin TV Corp., Cl. A .....	5,000	5,000
Mellon Financial Corp. ....	1,900	85,000
Merck & Co. Inc. ....	5,000	40,000
Mirant Corp. ....	30,000	90,000
mm02 plc ADR .....	10,800	140,800
Muenchener Rueckversicherungs- Gesellschaft AG .....	5,000	5,000

## OWNERSHIP AT JUNE 30, 2002

	SHARES	
	-----	-----
NTT DoCoMo Inc. ....	800	1,000
PACCAR Inc. (g) .....	10,000	30,000
Parmalat Finanziaria SpA .....	150,000	150,000
Pennzoil-Quaker State Co. ....	144,800	358,200
Pernod-Ricard SA .....	7,000	7,000
PRIMEDIA Inc. ....	50,000	350,000
Qwest Communications International Inc. ....	180,000	200,000
Rainbow Media Group, Cl. A .....	10,000	560,000
Regal Entertainment Group, Cl. A .....	15,000	15,000
SBC Communications Inc. ....	90,000	205,000
Sequa Corp., Cl. B .....	3,000	78,000
Smucker (J.M.) Co. (h) .....	2,000	2,000
Texas Instruments Inc. ....	70,000	110,000
Tod's SpA .....	7,750	7,750
TotalFinaElf SA .....	1,000	7,907
Tsakos Energy Navigation Ltd. ....	29,273	29,273
Tyco International Ltd. ....	35,000	35,000
Unitrin Inc. ....	8,500	58,500
Verizon Communications Inc. ....	45,000	340,000
Vivendi Universal SA .....	5,000	35,900
Vivendi Universal SA, ADR .....	20,000	230,000
Westar Energy Inc. ....	260,000	260,000
Worldcom Inc. - MCI Group .....	20,000	120,000

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## PREFERRED STOCKS

Gray Communications Systems Inc., 8.000% Cv. Pfd., Ser. C .....	90	90
Hercules Trust I, 9.420% Pfd. ....	21,700	21,700

	PRINCIPAL AMOUNT	
CORPORATE BONDS	-----	
Agere Systems Inc., Sub. Dev. Cv., 6.500%, 12/15/09 .....	\$3,500,000	\$3,500,000
Charter Communications Inc., Cv., 4.750%, 06/01/06 .....	400,000	900,000

NET SALES	SHARES	
COMMON STOCKS	-----	
Ackerley Group Inc. (c ) .....	(42,900)	--
Aegon NV .....	(26,000)	--
Allianz AG .....	(4,100)	--
AT&T Canada Inc., Cl. B .....	(50,000)	--
BAE Systems plc .....	(50,000)	100,000
Bank of Ireland, London .....	(11,000)	--
Bank One Corp. ....	(20,000)	85,000
Compass Group plc .....	(150,940)	--
Cooper Industries Inc. ....	(120,000)	--
Dominion Resources Inc. ....	(2,500)	2,500
Donaldson Co. Inc. ....	(3,000)	216,000

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO CHANGES (CONTINUED) QUARTER ENDED JUNE 30, 2002 (UNAUDITED)

	SHARES	OWNERSHIP AT JUNE 30, 2002
	-----	-----
NET SALES (CONTINUED)		
COMMON STOCKS (CONTINUED)		
Embratel Participacoes SA, ADR .....	(15,000)	200,000
EMC Corp. ....	(10,000)	160,000
Energizer Holdings Inc. ....	(5,000)	345,001
Flowserve Corp. ....	(15,000)	135,000
Genuity Inc. (d) .....	(180,000)	--
Gerber Scientific Inc. ....	(5,000)	100,000
Halliburton Co. ....	(20,000)	280,000
Hilton Hotels Corp. ....	(10,000)	650,000
IDEX Corp. ....	(38,700)	211,300
Independent News & Media plc, Dublin ....	(215,000)	196,000
ITT Industries Inc. ....	(5,000)	120,000
Japan Telecom Co. Ltd. ....	(35)	230
Liberty Satellite & Technology Inc., Cl. A (f) .....	(340,000)	--
MGM Mirage .....	(30,000)	60,000
Midland Co. ....	(300)	99,700
National Service Industries Inc. ....	(500)	34,500
Neiman Marcus Group Inc., Cl. B .....	(14,500)	90,000
Northrop Grumman Corp. ....	(6,978)	91,000
NTL Inc. ....	(20,000)	20,000

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NTT DoCoMo Inc.-W/I .....	(800)	--
Obic Co. Ltd. ....	(1,500)	--
PepsiCo Inc. ....	(25,000)	500,000
RCN Corp. ....	(20,000)	110,000
Reader's Digest Association Inc., Cl. B .....	(45,000)	140,000
Reuters Group plc, ADR .....	(10,833)	--
Rohm and Haas Co. ....	(80,000)	20,000
Rohm Co. Ltd. ....	(1,400)	6,000
Sprint Corp. - PCS Group .....	(20,000)	230,000
Superior Industries International Inc. ..	(35,000)	25,000
Swiss Re .....	(6,000)	4,200
Telefonica SA, ADR .....	(13,884)	265,140
THK Co. Ltd. ....	(11,000)	33,000
Tokyo Electron Ltd .....	(1,000)	8,400
Tsakos Energy Navigation Ltd.	(31,273)	--
Tyson Foods Inc., Cl. A .....	(90,000)	--

	SHARES	OWNERSHIP AT JUNE 30, 2002
	-----	-----
UCAR International Inc. ....	(75,000)	--
USA Interactive .....	(5,000)	490,000
Vodafone Group plc .....	(100,000)	453,888
Western Resources Inc. ....	(250,000)	--
Winn-Dixie Stores Inc. ....	(10,000)	40,000

- 
- (a) Spinoff - 0.2646 shares of Agere Systems Inc., Cl. B for every 1 share of Lucent Technologies Inc.
  - (b) Spinoff - 0.0400 shares of Cheung Kong (Holdings) Ltd. - Rts for every 1 share of Cheung Kong (Holdings) Ltd.
  - (c) Merger - 0.3500 shares of Clear Channel Communications Inc. for every 1 share of Ackerley Group Inc
  - (d) 1 for 20 stock split
  - (e) 2 for 1 stock split
  - (f) 1 for 10 stock split
  - (g) 3 for 2 stock split
  - (h) Spinoff - 0.0200 shares of Smucker (J.M.) Co. for every 1 share of Procter & Gamble Co.

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS JUNE 30, 2002 (UNAUDITED)

SHARES	COST	MARKET VALUE
-----	----	-----
COMMON STOCKS -- 82.6%		
FINANCIAL SERVICES -- 7.6%		
90,000 Allstate Corp. ....	\$ 2,376,366	\$ 3,328,200
550,000 American Express Co. ....	19,230,623	19,976,000
36,400 Argonaut Group Inc. ....	977,772	779,688
90,000 Banco Santander Central Hispano SA, ADR .....	322,130	701,100
110,000 Bank of Ireland .....	635,101	1,366,676
80,000 Bank of New York Co. Inc.	2,960,687	2,700,000

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85,000	Bank One Corp. ....	2,606,390	3,270,800
282,000	Bankgesellschaft Berlin AG+ .....	5,606,801	523,599
260	Berkshire Hathaway Inc., Cl. A+ .....	824,299	17,368,000
5,000	Block (H&R) Inc. ....	97,625	230,750
190,000	Commerzbank AG, ADR ....	3,839,967	2,880,400
160,000	Deutsche Bank AG, ADR ...	6,917,270	11,121,600
20,000	Dun and Bradstreet Corp.+	333,130	661,000
66,000	HBOS plc .....	472,591	714,296
25,000	Hibernia Corp., Cl. A ...	198,750	494,750
20,000	Invik & Co. AB, Cl. B ...	936,800	587,584
100,000	Irish Life & Permanent plc, Dublin .....	781,432	1,446,871
60,000	John Hancock Financial Services Inc. ....	2,322,590	2,112,000
50,000	JP Morgan Chase & Co. ...	1,334,283	1,696,000
64,000	Leucadia National Corp. .	2,040,082	2,026,240
85,000	Mellon Financial Corp. ..	2,750,640	2,671,550
99,700	Midland Co. ....	1,114,894	5,031,859
30,000	Moody's Corp. ....	666,995	1,492,500
5,000	Muenchener Rueckversicherungs- Gesellschaft AG .....	1,219,733	1,185,150
186,500	Nikko Cordial Corp. ....	1,436,073	941,400
185,000	Phoenix Companies Inc. ..	2,981,430	3,394,750
2,500	Prudential Financial Inc.+	68,750	83,400
50,000	Prudential plc .....	754,035	457,296
60,000	RAS SpA .....	660,245	805,309
60,000	Riggs National Corp. ....	552,538	894,600
50,000	Schwab (Charles) Corp. ..	730,625	560,000
80,000	State Street Corp. ....	1,417,370	3,576,000
30,000	Stilwell Financial Inc. .	470,955	546,000
20,000	SunTrust Banks Inc. ....	419,333	1,354,400
4,200	Swiss Re .....	434,171	410,644
100,000	T. Rowe Price Group Inc.	3,379,425	3,288,000
7,000	Travelers Property Casualty Corp., Cl. A+	129,500	123,900
58,500	Unitrin Inc. ....	1,073,500	2,092,545
130,000	Wachovia Corp. ....	4,051,382	4,963,400
		COST	MARKET
SHARES		-----	VALUE
-----		-----	-----
55,100	Waddell & Reed Financial Inc., Cl. A .....	\$ 1,150,377	\$ 1,262,892
		-----	-----
		80,276,660	109,121,149
		-----	-----
TELECOMMUNICATIONS -- 7.4%			
8,132	Aliant Inc. ....	72,479	149,499
9,000	Allegiance Telecom Inc.+	75,638	16,470
30,000	ALLTEL Corp. ....	617,209	1,410,000
1,500,000	AT&T Corp. ....	25,512,207	16,050,000
3,333	Avaya Inc.+ .....	26,540	16,498
320,000	BCE Inc. ....	8,524,049	5,574,400
33,400	Brasil Telecom Participacoes SA, ADR .	1,940,826	945,554
850,000	Broadwing Inc.+ .....	8,374,257	2,210,000
1,775,000	BT Group plc+ .....	7,339,812	6,818,284
34,000	BT Group plc, ADR+ .....	1,326,152	1,296,080
3,338,192	Cable & Wireless Jamaica		



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	Ltd. ....	101,642	113,500
173,000	Cable & Wireless plc, ADR	4,035,260	1,344,210
130,000	CenturyTel Inc. ....	2,760,538	3,835,000
100,000	Citizens Communications Co.+ ....	1,226,788	836,000
255,466	Commonwealth Telephone Enterprises Inc.+ ....	4,424,217	10,279,952
20,000	Commonwealth Telephone Enterprises Inc., Cl. B+	128,902	820,000
45,000	Compania de Telecomunicaciones de Chile SA, ADR ....	721,724	551,250
1,577,000	CoreComm Ltd.+ ....	238,320	63,080
240,278	Deutsche Telekom AG, ADR ....	4,091,422	2,236,988
200,000	Embratel Participacoes SA, ADR ....	3,112,869	80,000
27,000	France Telecom SA, ADR ..	1,024,124	253,260
230	Japan Telecom Co. Ltd. ..	801,311	658,206
100,000	KPN NV+ ....	232,728	468,134
200,000	Qwest Communications International Inc.+ ...	1,048,965	560,000
110,000	RCN Corp.+ ....	780,983	150,700
9,655	Rogers Communications Inc., Cl. B+ ....	137,424	86,336
110,345	Rogers Communications Inc., Cl. B, ADR+ ....	1,537,198	1,008,553
205,000	SBC Communications Inc. .	6,853,475	6,252,500
350,000	Sprint Corp. - FON Group	8,833,016	3,713,500
186,554	Tele Norte Leste Participacoes SA, ADR .	2,554,387	1,856,212

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	TELECOMMUNICATIONS (CONTINUED)		
40,000	Telecom Argentina Stet France Telecom SA, ADR+ ....	\$ 349,211	\$ 26,000
400,040	Telecom Italia SpA .....	839,903	3,133,060
123,000	Telecom Italia SpA, ADR .	2,585,208	9,606,300
135,000	Telecom Italia SpA, RNC .	517,495	715,979
265,140	Telefonica SA, ADR+ ....	9,182,548	6,588,729
16,912	Telefonica SA, BDR+ ....	206,521	140,023
36,000	Telefonos de Mexico SA, Cl. L, ADR .....	389,422	1,154,880
12,750	TELUS Corp. ....	222,542	90,623
52,500	TELUS Corp., ADR .....	950,397	373,153
4,250	TELUS Corp., Non-Voting .	74,181	28,280
27,500	TELUS Corp., Non-Voting, ADR .....	557,547	182,985
340,000	Verizon Communications Inc. ....	12,761,426	13,651,000

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120,000	WorldCom Inc. - MCI Group .....	1,339,033	108,000
		-----	-----
		128,429,896	105,453,178
		-----	-----
	FOOD AND BEVERAGE -- 6.9%		
10,108	Advantica Restaurant Group Inc.+ .....	14,357	9,400
10,800	Cadbury Schweppes plc, ADR .....	271,368	325,944
70,000	Campbell Soup Co. ....	2,012,307	1,936,200
30,000	Coca-Cola Co. ....	1,389,563	1,680,000
50,000	Coca-Cola Enterprises Inc.	773,534	1,104,000
20,000	Coca-Cola Hellenic Bottling Co. SA .....	320,189	338,558
100,000	Corn Products International Inc. ....	2,916,387	3,112,000
100,000	Diageo plc .....	1,037,393	1,298,721
224,000	Diageo plc, ADR .....	8,642,745	11,569,600
20,000	Dreyer's Grand Ice Cream Inc. ....	1,345,682	1,372,000
41,600	Flowers Foods Inc.+ ....	1,055,628	1,075,360
90,000	General Mills Inc. ....	3,178,115	3,967,200
440,000	Grupo Bimbo SA de CV, Ser. A .....	949,109	983,118
20,000	Hain Celestial Group Inc.+	267,663	370,000
114,000	Heinz (H.J.) Co. ....	4,571,694	4,685,400
30,000	Interbrew SA .....	845,071	861,308
350,000	Kellogg Co. ....	9,771,694	12,551,000
75,000	Kerry Group plc, Cl. A ..	860,877	1,120,375
60,500	LVMH Moet Hennessy Louis Vuitton, ADR ....	416,625	610,445
SHARES		COST	MARKET VALUE
-----		----	-----
41,300	Mondavi (Robert) Corp., Cl. A+ .....	\$ 1,286,495	\$ 1,413,699
150,000	Parmalat Finanziaria SpA	442,418	463,690
600,595	PepsiAmericas Inc. ....	8,073,962	8,972,889
500,000	PepsiCo Inc. ....	14,253,072	24,100,000
7,000	Pernod-Ricard SA .....	606,722	685,807
60,000	Ralcorp Holdings Inc.+ ..	940,903	1,875,000
20,000	Sara Lee Corp. ....	398,414	412,800
2,000	Smucker (J.M.) Co. ....	52,993	68,260
103,854	Tootsie Roll Industries Inc. ....	1,580,957	4,004,610
150,000	Wrigley (Wm.) Jr. Co. ...	3,610,220	8,302,500
		-----	-----
		71,886,157	99,269,884
		-----	-----
	ENTERTAINMENT -- 6.0%		
620,000	AOL Time Warner Inc.+ ...	14,622,091	9,120,200
160,000	Canal Plus, ADR .....	34,010	114,400
220,000	Disney (Walt) Co. ....	4,846,732	4,158,000
100,000	EMI Group plc, ADR .....	1,189,467	762,150
120,000	Fox Entertainment Group Inc., Cl. A+ .....	2,783,871	2,610,000
50,000	GC Companies Inc.+ .....	54,500	12,500
140,432	Gemstar-TV Guide International Inc.+ ...	2,061,073	756,928
24,000	Liberty Livewire Corp.,		

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	Cl. A+ .....	93,109	70,560
1,840,000	Liberty Media Corp.,		
	Cl. A+ .....	9,279,598	18,400,000
300,000	Metro-Goldwyn-Mayer		
	Inc.+ .....	4,962,381	3,510,000
160,000	Publishing &		
	Broadcasting Ltd. ....	893,720	812,871
15,000	Regal Entertainment		
	Group, Cl. A+ .....	285,000	349,800
100,000	Six Flags Inc.+ .....	1,387,850	1,445,000
850,000	Viacom Inc., Cl. A+ ....	9,373,638	37,791,000
35,900	Vivendi Universal SA ....	2,294,754	775,772
230,000	Vivendi Universal SA,		
	ADR .....	8,896,712	4,945,000
		-----	-----
		63,058,506	85,634,181
		-----	-----
	DIVERSIFIED INDUSTRIAL -- 5.2%		
220,000	Acuity Brands Inc. ....	3,801,308	4,004,000
195,000	Ampco-Pittsburgh Corp. ..	2,627,873	2,340,000
120,000	Cooper Industries Ltd.,		
	Cl. A .....	5,953,705	4,716,000
270,000	Crane Co. ....	5,062,737	6,852,600
110,000	GATX Corp. ....	1,748,853	3,311,000
200,000	GenTek Inc. ....	1,587,121	44,000
260,000	Greif Bros. Corp., Cl. A	4,845,131	8,673,860

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	DIVERSIFIED INDUSTRIAL (CONTINUED)		
3,400	Greif Bros. Corp., Cl. B	\$ 69,825	\$ 112,200
380,000	Honeywell International		
	Inc. ....	13,367,461	13,387,400
120,000	ITT Industries Inc. ....	3,650,453	8,472,000
400,600	Lamson & Sessions Co.+ ..	2,458,185	1,562,340
34,500	National Service Industries		
	Inc. ....	457,454	310,500
83,715	Park-Ohio Holdings Corp.+	1,009,737	376,718
213,800	Sensient Technologies		
	Corp. ....	3,865,929	4,866,088
10,000	Smiths Group plc .....	171,257	129,872
6,000	Sulzer AG+ .....	1,275,079	1,274,065
100,000	Thomas Industries Inc. ..	1,388,525	2,880,000
50,000	Trinity Industries Inc. .	945,000	1,036,000
170,000	TRW Inc. ....	8,590,646	9,686,600
35,000	Tyco International Ltd. .	599,534	472,850
		-----	-----
		63,475,813	74,508,093
		-----	-----
	EQUIPMENT AND SUPPLIES -- 5.2%		
120,000	AMETEK Inc. ....	1,873,494	4,470,000
2,000	Amphenol Corp., Cl. A+ ..	29,550	72,000

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10,000	Caterpillar Inc. ....	136,559	489,500
95,000	CIRCOR International Inc.	981,440	1,629,250
320,000	Deere & Co. ....	3,134,721	15,328,000
216,000	Donaldson Co. Inc. ....	1,449,454	7,568,640
135,000	Flowserve Corp.+ ....	2,468,412	4,023,000
13,000	Franklin Electric Co. Inc.	210,022	611,910
100,000	Gerber Scientific Inc.+ .	1,060,701	351,000
75,000	GrafTech International Ltd.+ ....	1,008,428	922,500
211,300	IDEX Corp. ....	1,377,232	7,078,550
20,000	Ingersoll-Rand Co., Cl. A	844,600	913,200
60,000	Lufkin Industries Inc. ..	1,105,223	1,732,200
1,000	Manitowoc Co. Inc. ....	25,450	35,490
425,000	Navistar International Corp.+ ....	6,419,191	13,600,000
28,000	Olympus Optical Co. Ltd.	418,424	391,069
30,000	PACCAR Inc. ....	450,000	1,331,700
170,000	SPS Technologies Inc.+ ..	2,963,443	6,488,900
60,000	Sybron Dental Specialties Inc.+ ....	1,140,669	1,110,000
33,000	THK Co. Ltd. ....	790,476	634,636
250,000	Watts Industries Inc., Cl. A ....	3,331,739	4,962,500
100,000	Weir Group plc ....	420,789	432,907
		31,640,017	74,176,952

SHARES		COST	MARKET VALUE
-----		----	-----
ENERGY AND UTILITIES -- 5.2%			
52,000	AES Corp.+ ....	\$ 283,977	\$ 281,840
70,000	AGL Resources Inc. ....	1,259,271	1,624,000
37,400	Apache Corp. ....	844,013	2,149,752
120,000	BP plc ....	725,215	1,007,880
248,800	BP plc, ADR ....	5,313,984	12,561,912
150,000	Burlington Resources Inc.	6,384,591	5,700,000
115,000	CH Energy Group Inc. ....	4,749,282	5,663,750
20,000	Cinergy Corp. ....	609,845	719,800
210,000	Conoco Inc. ....	5,050,835	5,838,000
10,000	Constellation Energy Group Inc. ....	237,177	293,400
2,500	Dominion Resources Inc. .	152,000	165,500
15,000	DPL Inc. ....	355,513	396,750
100,000	DQE Inc. ....	1,744,412	1,400,000
30,366	DTE Energy Co. ....	1,344,098	1,355,538
80,000	El Paso Corp. ....	1,980,239	1,648,800
400,000	El Paso Electric Co.+ ...	3,236,625	5,540,000
20,000	Energy East Corp. ....	429,788	452,000
9,400	FPL Group Inc. ....	507,682	563,906
25,000	Gas Natural SDG SA ....	460,652	481,467
280,000	Halliburton Co. ....	4,123,915	4,463,200
38,632	Kerr-McGee Corp. ....	2,281,548	2,068,744
90,000	Mirant Corp.+ ....	1,000,720	657,000
100,000	NiSource Inc.+ ....	200,000	208,000
250,000	Northeast Utilities ....	4,834,797	4,702,500
358,200	Pennzoil-Quaker State Co.	6,836,957	7,712,046
100,000	Progress Energy Inc.+ ...	52,000	30,000
10,400	SJW Corp. ....	931,126	842,400
14,000	Southwest Gas Corp. ....	289,625	346,500
7,907	Total Fina Elf SA ....	1,114,624	1,283,825

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260,000	Westar Energy Inc. ....	4,407,757	3,991,000
		-----	-----
		61,742,268	74,149,510
		-----	-----
	PUBLISHING -- 4.8%		
20,000	Dow Jones & Co. Inc. ....	1,030,036	969,000
196,000	Independent News & Media plc, Dublin .....	316,913	387,149
15,900	Knight-Ridder Inc. ....	1,066,095	1,000,905
5,000	McClatchy Co., Cl. A ....	240,250	321,250
105,000	McGraw-Hill Companies Inc. ....	2,621,025	6,268,500
400,000	Media General Inc., Cl. A	9,832,031	24,000,000
125,000	Meredith Corp. ....	2,091,314	4,793,750
115,000	New York Times Co., Cl. A	790,115	5,922,500
120,000	News Corp. Ltd. ....	696,029	652,093

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	PUBLISHING (CONTINUED)		
11,016	News Corp. Ltd., ADR ....	\$ 195,892	\$ 252,597
400,000	Penton Media Inc.+ .....	4,849,118	860,000
350,000	PRIMEDIA Inc.+ .....	1,806,479	427,000
33,000	Pulitzer Inc. ....	1,483,667	1,712,700
140,000	Reader's Digest Association Inc., Cl. B	3,371,358	3,220,000
400,000	SCMP Group Ltd. ....	273,726	232,060
70,000	Scripps (E.W.) Co., Cl. A	4,559,387	5,390,000
91,842	Seat-Pagine Gialle SpA+ .	204,007	67,304
75,000	Thomas Nelson Inc. ....	908,325	792,000
250,000	Tribune Co. ....	8,604,264	10,875,000
		-----	-----
		44,940,031	68,143,808
		-----	-----
	CONSUMER PRODUCTS -- 4.4%		
70,000	Altadis SA .....	1,030,995	1,444,896
43,000	Christian Dior SA .....	1,514,055	1,656,247
10,000	Church & Dwight Co. Inc.	99,536	313,300
110,000	Compagnie Financiere Richemont AG, Cl. A ...	1,550,184	2,502,100
50,000	Department 56 Inc.+ .....	524,317	814,000
345,001	Energizer Holdings Inc.+	5,324,935	9,459,927
90,000	Fortune Brands Inc. ....	2,401,342	5,040,000
250,000	Gallaher Group plc, ADR .	4,342,521	9,337,500
300,000	Gillette Co. ....	9,680,864	10,161,000
2,000	Givaudan SA .....	550,742	806,370
60,000	Harley-Davidson Inc. ....	151,125	3,076,200
15,000	Matsushita Electric Industrial Co. Ltd., ADR .....	178,325	207,450
100,000	Mattel Inc. ....	1,549,565	2,108,000
30,000	Maytag Corp. ....	913,036	1,279,500
50,000	National Presto Industries		

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	Inc. ....	1,768,883	1,600,000
9,500	Nintendo Co. Ltd. ....	784,763	1,398,970
20,000	Philip Morris Companies Inc. ....	600,935	873,600
100,000	Procter & Gamble Co. ....	6,919,810	8,930,000
32,000	Shimano Inc. ....	521,107	434,121
15,000	Swatch Group AG, Cl. B ..	868,351	1,335,551
10,425	Syratech Corp.+ (a) ....	333,704	4,691
		-----	-----
		41,609,095	62,783,423
		-----	-----
	WIRELESS COMMUNICATIONS -- 3.4%		
95,000	America Movil SA de CV, Cl. L, ADR .....	1,235,397	1,273,000
550,170	AT&T Wireless Services Inc.+ .....	7,186,094	3,218,494
160,000	Leap Wireless International Inc.+ .....	3,115,240	172,800
1,775,000	mm02 plc+ .....	1,980,584	1,136,381
	SHARES	COST	MARKET VALUE
	-----	----	-----
140,800	mm02 plc, ADR+ .....	\$ 1,649,378	\$ 887,040
240,000	Nextel Communications Inc., Cl. A+ .....	3,841,367	770,400
1,000	NTT DoCoMo Inc. ....	2,437,994	2,461,286
250,000	Rogers Wireless Communications Inc., Cl. B+ .....	3,494,025	1,927,500
230,000	Sprint Corp. - PCS Group+ .....	533,587	1,028,100
16,700	Tele Celular Sul Participacoes SA, ADR .	266,992	184,034
55,666	Tele Centro Oeste Celular Participacoes SA, ADR .	166,868	246,600
3,340	Tele Leste Celular Participacoes SA, ADR+	89,340	35,070
8,350	Tele Nordeste Celular Participacoes SA, ADR .	123,227	160,320
3,340	Tele Norte Celular Participacoes SA, ADR+	51,601	17,535
1,400,000	Telecom Italia Mobile SpA .....	2,244,688	5,738,102
8,350	Telemig Celular Participacoes SA, ADR .	241,320	172,845
450,000	Telephone & Data Systems Inc. ....	37,059,011	27,247,500
66,800	Telesp Celular Participacoes SA, ADR+	2,135,936	264,528
453,888	Vodafone Group plc .....	817,567	622,683
100,000	Vodafone Group plc, ADR .	927,768	1,365,000
		-----	-----
		69,597,984	48,929,218
		-----	-----
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 3.4%		
20,000	ArvinMeritor Inc. ....	387,543	480,000
36,802	BorgWarner Inc. ....	1,669,649	2,125,684
100,000	CLARCOR Inc. ....	1,266,455	3,165,000
320,061	Dana Corp. ....	5,237,799	5,930,730
65,000	Delphi Corp. ....	766,915	858,000
260,000	GenCorp Inc. ....	2,470,673	3,718,000

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210,000	Genuine Parts Co. ....	5,500,492	7,322,700
114,000	Johnson Controls Inc. ...	1,890,245	9,303,540
110,000	Midas Inc.+ .....	1,575,679	1,364,000
335,000	Modine Manufacturing Co.	4,388,179	8,234,300
20,000	O'Reilly Automotive Inc.+	579,199	551,200
70,800	Scheib (Earl) Inc.+ .....	608,339	212,400
163,000	Standard Motor Products Inc. ....	1,748,388	2,762,850
25,000	Superior Industries International Inc. ....	626,663	1,156,250
105,000	TransPro Inc.+ .....	936,808	656,250
		-----	-----
		29,653,026	47,840,904
		-----	-----

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
COMMON STOCKS (CONTINUED)			
HOTELS AND GAMING -- 2.4%			
110,000	Aztar Corp.+ .....	\$ 772,707	\$ 2,288,000
90,000	Boca Resorts Inc., Cl. A+	787,000	1,192,500
240,000	Gaylord Entertainment Co.+ .....	6,198,540	5,292,000
30,000	Greek Organization of Football Prognostics ..	288,232	275,547
8,000	GTECH Holdings Corp.+ ...	69,219	204,320
2,460,000	Hilton Group plc .....	8,307,399	8,558,981
650,000	Hilton Hotels Corp. ....	6,542,136	9,035,000
60,000	MGM Mirage+ .....	1,588,260	2,025,000
430,000	Park Place Entertainment Corp.+ .....	2,424,893	4,407,500
50,000	Starwood Hotels & Resorts Worldwide Inc. ....	1,075,717	1,644,500
		-----	-----
		28,054,103	34,923,348
		-----	-----
HEALTH CARE -- 2.4%			
20,000	Abbott Laboratories .....	743,000	753,000
60,000	Amgen Inc.+ .....	256,894	2,512,800
40,000	Apogent Technologies Inc.+	803,368	822,800
10,000	AstraZeneca plc, London .	385,298	414,005
35,146	AstraZeneca plc, Stockholm .....	1,255,532	1,460,882
12,000	Aventis SA .....	899,375	850,345
26,000	Biogen Inc.+ .....	181,025	1,077,180
110,000	Bristol-Myers Squibb Co.	2,938,465	2,827,000
23,000	Centerpulse AG+ .....	1,394,669	3,836,811
75,036	GlaxoSmithKline plc .....	1,817,378	1,621,893
4,000	GlaxoSmithKline plc, ADR .....	216,096	172,560
56,011	Invitrogen Corp.+ .....	2,678,982	1,792,912
40,000	Merck & Co. Inc. ....	2,380,606	2,025,600
46,000	Novartis AG .....	1,431,247	2,023,116

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108,000	Novartis AG, Registered .	948,510	4,733,640
65,000	Pfizer Inc. ....	1,077,000	2,275,000
17,900	Roche Holding AG .....	1,644,702	1,353,190
20,000	Sanofi-Synthelabo SA ....	967,750	1,216,754
10,000	Schering-Plough Corp. ...	354,700	246,000
14,000	Takeda Chemical Industries Ltd. ....	782,347	614,404
38,000	Wyeth .....	1,819,180	1,945,600
		-----	-----
		24,976,124	34,575,492
		-----	-----
	RETAIL -- 2.1%		
200,000	Albertson's Inc. ....	5,669,538	6,092,000
300,000	AutoNation Inc.+ .....	3,354,597	4,350,000
60,000	Boots Co. plc .....	617,609	594,942
10,000	Coldwater Creek Inc.+ ...	181,517	244,000
SHARES		COST	MARKET VALUE
-----		----	-----
16,000	Delhaize Le Lion SA, ADR .....	\$ 908,672	\$ 745,280
33,000	Gucci Group NV, ADR .....	2,709,049	3,122,130
100,000	Lillian Vernon Corp. ....	1,362,258	712,500
90,000	Neiman Marcus Group Inc., Cl. A+ .....	2,800,847	3,123,000
320,000	Neiman Marcus Group Inc., Cl. B+ .....	7,741,769	10,329,600
7,750	Tod's SpA .....	387,822	336,780
40,000	Winn-Dixie Stores Inc. ..	482,476	623,600
		-----	-----
		26,216,154	30,273,832
		-----	-----
	AEROSPACE -- 1.7%		
100,000	BAE Systems plc .....	560,593	510,647
115,000	Boeing Co. ....	3,847,934	5,175,000
100,000	Lockheed Martin Corp. ...	2,641,248	6,950,000
91,000	Northrop Grumman Corp. ..	6,452,792	11,375,000
		-----	-----
		13,502,567	24,010,647
		-----	-----
	CONSUMER SERVICES -- 1.5%		
40,000	Loewen Group Inc.+ .....	48,700	1,200
505,000	Rollins Inc. ....	5,690,722	10,271,700
490,000	USA Interactive Inc.+ ...	5,149,626	11,490,500
		-----	-----
		10,889,048	21,763,400
		-----	-----
	BROADCASTING -- 1.5%		
15,015	Clear Channel Communications Inc.+ ..	481,784	480,780
16,666	Corus Entertainment Inc., Cl. B+ .....	62,036	294,772
28,000	Gray Communications Systems Inc. ....	376,900	506,800
25,000	Gray Communications Systems Inc., Cl. B ...	355,780	332,500
195,000	Grupo Televisa SA, ADR+ .	5,116,358	7,289,100
200,000	Liberty Corp. ....	8,528,905	7,970,000
5,000	Lin TV Corp., Cl. A+ ....	110,000	135,200
4,000	Nippon Broadcasting System Inc. ....	161,709	146,843



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40,375	NRJ Group .....	384,806	732,112
131,000	Paxson Communications Corp.+ .....	1,311,348	720,500
14,700	RTL Group (Brussels) ....	649,036	580,723
3,000	RTL Group (New York) ....	126,100	118,515
100,000	Television Broadcasts Ltd.	396,239	425,657
110,000	Young Broadcasting Inc., Cl. A+ .....	2,713,685	1,955,800
		20,774,686	21,689,302

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
COMMON STOCKS (CONTINUED)			
REAL ESTATE -- 1.5%			
450,000	Catellus Development Corp.+ .....	\$ 6,751,839	\$ 9,189,000
75,000	Cheung Kong (Holdings) Ltd. ....	871,487	625,023
44,000	Florida East Coast Industries Inc., Cl. A	523,108	1,113,200
58,451	Florida East Coast Industries Inc., Cl. B	964,977	1,391,134
55,000	Griffin Land & Nurseries Inc.+ .....	513,143	760,375
4,753	HomeFed Corp.+ .....	851	4,325
253,000	St. Joe Co. ....	1,873,208	7,595,060
		11,498,613	20,678,117
AVIATION: PARTS AND SERVICES -- 1.4%			
101,320	Curtiss-Wright Corp., Cl. B .....	5,582,889	7,659,792
90,000	Fairchild Corp., Cl. A+ .	1,111,343	283,500
60,000	Precision Castparts Corp.	1,113,468	1,980,000
84,500	Sequa Corp., Cl. A+ .....	3,371,578	5,525,455
78,000	Sequa Corp., Cl. B+ .....	4,068,661	5,109,000
		15,247,939	20,557,747
SPECIALTY CHEMICALS -- 1.1%			
5,400	Ciba Specialty Chemicals, ADR (b) .....	21,140	216,324
10,000	du Pont de Nemours (E.I.) and Co. ....	327,500	444,000
340,000	Ferro Corp. ....	7,268,003	10,251,000
40,000	Fuller (H.B.) Co. ....	968,437	1,171,600
120,000	Hercules Inc.+ .....	1,543,119	1,392,000
15,000	IVAX Corp.+ .....	170,441	162,000
210,000	Omnova Solutions Inc.+ ..	1,767,940	1,764,000
20,000	Rohm and Haas Co. ....	618,875	809,800
11,697	Syngenta AG, ADR .....	22,129	142,236

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		12,707,584	16,352,960
	CABLE -- 1.1%		
120,000	Adelphia Communications Corp., Cl. A+ .....	890,183	19,200
535,000	Cablevision Systems Corp., Cl. A+ .....	8,190,256	5,061,100
30,000	Charter Communications Inc., Cl. A+ .....	138,876	122,400
40,000	Comcast Corp., Cl. A+ ...	341,837	968,000
85,000	Comcast Corp., Cl. A, Special+ .....	756,584	2,026,400
20,000	NTL Inc.+ .....	80,402	640
SHARES		COST	MARKET VALUE
-----		----	-----
560,000	Rainbow Media Group, Cl. A+ .....	\$ 8,588,016	\$ 4,900,000
20,000	Shaw Communications Inc., Cl. B .....	52,983	220,266
80,000	Shaw Communications Inc., Cl. B, Non-Voting .....	329,197	896,000
370,000	UnitedGlobalCom Inc., Cl. A+ .....	2,499,253	1,017,500
		21,867,587	15,231,506
	AGRICULTURE -- 0.9%		
1,050,000	Archer-Daniels-Midland Co. ....	13,728,377	13,429,500
5,000	Delta & Pine Land Co. ...	84,396	100,500
		13,812,773	13,530,000
	ELECTRONICS -- 0.9%		
134,393	Agere Systems Inc., Cl. B+ .....	499,373	201,589
3,000	Hitachi Ltd., ADR .....	218,796	192,510
16,000	Molex Inc., Cl. A .....	504,206	438,880
7,500	NEC Corp., ADR .....	43,625	52,125
38,800	Philips Electronics NV, ADR .....	53,456	1,070,880
6,000	Rohm Co. Ltd. ....	994,112	895,574
47,000	Sony Corp., ADR .....	1,554,214	2,495,700
110,000	Texas Instruments Inc. ..	3,370,837	2,607,000
250,000	Thomas & Betts Corp.+ ...	4,581,748	4,650,000
8,400	Tokyo Electron Ltd. ....	483,190	547,357
		12,303,557	13,151,615
	AUTOMOTIVE -- 0.7%		
20,000	Ford Motor Co. ....	490,840	320,000
167,942	General Motors Corp. ....	5,307,581	8,976,500
		5,798,421	9,296,500
	BUILDING AND CONSTRUCTION -- 0.6%		
112,500	CRH plc .....	1,363,025	1,883,278
32,222	Huttig Building Products Inc.+ .....	81,163	173,032

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15,000	Martin Marietta Materials Inc. ....	322,687	585,000
140,000	Nortek Inc.+ .....	1,892,737	6,314,000
5,000	Nortek Inc., Special Common+ (a) .....	72,155	225,500
		3,731,767	9,180,810
	ENVIRONMENTAL SERVICES -- 0.6%		
65,000	Republic Services Inc.+ .	875,761	1,239,550
300,000	Waste Management Inc. ...	5,314,129	7,815,000
		6,189,890	9,054,550

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	BUSINESS SERVICES -- 0.6%		
60,000	ANC Rental Corp.+ .....	\$ 578,273	\$ 10,800
180,000	Cendant Corp.+ .....	2,573,002	2,858,400
1,000	CheckFree Corp.+ .....	9,040	15,640
98,000	Landauer Inc. ....	634,307	3,805,340
70,000	Nashua Corp.+ .....	634,027	497,000
7,000	Secom Co. Ltd. ....	481,862	343,412
250,000	Securicor plc .....	0	452,532
3,500	SYNAVANT Inc.+ .....	27,506	4,935
		4,938,017	7,988,059
	PAPER AND FOREST PRODUCTS -- 0.6%		
100,000	MeadWestvaco Corp. ....	2,806,203	3,356,000
170,000	Pactiv Corp.+ .....	1,775,756	4,046,000
10,000	Rayonier Inc. ....	465,432	491,300
		5,047,391	7,893,300
	COMMUNICATIONS EQUIPMENT -- 0.4%		
68,000	Acterna Corp.+ .....	245,121	27,948
290,000	Allen Telecom Inc.+ ....	2,191,165	1,247,000
510,000	Corning Inc.+ .....	5,161,032	1,810,500
130,000	Lucent Technologies Inc.+	952,294	215,800
110,000	Motorola Inc. ....	1,553,319	1,586,200
100,000	Nortel Networks Corp.+ ..	725,285	145,000
44,000	Scientific-Atlanta Inc. .	355,750	723,800
		11,183,966	5,756,248
	METALS AND MINING -- 0.4%		
72,500	Harmony Gold Mining Co. Ltd. ....	347,738	998,579
15,000	Harmony Gold Mining Co. Ltd., ADR .....	79,800	202,950

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125,000	Newmont Mining Corp.		
	Holding Co. ....	2,501,633	3,291,250
50,000	Placer Dome Inc. ....	487,169	560,500
		-----	-----
		3,416,340	5,053,279
		-----	-----
	CLOSED END FUNDS -- 0.2%		
59,000	Central European Equity		
	Fund Inc. ....	740,735	814,200
18,592	France Growth Fund Inc.+	184,694	129,214
54,150	Italy Fund Inc. ....	450,250	370,928
68,000	New Germany Fund Inc.+ ..	750,658	343,400
70,000	Pimco RCM Europe		
	Fund Inc. ....	512,662	495,600
40,000	Royce Value Trust Inc. ..	466,533	662,000
		-----	-----
		3,105,532	2,815,342
		-----	-----
SHARES		COST	MARKET
-----		----	-----
	TRANSPORTATION -- 0.2%		
100,000	AMR Corp.+ .....	\$ 1,924,248	\$ 1,686,000
20,000	Grupo TMM SA de CV,		
	Cl. A, ADR+ .....	203,300	138,000
7,500	Kansas City Southern+ ...	13,986	127,500
29,273	Tsakos Energy		
	Navigation Ltd.+	421,218	409,822
		-----	-----
		2,562,752	2,361,322
		-----	-----
	SATELLITE -- 0.2%		
180,323	General Motors Corp.,		
	Cl. H+ .....	2,584,089	1,875,359
34,000	Liberty Satellite &		
	Technology Inc., Cl. A+	900,012	76,500
190,000	Loral Space &		
	Communications Ltd.+ ..	614,954	188,100
		-----	-----
		4,099,055	2,139,959
		-----	-----
	COMPUTER SOFTWARE AND SERVICES -- 0.1%		
20,000	Capcom Co. Ltd. ....	684,260	517,287
10,000	Computer Associates		
	International Inc. ....	254,407	158,900
160,000	EMC Corp.+ .....	2,749,056	1,208,000
30,000	Genuity Inc., Cl. A+ ....	617,929	114,000
		-----	-----
		4,305,652	1,998,187
		-----	-----
	COMPUTER HARDWARE -- 0.0%		
26,000	Hewlett-Packard Co. ....	839,290	397,280
10,000	Xerox Corp.+ .....	108,625	69,700
		-----	-----
		947,915	466,980
		-----	-----
	TOTAL COMMON		
	STOCKS .....	953,486,886	1,180,752,802
		-----	-----
	PREFERRED STOCKS -- 1.6%		
	PUBLISHING -- 1.1%		

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770,499	News Corp. Ltd., Pfd., ADR .....	20,918,811	15,217,352
TELECOMMUNICATIONS -- 0.3%			
60,000	Allen Telecom Inc., 7.750% Cv. Pfd., Ser. D	3,000,000	2,139,000
31,000	Broadwing Inc., 6.750% Cv. Pfd., Ser. B	986,633	523,900
20,000	Citizens Communications Co., 5.000% Cv. Pfd. ....	986,648	808,000
500	Lucent Technologies Capital Trust I, 7.750% Cv. Pfd. (b) ...	500,000	240,114
		5,473,281	3,711,014

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		----	-----
COMMON STOCKS (CONTINUED)			
AEROSPACE -- 0.1%			
14,021	Northrop Grumman Corp., 7.000% Cv. Pfd., Ser. B .....	\$ 1,633,727	\$ 2,033,045
BROADCASTING -- 0.1%			
90	Gray Communications Systems Inc., 8.000% Cv. Pfd., Ser. C (b) .....	900,000	900,000
100,000	ProSieben Sat.1 Media AG, Pfd. ....	1,043,352	1,014,291
		1,943,352	1,914,291
SPECIALTY CHEMICALS -- 0.0%			
21,700	Hercules Trust I, 9.420% Pfd. ....	502,980	507,780
AVIATION: PARTS AND SERVICES -- 0.0%			
3,000	Sequa Corp., \$5.00 Cv. Pfd. ....	239,700	282,000
WIRELESS COMMUNICATIONS -- 0.0%			
10,760,547	Telesp Celular Participacoes SA, Pfd.+	82,623	16,875
TOTAL PREFERRED STOCKS .....			
		30,794,474	23,682,357
PRINCIPAL AMOUNT			
-----			

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	CORPORATE BONDS -- 0.5%		
	ELECTRONICS -- 0.2%		
\$3,500,000	Agere Sysyems Inc.,		
	Sub. Deb. Cv.,		
	6.500%, 12/15/09 .....	3,500,000	2,681,875
		-----	-----
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.1%		
1,500,000	Standard Motor Products Inc.,		
	Sub. Deb. Cv.,		
	6.750%, 07/15/09 .....	1,433,621	1,218,750
		-----	-----
	AVIATION: PARTS AND SERVICES -- 0.1%		
933,000	Kaman Corp.,		
	Sub. Deb. Cv.,		
	6.000%, 03/15/12 .....	881,491	910,841
		-----	-----
	ENERGY AND UTILITIES -- 0.1%		
1,000,000	Mirant Corp.,		
	Sub. Deb. Cv.,		
	2.500%, 06/15/21 .....	754,164	731,250
		-----	-----
PRINCIPAL			MARKET
AMOUNT		COST	VALUE
-----		----	-----
	CABLE -- 0.0%		
\$ 900,000	Charter Communications Inc., Cv.,		
	4.750%, 06/01/06 .....	\$ 640,718	\$ 410,625
		-----	-----
	HOTELS AND GAMING -- 0.0%		
400,000	Hilton Hotels Corp.,		
	Sub. Deb. Cv.,		
	5.000%, 05/15/06 .....	354,000	377,500
		-----	-----
	WIRELESS COMMUNICATIONS -- 0.0%		
500,000	Nextel Communications Inc.,		
	9.500%, 02/01/11 .....	347,402	247,500
		-----	-----
	CONSUMER PRODUCTS -- 0.0%		
1,000,000	Pillowtex Corp.,		
	Sub. Deb. Cv.,		
	6.000%, 03/15/12+ (e) .	406,180	0
		-----	-----
	TOTAL CORPORATE		
	BONDS .....	8,317,576	6,578,341
		-----	-----
SHARES			
-----			
	RIGHTS -- 0.0%		
	REAL ESTATE -- 0.0%		
3,000	Cheung Kong Life Science		
	International Inc.		
	Rights+ .....	0	0
		-----	-----
	WARRANTS -- 0.0%		
	FOOD AND BEVERAGE -- 0.0%		
62,463	Advantica Restaurant Group		
	Inc., expires		
	01/07/05+ .....	105,603	187
		-----	-----
	METALS AND MINING -- 0.0%		

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5,000	Harmony Gold Mining Co. Ltd., ADR, expires 06/29/03+ .....	0	44,850
		-----	-----
	TOTAL WARRANTS .....	105,603	45,037
		-----	-----
PRINCIPAL AMOUNT -----			
	U.S. GOVERNMENT OBLIGATIONS -- 3.5%		
\$50,000,000	U.S. Treasury Bill, 1.770%+, 07/11/02 ....	49,970,500	49,970,500
		-----	-----

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. PORTFOLIO OF INVESTMENTS (CONTINUED) JUNE 30, 2002 (UNAUDITED)

PRINCIPAL AMOUNT -----		COST -----	MARKET VALUE -----
	REPURCHASE AGREEMENTS -- 12.1%		
\$ 32,458,000	Agreement with State Street Bank & Trust Co., 1.870%, dated 06/28/02, due 07/01/02, proceeds at maturity \$32,463,058 (c) .....	\$32,458,000	\$ 32,458,000
140,000,000	Agreement with Warburg Dillon Reed, 1.920%, dated 06/28/02, due 07/01/02, proceeds at maturity \$140,022,400 (c) .....	140,000,000	140,000,000
		-----	-----
	TOTAL REPURCHASE AGREEMENTS .....	172,458,000	172,458,000
		-----	-----
	TOTAL INVESTMENTS -- 100.3% .....	\$1,215,133,039	1,433,487,037
		=====	
OTHER ASSETS, LIABILITIES AND LIQUIDATION VALUE OF CUMULATIVE PREFERRED STOCK -- (30.3)% .....			(433,327,225)
			-----
NET ASSETS -- COMMON STOCK -- 70.0%			
(131,771,904 common shares outstanding) .....			1,000,159,812
			-----
NET ASSETS -- PREFERRED STOCK -- 30.0%			
(11,973,100 preferred shares outstanding) .....			429,197,500
			-----
TOTAL NET ASSETS -- 100.0% .....			\$1,429,357,312
			=====
NET ASSET VALUE PER COMMON SHARE			
(\$1,000,159,812 / 131,771,904 shares outstanding) .....			\$ 7.59
			=====

For Federal tax purposes:

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Aggregate cost .....	\$1,215,133,039
	=====
Gross unrealized appreciation .....	\$ 366,171,067
Gross unrealized depreciation .....	(147,817,069)
	-----
Net unrealized appreciation .....	\$ 218,353,998
	-----

PRINCIPAL AMOUNT -----	SETTLEMENT DATE -----	NET UNREALIZED DEPRECIATION -----
FORWARD FOREIGN EXCHANGE CONTRACTS -- 0.0%		
\$ 4,992,000 (d) Deliver Hong Kong Dollars in exchange for USD 639,820 .....	08/01/02	\$ (204)
		=====
NOTIONAL AMOUNT -----		
INTEREST RATE SWAP AGREEMENT -- 0.0%		
130,000,000 Receive floating rate from Citibank, NA based on the 1-month LIBOR and pay a fixed rate equal to 4.494%		
Terminates 07/01/07 .....		\$ (69,000)
		=====

- 
- (a) Security fair valued under procedures established by the Board of Directors.
- (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 June 30, 2002, the market value of Rule 144A securities amounted to \$1,356,438 or 0.1% of total net assets.
- (c) Collateralized by U.S. Treasury Notes, 5.50% to 8.00%, due 02/28/02 to 11/15/21, market value \$173,112,736.
- (d) Principal amount denoted in Hong Kong Dollars.
- (e) Bond in default.
- + Non-income producing security.
- ++ Represents annualized yield at date of purchase.
- ADR - American Depositary Receipt.
- BDR - Brazilian Depositary Receipt.
- RNC - Non-Convertible Savings Shares.
- USD - U.S. Dollars.
- W/I - When Issued.

	% OF MARKET VALUE -----	MARKET VALUE -----
GEOGRAPHIC DIVERSIFICATION		
United States .....	84.6%	\$1,212,360,665
Europe .....	11.1	159,910,293
Asia/Pacific Rim .....	2.3	32,494,212
Latin America .....	1.1	15,981,271
Canada .....	0.8	11,539,066
South Africa .....	0.1	1,201,530
	-----	-----
Total Investments .....	100.0%	\$1,433,487,037
	=====	=====

See accompanying notes to financial statements.



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## THE GABELLI EQUITY TRUST INC.

### STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2002 (UNAUDITED)

#### ASSETS:

Investments, at value (cost \$1,215,133,039) .....	\$ 1,433,487,037
Cash and foreign currency, at value (cost \$1,490)	2,063
Dividends and interest receivable .....	1,591,769
	-----
TOTAL ASSETS .....	1,435,080,869
	-----

#### LIABILITIES:

Payable for investments purchased .....	3,938,549
Dividends payable .....	193,438
Unrealized depreciation on swap contract .....	69,000
Unrealized depreciation on forward foreign exchange contracts .....	204
Payable for investment advisory fees .....	794,434
Payable to custodian .....	28,402
Other accrued expenses and liabilities .....	699,530
	-----
TOTAL LIABILITIES .....	5,723,557
	-----

#### PREFERRED STOCK:

Series A Cumulative Preferred Stock (7.25%, \$25 liquidation value, \$0.001 par value, 8,000,000 shares authorized with 5,367,900 shares issued and outstanding) .....	134,197,500
Series B Cumulative Preferred Stock (7.20%, \$25 liquidation value, \$0.001 par value, 8,000,000 shares authorized with 6,600,000 shares issued and outstanding) .....	165,000,000
Series C Cumulative Preferred Stock (Auction Rate, \$25,000 liquidation value, \$0.001 par value, 6,000 shares authorized with 5,200 shares issued and outstanding) .....	130,000,000
	-----
TOTAL PREFERRED STOCK .....	429,197,500
	-----

#### NET ASSETS ATTRIBUTABLE TO COMMON STOCK

SHAREHOLDERS .....	\$ 1,000,159,812
	=====

#### NET ASSETS ATTRIBUTABLE TO COMMON STOCK

##### SHAREHOLDERS CONSIST OF:

Capital stock, at par value .....	\$ 131,772
Additional paid-in capital .....	783,748,484
Accumulated distributions in excess of net investment income .....	(47,836)
Accumulated distributions in excess of net realized gain on investments, futures contracts and foreign currency transactions ..	(1,972,803)
Net unrealized appreciation on investments and foreign currency transactions .....	218,300,195
	-----
TOTAL NET ASSETS .....	\$ 1,000,159,812
	=====

#### NET ASSET VALUE PER COMMON SHARE

(\$1,000,159,812 / 131,771,904 shares

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outstanding; 184,000,000 shares  
authorized of \$0.001 par value) ..... \$7.59  
=====

## STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)

INVESTMENT INCOME:	
Dividends (net of foreign taxes of \$418,277) .....	\$ 9,059,362
Interest .....	1,769,640
	-----
TOTAL INVESTMENT INCOME .....	10,829,002
	-----
EXPENSES:	
Investment advisory fees .....	5,512,313
Shareholder communications expenses .....	181,508
Payroll .....	148,204
Shareholder services fees .....	118,025
Custodian fees .....	75,830
Directors' fees .....	71,482
Legal and audit fees .....	55,612
Miscellaneous expenses .....	79,994
	-----
TOTAL EXPENSES .....	6,242,968
	-----
LESS: CUSTODIAN FEE CREDIT .....	(4,814)
	-----
NET EXPENSES .....	6,238,154
	-----
NET INVESTMENT INCOME .....	4,590,848
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FUTURES CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS:	
Net realized gain on investments .....	13,307,995
Net realized gain on foreign currency transactions ..	17,470
Net realized gain on futures contracts .....	555,625
	-----
Net realized gain on investments, futures contracts and foreign currency transactions .....	13,881,090
	-----
Net change in net unrealized appreciation/depreciation on investments and foreign currency transactions ..	(118,600,995)
	-----
NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS, FUTURES CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS .....	(104,719,905)
	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	(100,129,057)
	-----
DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:	
Net investment income .....	(10,998,098)
	-----
TOTAL DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS .....	(10,998,098)
	-----
NET DECREASE IN NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS RESULTING FROM OPERATIONS .....	\$ (111,127,155)
	=====

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See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC.

### STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

	SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED) -----
OPERATIONS:	
Net investment income .....	\$ 4,590,848
Net realized gain on investments, options, futures contracts and foreign currency transactions .....	13,881,090
Net change in unrealized appreciation/depreciation on investments and foreign currency transactions .....	(118,600,995)
	-----
NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	(100,129,057)
	-----
DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:	
Net investment income .....	(2,733,027)
Net realized gain on investments, options, futures contracts and foreign currency transactions .....	(8,265,071)
	-----
TOTAL DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS .....	(10,998,098)
	-----
NET DECREASE IN NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS RESULTING FROM OPERATIONS .....	(111,127,155)
	-----
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:	
Net investment income .....	(1,857,821)
Net realized gain on investments, options, futures contracts and foreign currency transactions .....	(5,616,019)
Paid-in capital .....	(62,605,925)
	-----
TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....	(70,079,765)
	-----
FUND SHARE TRANSACTIONS:	
Net increase in net assets from common shares issued upon reinvestment of dividends and distributions and rights offering .....	16,995,721
Underwriting discount for preferred shares charged to paid-in capital .....	(1,300,000)
Offering costs for preferred shares charged to paid-in capital .....	(500,000)
	-----
NET INCREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS .....	15,195,721
	-----
NET DECREASE IN NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS .	(166,011,199)
NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS:	
Beginning of period .....	1,166,171,011
	-----
End of period .....	\$ 1,000,159,812
	=====

See accompanying notes to financial statements.

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## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-30D

### THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION. The Gabelli Equity Trust Inc. (the "Equity Trust") is a closed-end, non-diversified management investment company organized as a Maryland corporation on May 20, 1986 and registered under the Investment Company Act of 1940, as amended (the "1940 Act"), whose primary objective is long-term growth of capital. The Equity Trust had no operations until August 11, 1986, when it sold 10,696 shares of common stock to Gabelli Funds, LLC (the "Adviser") for \$100,008. Investment operations commenced on August 21, 1986.

2. SIGNIFICANT ACCOUNTING POLICIES. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Equity Trust in the preparation of its financial statements.

SECURITY VALUATION. Portfolio securities listed or traded on a nationally recognized securities exchange, quoted by the National Association of Securities Dealers Automated Quotations, Inc. ("Nasdaq") 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 on that exchange or market as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Directors so determines, by such other method as the Board of Directors 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 in foreign markets are generally valued at the preceding closing values of such securities on their respective exchanges or markets. Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board of Directors. Short term debt securities with remaining maturities of 60 days or less are valued at amortized cost, unless the Board of Directors determines such does not reflect the securities fair value, in which case these securities will be valued at their fair value as determined by the Board of Directors. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the latest average of the bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price on that day. Options are valued at the last sale price on the exchange on which they are listed. If no sales of such options have taken place that day, they will be valued at the mean between their closing bid and asked prices.

REPURCHASE AGREEMENTS. The Equity Trust may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Bank of New York, with member banks of the Federal Reserve System or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board of Directors. Under the terms of a typical repurchase agreement, the Equity Trust takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Equity Trust to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Equity Trust's holding period. The Equity Trust will always receive and maintain securities as collateral whose market value, including accrued interest, will be at least equal to 100% of the dollar amount invested by the Equity Trust in each agreement. The Equity Trust will make payment for such securities only upon physical delivery or upon evidence of book

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entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy

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### THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Equity Trust may be delayed or limited.

**SWAP AGREEMENTS.** The Equity Trust may enter into interest rate swap or cap transactions. The use of interest rate swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an interest rate swap, the Equity Trust would agree to pay to the other party to the interest rate swap (which is known as the "counterparty") periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Equity Trust periodically a variable rate payment that is intended to approximate the Equity Trust's variable rate payment obligation on the Series C Preferred. In an interest rate cap, the Equity Trust would pay a premium to the interest rate cap to the counterparty and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from the counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Equity Trust would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. Depending on the general state of short-term interest rates and the returns on the Equity Trust's portfolio securities at that point in time, such a default could negatively affect the Equity Trust's ability to make dividend payments for the Series C Preferred. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Equity Trust 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. If this occurs, it could have a negative impact on the Equity Trust's ability to make dividend payments on the Series C Preferred.

**FUTURES CONTRACTS.** The Equity Trust may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Such investments will only be made if they are economically appropriate to the reduction of risks involved in the management of the Equity Trust's investments. Upon entering into a futures contract, the Equity Trust is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by the Equity Trust each day, depending on the daily fluctuation of the value of the contract. The daily changes in the contract are included in unrealized appreciation/depreciation on investments and futures contracts. The Equity Trust recognizes a realized gain or loss when the contract is closed. There were no open futures contracts at June 30, 2002.

There are several risks in connection with the use of futures contracts as a hedging device. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk the Equity Trust may not be able to enter into a closing transaction because of an illiquid secondary market.

**FORWARD FOREIGN EXCHANGE CONTRACTS.** The Equity Trust may engage in forward

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foreign exchange contracts for 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 investments and foreign currency transactions. When the contract is closed, the Equity Trust 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.

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### THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Equity Trust'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/(loss) that might result should the value of the currency increase. In addition, the Equity Trust could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts.

**FOREIGN CURRENCY TRANSLATION.** The books and records of the Equity Trust are maintained in United States (U.S.) dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period, and 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, which 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 transactions. 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 Equity Trust and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/(loss) on investments.

**SECURITIES TRANSACTIONS AND INVESTMENT INCOME.** Securities transactions are accounted for as of 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 as earned. Dividend income is recorded on the ex-dividend date.

**DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS.** Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders of the Equity Trust's 7.25% Tax Advantaged Series A Cumulative Preferred Stock, 7.20% Tax Advantaged Series B Cumulative Preferred Stock and Series C Auction Rate Cumulative Preferred Stock ("Cumulative Preferred Stock") are accrued on a daily basis and are determined as described in Note 5.

Income distributions and capital gain distributions are determined in accordance with Federal income tax regulations which may differ from accounting principles generally accepted in the United States. These differences are primarily due to differing treatments of income and gains on various investment securities held by the Equity Trust, timing differences and differing characterization of distributions made by the Equity Trust.

**PROVISION FOR INCOME TAXES.** The Equity Trust intends to continue to

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qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. As a result, a Federal income tax provision is not required.

Dividends and interest from non-U.S. sources received by the Equity Trust are generally subject to non-U.S. withholding taxes at rates ranging up to 30%. Such withholding taxes may be reduced or eliminated under the terms of applicable U.S. income tax treaties, and the Equity Trust intends to undertake any procedural steps required to claim the benefits of such treaties. If the value of more than 50% of the Equity Trust's total net assets at the close of any taxable year consists of stocks or securities of non-U.S. corporations, the Equity Trust is permitted and may elect to treat any non-U.S. taxes paid by it as paid by its shareholders.

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### THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

3. AGREEMENTS AND TRANSACTIONS WITH AFFILIATES. The Equity Trust has entered into an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Equity Trust will pay the Adviser a fee, computed weekly and paid monthly, equal on an annual basis to 1.00% of the value of the Equity Trust's average weekly net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Equity Trust's portfolio and oversees the administration of all aspects of the Equity Trust's business and affairs. The Adviser has agreed to reduce the management fee on the incremental assets attributable to the Cumulative Preferred Stock if the total return of the net asset value of the common shares of the Equity Trust, including distributions and advisory fee subject to reduction, does not exceed the stated dividend rate or corresponding swap rate of the Cumulative Preferred Stock. For the six months ended June 30, 2002, the Equity Trust's total return on the net asset value of the common shares did not exceed the stated dividend rate of the Cumulative Preferred Stock. Thus, such management fees were not earned on the incremental assets.

During the six months ended June 30, 2002, Gabelli & Company, Inc. and its affiliates received \$226,776 in brokerage commissions as a result of executing agency transactions in portfolio securities on behalf of the Equity Trust.

4. PORTFOLIO SECURITIES. Cost of purchases and proceeds from sales of securities, other than short-term securities, for the six months ended June 30, 2002 aggregated \$139,275,810 and \$93,129,622, respectively.

5. CAPITAL. The Articles of Incorporation, dated May 19, 1986, permit the Equity Trust to issue 184,000,000 shares of common stock (par value \$0.001). The Board of Directors of the Equity Trust has authorized the repurchase of its shares on the open market when the shares are trading at a discount of 10% or more (or such other percentage as the Board of Directors may determine from time to time) from the net asset value of the shares. During the six months ended June 30, 2002, the Equity Trust did not repurchase any shares of its common stock in the open market.

On January 10, 2001, the Equity Trust distributed one transferable right for each of the 108,688,408 common shares outstanding to shareholders of record on that date. Six rights were required to purchase one additional common share at the subscription price of \$7.00 per share. The subscription period expired on February 13, 2001. The rights offering was fully subscribed resulting in the issuance of 18,114,735 common shares and proceeds of \$126,803,145 to the Equity Trust, prior to the deduction of estimated expenses of \$500,000. The net asset value per share of the Equity Trust common shareholders was reduced by approximately \$0.62 per share as a result of the issuance.

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Transactions in common stock were as follows:

	SIX MONTHS ENDED JUNE 30, 2002 (UNAUDITED)		YEAR ENDED DECEMBER 31, 2001	
	Shares	Amount	Shares	Amount
Shares issued in rights offering ...	--	\$ --	18,114,735	\$126,303,145
Shares issued upon reinvestment of dividends and distributions ...	1,704,105	16,995,721	3,264,654	33,500,214
Net increase .....	1,704,105	\$16,995,721	21,379,389	\$159,803,359
	=====	=====	=====	=====

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## THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The holders of Cumulative Preferred Stock have voting rights equivalent to those of the holders of common stock (one vote per share) and will vote together with holders of shares of common stock as a single class. In addition, the 1940 Act requires that along with approval of a majority of the holders of common stock, approval of a majority of the holders of any outstanding shares of Cumulative Preferred Stock, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the Cumulative Preferred Stock, and (b) take any action requiring a vote of security holders, including, among other things, changes in the Trust's subclassification as a closed-end investment company or changes in its fundamental investment restrictions. The Equity Trust's Articles of Incorporation, as amended, authorize the issuance of up to 16,000,000 shares of \$0.001 par value Cumulative Preferred Stock. The Cumulative Preferred Stock is senior to the common stock and results in the financial leveraging of the common stock. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Stock are cumulative. The Equity Trust is required to meet certain asset coverage tests as required by the 1940 Act and by the Shares' Articles Supplementary with respect to the Cumulative Preferred Stock. If the Equity Trust fails to meet these requirements and does not correct such failure, the Equity Trust may be required to redeem, in part or in full, the 7.25% Series A, 7.20% Series B and Series C Auction Rate Cumulative Preferred Stock at a redemption price of \$25, \$25 and \$25,000, respectively, per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset requirements could restrict the Equity Trust's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Equity Trust's assets may vary in a manner unrelated to the fixed and variable rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

Under Emerging Issues Task Force (EITF) promulgating Topic D-98, CLASSIFICATION AND MEASUREMENT OF REDEEMABLE SECURITIES, which was issued on July 19, 2001, preferred securities that are redeemable for cash or other assets are to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer. Subject to the guidance of the EITF, the Equity Trust's Cumulative



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Preferred Stock, which was previously classified as a component of net assets, has been reclassified outside of permanent equity (net assets attributable to common stock shareholders) in the accompanying financial statements. Prior year amounts have also been reclassified to conform with this presentation. The impact of this reclassification creates no change to the net assets available to common shareholders.

Commencing June 9, 2003 and thereafter, the Equity Trust, at its option, may redeem the 7.25% Series A Cumulative Preferred Stock in whole or in part at the redemption price. During the six months ended June 30, 2002, the Equity Trust did not repurchase any shares of 7.25% Series A Cumulative Preferred Stock. During the year ended December 31, 2001, the Equity Trust repurchased 1,000 shares of 7.25% Series A Cumulative Preferred Stock at a cost of \$24,870 and at an average price of \$24.87 per share. At June 30, 2002, 5,367,900 shares of the 7.25% Series A Cumulative Preferred Stock were outstanding at the fixed dividend rate of 7.25 percent per share and accrued dividends amounted to \$81,077.

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### THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On June 20, 2001, the Equity Trust received net proceeds of \$159,329,175 (after underwriting discounts of \$5,197,500 and estimated offering expenses of \$473,325) from the public offering of 6,600,000 shares of 7.20% Series B Cumulative Preferred Stock. Commencing June 20, 2006 and thereafter, the Equity Trust, at its option, may redeem the 7.20% Series B Cumulative Preferred Stock in whole or in part at the redemption price. During the six months ended June 30, 2002 and the year ended December 31, 2001, the Equity Trust did not repurchase any shares of 7.20% Series B Cumulative Preferred Stock. At June 30, 2002, 6,600,000 shares of the 7.20% Series B Cumulative Preferred Stock were outstanding at the fixed rate of 7.20 percent per share and accrued dividends amounted to \$99,000.

On June 27, 2002, the Equity Trust received net proceeds of \$128,200,000 (after underwriting discounts of \$1,300,000 and estimated offering expenses of \$500,000) from the public offering of 5,200 shares of Series C Auction Rate Cumulative Preferred Stock. The dividend rate, as set by the auction process, which is generally held every 7 days, is expected to vary with short-term interest rates. Existing shareholders may submit an order to hold, bid or sell such shares on each auction date. Series C Auction Rate Cumulative Preferred Stock shareholders may also trade shares in the secondary market. The Equity Trust, at its option, may redeem the Series C Auction Rate Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the six months ended June 30, 2002, the Equity Trust did not repurchase any shares of Series C Auction Rate Cumulative Preferred Stock. At June 30, 2002, 5,200 shares of the Series C Auction Rate Cumulative Preferred Stock were outstanding at the annual rate of 1.85 percent per share and accrued dividends amounted to \$13,361.

6. SUBSEQUENT EVENT. Effective August 1, 2002, the Equity Trust modified its non-fundamental investment policy to increase, from 65% to 80%, the portion of its assets that it will invest, under normal market conditions in equity securities (the "80% Policy").

The 80% Policy may be changed without shareholder approval. However, the Equity Trust has adopted a policy to provide shareholders with at least 60 days' notice of the implementation of any change in the 80% Policy.

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### THE GABELLI EQUITY TRUST INC.

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## FINANCIAL HIGHLIGHTS

SELECTED DATA FOR AN EQUITY TRUST COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD: OPERATING PERFORMANCE:	SIX MONTHS ENDED JUNE 30, 2002 (A) (UNAUDITED)	YEAR ENDED DE		
		2001 (A)	2000 (A)	1999
Net asset value, beginning of period .....	\$ 8.97	\$ 10.89	\$ 12.75	\$ 1
Net investment income .....	0.04	0.08	0.05	
Net realized and unrealized gain (loss) on investments .....	(0.78)	(0.16)	(0.51)	
Total from investment operations .....	(0.74)	(0.08)	(0.46)	
DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:				
Net investment income .....	(0.02)	(0.01)	(0.00) (c)	(
Net realized gain on investments .....	(0.06)	(0.11)	(0.09)	(
Total distributions to preferred stock shareholders .....	(0.08)	(0.12)	(0.09)	(
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS RESULTING FROM OPERATIONS .....	(0.82)	(0.20)	(0.55)	
DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:				
Net investment income .....	(0.02)	(0.06)	(0.04)	(
Net realized gain on investments .....	(0.04)	(1.02)	(1.27)	(
Paid-in capital .....	(0.48)	--	--	(
Total distributions to common stock shareholders .....	(0.54)	(1.08)	(1.31)	(
CAPITAL SHARE TRANSACTIONS:				
Increase (decrease) in net asset value from common stock share transactions and rights offering .....	(0.01)	0.03	--	
Underwriting discount for preferred shares charged to paid-in capital .....	(0.01)	(0.62)	--	
Offering costs for preferred shares charged to paid-in capital .....	--	(0.05)	--	
Total capital share transactions .....	(0.02)	(0.64)	--	
NET ASSET VALUE ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS, END OF PERIOD .....	\$ 7.59	\$ 8.97	\$ 10.89	\$ 1
Net asset value total return + .....	(9.70)%	(3.68)%	(4.39)%	2
Market value, end of period .....	\$ 10.03	\$ 10.79	\$ 11.44	\$ 1
Total investment return ++ .....	(1.33)%	10.32%	1.91%	2
RATIOS AND SUPPLEMENTAL DATA:				
Net assets including liquidation value of preferred shares, end of period (in 000's) .....	\$1,429,357	\$1,465,369	\$1,318,263	\$1,503

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Net assets attributable to common shares,				
end of period (in 000's) .....	\$1,000,160	\$1,166,171	\$1,184,041	\$1,368
Ratio of net investment income to average net assets attributable to common shares .....	0.82%(g)	0.81%	0.42%	
Ratio of operating expenses to average net assets attributable to common shares (e) .....	1.11%(g)	1.12%	1.14%	
Ratio of operating expenses to average total net assets including liquidation value of preferred shares (e) .....	0.88%(g)	0.95%	1.03%	
Portfolio turnover rate .....	7.3%	23.9%	32.1%	

- 
- + Based on net asset value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholders. Total return for the period of less than one year is not annualized.
- ++ Based on market value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholders. Total return for the period of less than one year is not annualized.
- (a) Per share amounts have been calculated using the monthly average shares outstanding method.
- (b) A distribution equivalent to \$0.75 per share for The Gabelli Utility Trust spin-off from net investment income, realized short-term gains, realized long-term gains, and paid-in-capital were \$0.01029, \$0.07453, \$0.34218 and \$0.32300, respectively.
- (c) Amount represents less than \$0.005 per share.
- (d) Based on weekly prices.
- (e) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the period ended June 30, 2002 and the years ended December 31, 2001 and 2000, the expense ratios of operating expenses to average net assets attributable to common stock would be 1.11%, 1.11% and 1.14%, respectively, and the expense ratios of operating expenses to average total net assets including liquidation value of preferred shares would be 0.88%, 0.94% and 1.03%, respectively.
- (f) Asset coverage is calculated by combining all series of preferred stock.
- (g) Annualized.

See accompanying notes to financial statements.

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## THE GABELLI EQUITY TRUST INC. FINANCIAL HIGHLIGHTS (CONTINUED)

	SIX MONTHS ENDED JUNE 30, 2002 (A)	YEAR ENDED DECEMBER		
RATIOS AND SUPPLEMENTAL DATA:	(UNAUDITED)	2001 (A)	2000 (A)	1999 (A)
PREFERRED STOCK:				
7.25% CUMULATIVE PREFERRED STOCK				
Liquidation value,				
end of period (in 000's) .....	\$ 134,198	\$ 134,198	\$ 134,223	\$ 134,660
Total shares outstanding (in 000's) .....	5,368	5,368	5,369	5,386

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Liquidation preference per share .....	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$
Average market value (d) .....	\$ 25.86	\$ 25.39	\$ 22.62	\$ 24.43	\$
7.20% CUMULATIVE PREFERRED STOCK					
Liquidation value,					
end of period (in 000's) .....	\$ 165,000	\$ 165,000	--	--	
Total shares outstanding (in 000's) .....	6,600	6,600	--	--	
Liquidation preference per share .....	\$ 25.00	\$ 25.00	--	--	
Average market value (d) .....	\$ 26.20	\$ 25.60	--	--	
AUCTION RATE CUMULATIVE PREFERRED STOCK					
Liquidation value, end of					
period (in 000's) .....	\$ 130,000	--	--	--	
Total shares outstanding (in 000's) .....	5	--	--	--	
Liquidation preference per share .....	\$ 25,000	--	--	--	
Average market value (d) .....	\$ 25,000	--	--	--	
ASSET COVERAGE (f) .....	333%	490%	982%	1,117%	
ASSET COVERAGE PER SHARE (f) .....	\$ 119.38	\$ 122.44	\$ 245.54	\$ 279.16	\$

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- + Based on net asset value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholder. Total return for the period of less than one year is not annualized.
  - ++ Based on market value per share, adjusted for reinvestment of distributions, including the effect of shares issued pursuant to rights offering, assuming full subscription by shareholder. Total return for the period of less than one year is not annualized.
  - (a) Per share amounts have been calculated using the monthly average shares outstanding method.
  - (b) A distribution equivalent to \$0.75 per share for The Gabelli Utility Trust spin-off from net investment income, realized short-term gains, realized long-term gains, and paid-in-capital were \$0.01029, \$0.07453, \$0.34218 and \$0.32300, respectively.
  - (c) Amount represents less than \$0.005 per share.
  - (d) Based on weekly prices.
  - (e) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the period ended June 30, 2002 and the years ended December 31, 2001 and 2000, the expense ratios of operating expenses to average net assets attributable to common stock would be 1.11%, 1.11% and 1.14%, respectively, and the expense ratios of operating expenses to average total net assets including liquidation value of preferred shares would be 0.88%, 0.94% and 1.03%, respectively.
  - (f) Asset coverage is calculated by combining all series of preferred stock.
  - (g) Annualized.

See accompanying notes to financial statements.

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## AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN

### ENROLLMENT IN THE PLAN

It is the policy of The Gabelli Equity Trust Inc. ("Equity Trust") to automatically reinvest dividends. As a "registered" shareholder you automatically become a participant in the Equity Trust's Automatic Dividend Reinvestment Plan (the "Plan"). The Plan authorizes the Equity Trust to issue shares to participants upon an income dividend or a capital gains distribution regardless of whether the shares are trading at a discount or a premium to net asset value. All distributions to shareholders whose shares are registered in their own names will be automatically reinvested pursuant to the Plan in

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additional shares of the Equity Trust. Plan participants may send their stock certificates to EquiServe Trust Company ("EquiServe") to be held in their dividend reinvestment account. Registered shareholders wishing to receive their distribution in cash must submit this request in writing to:

The Gabelli Equity Trust Inc.  
c/o EquiServe  
P.O. Box 43011  
Providence, RI 02940-3011

Shareholders requesting this cash election must include the shareholder's name and address as they appear on the share certificate. Shareholders with additional questions regarding the Plan may contact EquiServe at 1 (800) 336-6983.

SHAREHOLDERS WISHING TO LIQUIDATE REINVESTED SHARES held at EquiServe must do so in writing or by telephone. Please submit your request to the above mentioned address or telephone number. Include in your request your name, address and account number. The cost to liquidate shares is \$2.50 per transaction as well as the brokerage commission incurred. Brokerage charges are expected to be less than the usual brokerage charge for such transactions.

If your shares are held in the name of a broker, bank or nominee, you should contact such institution. If such institution is not participating in the Plan, your account will be credited with a cash dividend. In order to participate in the Plan through such institution, it may be necessary for you to have your shares taken out of "street name" and re-registered in your own name. Once registered in your own name your dividends will be automatically reinvested. Certain brokers participate in the Plan. Shareholders holding shares in "street name" at participating institutions will have dividends automatically reinvested. Shareholders wishing a cash dividend at such institution must contact their broker to make this change.

The number of shares of Common Stock distributed to participants in the Plan in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Equity Trust's Common Stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of Common Stock valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Equity Trust's Common Stock. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next trading day. If the net asset value of the Common Stock at the time of valuation

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exceeds the market price of the Common Stock, participants will receive shares from the Equity Trust valued at market price. If the Equity Trust should declare a dividend or capital gains distribution payable only in cash, EquiServe will buy Common Stock in the open market, or on the New York Stock Exchange or elsewhere, for the participants' accounts, except that EquiServe will endeavor to terminate purchases in the open market and cause the Equity Trust to issue shares at net asset value if, following the commencement of such purchases, the market value of the Common Stock exceeds the then current net asset value.

The automatic reinvestment of dividends and capital gains distributions will not relieve participants of any income tax which may be payable on such distributions. A participant in the Plan will be treated for Federal income tax purposes as having received, on a dividend payment date, a dividend or distribution in an amount equal to the cash the participant could have received

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instead of shares.

The Equity Trust reserves the right to amend or terminate the Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of the Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by EquiServe on at least 90 days' written notice to participants in the Plan.

### VOLUNTARY CASH PURCHASE PLAN

The Voluntary Cash Purchase Plan is yet another vehicle for our shareholders to increase their investment in the Equity Trust. In order to participate in the Voluntary Cash Purchase Plan, shareholders must have their shares registered in their own name.

Participants in the Voluntary Cash Purchase Plan have the option of making additional cash payments to EquiServe for investments in the Equity Trust's shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. EquiServe will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. EquiServe will charge each shareholder who participates \$0.75, plus a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that any voluntary cash payments be sent to EquiServe, P.O. Box 43011, Providence, RI 02940-3011 such that EquiServe receives such payments approximately 10 days before the investment date. Funds not received at least five days before the investment date shall be held for investment in the following month. A payment may be withdrawn without charge if notice is received by EquiServe at least 48 hours before such payment is to be invested.

For more information regarding the Dividend Reinvestment Plan and Voluntary Cash Purchase Plan, brochures are available by calling (914) 921-5070 or by writing directly to the Equity Trust.

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### DIRECTORS AND OFFICERS

THE GABELLI EQUITY TRUST INC.  
ONE CORPORATE CENTER, RYE, NY 10580-1422

#### DIRECTORS

Mario J. Gabelli, CFA  
CHAIRMAN & CHIEF INVESTMENT OFFICER,  
GABELLI ASSET MANAGEMENT INC.

Dr. Thomas E. Bratter  
PRESIDENT, JOHN DEWEY ACADEMY

Anthony J. Colavita  
ATTORNEY-AT-LAW,  
ANTHONY J. COLAVITA, P.C.

James P. Conn  
FORMER MANAGING DIRECTOR AND CHIEF INVESTMENT OFFICER,  
FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

Frank J. Fahrenkopf, Jr.  
PRESIDENT AND CHIEF EXECUTIVE OFFICER,

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### AMERICAN GAMING ASSOCIATION

Arthur V. Ferrara  
FORMER CHAIRMAN AND CHIEF EXECUTIVE OFFICER,  
GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

Karl Otto Pohl  
FORMER PRESIDENT, DEUTSCHE BUNDESBANK

Anthony R. Pustorino  
CERTIFIED PUBLIC ACCOUNTANT,  
PROFESSOR EMERITUS, PACE UNIVERSITY

Salvatore J. Zizza  
CHAIRMAN, HALLMARK ELECTRICAL SUPPLIES CORP.

### OFFICERS

Mario J. Gabelli, CFA  
PRESIDENT & CHIEF INVESTMENT OFFICER

Bruce N. Alpert  
VICE PRESIDENT & TREASURER

Carter W. Austin  
VICE PRESIDENT

James E. McKee  
SECRETARY

### INVESTMENT ADVISER

Gabelli Funds, LLC  
One Corporate Center  
Rye, New York 10580-1422

### CUSTODIAN

Boston Safe Deposit and Trust Company

### COUNSEL

Willkie Farr & Gallagher

### TRANSFER AGENT AND REGISTRAR

EquiServe Trust Company

### STOCK EXCHANGE LISTING

	COMMON -----	7.25% PREFERRED -----	7.20% PREFERRED -----
NYSE-			
Symbol:	GAB	GAB Pr	GAB PrB
Shares			
Outstanding:	131,771,904	5,367,900	6,600,000

The Net Asset Value appears in the Publicly Traded Funds column, under the heading "General Equity Funds," in Sunday's The New York Times and in Monday's The Wall Street Journal. It is also listed in Barron's Mutual Funds/Closed End Funds section under the heading "General Equity Funds".

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The Net Asset Value may be obtained each day by calling (914) 921-5071.

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For general information about the Gabelli Funds,  
call 1-800-GABELLI (1-800-422-3554), fax us at  
914-921-5118, visit Gabelli Funds' Internet  
homepage at: [HTTP://WWW.GABELLI.COM](http://WWW.GABELLI.COM)  
or e-mail us at: [closedend@gabelli.com](mailto:closedend@gabelli.com)  
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Notice is hereby given in accordance with Section 23(c) of the Investment  
Company Act of 1940, as amended, that the Equity Trust may, from time to time,  
purchase shares of its common stock in the open market when the Equity Trust  
shares are trading at a discount of 10% or more from the net asset value of  
the shares. The Equity Trust may also, from time to time, purchase shares of  
its Cumulative Preferred Stock in the open market when the shares are trading  
at a discount to the Liquidation Value of \$25.00.  
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THE GABELLI EQUITY TRUST INC.  
ONE CORPORATE CENTER  
RYE, NY 10580-1422  
(914) 921-5070  
[HTTP://WWW.GABELLI.COM](http://WWW.GABELLI.COM)

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