

GABELLI EQUITY TRUST INC  
Form 497  
March 29, 2016  
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**THE GABELLI EQUITY TRUST INC.**

Filed Pursuant to Rule 497(c)

Registration Statement No. 333-195247

**PROSPECTUS SUPPLEMENT**

(To Prospectus dated March 18, 2016)

**\$80,000,000**

**3,200,000 Shares**

**5.45% Series J Cumulative Preferred Stock**

**(Liquidation Preference \$25.00 per share)**

The Gabelli Equity Trust Inc. (the Fund, we, us or our) is offering 3,200,000 shares of 5.45% Series J Cumulative Preferred Stock, par value \$0.001 per share (the Series J Preferred Shares). The Series J Preferred Shares will constitute a separate series of the Fund's preferred stock. Investors in Series J Preferred Shares will be entitled to receive cumulative cash dividends at a rate of 5.45% per annum. Dividends and distributions on Series J Preferred Shares will be payable quarterly on March 26, June 26, September 26 and December 26 in each year commencing on June 26, 2016.

The Series J Preferred Shares are redeemable at our option on or after March 31, 2021 and are subject to mandatory redemption by us in certain circumstances. See Special Characteristics and Risks of the Series J Preferred Shares - Redemption.

The Fund is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to achieve long term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities, and warrants and rights to purchase such securities. Income is a secondary objective. The Fund's investment adviser is Gabelli Funds, LLC (the Investment Adviser).

The Fund's common shares are listed on the New York Stock Exchange (NYSE) under the symbol GAB. Currently, the Fund's 5.875% Series D Cumulative Preferred Stock (Series D Preferred), Series G Cumulative Preferred Stock (Series G Preferred) and 5.00% Series H Cumulative Preferred Stock (Series H Preferred) are listed on the NYSE under the symbol GAB PrD, GAB PrG and GAB PrH, respectively. Any future series of fixed rate preferred stock would also likely be listed on a stock exchange. On March 28, 2016, the last reported NYSE sale price of shares of our common stock was \$5.35 per share. The net asset value of shares of the Fund's common stock at the close of business on March 28, 2016 was \$5.66 per share.

Application has been made to list the Series J Preferred Shares on the NYSE. If the application is approved, the Series J Preferred Shares are expected to commence trading on the NYSE within thirty days of the date of issuance.

An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund's investment objectives will be achieved. You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in Series J Preferred Shares and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission's (SEC) website (<http://www.sec.gov>).

**Investing in Series J Preferred Shares involves certain risks that are described in the Special Characteristics and Risks of the Series J Preferred Shares section of this Prospectus Supplement and the Risk Factors and Special Considerations section beginning on page 32 of the accompanying Prospectus.**

**NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

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	<b>Per Share</b>	<b>Total</b>
Public offering price	\$ 25.00	\$ 80,000,000
Underwriting discounts and commissions	\$ 0.7875	\$ 2,520,000
Proceeds, before expenses, to the Fund <sup>(1)</sup>	\$ 24.2125	\$ 77,480,000

(1) The aggregate expenses of the offering (excluding underwriting discounts and commissions) are estimated to be \$325,000. The Underwriters are expected to deliver the Series J Preferred Shares in book-entry form through The Depository Trust Company on or about March 31, 2016.

**UBS Investment Bank**

**G.research, LLC**

**Wells Fargo Securities**

The date of this Prospectus Supplement is March 28, 2016.

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You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Neither the Fund nor the underwriters have authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively. Our business, financial condition, results of operations and prospects may have changed since those dates. In this Prospectus Supplement and in the accompanying Prospectus, unless otherwise indicated, Fund, us, our and we refer to The Gabelli Equity Trust Inc., a Maryland corporation. This Prospectus Supplement also includes trademarks owned by other persons.

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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar, the negative of such terms. Such forward-looking statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares (including the Series J Preferred Shares) will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors and Special Considerations section of the accompanying Prospectus and Special Characteristics and Risks of the Series J Preferred Shares in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus are made as of the date of this Prospectus Supplement or the accompanying Prospectus, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act ).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Special Characteristics and Risks of the Series J Preferred Shares section of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the Series J Preferred Shares.

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**SUMMARY OF THE TERMS OF THE SERIES J PREFERRED SHARES**

**The Fund**

The Gabelli Equity Trust Inc. is a non-diversified, closed-end management investment company registered under the 1940 Act. The Fund's primary investment objective is to achieve long term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities, and warrants and rights to purchase such securities. Income is a secondary investment objective. Gabelli Funds, LLC serves as investment adviser to the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities. The Fund was organized as a Maryland corporation on May 20, 1986 and commenced its investment operations on August 21, 1986. Shares of the Fund's common stock are traded on the NYSE under the symbol GAB.

**Securities Offered**

3,200,000 Series J Preferred Shares. Series J Preferred Shares shall constitute a separate series of preferred stock of the Fund. The Series J Preferred Shares have the same priority with respect to payment of distributions and liquidation preference as the Series C Auction Rate Cumulative Preferred Stock (the Series C Preferred), Series D Preferred, Series E Auction Rate Cumulative Preferred Stock (the Series E Preferred), Series G Preferred and Series H Preferred.

**Dividend Rate**

Dividends and distributions on Series J Preferred Shares are cumulative from their original issue date at the annual rate of 5.45% of the \$25.00 per-share liquidation preference on the Series J Preferred Shares.

**Dividend Payment Date**

Holders of Series J Preferred Shares shall be entitled to receive, when, as and if authorized by, or under authority granted by, the Board of Directors and declared by the Fund, out of funds legally available therefor, cumulative cash dividends and distributions. Dividends and distributions will be paid quarterly on March 26, June 26, September 26 and December 26 in each year, commencing on June 26, 2016.

**Liquidation Preference**

\$25.00 per share.

**Use of Proceeds**

The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within approximately three months of the issue date; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months from the issue date. The proceeds may also be used to call shares of existing series of the Fund's preferred stock.

Pending such investment and/or redemption, the proceeds of the offering of the Series J Preferred Shares will be held in high quality short term debt securities and similar instruments. See *Use of Proceeds*.

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### **Non-Call Period/Redemption**

The Series J Preferred Shares generally may not be called for redemption at the option of the Fund prior to March 31, 2021. The Fund reserves the right, however, to redeem the Series J Preferred Shares at any time if it is necessary, in the judgment of the Board of Directors, to maintain its status as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code). The Fund also may be required under certain circumstances to redeem Series J Preferred Shares, before or after March 31, 2021, in order to meet certain regulatory or rating agency asset coverage requirements.

Commencing March 31, 2021, and thereafter, to the extent permitted by the 1940 Act and Maryland law, the Fund may at any time, upon notice of redemption, redeem the Series J Preferred Shares in whole or in part at the liquidation preference per share plus accumulated unpaid dividends through the date of redemption.

### **Stock Exchange Listing**

Application has been made to list the Series J Preferred Shares on the NYSE. Prior to the offering, there has been no public market for Series J Preferred Shares. If the application is approved, it is anticipated that trading on the NYSE will begin within thirty days from the date of this Prospectus Supplement. Before the Series J Preferred Shares are listed on the NYSE, the underwriters may, but are not obligated to, make a market in Series J Preferred Shares. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series J Preferred Shares will be illiquid.

### **Taxation**

The Fund expects that distributions made on the Series J Preferred Shares will consist of (i) long term capital gain (gain from the sale of a capital asset held longer than one year), (ii) qualified dividend income (dividend income from certain domestic and foreign corporations, provided certain holding period and other requirements are met by both the Fund and the stockholder), and (iii) investment company taxable income (other than qualified dividend income, including interest income, short term capital gain and income from certain hedging and interest rate transactions). Distributions paid to investors by the Fund from its investment company taxable income which includes the excess of net short term capital gains over net long term capital losses (together referred to hereinafter as ordinary income dividends) are generally taxable to investors as ordinary income to the extent of the earnings and profits of the Fund. Such distributions (if reported by the Fund) may, however, qualify (provided holding periods and other requirements are met) (i) for the dividends received deduction in the case of corporate stockholders to the extent that the income of the Fund consists of dividend income from U.S. corporations, and (ii) as qualified dividend income generally eligible for the reduced maximum federal tax rate to individuals applicable to net long term capital gains. Distributions made to investors from an excess of net long term capital gains over net short term capital losses (capital gain dividends), including capital gain dividends credited to investors but retained by the Fund, are taxable to investors as long term capital gains if they have been

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properly designated by the Fund, regardless of the length of time investors have owned shares of stock of the Fund. The maximum federal income tax rate on net long term capital gain of individuals is generally either 15% or 20% depending on whether an individual's income exceeds certain threshold amounts. In addition, certain U.S. stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surcharge on their net investment income. We cannot assure you, however, as to what percentage of future distributions made on the Series J Preferred Shares will consist of long term capital gain and qualified dividend income. *See U.S. Federal Income Tax Consequences of the Offering.*

**ERISA**

*See Employee Benefit Plan and IRA Considerations.*

**Dividend Paying Agent**

Computershare Trust Company, N.A.



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**DESCRIPTION OF THE SERIES J PREFERRED SHARES**

The following is a brief description of the terms of the Series J Preferred Shares. This is not a complete description and is subject to and entirely qualified by reference to the Fund's Articles Supplementary creating and fixing the rights of the Series J Preferred Shares (the "Articles"). The Articles are attached as an exhibit to post-effective amendment number 3 to the Fund's registration statement. Copies may be obtained as described under "Additional Information" in the accompanying Prospectus. Any capitalized terms in this section and the "Special Characteristics and Risks of the Series J Preferred Shares" section of this Prospectus Supplement that are not defined have the meaning assigned to them in the Articles.

The Fund's charter (the "Charter") authorizes its Board of Directors to reclassify any authorized but unissued shares of the Fund's capital stock, \$0.001 par value per share, without the approval of common stockholders. The Articles authorize the issuance of up to 4,500,000 Series J Preferred Shares. All Series J Preferred Shares will have a liquidation preference of \$25.00 per share. Holders of Series J Preferred Shares shall be entitled to receive cumulative cash dividends and distributions at the rate of 5.45% per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) of the \$25.00 per-share liquidation preference on the Series J Preferred Shares. Dividends and distributions on Series J Preferred Shares will accumulate from the date of their original issue, which is March 31, 2016.

The Series J Preferred Shares, when issued by the Fund and paid for pursuant to the terms of this Prospectus Supplement and the accompanying Prospectus, will be fully paid and non-assessable and will have no preemptive, exchange or conversion rights. Any Series J Preferred Shares purchased or redeemed by the Fund will be reclassified as authorized and unissued shares of preferred stock of the Fund without further designation as to class or series. The Board of Directors may by resolution classify or reclassify any authorized and unissued Series J Preferred Shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and distributions, qualifications or terms or conditions of redemption of such shares. The affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding Series J Preferred Shares (or shares of any other series of the Fund's preferred stock), voting separately from the holders of any other series of the Fund's preferred stock (to the extent its rights are affected differently), shall be required with respect to any matter that materially and adversely affects the rights, preferences or powers of that series in a manner different from that of other series or classes of the Fund's capital stock. The affirmative vote of the holders of a majority, as defined in the 1940 Act, of the outstanding shares of the Fund's preferred stock, voting separately as one class (including the Series J Preferred Shares), shall be required to amend, alter or repeal the provisions of the Fund's Charter or bylaws, whether by merger, consolidation or otherwise, if such amendment, alteration or repeal would affect adversely the rights, preferences or powers expressly set forth in any articles supplementary of the Fund's preferred stock, including the Articles, unless, in each case, the Fund obtains written confirmation from any rating agency then rating the Series J Preferred Shares at the Fund's request that such amendment, alteration or repeal would not impair the rating then assigned by such rating agency to the Series J Preferred Shares, in which case the vote or consent of the holders of the Series J Preferred Shares is not required. No matter shall be deemed to adversely affect any rights, preferences or powers of the Series J Preferred Shares unless such matter (i) adversely alters or abolishes any preferential right of such series; (ii) creates, adversely alters or abolishes any right in respect of redemption of such series; or (iii) creates or adversely alters (other than to abolish) any restriction on transfer applicable to such series. An increase in the number of authorized shares of preferred stock of the Fund pursuant to the Charter or the issuance of additional shares of any series of preferred stock of the Fund (including the Series J Preferred Shares) pursuant to the Charter shall not in and of itself be considered to adversely affect the rights, preferences or powers of the Series J Preferred Shares.

*The disclosure set forth in this Description of the Series J Preferred Shares and under the heading "Special Characteristics and Risks of the Series J Preferred Shares" is intended to be a summary of the material provisions of the Series J Preferred Shares. Since this Description of the Series J Preferred Shares is only a summary, you should refer to the Articles for a complete description of the obligations of the Fund and your*

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*rights. The disclosure set forth in this Description of the Series J Preferred Shares and under the heading Special Characteristics and Risks of the Series J Preferred Shares supplements the description of the preferred stock set forth under the caption Description of the Capital Stock Preferred Stock in the accompanying Prospectus, and in the event that any provision described in the disclosure set forth in this Description of the Series J Preferred Shares and under the heading Special Characteristics and Risks of the Series J Preferred Shares is inconsistent with any description contained in the accompanying Prospectus, the disclosure set forth in this Description of the Series J Preferred Shares and under the heading Special Characteristics and Risks of the Series J Preferred Shares will apply and supersede the description in the accompanying Prospectus.*

**USE OF PROCEEDS**

The Fund estimates the total net proceeds of the offering to be \$77,155,000 based on the public offering price of \$25.00 per Series J Preferred Share and after deduction of the underwriting discounts and commissions and estimated offering expenses payable by the Fund.

The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund's investment objectives and policies as appropriate investment opportunities are identified, which is expected to be substantially completed within approximately three months of the issue date; however, the identification of appropriate investment opportunities pursuant to the Fund's investment style or changes in market conditions may cause the investment period to extend as long as six months from the issue date. The proceeds may also be used to call shares of existing series of the Fund's preferred stock. Pending such investment and/or redemption, the proceeds of the offering of the Series J Preferred Shares will be held in high quality short term debt securities and similar instruments.

**Table of Contents****CAPITALIZATION**

The following table sets forth (i) the audited capitalization of the Fund as of December 31, 2015 and (ii) the unaudited adjusted capitalization of the Fund assuming the acceptance for record of the Articles with the State Department of Assessments and Taxation of Maryland ( SDAT ) and the issuance of the Series J Preferred Shares offered in this Prospectus Supplement and the use of proceeds thereof.

	As of December 31, 2015	
	Actual	As adjusted
Preferred stock, \$0.001 par value per share (The Actual column reflects the Fund's outstanding capitalization as of December 31, 2015; the As adjusted column assumes the issuance of 3,200,000 Series J Preferred Shares at \$25.00 liquidation preference per share)	\$ 333,665,850	\$ 413,665,850
Stockholders' equity applicable to common shares:		
Common stock, \$0.001 par value per share (The Actual and As adjusted columns reflect the Fund's outstanding capitalization of 219,244,891 shares of common stock as of December 31, 2015)	219,245	219,245
Paid-in surplus*	671,269,218	668,424,218
Distributions in excess of net investment income, net realized gain on investments, futures contracts, and foreign currency transactions	(11,799,419)	(11,799,419)
Net unrealized appreciation on investments and foreign currency translations	589,467,913	589,467,913
Net assets applicable to common stock	1,249,156,957	1,246,311,957
Liquidation preference of preferred stock	333,665,850	413,665,850
Net assets, plus the liquidation preference of preferred stock	1,582,822,807	1,659,977,807

\* As adjusted paid-in surplus reflects a deduction for the estimated underwriting discounts of \$2,520,000 and estimated offering costs of \$325,000 for the Series J Preferred Shares.

For financial reporting purposes, the Fund will deduct the liquidation preference of its outstanding preferred shares from net assets, so long as the senior securities have redemption features that are not solely within the control of the Fund. For all regulatory purposes, shares of the Fund's preferred stock will be treated as equity (rather than debt).

**Table of Contents****DESCRIPTION OF THE CAPITAL STOCK**

The following table shows (i) the classes of capital stock authorized, (ii) the number of shares outstanding in each class, and (iii) the number of shares authorized in each class as of the date hereof.

<b>Title Of Class</b>	<b>Amount Outstanding</b>	<b>Amount Authorized</b>
Common Stock	219,244,891	237,024,900
Series C Preferred	2,880	5,200
Series D Preferred	2,363,860	3,000,000
Series E Preferred	1,120	2,000
Series G Preferred	2,797,001	3,280,477
Series H Preferred	4,185,773	4,198,880
Series J Preferred Shares(1)	0	4,500,000
Preferred Stock(2)	0	17,988,543

- (1) The Fund has filed the Articles setting forth the terms of the Series J Preferred Shares with the SDAT.
- (2) Of these shares, 5,367,900 shares are classified and designated as shares of the Fund's 7.25% Cumulative Preferred Stock and 6,600,000 shares are classified and designated as shares of the Fund's 7.20% Tax Advantaged Series B Cumulative Preferred Stock, none of which remain outstanding.

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**ASSET COVERAGE RATIO**

Pursuant to the 1940 Act, the Fund generally will not be permitted to declare any dividend, or declare any other distribution, upon any outstanding shares of common stock, or purchase any such common stock, unless, in every such case, all shares of preferred stock issued by the Fund have at the time of declaration of any such dividend or distribution or at the time of any such purchase an asset coverage of at least 200% ( 1940 Act Asset Coverage Requirement ) after deducting the amount of such dividend, distribution, or purchase price, as the case may be. As of the date of this Prospectus Supplement, all of the Fund's outstanding shares of preferred stock are expected to have asset coverage on the date of issuance of the Series J Preferred Shares of approximately 402%.

In addition to the 1940 Act Asset Coverage Requirement, the Fund is subject to certain restrictions on investments imposed by guidelines of one or more rating agencies, which have issued ratings for certain of the preferred shares and may issue a rating for the Series J Preferred Shares. See Special Characteristics and Risks of the Series J Preferred Shares Risks Credit Rating Risk in this Prospectus Supplement.

**SPECIAL CHARACTERISTICS AND RISKS OF THE SERIES J PREFERRED SHARES**

**Dividends**

Holders of Series J Preferred Shares shall be entitled to receive cumulative cash dividends and distributions at the rate of 5.45% per annum (computed on the basis of a 360-day year consisting of twelve 30-day months) of the \$25.00 per-share liquidation preference on the Series J Preferred Shares. Dividends and distributions on Series J Preferred Shares will accumulate from the date of their original issue, which is March 31, 2016.

Dividends and distributions will be payable quarterly on March 26, June 26, September 26 and December 26 in each year (each a Dividend Payment Date ) commencing on June 26, 2016 (or, if any such day is not a business day, then on the next succeeding business day) to holders of record of Series J Preferred Shares as they appear on the stock register of the Fund at the close of business on the fifth preceding business day. Dividends and distributions on Series J Preferred Shares shall accumulate from the date on which the Series J Preferred Shares are originally issued. Each period beginning on and including a Dividend Payment Date (or the date of original issue, in the case of the first dividend period after the first issuance of the Series J Preferred Shares) and ending on but excluding the next succeeding Dividend Payment Date is referred to herein as a Dividend Period. Dividends and distributions on account of arrears for any past Dividend Period or in connection with the redemption of Series J Preferred Shares may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date as shall be fixed by the Board of Directors that is not more than 30 days before the Dividend Payment Date.

No full dividends or distributions will be declared or paid on Series J Preferred Shares for any Dividend Period or part thereof unless full cumulative dividends and distributions due through the most recent Dividend Payment Dates therefor on all outstanding shares of any series of preferred stock of the Fund ranking on a parity with the Series J Preferred Shares as to the payment of dividends and distributions have been or contemporaneously are declared and paid through the most recent Dividend Payment Dates therefor. If full cumulative dividends and distributions due have not been paid on all outstanding shares of the Fund's preferred stock, any dividends and distributions being paid on such shares of preferred stock (including the Series J Preferred Shares) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on each such series of preferred stock on the relevant Dividend Payment Date.

**Restrictions on Dividend, Redemption and Other Payments**

Under the 1940 Act, the Fund is not permitted to issue preferred stock (such as the Series J Preferred Shares) unless immediately after such issuance the Fund will have an asset coverage of at least 200% (or such

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other percentage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities representing stock of a closed-end investment company as a condition of declaring distributions, purchases or redemptions of its stock). In general, the term "asset coverage" for this purpose means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness of the Fund plus the aggregate of the involuntary liquidation preference of the preferred stock. The involuntary liquidation preference refers to the amount to which the preferred stock would be entitled on the involuntary liquidation of the Fund in preference to a security junior to them. The Fund also is not permitted to declare any cash dividend or other distribution on its common stock or purchase its common stock unless, at the time of such declaration or purchase, the Fund satisfies this 200% asset coverage requirement after deducting the amount of the distribution or purchase price, as applicable.

In addition, the Fund may be limited in its ability to declare any cash distribution on its capital stock (including the Series J Preferred Shares) or purchase its capital stock (including the Series J Preferred Shares) unless, at the time of such declaration or purchase, the Fund has an asset coverage on its indebtedness, if any, of at least 300% after deducting the amount of such distribution or purchase price, as applicable. The 1940 Act contains an exception, however, that permits dividends to be declared upon any preferred stock issued by the Fund (including the Series J Preferred Shares) if the Fund's indebtedness has an asset coverage of at least 200% at the time of declaration after deducting the amount of the dividend. In general, the term "asset coverage" for this purpose means the ratio which the value of the total assets of the Fund, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness of the Fund.

The term "senior security" does not include any promissory note or other evidence of indebtedness in any case where such a loan is for temporary purposes only and in an amount not exceeding 5% of the value of the total assets of the Fund at the time when the loan is made. A loan is presumed under the 1940 Act to be for temporary purposes if it is repaid within 60 days and is not extended or renewed; otherwise it is presumed not to be for temporary purposes. For purposes of determining whether the 200% and 300% asset coverage requirements described above apply in connection with dividends or distributions on or purchases or redemptions of Series J Preferred Shares, the asset coverages may be calculated on the basis of values calculated as of a time within 48 hours (not including Sundays or holidays) next preceding the time of the applicable determination.

**Voting Rights**

Except as otherwise provided in the Fund's governing documents (including the Articles) or a resolution of the Board of Directors, or as required by applicable law, holders of Series J Preferred Shares shall have no power to vote on any matter except matters submitted to a vote of the Fund's common stock. In any matter submitted to a vote of the holders of the common stock, each holder of Series J Preferred Shares shall be entitled to one vote for each Series J Preferred Share held and the holders of all outstanding shares of preferred stock, including Series J Preferred Shares, and the shares of common stock shall vote together as a single class; provided, however, that at any meeting of the stockholders of the Fund held for the election of Directors, the holders of the outstanding shares of preferred stock, including Series J Preferred Shares, shall be entitled, as a class, to the exclusion of the holders of all other classes of capital stock of the Fund, to elect a number of the Fund's directors, such that, following the election of directors at the meeting of the stockholders, the Fund's Board of Directors shall contain two directors elected by the holders of the outstanding shares of preferred stock, including the Series J Preferred Shares.

During any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a "Voting Period"), the number of directors constituting the Fund's Board of Directors shall be increased by the smallest number of additional directors that, when added to the two directors elected exclusively by the holders of outstanding shares of preferred stock, would constitute a simple majority of the Fund's Board of Directors as so increased by such smallest number, and the holders of outstanding shares of

## **Table of Contents**

preferred stock, including the Series J Preferred Shares, voting separately as one class (to the exclusion of the holders of all other classes of capital stock of the Fund) shall be entitled to elect such smallest number of additional directors and the two directors the holders of shares of preferred stock, including the Series J Preferred Shares, are otherwise entitled to elect. The Fund and the Fund's Board of Directors shall take all necessary actions, including amending the Fund's bylaws, to effect an increase in the number of directors as described in the preceding sentence. A Voting Period shall commence:

(i) if at any time accumulated dividends and distributions on the outstanding Series J Preferred Shares equal to at least two full years' dividends and distributions shall be due and unpaid and sufficient cash or specified securities shall not have been deposited with Computershare Trust Company, N.A., and its successors or any other dividend-disbursing agent appointed by the Fund, for the payment of such accumulated dividends and distributions; or

(ii) if at any time holders of any other shares of preferred stock are entitled to elect a majority of the Directors of the Fund under the 1940 Act or articles supplementary creating such shares.

## **Redemption**

*Mandatory Redemption.* Under certain circumstances, the Series J Preferred Shares will be subject to mandatory redemption by the Fund out of funds legally available therefor in accordance with the Articles and applicable law.

If the Fund fails to have asset coverage, as determined in accordance with Section 18(h) of the 1940 Act, of at least 200% with respect to all outstanding senior securities of the Fund which are stock, including all outstanding Series J Preferred Shares (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are stock of a closed-end investment company as a condition of declaring dividends on its common stock), and such failure is not cured as of the cure date specified in the Articles, (i) the Fund shall give a notice of redemption with respect to the redemption of a sufficient number of shares of its preferred stock, which at the Fund's determination (to the extent permitted by the 1940 Act and Maryland law) may include any proportion of Series J Preferred Shares, to enable it to meet the asset coverage requirements, and, at the Fund's discretion, such additional number of Series J Preferred Shares or shares of any other series of preferred stock of the Fund in order for the Fund to have asset coverage with respect to the Series J Preferred Shares and any other series of preferred stock of the Fund remaining outstanding after such redemption as great as 210%, and (ii) deposit an amount with Computershare Trust Company, N.A., and its successors or any other dividend-disbursing agent appointed by the Fund, having an initial combined value sufficient to effect the redemption of the Series J Preferred Shares or other series of preferred stock of the Fund to be redeemed.

On such cure date, the Fund shall redeem, out of funds legally available therefor, the number of shares of its preferred stock, which, to the extent permitted by the 1940 Act and Maryland law, at the option of the Fund may include any proportion of Series J Preferred Shares or shares of any other series of preferred stock of the Fund, is equal to the minimum number of shares the redemption of which, if such redemption had occurred immediately prior to the opening of business on such cure date, would have resulted in the Fund having asset coverage immediately prior to the opening of business on such cure date in compliance with the 1940 Act or, if asset coverage cannot be so restored, all of the outstanding Series J Preferred Shares, at a price equal to \$25.00 per share plus accumulated but unpaid dividends and distributions (whether or not earned or declared by the Fund) through and including the date of redemption. See "Description of the Capital Stock Preferred Stock Redemption" in the Prospectus for a discussion of the consequences that would arise if the Fund fails to maintain the asset coverage requirements as calculated in accordance with the applicable rating agency guidelines set forth in the Articles as of any monthly valuation date.

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*Optional Redemption.* Prior to March 31, 2021, the Series J Preferred Shares are not subject to optional redemption by the Fund unless the redemption is necessary, in the judgment of the Board of Directors, to maintain the Fund's status as a regulated investment company under Subchapter M of the Code. Commencing March 31, 2021, and thereafter, to the extent permitted by the 1940 Act and Maryland law, the Fund may at any time upon notice in the manner provided in the Articles redeem the Series J Preferred Shares in whole or in part at a price equal to the liquidation preference per share plus accumulated but unpaid dividends through and including the date of redemption.

### **Liquidation**

In the event of any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the holders of Series J Preferred Shares shall be entitled to receive out of the assets of the Fund available for distribution to stockholders, after satisfying claims of creditors but before any distribution or payment shall be made in respect of the Fund's common stock or any other stock of the Fund ranking junior to the Series J Preferred Shares as to liquidation payments, a liquidation distribution in the amount of \$25.00 per share (the Liquidation Preference), plus an amount equal to all unpaid dividends and distributions accumulated to and including the date fixed for such distribution or payment (whether or not earned or declared by the Fund, but excluding interest thereon), and such holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up of the Fund.

If, upon any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the assets of the Fund available for distribution among the holders of all outstanding Series J Preferred Shares and all outstanding shares of any other series of the Fund's preferred stock ranking on a parity with the Series J Preferred Shares as to payment upon liquidation shall be insufficient to permit the payment in full to such holders of Series J Preferred Shares of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to all outstanding shares of such other series of preferred stock of the Fund, then such available assets shall be distributed among the holders of Series J Preferred Shares and such other series of preferred stock of the Fund ratably in proportion to the respective preferential liquidation amounts to which they are entitled. Unless and until the Liquidation Preference plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Series J Preferred Shares, no dividends or distributions will be made to holders of the Fund's common stock or any other stock of the Fund ranking junior to the Series J Preferred Shares as to liquidation.

### **Stock Exchange Listing**

Application has been made to list the Series J Preferred Shares on the NYSE. If the application is approved, the Series J Preferred Shares are expected to commence trading on the NYSE within thirty days of the date of issuance.

### **Risks**

Risk is inherent in all investing. Therefore, before investing in the Series J Preferred Shares you should consider the risks carefully. See Risk Factors and Special Considerations in the Prospectus. Primary risks associated with an investment in the Series J Preferred Shares include:

*Market Price Risk.* The market price for the Series J Preferred Shares will be influenced by changes in interest rates, the perceived credit quality of the Series J Preferred Shares and other factors, and may be higher or lower than the liquidation preference of the Series J Preferred Shares. There is currently no market for the Series J Preferred Shares.

*Liquidity Risk.* Currently, there is no public market for the Series J Preferred Shares. As noted above, an application has been made to list the Series J Preferred Shares on the NYSE. However, during an initial period



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which is not expected to exceed thirty days after the date of its issuance, the Series J Preferred Shares will not be listed on any securities exchange. Before the Series J Preferred Shares are listed on the NYSE, the underwriters may, but are not obligated to, make a market in the Series J Preferred Shares. No assurances can be provided that listing on any securities exchange or market making by the underwriters will result in the market for Series J Preferred Shares being liquid at any time.

*Redemption Risk.* The Fund may at any time redeem Series J Preferred Shares to the extent necessary to meet regulatory asset coverage requirements or requirements imposed by credit rating agencies. For example, if the value of the Fund's investment portfolio declines, thereby reducing the asset coverage for the Series J Preferred Shares, the Fund may be obligated under the terms of the Series J Preferred Shares to redeem some or all of the Series J Preferred Shares. In addition, commencing March 31, 2021, the Fund will be able to call the Series J Preferred Shares at the option of the Fund. Investors may not be able to reinvest the proceeds of any redemption in an investment providing the same or a higher dividend rate than that of the Series J Preferred Shares.

The Series J Preferred Shares are not a debt obligation of the Fund. The Series J Preferred Shares are junior in respect of distributions and liquidation preference to any indebtedness incurred by the Fund, and have the same priority with respect to payment of distributions and liquidation preference as the Series C Preferred, Series D Preferred, Series E Preferred, Series G Preferred and Series H Preferred. Although unlikely, precipitous declines in the value of the Fund's assets could result in the Fund having insufficient assets to redeem all of the Series J Preferred Shares for the full redemption price.

*Credit Rating Risk.* The Fund is seeking a credit rating on the Series J Preferred Shares. Any credit rating that is issued on the Series J Preferred Shares could be reduced or withdrawn while an investor holds Series J Preferred Shares. A reduction or withdrawal of the credit rating would likely have an adverse effect on the market value of the Series J Preferred Shares. In addition, a credit rating does not eliminate or mitigate the risks of investing in the Series J Preferred Shares.

*Distribution Risk.* The Fund may not meet the asset coverage requirements or earn sufficient income from its investments to make distributions on the Series J Preferred Shares.

*Interest Rate Risk.* The Series J Preferred Shares pay dividends at a fixed rate. Prices of fixed income investments tend to vary inversely with changes in market yields. The market yields on securities comparable to the Series J Preferred Shares may increase, which would likely result in a decline in the value of the Series J Preferred Shares. Additionally, if interest rates rise, securities comparable to the Series J Preferred Shares may pay higher dividend rates and holders of the Series J Preferred Shares may not be able to sell the Series J Preferred Shares at their liquidation preference and reinvest the proceeds at market rates.

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**U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE OFFERING**

*Preferred Stock Distributions.* In accordance with the Fund's Charter, and as required by the 1940 Act, all preferred stock of the Fund must have the same seniority with respect to distributions. Accordingly, no full distribution will be declared or paid on any series of preferred stock of the Fund for any dividend period, or part thereof, unless full cumulative dividends and distributions due through the most recent dividend payment dates for all series of outstanding preferred stock of the Fund are declared and paid. If full cumulative distributions due have not been declared and made on all outstanding preferred stock of the Fund, any distributions on such preferred stock will be made as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred stock on the relevant dividend payment date.

In the event that for any calendar year the total distributions on shares of the Fund's preferred stock exceed the Fund's current and accumulated earnings and profits allocable to such shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder's tax basis in the shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted tax basis in the preferred stock, thereby increasing the stockholder's potential taxable gain or reducing the potential taxable loss on the sale or redemption of the stock. The Fund did not make return of capital distributions to its preferred stockholders during the year ended December 31, 2015.

The Fund expects that distributions made on the Series J Preferred Shares will consist of (i) long term capital gain (gain from the sale of a capital asset held longer than one year), (ii) qualified dividend income (dividend income from certain domestic and foreign corporations, provided certain holding period and other requirements are met by both the Fund and the stockholder), and (iii) investment company taxable income (other than qualified dividend income, including interest income, short term capital gain and income from certain hedging and interest rate transactions). Distributions paid to investors by the Fund from its investment company taxable income which includes the excess of net short term capital gains over net long term capital losses (together referred to hereinafter as "ordinary income dividends") are generally taxable to investors as ordinary income to the extent of the earnings and profits of the Fund. Such distributions (if reported by the Fund) may, however, qualify (provided holding periods and other requirements are met) (i) for the dividends received deduction in the case of corporate stockholders to the extent that the income of the Fund consists of dividend income from U.S. corporations, and (ii) as qualified dividend income generally eligible for the reduced maximum federal tax rate to individuals applicable to net long term capital gains. Distributions made to investors from an excess of net long term capital gains over net short term capital losses ("capital gain dividends"), including capital gain dividends credited to investors but retained by the Fund, are taxable to investors as long term capital gains if they have been properly designated by the Fund, regardless of the length of time investors have owned shares of the Fund's stock. The maximum federal income tax rate on net long term capital gain of individuals is generally either 15% or 20% depending on whether an individual's income exceeds certain threshold amounts. In addition, certain U.S. stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surcharge on their net investment income. We cannot assure you, however, as to what percentage of future distributions made on the Series J Preferred Shares will consist of long term capital gain and qualified dividend income.

*Please refer to the "Taxation" sections in the accompanying Prospectus and in the Statement of Additional Information for a description of additional consequences of investing in shares of the preferred stock of the Fund.*

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**EMPLOYEE BENEFIT PLAN AND IRA CONSIDERATIONS**

The following is a summary of certain considerations associated with the purchase of the Series J Preferred Shares by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ), plans, individual retirement accounts ( IRAs ) and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include plan assets of any such plan, account or arrangement (each, a Benefit Plan ).

ERISA and the Code impose certain duties on persons who are fiduciaries of a Benefit Plan and prohibit certain transactions involving the assets of a Benefit Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Benefit Plan or the management or disposition of the assets of such a Benefit Plan, or who renders investment advice for a fee or other compensation to such a Benefit Plan, is generally considered to be a fiduciary of the Benefit Plan.

In considering an investment in the Series J Preferred Shares of a portion of the assets of any Benefit Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Benefit Plan and the applicable provisions of ERISA and Section 4975 of the Code relating to a fiduciary's duties to the Benefit Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA and the Code. The purchase of Series J Preferred Shares by a fiduciary for a Benefit Plan should be considered in light of such fiduciary requirements.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Benefit Plan and certain persons (referred to as parties in interest for purposes of ERISA and disqualified persons for purposes of the Code) having certain relationships to such Benefit Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a nonexempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code (or with respect to certain Benefit Plans, such as IRAs, a prohibited transaction may cause the Benefit Plan to lose its tax-exempt status). In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions ( PTCEs ) that may apply to the purchase of the Series J Preferred Shares. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers, PTCE 84-24 governing purchases of shares in investment companies) and PTCE 75-1 respecting sales of securities. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code each provides a limited exemption, commonly referred to as the service provider exemption, from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between a Benefit Plan and a person that is a party in interest and/or a disqualified person (other than a fiduciary or an affiliate that, directly or indirectly, has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Benefit Plan involved in the transaction) solely by reason of providing services to the Benefit Plan or by relationship to a service provider, provided that the Benefit Plan receives no less, nor pays no more, than adequate consideration. There can be no assurance that all of the conditions of any such exemptions or any other exemption will be satisfied at the time that the Series J Preferred Shares are acquired, or thereafter while the Series J Preferred Shares are held, if the facts relied upon for utilizing a prohibited transaction exemption change.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Series J Preferred Shares on behalf of, or with the assets of, any Benefit Plan, consult with their counsel regarding the potential applicability of ERISA and Section 4975 of the Code to such investment and whether an exemption would be applicable to the purchase of the Series J Preferred Shares.

**Table of Contents****UNDERWRITING**

UBS Securities LLC and Wells Fargo Securities, LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in an underwriting agreement among the Fund, the Investment Adviser and the underwriters, the Fund has agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from the Fund, the number of Series J Preferred Shares set forth opposite its name below.

<b>Underwriter</b>	<b>Number of Series J Preferred Shares</b>
UBS Securities LLC	1,440,000
Wells Fargo Securities, LLC	1,440,000
G.research, LLC	320,000
Total	3,200,000

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the Series J Preferred Shares sold pursuant to the underwriting agreement if any of the Series J Preferred Shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

The Fund and the Investment Adviser have each agreed to indemnify the underwriters and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the Series J Preferred Shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Series J Preferred Shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The representatives have advised us that the underwriters propose initially to offer the Series J Preferred Shares to the public at the public offering price set forth on the cover page of this Prospectus Supplement and to certain dealers at such price less a concession not in excess of \$0.50 per share. Any underwriter may allow, and such dealers may reallow, a concession not in excess of \$0.45 per share to other underwriters or to certain dealers. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The expenses of the offering, not including the underwriting discount, are estimated at \$325,000 and are payable by the Fund.

Application has been made to list the Series J Preferred Shares on the NYSE. Prior to the offering, there has been no public market for the Series J Preferred Shares. If the application is approved, the Series J Preferred Shares are expected to commence trading on the NYSE within thirty days of the date of issuance. Before the Series J Preferred Shares are listed on the NYSE, the underwriters may, but are not obligated to, make a market in the Series J Preferred Shares. Consequently, it is anticipated that, prior to the commencement of trading on the NYSE, an investment in Series J Preferred Shares will be illiquid.

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If a secondary trading market develops prior to the commencement of trading on the NYSE, holders of the Series J Preferred Shares may be able to sell such shares, however, such shares may trade at discounts from the liquidation preference of the Series J Preferred Shares.

### **No Sales of Similar Securities**

The Fund and the Investment Adviser have agreed that the Fund will not, for a period of 90 days from the date of this Prospectus Supplement, without the prior written consent of UBS Securities LLC and Wells Fargo Securities, LLC, directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any of its shares of preferred stock or securities exchangeable for or convertible into its shares of preferred stock, except for the Series J Preferred Shares sold to the underwriters pursuant to the underwriting agreement.

### **Short Positions**

In connection with the offering, the underwriters may purchase and sell Series J Preferred Shares in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of Series J Preferred Shares than they are required to purchase in the offering. The underwriters must close out any short position by purchasing Series J Preferred Shares in the open market. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Series J Preferred Shares in the open market after pricing that could adversely affect investors who purchase in the offering.

The underwriters may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when a representative repurchases Series J Preferred Shares originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Series J Preferred Shares or preventing or retarding a decline in the market price of the Series J Preferred Shares. As a result, the price of the Series J Preferred Shares may be higher than the price that might otherwise exist in the open market.

None of the Fund, the Investment Adviser or any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series J Preferred Shares. In addition, none of the Fund, the Investment Adviser or any of the underwriters makes any representation that a representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Other Relationships**

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Fund, the Investment Adviser or their respective affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Fund, the Investment Adviser or their respective affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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The Fund anticipates that, from time to time, certain underwriters may act as brokers or dealers in connection with the execution of the Fund's portfolio transactions after they have ceased to be underwriters and, subject to certain restrictions, may act as brokers while they are underwriters.

*G.research, LLC is a wholly owned subsidiary of Gabelli Securities, Inc., which is a majority-owned subsidiary of Associated Capital Group, Inc., an affiliate of the Investment Adviser, which is, in turn, indirectly majority-owned by Mario J. Gabelli. As a result of these relationships, Mr. Gabelli is a controlling person of G.research, LLC.*

The principal business address of UBS Securities LLC is 1285 Avenue of the Americas, New York, New York 10019. The principal business address of Wells Fargo Securities, LLC is 550 South Tryon Street, Charlotte, North Carolina 28202. The principal business address of G.research, LLC is One Corporate Center, Rye, New York 10580.

## **LEGAL MATTERS**

Certain legal matters will be passed on by Willkie Farr & Gallagher LLP, counsel to the Fund in connection with the offering of the Series J Preferred Shares. Certain legal matters in connection with this offering will be passed upon for the underwriters by Dechert LLP. Willkie Farr & Gallagher LLP and Dechert LLP may rely as to certain matters of Maryland law on the opinion of Venable LLP.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Fund are incorporated by reference into this Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information

Table of Contents**The Gabelli Equity Trust Inc.****Annual Report December 31, 2015****(Y)our Portfolio Management Team**

**Mario J. Gabelli, CFA   Christopher J. Marangi   Kevin V. Dryer   Robert D. Leininger,**  
**CFA   Daniel M. Miller**

**To Our Shareholders,**

For the year ended December 31, 2015, the net asset value ( NAV ) total return of The Gabelli Equity Trust Inc. (the Fund ) was (6.9)%, compared with total returns of 1.4% and 0.2% for the Standard & Poor s ( S&P ) 500 Index and the Dow Jones Industrial Average, respectively. The total return for the Fund s publicly traded shares was (8.5)%. The Fund s NAV per share was \$5.70, while the price of the publicly traded shares closed at \$5.31 on the New York Stock Exchange ( NYSE ). See below for additional performance information.

Enclosed are the financial statements, including the schedule of investments, as of December 31, 2015.

**Comparative Results****Average Annual Returns through December 31, 2015 (a) (Unaudited)**

	1 Year	5 Year	10 Year	15 Year	20 Year	25 Year	Since Inception (08/21/86)
<b>Gabelli Equity Trust</b>							
<b>NAV Total Return (b)</b>	(6.85)%	10.21%	8.26%	7.76%	9.30%	10.31%	10.53%
<b>Investment Total Return (c)</b>	(8.54)	9.63	7.67	6.70	9.11	9.88	10.00
S&P 500 Index	1.38	12.57	7.31	5.00	8.19	9.33	9.86(d)
Dow Jones Industrial Average	0.22	11.24	7.72	5.79	8.77	10.47	10.69(d)
Nasdaq Composite Index	7.13	15.00	9.78	5.86	8.99	10.93	9.51(e)

(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. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The Dow Jones Industrial Average is an unmanaged index of 30 large capitalization 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. You cannot invest directly in an index.*

(b) Total returns and average annual returns reflect changes in the NAV per share, reinvestment of distributions at NAV on the ex-dividend date, adjustments for rights offerings, spin-offs, and taxes paid on undistributed long

term capital gains and are net of expenses. Since inception return is based on an initial NAV of \$9.34.

- (c) Total returns and average annual returns reflect changes in closing market values on the NYSE, reinvestment of distributions, and adjustments for rights offerings, spin-offs, and taxes paid on undistributed long term capital gains. Since inception return is based on an initial offering price of \$10.00.
- (d) From August 31, 1986, the date closest to the Fund's inception for which data is available.
- (e) From September 30, 1986, the date closest to the Fund's inception for which data is available.



**Table of Contents****Summary of Portfolio Holdings (Unaudited)**

The following table presents portfolio holdings as a percent of total investments as of December 31, 2015:

**The Gabelli Equity Trust Inc.**

Food and Beverage	11.9%
Financial Services	8.7%
Entertainment	6.6%
Cable and Satellite	6.4%
Equipment and Supplies	5.4%
Health Care	5.1%
Diversified Industrial	5.0%
Consumer Products	4.5%
Automotive: Parts and Accessories	4.5%
Telecommunications	4.0%
Consumer Services	3.9%
Energy and Utilities	3.8%
Retail	3.6%
Business Services	3.2%
Specialty Chemicals	2.3%
Broadcasting	2.2%
Aerospace and Defense	2.1%
Machinery	2.1%
Hotels and Gaming	1.7%
Wireless Communications	1.4%
Aviation: Parts and Services	1.4%
Electronics	1.4%
Publishing	1.3%
Environmental Services	1.3%
U.S. Government Obligations	1.1%
Telecommunication Services	0.8%
Computer Software and Services	0.7%
Agriculture	0.6%
Automotive	0.6%
Communications Equipment	0.5%
Real Estate	0.5%
Metals and Mining	0.4%
Transportation	0.4%
Building and Construction	0.3%
Closed-End Funds	0.2%
Manufactured Housing and Recreational Vehicles	0.1%
Real Estate Investment Trusts	0.0%*
	100.0%

\* Amount represents less than 0.05%.

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

### **Proxy Voting**

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

**Table of Contents****The Gabelli Equity Trust Inc.****Portfolio Changes Quarter Ended December 31, 2015 (Unaudited)**

	Shares	Ownership at December 31, 2015
<b>NET PURCHASES</b>		
<b>Common Stocks</b>		
Advance Auto Parts Inc.	5,000	5,000
Alere Inc.	80,000	117,450
Alphabet Inc., Cl. C	1,002	1,002
Ascent Capital Group Inc., Cl. A	2,550	18,550
Avon Products Inc.	50,000	150,000
Barnes & Noble Inc.	175,000	175,000
BBA Aviation plc(a)	739,938	1,356,553
Bel Fuse Inc., Cl. A	1,510	20,610
Cempra Inc.	15,409	33,509
Chemtura Corp.	7,500	70,000
Comcast Corp., Cl. A	90,000	90,000
Corning Inc.	20,000	450,000
CST Brands Inc.	10,000	98,500
DigitalGlobe Inc.	8,000	32,000
EchoStar Corp., Cl. A	10,860	50,300
Edgewell Personal Care Co.	29,500	177,500
Energizer Holdings Inc.	10,000	153,000
Fortinet Inc.	25,000	25,000
Gogo Inc.	70,000	70,000
Hertz Global Holdings Inc.	110,000	185,000
Kellogg Co.	10,000	22,800
Kennametal Inc.	12,000	20,000
Methanex Corp.	65,000	85,000
MSG Networks Inc., Cl. A(b)	297,400	297,400
National Fuel Gas Co.	1,000	19,000
Navistar International Corp.	20,000	242,874
Patterson Companies Inc.	20,000	20,000
Rolls-Royce Holdings plc(c)	48,000	1,209,000
Rolls-Royce Holdings plc, Cl. C(c)	107,624,700	107,624,700
Telefonica SA, ADR	17,021	595,736
Telesites SAB	105,000	105,000
The Madison Square Garden Co, Cl. A(b)	101,133	101,133
The PNC Financial Services Group Inc.	10,000	10,000
TimkenSteel Corp.	9,000	60,000
United Natural Foods Inc.	45,000	55,000

**NET SALES****Common Stocks**

AMC Networks Inc., Cl. A	(6,500)	258,600
American International Group Inc.	(11,500)	38,500
AMETEK Inc.	(5,000)	445,000
AT&T Inc.	(102,340)	379,114
Becton, Dickinson and Co.	(2,500)	10,000
Biogen Inc.	(6,785)	12,415
Blyth Inc.	(199,000)	
Cablevision Systems Corp., Cl. A	(35,000)	1,065,000
Canadian Solar Inc.	(20,000)	
Check Point Software Technologies Ltd.	(1,000)	6,000
Church & Dwight Co. Inc.	(1,000)	19,000
CMS Energy Corp.	(2,000)	16,000
Comcast Corp., Cl. A, Special	(91,400)	
CONSOL Energy Inc.	(10,000)	40,000
Constellation Brands Inc., Cl. A	(600)	30,000
Costco Wholesale Corp.	(1,000)	39,000
Crane Co.	(20,000)	175,100
Deere & Co.	(12,000)	283,000
Diageo plc, ADR	(9,000)	188,000
Discovery Communications Inc., Cl. A	(25,000)	91,600
DISH Network Corp., Cl. A	(29,000)	49,900
		<b>Ownership at December 31, 2015</b>
	<b>Shares</b>	
Donaldson Co. Inc.	(9,000)	358,800
El Paso Electric Co.	(10,000)	207,500
Electronic Arts Inc.	(2,000)	
Endo International plc	(11,500)	
Eversource Energy	(5,000)	25,000
Flowserve Corp.	(19,319)	243,181
Fortune Brands Home & Security Inc.	(6,000)	80,000
Freeport-McMoRan Inc.	(4,000)	36,000
Genuine Parts Co.	(1,600)	243,400
Google Inc., Cl. C	(1,002)	
Graham Holdings Co., Cl. B	(300)	1,500
Grupo Televisa SAB, ADR	(4,000)	588,500
H&R Block Inc.	(13,000)	27,400
Hanesbrands Inc.	(5,000)	95,000
Henry Schein Inc.	(800)	28,000
Honeywell International Inc.	(15,000)	338,000
IDEX Corp.	(9,000)	259,000
Ingredion Inc.	(4,000)	12,000
Integrated Device Technology Inc.	(19,500)	55,500
Intel Corp.	(6,000)	54,000
Jarden Corp.	(9,000)	
Ladbrokes plc	(100,000)	679,400
Macy's Inc.	(5,000)	336,000
MasterCard Inc., Cl. A	(4,000)	318,000

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Medtronic plc	(4,200)	27,800
Modine Manufacturing Co.	(8,000)	180,000
NextEra Energy Inc.	(2,000)	16,000
O Reilly Automotive Inc.	(5,500)	83,500
PepsiCo Inc.	(15,000)	198,000
Post Holdings Inc.	(2,500)	38,500
Precision Castparts Corp.	(70,000)	8,000
Rockwell Automation Inc.	(1,000)	20,900
Rogers Communications Inc., New York, Cl. B	(10,000)	471,890
Rollins Inc.	(57,500)	1,738,000
Sensient Technologies Corp.	(2,800)	189,800
T. Rowe Price Group Inc.	(7,500)	120,900
TE Connectivity Ltd.	(1,600)	41,000
Texas Instruments Inc.	(5,000)	240,000
The ADT Corp.	(15,000)	110,000
The Boeing Co.	(23,000)	70,000
The Chemours Co.	(2,000)	2,000
The Madison Square Garden Co., Cl. A(b)	(303,400)	
Time Warner Cable Inc.	(2,000)	63,000
Twenty-First Century Fox Inc., Cl. A	(10,000)	571,200
Vivendi SA	(21,666)	325,000
Wells Fargo & Co.	(35,000)	235,000
Xylem Inc.	(25,000)	286,000

- (a) Rights Issuance - 6 shares of BBA Aviation plc, rights (BYNFF26) for every 5 shares of BBA Aviation plc (B1FP891) held. 739,938 shares of BBA Aviation plc, rights (BYNFF26) were exercised after rights issuance. 1 new share of BBA Aviation plc (B1FP891) was fully paid for every 1 share of BBA Aviation plc, rights (BYNFF26) exercised.
- (b) Spin off and name change - 1 share of The Madison Square Garden Co., Cl. A (55825T103) for every 3 shares of The Madison Square Garden Co., Cl. A (55826P100) held. The Madison Square Garden Co., Cl. A (55826P100) changed its name to MSG Networks Inc., Cl. A (553573106). 6,000 shares of MSG Networks Inc., Cl. A were sold after name change.
- (c) Stock dividend - 92.7 shares of Rolls-Royce Holdings plc, Cl. C for every 1 share of Rolls-Royce Holdings plc held. 48,000 shares of Rolls-Royce Holdings plc were purchased after stock dividend.

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Schedule of Investments December 31, 2015**

Shares		Cost	Market Value
	<b>COMMON STOCKS 98.6%</b>		
	<b>Food and Beverage 11.9%</b>		
3,000	Ajinomoto Co. Inc.	\$ 52,866	\$ 71,871
50,000	Boulder Brands Inc.	419,270	549,000
53,541	Brown-Forman Corp., Cl. A	1,853,123	5,895,399
17,975	Brown-Forman Corp., Cl. B	1,036,424	1,784,558
63,800	Campbell Soup Co.	1,781,130	3,352,690
65,000	Chr. Hansen Holding A/S	2,725,303	4,086,163
15,000	Coca-Cola Enterprises Inc.	275,290	738,600
100,000	ConAgra Foods Inc.	3,489,586	4,216,000
30,000	Constellation Brands Inc., Cl. A	376,266	4,273,200
18,000	Crimson Wine Group Ltd.	91,848	158,400
201,500	Danone SA	9,779,634	13,638,154
652,800	Davide Campari-Milano SpA	3,566,380	5,675,473
188,000	Diageo plc, ADR	11,808,561	20,505,160
89,800	Dr Pepper Snapple Group Inc.	2,874,367	8,369,360
80,000	Flowers Foods Inc.	263,976	1,719,200
76,200	Fomento Economico Mexicano SAB de CV, ADR	1,680,884	7,037,070
50,000	General Mills Inc.	1,563,162	2,883,000
1,848,400	Grupo Bimbo SAB de CV, Cl. A	2,624,248	4,908,832
41,300	Heineken NV	1,962,995	3,535,435
12,000	Ingredion Inc.	177,840	1,150,080
105,000	ITO EN Ltd.	2,422,898	2,725,571
22,800	Kellogg Co.	1,142,751	1,647,756
64,000	Kerry Group plc, Cl. A	735,609	5,344,404
10,600	LVMH Moet Hennessy Louis Vuitton SE	365,943	1,669,192
45,000	Maple Leaf Foods Inc.	828,035	772,711
287,000	Mondelēz International Inc., Cl. A	8,756,441	12,869,080
70,000	Morinaga Milk Industry Co. Ltd.	299,202	321,478
42,900	Nestlé SA	1,832,393	3,193,086
198,000	PepsiCo Inc.	12,495,858	19,784,160
39,200	Pernod Ricard SA	3,228,300	4,481,607
38,500	Post Holdings Inc.	942,372	2,375,450
43,000	Remy Cointreau SA	2,567,361	3,084,680
55,333	The Kraft Heinz Co.	2,028,347	4,026,029

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117,600	The Coca-Cola Co.	3,597,844	5,052,096
32,000	The Hain Celestial Group Inc.	214,736	1,292,480
3,000	The J.M. Smucker Co.	149,101	370,020
42,000	The WhiteWave Foods Co.	696,348	1,634,220
125,186	Tootsie Roll Industries Inc.	1,771,739	3,954,626
50,000	Tyson Foods Inc., Cl. A	421,291	2,666,500
341,000	Yakult Honsha Co. Ltd.	9,700,538	16,908,856
		102,600,260	188,721,647

**Financial Services 8.7%**

416,000	American Express Co.	27,431,146	28,932,800
38,500	American International Group Inc.	2,088,093	2,385,845
13,200	Argo Group International Holdings Ltd.	389,834	789,888
72,000	Banco Santander SA, ADR	545,542	350,640
123	Berkshire Hathaway Inc., Cl. A	560,399	24,329,400

**Market**

Shares		Cost	Value
10,000	Calamos Asset Management Inc., Cl. A	\$ 88,164	\$ 96,800
18,800	CIT Group Inc.	776,644	746,360
88,000	Citigroup Inc.	3,161,659	4,554,000
16,000	Cullen/Frost Bankers Inc.	1,212,267	960,000
12,777	Deutsche Bank AG	542,318	308,565
6,000	Financial Engines Inc.	224,960	202,020
50,000	Fortress Investment Group LLC, Cl. A	296,068	254,500
27,400	H&R Block Inc.	580,912	912,694
20,000	Hennessy Capital Acquisition Corp. II	200,000	196,000
40,000	Interactive Brokers Group Inc., Cl. A	643,310	1,744,000
340,100	Janus Capital Group Inc.	3,838,574	4,792,009
56,800	JPMorgan Chase & Co.	1,944,615	3,750,504
32,400	Kinnevik Investment AB, Cl. A	531,784	1,011,366
125,000	Legg Mason Inc.	3,312,972	4,903,750
95,900	Leucadia National Corp.	1,340,120	1,667,701
14,000	Loews Corp.	558,454	537,600
125,000	Marsh & McLennan Companies Inc.	3,772,923	6,931,250
9,000	Moody's Corp.	312,150	903,060
22,000	Och-Ziff Capital Management Group LLC, Cl. A	206,639	137,060
20,000	PayPal Holdings Inc.	651,955	724,000
50,000	Quinpario Acquisition Corp. 2	500,000	490,000
124,100	State Street Corp.	4,346,707	8,235,276
17,000	SunTrust Banks Inc.	358,050	728,280
120,900	T. Rowe Price Group Inc.	3,871,890	8,643,141
210,500	The Bank of New York Mellon Corp.	6,707,443	8,676,810
20,000	The Charles Schwab Corp.	292,250	658,600
12,300	The Dun & Bradstreet Corp.	292,691	1,278,339
10,000	The PNC Financial Services Group Inc.	956,448	953,100
13,000	W. R. Berkley Corp.	476,775	711,750
57,000	Waddell & Reed Financial Inc., Cl. A	2,152,241	1,633,620
235,000	Wells Fargo & Co.	6,995,954	12,774,600

82,161,951 136,905,328

<b>Entertainment 6.6%</b>			
91,600	Discovery Communications Inc., Cl. A	2,528,113	2,443,888
244,800	Discovery Communications Inc., Cl. C	2,766,202	6,173,856
588,500	Grupo Televisa SAB, ADR	8,585,390	16,013,085
143,123	Media General Inc.	1,369,940	2,311,436
71,700	Starz, Cl. A	311,175	2,401,950
101,133	The Madison Square Garden Co, Cl. A	4,390,920	16,363,373
186,800	Time Warner Inc.	8,054,928	12,080,356
40,000	Tokyo Broadcasting System Holdings Inc.	796,181	642,290
571,200	Twenty-First Century Fox Inc., Cl. A	5,964,904	15,513,792
367,000	Twenty-First Century Fox Inc., Cl. B	7,939,416	9,993,410
70,000	Universal Entertainment Corp.	1,103,319	1,287,075

See accompanying notes to financial statements.



**Table of Contents****The Gabelli Equity Trust Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Entertainment (Continued)</b>			
275,500	Viacom Inc., Cl. A	\$ 13,035,317	\$ 12,119,245
325,000	Vivendi SA	8,069,067	7,014,465
		64,914,872	104,358,221
<b>Cable and Satellite 6.4%</b>			
258,600	AMC Networks Inc., Cl. A	12,184,768	19,312,248
2,100	Cable One Inc.	681,991	910,686
1,065,000	Cablevision Systems Corp., Cl. A	33,001,976	33,973,500
90,000	Comcast Corp., Cl. A	1,107,950	5,078,700
49,900	DISH Network Corp., Cl. A	1,292,492	2,853,282
50,300	EchoStar Corp., Cl. A	1,840,199	1,967,233
3,545	Liberty Global plc LiLAC, Cl. A	31,731	146,657
5,750	Liberty Global plc LiLAC, Cl. C	132,109	247,250
471,890	Rogers Communications Inc., New York, Cl. B	4,325,569	16,261,329
19,310	Rogers Communications Inc., Toronto, Cl. B	137,424	665,949
108,800	Scripps Networks Interactive Inc., Cl. A	3,513,944	6,006,848
120,000	Shaw Communications Inc., New York, Cl. B	354,632	2,062,800
40,000	Shaw Communications Inc., Toronto, Cl. B	52,983	688,010
63,000	Time Warner Cable Inc.	7,930,400	11,692,170
		66,588,168	101,866,662
<b>Equipment and Supplies 5.4%</b>			
445,000	AMETEK Inc.	7,155,088	23,847,550
7,000	Amphenol Corp., Cl. A	12,928	365,610
94,000	CIRCOR International Inc.	1,246,366	3,962,100
358,800	Donaldson Co. Inc.	3,584,382	10,283,208
243,181	Flowserve Corp.	4,249,333	10,233,056
37,400	Franklin Electric Co. Inc.	215,706	1,010,922
259,000	IDEX Corp.	7,890,868	19,841,990
49,000	Ingersoll-Rand plc	1,050,094	2,709,210
43,300	Mueller Industries Inc.	1,014,578	1,173,430
13,000	Sealed Air Corp.	208,280	579,800

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45,000	Tenaris SA, ADR	1,981,220	1,071,000
10,000	The Greenbrier Companies Inc.	198,206	326,200
4,000	The Manitowoc Co. Inc.	25,450	61,400
81,000	The Timken Co.	3,055,909	2,315,790
59,600	The Weir Group plc	250,790	878,628
125,000	Watts Water Technologies Inc., Cl. A	3,970,158	6,208,750
		36,109,356	84,868,644

**Health Care 5.1%**

6,000	Agilent Technologies Inc.	247,707	250,860
117,450	Alere Inc.	4,881,382	4,591,121
8,000	Allergan plc	1,312,353	2,500,000
34,000	Amgen Inc.	2,201,978	5,519,220
22,000	Baxalta Inc.	538,996	858,660
27,000	Baxter International Inc.	774,119	1,030,050
10,000	Becton, Dickinson and Co.	803,922	1,540,900
12,415	Biogen Inc. .	1,721,662	3,803,335

**Market**

Shares		Cost	Value
270,000	Boston Scientific Corp.	\$ 1,927,086	\$ 4,978,800
76,300	Bristol-Myers Squibb Co.	3,406,674	5,248,677
33,509	Cempra Inc.	720,707	1,043,135
15,000	DaVita HealthCare Partners Inc.	944,551	1,045,650
20,000	Express Scripts Holding Co.	1,359,191	1,748,200
28,000	Henry Schein Inc.	981,845	4,429,320
46,800	Indivior plc	28,408	129,569
37,000	Johnson & Johnson	2,400,670	3,800,640
5,000	Laboratory Corp. of America Holdings	600,358	618,200
25,000	Mead Johnson Nutrition Co.	1,123,205	1,973,750
27,800	Medtronic plc	2,085,556	2,138,376
95,200	Merck & Co. Inc.	2,219,590	5,028,464
11,000	Mylan NV	739,037	594,770
88,200	Novartis AG, ADR	3,993,309	7,588,728
20,000	Patterson Companies Inc.	884,908	904,200
15,000	Teva Pharmaceutical Industries Ltd., ADR	581,414	984,600
87,000	UnitedHealth Group Inc.	4,489,729	10,234,680
4,000	Waters Corp.	285,470	538,320
54,500	William Demant Holding A/S	2,483,169	5,214,134
8,600	Zimmer Biomet Holdings Inc.	435,897	882,274
35,000	Zoetis Inc.	1,122,327	1,677,200
		45,295,220	80,895,833

**Diversified Industrial 4.8%**

500	Acuity Brands Inc.	12,751	116,900
160,000	Ampco-Pittsburgh Corp.	2,128,534	1,641,600
175,100	Crane Co.	4,573,755	8,376,784
149,000	General Electric Co.	3,595,665	4,641,350

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138,300	Greif Inc., Cl. A	1,499,216	4,261,023
12,800	Greif Inc., Cl. B	637,917	547,456
32,000	Griffon Corp.	298,790	569,600
338,000	Honeywell International Inc.	15,956,823	35,006,660
122,000	ITT Corp.	1,468,866	4,431,040
11,000	Jardine Strategic Holdings Ltd.	222,951	300,630
20,000	Kennametal Inc.	530,164	384,000
50,000	Myers Industries Inc.	818,952	666,000
86,000	Park-Ohio Holdings Corp.	897,680	3,163,080
9,666	Rayonier Advanced Materials Inc.	160,768	94,630
30,000	Rexnord Corp.	630,867	543,600
15,000	Sulzer AG	739,785	1,412,989
100,000	Toray Industries Inc.	771,663	940,139
12,000	Tredegar Corp.	171,530	163,440
46,000	Trinity Industries Inc.	619,878	1,104,920
217,000	Tyco International plc	5,493,446	6,920,130
		41,230,001	75,285,971
<b>Consumer Products 4.5%</b>			
150,000	Avon Products Inc.	1,536,978	607,500
15,300	Christian Dior SE	579,339	2,606,339
19,000	Church & Dwight Co. Inc.	63,039	1,612,720
105,000	Coty Inc., Cl. A	1,848,810	2,691,150
5,000	Crocs Inc.	73,888	51,200
177,500	Edgewell Personal Care Co.	12,416,890	13,910,675
153,000	Energizer Holdings Inc.	3,700,591	5,211,180
2,100	Givaudan SA	725,396	3,822,185
95,000	Hanesbrands Inc.	834,707	2,795,850

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Consumer Products (Continued)</b>			
23,800	Harley-Davidson Inc.	\$ 1,105,662	\$ 1,080,282
1,270	Hermes International	444,999	430,271
5,000	Mattel Inc.	76,720	135,850
11,000	National Presto Industries Inc.	529,994	911,460
10,000	Oil-Dri Corp. of America	171,255	368,300
46,800	Reckitt Benckiser Group plc	1,391,995	4,333,448
30,000	Svenska Cellulosa AB, Cl. B	404,760	876,034
823,800	Swedish Match AB	9,761,453	29,296,479
2,800	The Estee Lauder Companies Inc., Cl. A	131,792	246,568
		35,798,268	70,987,491
<b>Automotive: Parts and Accessories 4.5%</b>			
107,600	BorgWarner Inc.	4,288,790	4,651,548
109,900	CLARCOR Inc.	1,559,283	5,459,832
244,100	Dana Holding Corp.	2,118,851	3,368,580
243,400	Genuine Parts Co.	10,618,755	20,905,626
160,600	Johnson Controls Inc.	3,803,198	6,342,094
180,000	Modine Manufacturing Co.	3,811,513	1,629,000
83,500	O Reilly Automotive Inc.	9,276,267	21,160,570
115,000	Standard Motor Products Inc.	1,247,021	4,375,750
73,000	Superior Industries International Inc.	1,462,789	1,344,660
14,000	Visteon Corp.	1,372,450	1,603,000
		39,558,917	70,840,660
<b>Telecommunications 3.9%</b>			
379,114	AT&T Inc.	12,973,281	13,045,313
55,400	BCE Inc.	1,226,373	2,139,548
954,200	BT Group plc, Cl. A	3,945,717	6,635,357
750,000	Cincinnati Bell Inc.	3,613,473	2,700,000
100,000	Deutsche Telekom AG, ADR	1,656,300	1,788,000
70,000	Gogo Inc.	1,074,271	1,246,000
25,002	Harris Corp.	1,983,730	2,172,630

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36,000	Hellenic Telecommunications Organization SA	452,922	361,498
15,000	Hellenic Telecommunications Organization SA, ADR	91,062	71,250
264,732	Koninklijke KPN NV	448,166	1,004,645
7,040,836	LIME	128,658	76,292
22,000	Oi SA, ADR	1,739,813	10,197
31,053	Sprint Corp.	176,071	112,412
21,000	Telecom Argentina SA, ADR	127,554	337,470
575,000	Telecom Italia SpA	2,238,769	734,239
70,000	Telefonica Brasil SA, ADR	726,827	632,100
595,736	Telefonica SA, ADR	8,915,134	6,588,840
570,300	Telephone & Data Systems Inc.	23,927,921	14,765,067
105,000	Telesites SAB	79,714	68,479
25,000	TELUS Corp.	233,734	691,263
125,000	Verizon Communications Inc.	5,239,043	5,777,500
40,027	Vodafone Group plc, ADR	1,849,397	1,291,271

72,847,930 62,249,371

**Market**

Shares		Cost	Value
	<b>Consumer Services 3.9%</b>		
20,000	eBay Inc.	\$ 416,823	\$ 549,600
43,000	IAC/InterActiveCorp.	1,098,767	2,582,150
205,000	Liberty Interactive Corp. QVC Group, Cl. A	3,282,467	5,600,600
21,000	Liberty TripAdvisor Holdings Inc., Cl. A	247,059	637,140
58,330	Liberty Ventures, Cl. A	962,379	2,631,266
1,738,000	Rollins Inc.	12,297,083	45,014,200
110,000	The ADT Corp.	4,239,209	3,627,800
5,500	TripAdvisor Inc.	194,460	468,875
		22,738,247	61,111,631

	<b>Energy and Utilities 3.8%</b>		
11,000	ABB Ltd., ADR	171,270	195,030
39,000	Anadarko Petroleum Corp.	2,262,604	1,894,620
59,000	Apache Corp.	2,771,519	2,623,730
80,000	BP plc, ADR	3,952,168	2,500,800
30,000	Cleco Corp.	1,603,080	1,566,300
16,000	CMS Energy Corp.	102,219	577,280
185,100	ConocoPhillips	8,559,949	8,642,319
40,000	CONSOL Energy Inc.	1,457,102	316,000
207,500	El Paso Electric Co.	5,785,311	7,988,750
25,000	Eversource Energy	587,334	1,276,750
58,600	Exxon Mobil Corp.	2,043,648	4,567,870
140,000	GenOn Energy Inc., Escrow	0	0
196,400	Halliburton Co.	3,831,496	6,685,456
4,000	Marathon Oil Corp.	111,366	50,360
8,000	Marathon Petroleum Corp.	142,402	414,720
20,000	Murphy USA Inc.	886,754	1,214,800

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19,000	National Fuel Gas Co.	1,315,725	812,250
16,000	NextEra Energy Inc.	975,275	1,662,240
1,000	Niko Resources Ltd., OTC	54,403	41
3,000	Niko Resources Ltd., Toronto	923	141
32,400	Oceaneering International Inc.	437,629	1,215,648
15,100	Phillips 66	1,113,603	1,235,180
140,000	Rowan Companies plc, Cl. A	5,221,015	2,373,000
28,000	RPC Inc.	363,509	334,600
5,000	SJW Corp.	68,704	148,250
17,000	Southwest Gas Corp.	389,070	937,720
108,900	Spectra Energy Corp.	2,721,643	2,607,066
101,000	The AES Corp.	947,543	966,570
35,000	Weatherford International plc	503,432	293,650
164,000	Westar Energy Inc.	3,002,615	6,955,240
		51,383,311	60,056,381
<b>Retail 3.6%</b>			
5,000	Advance Auto Parts Inc.	759,888	752,550
73,300	AutoNation Inc.	1,047,416	4,373,078
175,000	Barnes & Noble Inc.	1,797,075	1,524,250
10,000	Bed Bath & Beyond Inc.	701,260	482,500
39,000	Costco Wholesale Corp.	2,028,794	6,298,500
98,500	CST Brands Inc.	3,318,283	3,855,290
117,800	CVS Health Corp.	7,425,711	11,517,306
185,000	Hertz Global Holdings Inc.	3,192,051	2,632,550
22,100	HSN Inc.	597,444	1,119,807

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Retail (Continued)</b>			
50,000	J.C. Penney Co. Inc.	\$ 644,777	\$ 333,000
336,000	Macy's Inc.	6,619,761	11,753,280
30,000	Penske Automotive Group Inc.	1,279,948	1,270,200
33,300	Sally Beauty Holdings Inc.	264,056	928,737
17,000	The Cheesecake Factory Inc.	553,064	783,870
3,000	Tiffany & Co.	171,090	228,870
55,000	United Natural Foods Inc.	2,278,985	2,164,800
52,000	Walgreens Boots Alliance Inc.	1,540,167	4,428,060
33,200	Wal-Mart Stores Inc.	1,677,713	2,035,160
35,000	Whole Foods Market Inc.	423,349	1,172,500
		36,320,832	57,654,308
<b>Business Services 3.2%</b>			
14,334	Allegion plc	232,677	944,897
7,500	Aramark	194,037	241,875
18,550	Ascent Capital Group Inc., Cl. A	823,045	310,156
157,000	Clear Channel Outdoor Holdings Inc., Cl. A	1,092,453	877,630
33,000	Contax Participacoes SA	67,778	3,003
96,000	Diebold Inc.	3,425,314	2,888,640
32,000	DigitalGlobe Inc.	789,949	501,120
3,000	Edenred	38,786	56,892
170,400	G4S plc	0	566,468
17,300	Jardine Matheson Holdings Ltd.	565,935	843,029
88,000	Landauer Inc.	2,472,818	2,896,960
16,600	Macquarie Infrastructure Corp.	1,063,589	1,205,160
318,000	MasterCard Inc., Cl. A	8,229,826	30,960,480
309,200	The Interpublic Group of Companies Inc.	3,879,391	7,198,176
10,000	Vectrus Inc.	106,200	208,900
12,800	Visa Inc., Cl. A	140,800	992,640
		23,122,598	50,696,026
<b>Specialty Chemicals 2.3%</b>			

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10,000	Ashland Inc.	979,500	1,027,000
70,000	Chemtura Corp.	1,868,486	1,908,900
20,000	E. I. du Pont de Nemours and Co.	854,362	1,332,000
420,000	Ferro Corp.	3,892,584	4,670,400
8,000	FMC Corp.	136,430	313,040
39,000	H.B. Fuller Co.	1,131,051	1,422,330
11,000	Huntsman Corp.	254,859	125,070
73,000	International Flavors & Fragrances Inc.	4,002,818	8,733,720
85,000	Methanex Corp.	2,984,692	2,805,850
250,000	OMNOVA Solutions Inc.	1,510,743	1,532,500
189,800	Sensient Technologies Corp.	4,825,924	11,923,236
6,000	SGL Carbon SE	141,557	84,343
2,000	The Chemours Co.	22,594	10,720

22,605,600 35,889,109

**Market**

Shares		Cost	Value
	<b>Broadcasting 2.2%</b>		
253,300	CBS Corp., Cl. A, Voting	\$ 7,617,840	\$ 13,201,996
2,000	Cogeco Inc.	39,014	74,077
17,334	Corus Entertainment Inc., OTC, Cl. B	30,215	136,765
6,666	Corus Entertainment Inc., Toronto, Cl. B	12,406	52,029
16,000	Gray Television Inc.	14,422	260,800
19,250	Liberty Broadband Corp., Cl. A	608,060	994,263
62,047	Liberty Broadband Corp., Cl. C	1,953,620	3,217,757
89,000	Liberty Media Corp., Cl. A	1,858,571	3,493,250
171,000	Liberty Media Corp., Cl. C	5,210,812	6,511,680
297,400	MSG Networks Inc., Cl. A	1,689,946	6,185,920
85,200	Television Broadcasts Ltd.	339,712	351,242
		19,374,618	34,479,779

	<b>Aerospace and Defense 2.1%</b>		
275,000	Aerojet Rocketdyne Holdings Inc.	2,370,094	4,306,500
1,356,553	BBA Aviation plc	3,003,621	3,781,702
35,800	Kaman Corp.	881,634	1,460,998
17,500	Northrop Grumman Corp.	900,365	3,304,175
1,209,000	Rolls-Royce Holdings plc	9,301,551	10,248,330
107,624,700	Rolls-Royce Holdings plc, Cl. C	165,942	158,661
70,000	The Boeing Co.	7,980,581	10,121,300
		24,603,788	33,381,666

	<b>Machinery 2.1%</b>		
12,800	Caterpillar Inc.	86,323	869,888
53,592	CNH Industrial NV	464,629	366,569
283,000	Deere & Co.	9,002,645	21,584,410
286,000	Xylem Inc.	7,741,363	10,439,000



17,294,960 33,259,867

<b>Hotels and Gaming 1.7%</b>			
16,000	Accor SA	549,282	695,611
45,000	Belmond Ltd., Cl. A	621,367	427,500
90,000	Genting Singapore plc	74,910	48,875
8,000	Hyatt Hotels Corp., Cl. A	263,258	376,160
9,095	International Game Technology plc	172,350	147,157
27,200	Interval Leisure Group Inc.	513,097	424,592
679,400	Ladbrokes plc	3,105,535	1,198,888
43,000	Las Vegas Sands Corp.	657,319	1,885,120
4,569,500	Mandarin Oriental International Ltd.	8,011,198	7,082,725
70,000	MGM China Holdings Ltd.	137,917	87,612
50,000	MGM Resorts International	699,287	1,136,000

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Hotels and Gaming (Continued)</b>			
34,000	Pinnacle Entertainment Inc.	\$ 265,059	\$ 1,058,080
188,800	Ryman Hospitality Properties Inc.	5,121,573	9,749,632
29,000	Starwood Hotels & Resorts Worldwide Inc.	877,736	2,009,120
200,000	The Hongkong & Shanghai Hotels Ltd.	155,450	222,966
4,000	Wyndham Worldwide Corp.	282,896	290,600
2,500	Wynn Resorts Ltd.	137,731	172,975
		21,645,965	27,013,613
<b>Wireless Communications 1.4%</b>			
105,000	America Movil SAB de CV, Cl. L, ADR	735,232	1,476,300
9,000,000	Cable & Wireless Communications plc	6,727,260	9,858,034
42,000	Millicom International Cellular SA, SDR	3,737,666	2,420,556
150,000	NTT DoCoMo Inc.	2,980,751	3,099,963
50,075	Tim Participacoes SA, ADR	371,251	424,636
28,000	T-Mobile US Inc.	783,008	1,095,360
104,600	United States Cellular Corp.	4,965,942	4,268,726
		20,301,110	22,643,575
<b>Aviation: Parts and Services 1.4%</b>			
31,000	B/E Aerospace Inc.	1,684,573	1,313,470
270,300	Curtiss-Wright Corp.	8,489,994	18,515,550
23,500	KLX Inc.	981,598	723,565
8,000	Precision Castparts Corp.	1,934,579	1,856,080
		13,090,744	22,408,665
<b>Electronics 1.4%</b>			
20,610	Bel Fuse Inc., Cl. A	568,365	300,082
7,000	Emerson Electric Co.	402,608	334,810
4,000	Hitachi Ltd., ADR	287,076	226,800
55,500	Integrated Device Technology Inc.	1,173,341	1,462,425

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54,000	Intel Corp.	1,160,428	1,860,300
34,170	Koninklijke Philips NV	180,354	869,626
2,400	Mettler-Toledo International Inc.	337,271	813,912
41,000	TE Connectivity Ltd.	1,593,428	2,649,010
240,000	Texas Instruments Inc.	10,684,012	13,154,400
		16,386,883	21,671,365

**Publishing 1.3%**

1,500	Graham Holdings Co., Cl. B	801,342	727,455
6,250	Journal Media Group Inc.	12,582	75,125
111,600	McGraw Hill Financial Inc.	4,595,648	11,001,528
104,000	Meredith Corp.	4,447,392	4,498,000
125,000	News Corp., Cl. A	1,939,129	1,670,000
148,600	News Corp., Cl. B	1,640,044	2,074,456
25,000	The E.W. Scripps Co., Cl. A	144,698	475,000
		13,580,835	20,521,564

**Market**

Shares		Cost	Value
	<b>Environmental Services 1.3%</b>		
35,000	Pentair plc	\$ 1,197,464	\$ 1,733,550
230,800	Republic Services Inc.	5,911,660	10,152,892
157,400	Waste Management Inc.	4,560,250	8,400,438
		11,669,374	20,286,880

**Telecommunication Services 0.8%**

76,800	Liberty Global plc, Cl. A	964,226	3,253,248
220,000	Liberty Global plc, Cl. C	4,042,349	8,969,400
		5,006,575	12,222,648

**Computer Software and Services 0.7%**

1,002	Alphabet Inc., Cl. C	520,271	760,398
6,000	Check Point Software Technologies Ltd.	101,862	488,280
25,000	Fortinet Inc.	792,420	779,250
23,000	InterXion Holding NV	338,737	693,450
62,000	NCR Corp.	757,681	1,516,520
20,900	Rockwell Automation Inc.	648,748	2,144,549
20,000	VeriFone Systems Inc.	477,903	560,400
130,000	Yahoo! Inc.	2,884,194	4,323,800
		6,521,816	11,266,647

**Agriculture 0.6%**

200,000	Archer Daniels Midland Co.	9,150,371	7,336,000
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16,000	Monsanto Co.	709,230	1,576,320
12,800	Syngenta AG, ADR	186,484	1,007,744
10,000	The Mosaic Co.	428,085	275,900
		10,474,170	10,195,964
	<b>Automotive 0.6%</b>		
95,746	General Motors Co.	3,682,527	3,256,321
242,874	Navistar International Corp.	6,247,780	2,147,006
75,000	PACCAR Inc.	327,796	3,555,000
		10,258,103	8,958,327
	<b>Communications Equipment 0.5%</b>		
450,000	Corning Inc.	5,377,401	8,226,000
	<b>Real Estate 0.5%</b>		
40,000	Forest City Enterprises Inc., Cl. A	805,346	877,200
56,000	Griffin Industrial Realty Inc.	542,694	1,461,040
275,000	The St. Joe Co.	5,204,866	5,090,250
		6,552,906	7,428,490
	<b>Metals and Mining 0.4%</b>		
37,400	Agnico Eagle Mines Ltd.	1,530,570	982,872
110,000	Alcoa Inc.	1,014,118	1,085,700
54,000	Barrick Gold Corp.	1,581,120	398,520
30,000	Cliffs Natural Resources Inc.	296,432	47,400
36,000	Freeport-McMoRan Inc.	1,067,330	243,720
4,800	Materion Corp.	108,162	134,400
50,000	New Hope Corp. Ltd.	67,580	67,222
143,600	Newmont Mining Corp.	5,120,536	2,583,364
60,000	TimkenSteel Corp.	1,657,120	502,800
140,000	Turquoise Hill Resources Ltd.	726,343	355,600
14,000	Vale SA, ADR	236,116	46,060
		13,405,427	6,447,658

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Transportation 0.4%</b>			
139,800	GATX Corp.	\$ 4,452,896	\$ 5,948,490
<b>Building and Construction 0.3%</b>			
18,000	Assa Abloy AB, Cl. B	310,378	379,556
80,000	Fortune Brands Home & Security Inc.	680,866	4,440,000
45,000	Layne Christensen Co.	573,982	236,700
		1,565,226	5,056,256
<b>Closed-End Funds 0.2%</b>			
4,285	Royce Global Value Trust Inc.	37,280	31,923
30,000	Royce Value Trust Inc.	368,797	353,100
86,343	The Central Europe, Russia, and Turkey Fund Inc.	2,526,967	1,435,884
123,430	The New Germany Fund Inc.	1,628,914	1,814,421
		4,561,958	3,635,328
<b>Manufactured Housing and Recreational Vehicles 0.1%</b>			
5,000	Martin Marietta Materials Inc.	106,125	682,900
30,000	Nobility Homes Inc.	349,956	363,000
50,000	Skyline Corp.	478,741	179,000
		934,822	1,224,900
<b>Real Estate Investment Trusts 0.0%</b>			
29,000	Rayonier Inc.	457,601	643,800
	<b>TOTAL COMMON STOCKS</b>	970,792,709	1,559,308,765
<b>CONVERTIBLE PREFERRED STOCKS 0.1%</b>			
<b>Telecommunications 0.1%</b>			
21,000	Cincinnati Bell Inc., 6.750%, Ser. B	515,202	1,007,160

<b>WARRANTS 0.0%</b>			
<b>Energy and Utilities 0.0%</b>			
Principal Amount		Cost	Market Value
115,800	Kinder Morgan Inc., expire 05/25/17	139,263	6,960
<b>CONVERTIBLE CORPORATE BONDS 0.2%</b>			
<b>Diversified Industrial 0.2%</b>			
\$ 2,000,000	Griffon Corp., Sub. Deb., 4.000%, 01/15/17(a)	\$ 2,000,000	\$ 2,600,000
<b>U.S. GOVERNMENT OBLIGATIONS 1.1%</b>			
17,719,000	U.S. Treasury Bills, 0.000% to 0.280% , 01/07/16 to 06/23/16	17,696,378	17,696,906
<b>TOTAL INVESTMENTS 100.0%</b>		\$ 991,143,552	1,580,619,791
<b>Other Assets and Liabilities (Net)</b>			2,203,016
<b>PREFERRED STOCK</b>			
(9,350,634 preferred shares outstanding)			(333,665,850)
<b>NET ASSETS COMMON STOCK</b>			
(219,244,891 common shares outstanding)			\$ 1,249,156,957
<b>NET ASSET VALUE PER COMMON SHARE</b>			
(\$1,249,156,957 ÷ 219,244,891 shares outstanding)			\$ 5.70

- (a) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. This security may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2015, the market value of the Rule 144A security amounted to \$2,600,000 or 0.16% of total investments.

Non-income producing security.

Represents annualized yield at date of purchase.

ADR American Depositary Receipt

SDR Swedish Depositary Receipt

<b>Geographic Diversification</b>	<b>% of Total Investments</b>	<b>Market Value</b>
North America	81.8%	\$1,293,304,798
Europe	13.9	219,884,613
Latin America	2.6	40,564,908
Japan	1.7	26,224,042
Asia/Pacific	0.0	641,430

Total Investments	100.0%	\$1,580,619,791
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See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Statement of Assets and Liabilities****December 31, 2015****Assets:**

Investments, at value (cost \$991,143,552)	\$ 1,580,619,791
Receivable for investments sold	23,967,347
Dividends and interest receivable	2,466,324
Deferred offering expense	101,750
Prepaid expenses	15,100

<b>Total Assets</b>	<b>1,607,170,312</b>
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**Liabilities:**

Foreign currency, at value (cost \$(40,139))	40,381
Distributions payable	139,433
Payable for investments purchased	21,652,524
Payable for investment advisory fees	1,221,883
Payable for payroll expenses	101,101
Payable for accounting fees	7,500
Payable for auction agent fees	873,578
Other accrued expenses	311,105

<b>Total Liabilities</b>	<b>24,347,505</b>
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**Cumulative Preferred Stock, \$0.001 par value:**

Series C (Auction Rate, \$25,000 liquidation value, 5,200 shares authorized with 2,880 shares issued and outstanding)	72,000,000
Series D (5.875%, \$25 liquidation value, 3,000,000 shares authorized with 2,363,860 shares issued and outstanding)	59,096,500
Series E (Auction Rate, \$25,000 liquidation value, 2,000 shares authorized with 1,120 shares issued and outstanding)	28,000,000
Series G (\$25 liquidation value, 2,816,524 shares authorized with 2,797,001 shares issued and outstanding)	69,925,025
Series H (5.000%, \$25 liquidation value, 4,200,000 shares authorized with 4,185,773 shares issued and outstanding)	104,644,325

<b>Total Preferred Stock</b>	<b>333,665,850</b>
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<b>Net Assets Attributable to Common Shareholders</b>	<b>\$ 1,249,156,957</b>
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**Net Assets Attributable to Common Shareholders Consist of:**



Paid-in capital	\$ 671,488,463
Distributions in excess of net investment income	(564,288)
Distributions in excess of net realized gain on investments, futures contracts, and foreign currency transactions	(11,235,131)
Net unrealized appreciation on investments	589,476,239
Net unrealized depreciation on foreign currency translations	(8,326)

**Net Assets** \$ 1,249,156,957

**Net Asset Value per Common Share:**

(\$1,249,156,957 ÷ 219,244,891 shares outstanding  
at \$0.001 par value; 246,000,000 shares authorized) \$5.70

**Statement of Operations**

**For the Year Ended December 31, 2015**

**Investment Income:**

Dividends (net of foreign withholding taxes of \$1,056,984)	\$ 30,423,955
Interest	118,782

**Total Investment Income** 30,542,737

**Expenses:**

Investment advisory fees	17,455,225
Shareholder communications expenses	368,417
Payroll expenses	230,749
Custodian fees	218,969
Directors' fees	178,500
Shareholder services fees	142,717
Legal and audit fees	121,968
Accounting fees	45,000
Interest expense	110
Miscellaneous expenses	508,004

**Total Expenses** 19,269,659

**Less:**

Advisory fee reduction (See Note 3)	(1,590,965)
Advisory fee reduction on unsupervised assets (See Note 3)	(3,538)
Expenses paid indirectly by broker (See Note 3)	(8,491)

**Total Reductions** (1,602,994)

**Net Expenses** 17,666,665

**Net Investment Income** 12,876,072

**Net Realized and Unrealized Gain/(Loss) on Investments, Futures Contracts, and Foreign Currency:**

Net realized gain on investments	107,027,134
Net realized gain on futures contracts	1,184,326
Net realized loss on foreign currency transactions	(16,240)
Net realized gain on investments, futures contracts, and foreign currency transactions	108,195,220
Net change in unrealized appreciation/depreciation:	
on investments	(205,669,017)
on futures contracts	(124,655)
on foreign currency translations	4,230
Net change in unrealized appreciation/depreciation on investments, futures contracts, and foreign currency translations	(205,789,442)
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Futures Contracts, and Foreign Currency</b>	<b>(97,594,222)</b>
<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>(84,718,150)</b>
Total Distributions to Preferred Shareholders	(12,305,867)
<b>Net Decrease in Net Assets Attributable to Common Shareholders Resulting from Operations</b>	<b>\$ (97,024,017)</b>

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Statement of Changes in Net Assets Attributable To Common Shareholders**

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
<b>Operations:</b>		
Net investment income	\$ 12,876,072	\$ 11,351,235
Net realized gain on investments, futures contracts, and foreign currency transactions	108,195,220	107,618,196
Net change in unrealized appreciation/depreciation on investments, futures contracts, and foreign currency translations	(205,789,442)	(36,911,307)
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>(84,718,150)</b>	<b>82,058,124</b>
<b>Distributions to Preferred Shareholders:</b>		
Net investment income	(1,288,253)	(1,169,042)
Net realized gain	(11,017,614)	(11,171,723)
<b>Total Distributions to Preferred Shareholders</b>	<b>(12,305,867)</b>	<b>(12,340,765)</b>
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations</b>	<b>(97,024,017)</b>	<b>69,717,359</b>
<b>Distributions to Common Shareholders:</b>		
Net investment income	(11,363,839)	(10,239,764)
Net realized gain	(97,187,735)	(97,854,364)
Return of capital	(31,765,154)	(19,611,714)
<b>Total Distributions to Common Shareholders</b>	<b>(140,316,728)</b>	<b>(127,705,842)</b>
<b>Fund Share Transactions:</b>		
Net increase in net assets from common shares issued in offering		156,969,797
Net increase in net assets from common shares issued upon reinvestment of distributions		9,042,602
Net increase in net assets from repurchase of preferred shares	6,683	30,852
<b>Net Increase in Net Assets from Fund Share Transactions</b>	<b>6,683</b>	<b>166,043,251</b>

<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders</b>	(237,334,062)	108,054,768
<b>Net Assets Attributable to Common Shareholders:</b>		
Beginning of year	1,486,491,019	1,378,436,251
End of year (including undistributed net investment income of \$0 and \$0, respectively)	\$ 1,249,156,957	\$ 1,486,491,019

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Financial Highlights****Selected data for a common share outstanding throughout each year:**

	<b>Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating Performance:</b>					
Net asset value, beginning of year.	\$ 6.78	\$ 7.23	\$ 5.60	\$ 5.20	\$ 5.85
Net investment income	0.06	0.07	0.06	0.09	0.07
Net realized and unrealized gain/(loss) on investments, futures contracts, swap contracts, and foreign currency transactions	(0.44)	0.30	2.26	0.97	(0.08)
Total from investment operations	(0.38)	0.37	2.32	1.06	(0.01)
<b>Distributions to Preferred Shareholders: (a)</b>					
Net investment income	(0.01)	(0.01)	(0.01)	(0.03)	(0.06)
Net realized gain	(0.05)	(0.05)	(0.06)	(0.05)	(0.01)
Total distributions to preferred shareholders	(0.06)	(0.06)	(0.07)	(0.08)	(0.07)
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations</b>					
	(0.44)	0.31	2.25	0.98	(0.08)
<b>Distributions to Common Shareholders:</b>					
Net investment income	(0.05)	(0.05)	(0.05)	(0.06)	(0.02)
Net realized gain	(0.44)	(0.49)	(0.57)	(0.11)	(0.00)(b)
Return of capital	(0.15)	(0.10)		(0.39)	(0.55)
	(0.64)	(0.64)	(0.62)	(0.56)	(0.57)

Total distributions to common shareholders

**Fund Share Transactions:**

Decrease in net asset value from common share transactions

(0.12) 0.00(b)

Increase in net asset value from

repurchase of preferred shares

0.00(b) 0.00(b) 0.00(b)

Offering costs and adjustment

to offering costs for preferred

shares charged to paid-in capital

0.00(b) (0.02)

Total Fund share transactions

0.00(b) (0.12) 0.00(b) (0.02)

**Net Asset Value Attributable to Common Shareholders, End of Year**

\$ 5.70 \$ 6.78 \$ 7.23 \$ 5.60 \$ 5.20

NAV total return

(6.85)% 4.68% 41.90% 19.05% (1.17)%

Market value, end of year

\$ 5.31 \$ 6.47 \$ 7.75 \$ 5.58 \$ 4.99

Investment total return

(8.54)% (6.08)% 52.44% 23.62% (2.15)%

**Ratios to Average Net Assets and Supplemental Data:**

Net assets including liquidation value of preferred shares, end of year (in 000 s)

\$ 1,582,823 \$ 1,820,361 \$ 1,712,663 \$ 1,384,961 \$ 1,265,307

Net assets attributable to common shares, end of year (in 000 s)

\$ 1,249,157 \$ 1,486,491 \$ 1,378,436 \$ 1,050,451 \$ 959,950

Ratio of net investment income to average net assets

attributable to common shares

before preferred distributions

0.91% 0.82% 0.84% 1.54% 1.26%

Ratio of operating expenses to

average net assets attributable to common shares:

before fee reductions

1.36%(c) 1.37% 1.40% 1.48% 1.48%

net of fee reductions, if any

1.25%(c) 1.33% 1.40% 1.48% 1.19%

Ratio of operating expenses to average net assets including liquidation value of preferred shares:

before fee reductions

1.10%(c) 1.10% 1.10% 1.12% 1.15%

net of fee reductions, if any

1.01%(c) 1.07% 1.10% 1.12% 0.92%

Portfolio turnover rate

8.9% 10.9% 10.0% 4.2% 6.3%

See accompanying notes to financial statements.

**Table of Contents****The Gabelli Equity Trust Inc.****Financial Highlights (Continued)****Selected data for a share of beneficial interest outstanding throughout each period:**

	Year Ended December 31,				
	2015	2014	2013	2012	2011
<b>Cumulative Preferred Stock:</b>					
<b>Auction Rate Series C</b>					
Liquidation value, end of year (in 000 s)	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000	\$ 72,000
Total shares outstanding (in 000 s)	3	3	3	3	3
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Liquidation value (d)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share (e)	\$ 118,593	\$ 136,308	\$ 128,106	\$ 103,507	\$ 103,593
<b>5.875% Series D</b>					
Liquidation value, end of year (in 000 s)	\$ 59,097	\$ 59,097	\$ 59,097	\$ 59,097	\$ 59,097
Total shares outstanding (in 000 s)	2,364	2,364	2,364	2,364	2,364
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (f)	\$ 25.69	\$ 25.21	\$ 25.27	\$ 25.75	\$ 25.35
Asset coverage per share (e)	\$ 118.59	\$ 136.31	\$ 128.11	\$ 103.51	\$ 103.59
<b>Auction Rate Series E</b>					
Liquidation value, end of year (in 000 s)	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000
Total shares outstanding (in 000 s)	1	1	1	1	1
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Liquidation value (d)	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Asset coverage per share (e)	\$ 118,593	\$ 136,308	\$ 128,106	\$ 103,507	\$ 103,593
<b>6.200% Series F</b>					
Liquidation value, end of year (in 000 s)					\$ 146,260
Total shares outstanding (in 000 s)					5,850
Liquidation preference per share					\$ 25.00
Average market value (f)					\$ 25.57
Asset coverage per share (e)					\$ 103.59
<b>Series G</b>					
Liquidation value, end of year (in 000 s)	\$ 69,925	\$ 70,099	\$ 70,373	\$ 70,413	
Total shares outstanding (in 000 s)	2,797	2,804	2,815	2,817	
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	
Average market value (f)	\$ 23.78	\$ 23.32	\$ 23.91	\$ 26.01	
Asset coverage per share (e)	\$ 118.59	\$ 136.31	\$ 128.11	\$ 103.51	
<b>5.000% Series H</b>					
Liquidation value, end of year (in 000 s)	\$ 104,644	\$ 104,674	\$ 104,757	\$ 105,000	
Total shares outstanding (in 000 s)	4,186	4,187	4,190	4,200	



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Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	
Average market value (f)	\$ 24.33	\$ 22.82	\$ 23.85	\$ 25.55	
Asset coverage per share (e)	\$ 118.59	\$ 136.31	\$ 128.11	\$ 103.51	
<b>Asset Coverage (g)</b>	474%	545%	512%	414%	414%

For the years ended 2015, 2014, and 2013 based on net asset value per share, adjusted for reinvestment of distributions at net asset value on the ex-dividend date. The years ended 2012 and 2011 were based on net asset value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan.

Based on market value per share, adjusted for reinvestment of distributions at prices determined under the Fund's dividend reinvestment plan.

- (a) Calculated based upon average common shares outstanding on the record dates throughout the years.
- (b) Amount represents less than \$0.005 per share.
- (c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the year ended December 31, 2015, there was no impact on the expense ratios.
- (d) Since February 2008, the weekly auctions have failed. Holders that have submitted orders have not been able to sell any or all of their shares in the auction.
- (e) Asset coverage per share is calculated by combining all series of preferred stock.
- (f) Based on weekly prices.
- (g) Asset coverage is calculated by combining all series of preferred stock.

See accompanying notes to financial statements.

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**The Gabelli Equity Trust Inc.**

**Notes to Financial Statements**

**1. Organization.** The Gabelli Equity Trust Inc. (the Fund ) is a non-diversified closed-end 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 with income as a secondary objective. Investment operations commenced on August 21, 1986.

The Fund will invest at least 80% of its assets in equity securities under normal market conditions (the 80% Policy ). The 80% Policy may be changed without shareholder approval. The Fund will provide shareholders with notice at least sixty days prior to the implementation of any changes in the 80% Policy.

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

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

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

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available

financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

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

Level 1 quoted prices in active markets for identical securities;

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and

Level 3 significant unobservable inputs (including the Board's determinations as to the fair value of investments).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities

**Table of Contents****The Gabelli Equity Trust Inc.****Notes to Financial Statements (Continued)**

are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities and other financial instruments by inputs used to value the Fund's investments as of December 31, 2015 is as follows:

	<b>Valuation Inputs</b>			
	<b>Level 1</b>	<b>Level 2 Other Significant</b>	<b>Level 3</b>	<b>Total Market Value</b>
	<b>Quoted Prices</b>	<b>Observable</b>	<b>Significant</b>	<b>at 12/31/15</b>
		<b>Inputs</b>	<b>Unobservable Inputs</b>	
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Common Stocks:				
Energy and Utilities	\$ 60,056,381		\$ 0	\$ 60,056,381
Aerospace and Defense	33,223,005	\$ 158,661		33,381,666
Other Industries (a)	1,465,870,718			1,465,870,718
<b>Total Common Stocks</b>	<b>1,559,150,104</b>	<b>158,661</b>	<b>0</b>	<b>1,559,308,765</b>
Convertible Preferred Stocks				
(a)	1,007,160			1,007,160
Warrants (a)	6,960			6,960
Convertible Corporate Bonds				
(a)		2,600,000		2,600,000
U.S. Government Obligations		17,696,906		17,696,906
<b>TOTAL INVESTMENTS IN SECURITIES ASSETS</b>	<b>\$ 1,560,164,224</b>	<b>\$ 20,455,567</b>	<b>\$ 0</b>	<b>\$ 1,580,619,791</b>

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

The Fund did not have transfers among Level 1, Level 2, and Level 3 during the year ended December 31, 2015. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

**Additional Information to Evaluate Qualitative Information.**

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

participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

***Fair Valuation.*** Fair valued securities may be common and preferred equities, warrants, options, rights, and fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. Among the factors to be considered to fair value a security are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. A significant change in the unobservable inputs could result in a lower or higher value in Level 3 securities. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

The Adviser reports quarterly to the Board the results of the application of fair valuation policies and procedures. These may include back testing the prices realized in subsequent trades of these fair valued securities to fair values previously recognized.

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

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**The Gabelli Equity Trust Inc.**

**Notes to Financial Statements (Continued)**

Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

Collateral requirements differ by type of derivative. Collateral requirements are set by the broker or exchange clearing house for exchange traded derivatives, while collateral terms are contract specific for derivatives traded over-the-counter. Securities pledged to cover obligations of the Fund under derivative contracts are noted in the Schedule of Investments. Cash collateral, if any, pledged for the same purpose will be reported separately in the Statement of Assets and Liabilities.

The Fund's policy with respect to offsetting is that, absent an event of default by the counterparty or a termination of the agreement, the master agreement does not result in an offset of reported amounts of financial assets and financial liabilities in the Statement of Assets and Liabilities across transactions between the Fund and the applicable counterparty. The enforceability of the right to offset may vary by jurisdiction.

The Fund's derivative contracts held at December 31, 2015, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

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

During the year ended December 31, 2015, the Fund held no investments in equity contract for difference swap agreements.

**Futures Contracts.** The Fund 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. Upon entering into a futures contract, the Fund 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 Fund each day, depending on the daily fluctuations in the value of the contract, and are included in unrealized appreciation/depreciation on futures contracts. The Fund recognizes a realized gain or loss when the contract is closed.

There are several risks in connection with the use of futures contracts as a hedging instrument. 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 that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. At December 31, 2015, the Fund held no investments in equity futures contracts.

The Fund's volume of equity futures contracts held during the period through December 11, 2015 had an average monthly notional amount while outstanding of approximately \$44,686,404.

For the year ended December 31, 2015, the effect of equity futures contracts can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Futures Contracts, and Foreign Currency, Net realized gain on futures contracts, and Net change in unrealized appreciation/depreciation on futures contracts.

***Limitations on the Purchase and Sale of Futures Contracts, Certain Options, and Swaps.*** Subject to the guidelines of the Board, the Fund may engage in commodity interest transactions (generally, transactions in futures, certain options, certain currency transactions, and certain types of swaps) only for bona fide hedging or other permissible transactions in accordance with the rules and regulations of the Commodity Futures Trading Commission (CFTC). Pursuant to amendments by the CFTC to Rule 4.5 under the Commodity Exchange Act (CEA), the Adviser has filed a notice of exemption from registration as a commodity pool operator with respect to the Fund. The Fund and the Adviser are therefore not subject to registration or regulation as a commodity pool operator under the CEA. In addition, certain trading restrictions are now applicable to the Fund as of January 1, 2013. These trading restrictions permit the Fund to engage in commodity interest transactions that include (i) bona fide hedging transactions, as that term is defined and

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**Table of Contents****The Gabelli Equity Trust Inc.****Notes to Financial Statements (Continued)**

interpreted by the CFTC and its staff, without regard to the percentage of the Fund's assets committed to margin and options premiums and (ii) non-bona fide hedging transactions, provided that the Fund does not enter into such non-bona fide hedging transactions if, immediately thereafter, either (a) the sum of the amount of initial margin deposits on the Fund's existing futures positions or swaps positions and option or swaption premiums would exceed 5% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions, or (b) the aggregate net notional value of the Fund's commodity interest transactions would not exceed 100% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions. Therefore, in order to claim the Rule 4.5 exemption, the Fund is limited in its ability to invest in commodity futures, options, and certain types of swaps (including securities futures, broad based stock index futures, and financial futures contracts). As a result, in the future, the Fund will be more limited in its ability to use these instruments than in the past, and these limitations may have a negative impact on the ability of the Adviser to manage the Fund, and on the Fund's performance.

***Investments in Other Investment Companies.*** The Fund may invest, from time to time, in shares of other investment companies (or entities that would be considered investment companies but are excluded from the definition pursuant to certain exceptions under the 1940 Act) (the "Acquired Funds") in accordance with the 1940 Act and related rules. Shareholders in the Fund would bear the pro rata portion of the periodic expenses of the Acquired Funds in addition to the Fund's expenses. For the year ended December 31, 2015, the Fund's pro rata portion of the periodic expenses charged by the Acquired Funds was less than 1 basis point.

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

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

***Foreign Taxes.*** The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its



current interpretation of tax rules and regulations that exist in the markets in which it invests.

***Restricted Securities.*** The Fund may invest up to 10% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At December 31, 2015, the Fund held no restricted securities.

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

**Table of Contents****The Gabelli Equity Trust Inc.****Notes to Financial Statements (Continued)**

**Distributions to Shareholders.** Distributions to common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to reclassifications of distributions, and investments in registered investment companies. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2015, reclassifications were made to increase distributions in excess of net investment income by \$134,851 and decrease distributions in excess of net realized gain on investments, futures contracts, and foreign currency transactions by \$169,985, with an offsetting adjustment to paid-in capital.

Under the Fund's current common share distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current earnings and profits, they are considered ordinary income or long term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pass through to shareholders all of its net realized long term capital gains as a Capital Gain Dividend and may cause such gains to be treated as ordinary income. Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund. The Board will continue to monitor the Fund's distribution level, taking into consideration the Fund's NAV and the financial market environment. The Fund's distribution policy is subject to modification by the Board at any time.

Distributions to shareholders of the Fund's Series C Auction Rate Cumulative Preferred Stock, 5.875% Series D Cumulative Preferred Stock, Series E Auction Rate Cumulative Preferred Stock, Series G Cumulative Preferred Stock, and 5.00% Series H Cumulative Preferred Stock ( Preferred Stock ) are recorded on a daily basis and are determined as described in Note 5.

The tax character of distributions paid during the years ended December 31, 2015 and 2014 was as follows:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Common	Preferred	Common	Preferred
<b>Distributions paid from:</b>				
	\$ 13,597,676	\$ 1,541,490	\$ 13,777,398	\$ 1,572,922

Ordinary income (inclusive of short term capital gains)				
Net long term capital gains	94,953,898	10,764,377	94,316,730	10,767,843
Return of capital	31,765,154		19,611,714	
Total distributions paid	\$140,316,728	\$12,305,867	\$127,705,842	\$12,340,765

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

As of December 31, 2015, the components of accumulated earnings/losses on a tax basis were as follows:

Net unrealized appreciation on investments, futures contracts, and foreign currency translations	\$ 577,807,925
Other temporary differences*	(139,431)
Total	\$ 577,668,494

\*Other temporary differences were primarily due to distributions payable.

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

**Table of Contents****The Gabelli Equity Trust Inc.****Notes to Financial Statements (Continued)**

At December 31, 2015, the temporary differences between book basis and tax basis net unrealized appreciation on investments were primarily due to deferral of losses from wash sales for tax purposes, adjustments on the sale of securities no longer deemed passive foreign investment companies, and basis adjustments on investments in partnerships.

The following summarizes the tax cost of investments and the related net unrealized appreciation at December 31, 2015:

	<b>Cost</b>	<b>Gross Unrealized Appreciation</b>	<b>Gross Unrealized Depreciation</b>	<b>Net Unrealized Appreciation</b>
Investments	\$ 1,002,803,539	\$ 659,390,993	\$ (81,574,741)	\$ 577,816,252

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2015, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2015, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund's net assets or results of operations. The Fund's federal and state tax returns for the prior three fiscal years remain open, subject to examination. On an ongoing basis, the Adviser will monitor the Fund's tax positions to determine if adjustments to this conclusion are necessary.

**3. Agreements and Transactions with Affiliates.** The Fund has entered into an investment advisory agreement (the Advisory Agreement) with the Adviser which provides that the Fund will pay the Adviser a fee, computed weekly and paid monthly, equal on an annual basis to 1.00% of the value of the Fund's average weekly net assets including the liquidation value of preferred stock. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio and oversees the administration of all aspects of the Fund's business and affairs.

The Adviser has agreed to reduce the management fee on the incremental assets attributable to the Series C, Series D, and Series E Preferred Stock (C, D, and E Preferred Stock) if the total return of the NAV of the common shares of the Fund, including distributions and advisory fee subject to reduction, does not exceed the stated dividend rate or corresponding swap rate of the C, D, and E Preferred Stock for the year. The Fund's total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate of the C, D, and E Preferred Stock for the period. For the year ended December 31, 2015, the Fund's total return on the NAV of the common shares did not exceed the dividend rate of the outstanding C, D, and E Preferred Stock. Thus, advisory fees of the C, D, and E Preferred Stock were reduced by \$1,590,965.

During the year ended December 31, 2015, the Fund paid brokerage commissions on security trades of \$28,650 to G.research, LLC, an affiliate of the Adviser.

During the year ended December 31, 2015, the Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. The amount of such expenses paid through this directed brokerage arrangement during this period was \$8,491.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the year ended December 31, 2015, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

As per the approval of the Board, the Fund compensates officers of the Fund, who are employed by the Fund and are not employed by the Adviser (although the officers may receive incentive based variable compensation from affiliates of the Adviser). For the year ended December 31, 2015, the Fund paid or accrued \$230,749 in payroll expenses in the Statement of Operations.

There was a reduction in the advisory fee paid to the Adviser relating to certain portfolio holdings, i.e., unsupervised assets, of the Fund with respect to which the Adviser transferred dispositive and voting control to the Fund's Proxy Voting Committee. During the year ended December 31, 2015, the Fund's Proxy Voting Committee exercised control and discretion over all rights to vote or consent with respect to such securities, and the Adviser reduced its fee with respect to such securities by \$3,538.

**Table of Contents****The Gabelli Equity Trust Inc.****Notes to Financial Statements (Continued)**

The Fund pays each Director who is not considered an affiliated person an annual retainer of \$15,000 plus \$2,000 for each Board meeting attended. Each Director is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$1,000 per meeting attended. The Audit Committee Chairman receives an annual fee of \$3,000, the Proxy Voting Committee Chairman receives an annual fee of \$1,500, and the Nominating Committee Chairman and the Lead Director each receive an annual fee of \$2,000. A Director may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**4. Portfolio Securities.** Purchases and sales of securities during the year ended December 31, 2015, other than short term securities and U.S. Government obligations, aggregated \$149,557,346 and \$195,241,536, respectively.

**5. Capital.** The Fund's Articles of Incorporation, as amended, permit the Fund to issue 246,000,000 shares of common stock (par value \$0.001) and authorizes the Board to increase its authorized shares from time to time. The Board has authorized the repurchase of its shares on the open market when the shares are trading on the NYSE at a discount of 10% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the years ended December 31, 2015 and 2014, the Fund did not repurchase any shares of its common stock in the open market and in 2015 did not issue new shares upon reinvestment of distributions.

Transactions in common shares in 2014 were as follows:

	<b>Year Ended December 31, 2014</b>	
	<b>Shares</b>	<b>Amount</b>
Increase from common shares issued in offering	27,405,612	\$ 157,582,269
Net increase from common shares issued upon reinvestment of distributions	1,235,151	9,042,602
<b>Net increase</b>	<b>28,640,763</b>	<b>\$ 166,624,871</b>

A shelf registration authorizing the offering of an additional \$500 million of common or preferred shares was declared effective by the SEC on August 7, 2014.

On September 19, 2014, the Fund distributed one transferable right for each of the 191,839,279 common shares outstanding on that date. Seven rights were required to purchase one additional common share at the subscription price of \$5.75 per share. On October 27, 2014, the Fund issued 27,405,612 common shares receiving net proceeds of \$156,969,797, after the deduction of offering expenses of \$612,472. The NAV of the Fund was reduced by \$0.12 per share on the day the additional shares were issued. The additional shares were issued below NAV.

The Fund's Articles of Incorporation, as amended, authorize the issuance of up to 18,000,000 shares of \$0.001 par value Preferred Stock. The 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 Preferred Stock are cumulative. The Fund is required by the 1940 Act and by the Articles Supplementary to meet certain asset coverage tests with respect to the Preferred Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Series C, Series D, Series E, Series G, and Series H Preferred Stock at redemption prices of \$25,000, \$25, \$25,000, \$25, and \$25, 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 coverage requirements could restrict the Fund's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Fund'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.

For Series C and Series E Preferred Stocks, the dividend rates, as set by the auction process that is generally held every seven days, are expected to vary with short term interest rates. Since February 2008, the number of shares of Series C and Series E Preferred Stock subject to bid orders by potential holders has been less than the number of shares of Series C and Series E Preferred Stock subject to sell orders. Holders that have submitted sell orders have not been able to sell any or all of the Series C and Series E Preferred Stock for which they have submitted sell orders. Therefore the weekly auctions have failed, and the dividend rate has been the maximum rate. For Series C and Series E Preferred Stock, the maximum auction rate is 175% of the AA Financial Composite Commercial Paper Rate. Existing Series C and

**Table of Contents****The Gabelli Equity Trust Inc.****Notes to Financial Statements (Continued)**

Series E shareholders may submit an order to hold, bid, or sell such shares on each auction date, or trade their shares in the secondary market.

The Fund may redeem at anytime, in whole or in part, the Series C, Series D, and Series E Preferred Stock at their respective redemption prices. In addition, the Board has authorized the repurchase of Series D Preferred Stock in the open market at prices less than the \$25 liquidation value per share. During the years ended December 31, 2015 and 2014, the Fund did not repurchase or redeem any shares of Series C, Series D, and Series E Preferred Stock.

Commencing July 31, 2017 and September 27, 2017, and anytime thereafter, the Fund, at its option, may redeem the Series G and Series H Preferred Stock, respectively, in whole or in part at the redemption price. In addition, the Board has authorized the repurchase of the Series G and Series H Preferred Stock in the open market at prices less than the \$25 liquidation value per share. During the year ended December 31, 2015, the Fund repurchased and retired 6,960 of the Series G Preferred in the open market at a cost of \$159,988 and an average discount of approximately 8.09% from its liquidation preference. During the year ended December 31, 2015, the Fund repurchased and retired 1,200 of the Series H Preferred in the open market at a cost of \$28,968 and an average discount of approximately 3.60% from its liquidation preference.

The following table summarizes Cumulative Preferred Stock information:

Series	Issue Date	Issued/ Authorized	Number of Shares		2015 Dividend Rate Range	Accrued Dividend Dividends	
			Outstanding at 12/31/2015	Net Proceeds		Rate at 12/31/2015	at 12/31/2015
C Auction							
Rate	June 27, 2002	5,200	2,880	\$ 128,246,557	0.123% to 0.560%	0.560%	\$ 2,240
D							
5.875%	October 7, 2003	3,000,000	2,363,860	\$ 72,375,842	Fixed Rate	5.875%	\$ 38,577
E Auction							
Rate	October 7, 2003	2,000	1,120	\$ 49,350,009	0.105% to 0.595%	0.595%	\$ 1,633
G	August 1, 2012	2,816,524	2,797,001	\$ 69,812,243	Fixed Rate	5.000%	\$ 38,847
H							
5.000%	September 28, 2012	4,200,000	4,185,773	\$ 101,167,500	Fixed Rate	5.000%	\$ 58,136

The holders of Preferred Stock generally are entitled to one vote per share held on each matter submitted to a vote of shareholders of the Fund and will vote together with holders of common stock as a single class. The holders of Preferred Stock voting together as a single class also have the right currently to elect two Directors and under certain



circumstances are entitled to elect a majority of the Board of Directors. In addition, the affirmative vote of a majority of the votes entitled to be cast by holders of all outstanding shares of the preferred stock, voting as a single class, will be required to approve any plan of reorganization adversely affecting the preferred stock, and the approval of two-thirds of each class, voting separately, of the Fund's outstanding voting stock must approve the conversion of the Fund from a closed-end to an open-end investment company. The approval of a majority (as defined in the 1940 Act) of the outstanding preferred stock and a majority (as defined in the 1940 Act) of the Fund's outstanding voting securities are required to approve certain other actions, including changes in the Fund's investment objectives or fundamental investment policies.

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

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

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**The Gabelli Equity Trust Inc.**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of

The Gabelli Equity Trust Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets attributable to common shareholders and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Equity Trust Inc. (hereafter referred to as the Fund ) at December 31, 2015, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2015 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York

February 26, 2016

**Table of Contents****The Gabelli Equity Trust Inc.****Additional Fund Information (Unaudited)**

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

<b>Name, Position(s) Address<sup>1</sup> and Age Interested Directors<sup>4</sup>:</b>	<b>Term of Office and Length of Time Served<sup>2</sup></b>	<b>Number of Funds in Fund Complex Overseen by Director</b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Other Directorships Held by Director<sup>3</sup></b>
<b>Mario J. Gabelli, CFA</b>  Director and Chief Investment Officer  Age: 73	Since 1986*	29	Chairman, Chief Executive Officer, and Chief Investment Officer Value Portfolios of GAMCO Investors, Inc. and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies within the Gabelli/GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc.; Chief Executive Officer and Chairman of the Board of Associated Capital Group, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group Inc. (communications); Director of RLJ Acquisition Inc. (blank check company) (2011-2012)

**Independent Directors<sup>5</sup>:**

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<b>Anthony J. Colavita</b> <sup>6</sup>	Since 1999**	36	President of the law firm of Anthony J. Colavita, P.C.
Director			
Age: 80			
<b>James P. Conn</b> <sup>6</sup>	Since 1989***	22	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (1992-1998)
Director			
Age: 77			
<b>Frank J. Fahrenkopf, Jr.</b>	Since 1998**	9	Co-Chairman of the Commission on Presidential Debates; Former President and Chief Executive Officer of the American Gaming Association (1995-2013); Former Chairman of the Republican National Committee (1983-1989)
Director			Director of First Republic Bank (banking)
Age: 76			

**Table of Contents****The Gabelli Equity Trust Inc.****Additional Fund Information (Continued) (Unaudited)**

<b>Name, Position(s) Address<sup>1</sup> and Age</b>	<b>Term of Office and Length of Time Served<sup>2</sup></b>	<b>Number of Funds in Fund Complex Overseen by Director</b>	<b>Principal Occupation(s) During Past Five Years</b>	<b>Other Directorships Held by Director<sup>3</sup></b>
<b>Arthur V. Ferrara</b> Director Age: 85	Since 2001*	8	Former Chairman of the Board and Chief Executive Officer of The Guardian Life Insurance Company of America (1993-1995)	
<b>William F. Heitmann</b> Director Age: 66	Since 2012*	4	Managing Director and Senior Advisor of Perlmutter Investment Company (real estate); Senior Vice President of Finance, Verizon Communications, and President, Verizon Investment Management (1971-2011)	Director and Audit Committee Chair of DRS Technologies (defense electronic systems)
<b>Anthony R. Pustorino</b> Director Age: 90	Since 1986***	13	Certified Public Accountant; Professor Emeritus, Pace University	Director of LGL Group, Inc. (diversified manufacturing) (2004-2011)
<b>Salvatore J. Zizza</b> Director Age: 70	Since 1986**	30	President of Zizza & Associates Corp. (financial consulting); Chairman of Harbor Diversified, Inc. (pharmaceuticals); Chairman of BAM (semiconductor and aerospace)	Director and Vice Chairman of Trans-Lux Corporation (business services); Director and Chairman of Harbor Diversified Inc. (pharmaceuticals);

manufacturing); Chairman of Bergen Cove Realty Inc.; Chairman of Metropolitan Paper Recycling Inc. (recycling) (2005-2014)	Director, Chairman, and CEO of General Employment Enterprises (staffing services) (2009-2012)
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**Table of Contents****The Gabelli Equity Trust Inc.****Additional Fund Information (Continued) (Unaudited)**

<b>Name, Position(s)</b>	<b>Term of Office and Length of Time Served<sup>2</sup></b>	<b>Principal Occupation(s) During Past Five Years</b>
<b>Officers:</b>		
<b>Bruce N. Alpert</b> President Age: 64	Since 2003	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; Officer of several registered investment companies within the Gabelli/GAMCO Fund Complex; Senior Vice President of GAMCO Investors, Inc. since 2008; Director of Teton Advisors, Inc., 1998-2012; Chairman of Teton Advisors, Inc., 2008-2010; President of Teton Advisors, Inc., 1998-2008
<b>Andrea R. Mango</b> Vice President and Secretary Age: 43	Since 2013	Counsel of Gabelli Funds, LLC since 2013; Secretary of all registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Vice President of all closed-end funds within the Gabelli/GAMCO Fund Complex since 2014; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company, 2011-2013; Vice President and Counsel of Deutsche Bank, 2006-2011
<b>Agnes Mullady</b> Treasurer Age: 57	Since 2006	President and Chief Operating Officer of the Fund Division of Gabelli Funds, LLC since 2015; Chief Executive Officer of G.distributors, LLC since 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies within the Gabelli/GAMCO Fund Complex
<b>Richard J. Walz</b> Chief Compliance Officer Age: 56	Since 2013	Chief Compliance Officer of all of the registered investment companies within the Gabelli/ GAMCO Fund Complex since 2013; Chief Compliance Officer of AEGON USA Investment Management, 2011-2013; Chief Compliance Officer of Cutwater Asset Management, 2004- 2011
<b>Carter W. Austin</b> Vice President Age: 49	Since 2000	Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Senior Vice President of Gabelli Funds, LLC since 2015
<b>Molly A.F. Marion</b> Vice President and	Since 2009	Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Vice President of GAMCO Investors, Inc. since 2012

Ombudsman

Age: 62

**David I. Schachter**

Since 2013

Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Senior Vice President of Gabelli Funds, LLC since 2015

Vice President

Age: 62

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

<sup>2</sup> The Fund's Board of Directors is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:

\* Term expires at the Fund's 2016 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

\*\* Term expires at the Fund's 2017 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

\*\*\* Term expires at the Fund's 2018 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

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

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

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

<sup>6</sup> Represents holders of the Fund's Preferred Stock.



Table of Contents**THE GABELLI EQUITY TRUST INC.****INCOME TAX INFORMATION (Unaudited)****December 31, 2015****Cash Dividends and Distributions**

	<b>Payable Date</b>	<b>Record Date</b>	<b>Total Amount Paid Per Share (a)</b>	<b>Ordinary Investment Income (a)</b>	<b>Long Term Capital Gains (a)</b>	<b>Return of Capital</b>	<b>Dividend Reinvestment Price</b>
<b>Common Stock</b>							
	03/24/15	03/17/15	\$0.15000	\$0.01460	\$0.10140	\$0.03400	\$6.53570
	06/23/15	06/16/15	0.15000	0.01460	0.10140	0.03400	6.47160
	09/23/15	09/16/15	0.15000	0.01460	0.10140	0.03400	5.34540
	12/18/15	12/11/15	0.19000	0.01850	0.12850	0.04300	5.32970
			\$0.64000	\$0.06230	\$0.43270	\$0.14500	
<b>5.875% Series D Cumulative Preferred Stock</b>							
	03/26/15	03/19/15	\$0.36719	\$0.04617	\$0.32102		
	06/26/15	06/19/15	0.36719	0.04617	0.32102		
	09/28/15	09/21/15	0.36719	0.04617	0.32102		
	12/28/15	12/18/15	0.36719	0.04617	0.32102		
			\$1.46875	\$0.18466	\$1.28409		
<b>Series G Cumulative Preferred Stock</b>							
	03/26/15	03/19/15	\$0.31250	\$0.03930	\$0.27320		
	06/26/15	06/19/15	0.31250	0.03930	0.27320		
	09/28/15	09/21/15	0.31250	0.03930	0.27320		
	12/28/15	12/18/15	0.31250	0.03930	0.27320		
			\$1.25000	\$0.15720	\$1.09280		
<b>5.000% Series H Cumulative Preferred Stock</b>							
	03/26/15	03/19/15	\$0.31250	\$0.03930	\$0.27320		
	06/26/15	06/19/15	0.31250	0.03930	0.27320		
	09/28/15	09/21/15	0.31250	0.03930	0.27320		
	12/28/15	12/18/15	0.31250	0.03930	0.27320		
			\$1.25000	\$0.15720	\$1.09280		
<b>Auction Rate Series C and E Cumulative Preferred Stock</b>							

Auction Rate Preferred Stocks pay dividends weekly based on the maximum rate. The distributions derived from long term capital gains for the Auction Rate Series C and Series E Cumulative Preferred Stock were \$106,775 and \$43,373, respectively.

A Form 1099-DIV has been mailed to all shareholders of record which sets forth specific amounts to be included in the 2015 tax returns. Ordinary income distributions include net investment income and realized net short term capital gains, if any. Ordinary income is reported in box 1a of Form 1099-DIV. Capital gain distributions are reported in box 2a of Form 1099-DIV. The long term gain distributions for the year ended December 31, 2015 were \$105,718,275.

#### **Corporate Dividends Received Deduction, Qualified Dividend Income, and U.S. Government Securities Income**

In 2015, the Fund paid to common, 5.875% Series D, Series G, and 5.000% Series H preferred shareholders ordinary income dividends totaling \$0.06230, \$0.18466, \$0.15720, and \$0.15720 per share, respectively. The Fund paid weekly distributions to auction rate Series C and Series E preferred shareholders at varying rates throughout the year, including an ordinary income dividend totaling \$5.48424 and \$5.79605 per share, respectively, in 2015. For the year ended December 31, 2015, 100% of the ordinary income dividend qualified for the dividend received deduction available to corporations, and 100% of the ordinary income distribution was deemed qualified dividend income and is reported in box 1b on Form 1099-DIV. The percentage of the ordinary income dividends paid by the Fund during 2015 derived from U.S. Government securities was 0.07%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government securities. The Fund did not meet this strict requirement in 2015. The percentage of U.S. Government securities held as of December 31, 2015 was 1.12%. For the year ended December 31, 2015, 0.42% of the ordinary income dividend was qualified interest income.

Table of Contents**THE GABELLI EQUITY TRUST INC.****INCOME TAX INFORMATION (Unaudited) (Continued)****December 31, 2015****Historical Distribution Summary**

	<b>Investment Income (b)</b>	<b>Short Term Capital Gains (b)</b>	<b>Long Term Capital Gains</b>	<b>Non-Taxable Return of Capital</b>	<b>Total Distributions(a)</b>	<b>Adjustment to Cost Basis</b>
<b>Common Stock</b>						
2015	\$ 0.05210	\$ 0.01020	\$ 0.43270	\$ 0.14500	\$ 0.64000	\$ 0.14500
2014	0.04848	0.01772	0.47238	0.10143	0.64000	\$ 0.10143
2013	0.05000	0.06250	0.50750		0.62000	
2012	0.05800	0.10800		0.39400	0.56000	0.39400
2011	0.01676	0.00430		0.54895	0.57000	0.54895
2010				0.51000	0.51000	0.51000
2009	0.00040			0.71960	0.72000	0.71960
2008	0.01000			0.79000	0.80000	0.79000
2007(c)	0.10455	0.05323	0.52679	0.63543	1.32000	0.63543
2006	0.15690	0.06400	0.65910		0.88000	
<b>5.875% Series D Cumulative Preferred Stock</b>						
2015	\$ 0.15444	\$ 0.03023	\$ 1.28409		\$ 1.46875	
2014	0.13222	0.04831	1.28822		1.46875	
2013	0.11822	0.14819	1.20234		1.46875	
2012	0.51428	0.95447			1.46875	
2011	1.16910	0.29965			1.46875	
2010	1.05723			\$ 0.41152	1.46875	\$ 0.41152
2009	1.46875				1.46875	
2008	1.46875				1.46875	
2007	0.22096	0.11474	1.13305		1.46875	
2006	0.26193	0.10688	1.09994		1.46875	
<b>Series G Cumulative Preferred Stock</b>						
2015	\$ 0.13160	\$ 0.02560	\$ 1.09280		\$ 1.25000	
2014	0.11240	0.04120	1.09640		1.25000	
2013	0.11270	0.14110	1.14550		1.39930	
2012	0.21155	0.39262			0.60417	
<b>5.000% Series H Cumulative Preferred Stock</b>						

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2015	\$ 0.13160	\$ 0.02560	\$ 1.09280	\$ 1.25000
2014	0.11240	0.04120	1.09640	1.25000
2013	0.10080	0.12600	1.02320	1.25000
2012	0.10700	0.19860		0.30560

**Auction Rate Series C Cumulative Preferred**

**Stock**

2015	\$ 4.58660	\$ 0.89764	\$ 38.13575	\$ 43.62000
2014	2.81131	1.02727	27.39142	31.23000
2013	2.49523	3.12766	25.37712	31.00000
2012	13.04312	24.20688		37.25000
2011	29.61842	7.59158		37.21000
2010	47.84624		\$ 18.62376	66.47000 \$ 18.62376
2009	70.60000			70.60000
2008	760.66000			760.66000
2007	203.92150	105.89030	1,045.88200	1,355.50000
2006	219.92983	89.73249	923.57769	1,233.24000

Table of Contents**THE GABELLI EQUITY TRUST INC.****INCOME TAX INFORMATION (Unaudited) (Continued)****December 31, 2015****Historical Distribution Summary (Continued)**

	<b>Investment Income (b)</b>	<b>Short Term Capital Gains (b)</b>	<b>Long Term Capital Gains</b>	<b>Non-Taxable Return of Capital</b>	<b>Total Distributions(a)</b>	<b>Adjustment to Cost Basis</b>
<b>Auction Rate Series E Cumulative Preferred Stock</b>						
2015	\$ 4.84737	\$ 0.94868	\$ 40.30395		\$ 46.10000	
2014	2.68709	0.98187	26.18104		29.85000	
2013	2.56686	3.21745	26.10568		31.89000	
2012	12.47587	23.15413			35.63000	
2011	27.47723	7.04277			34.52000	
2010	48.73162			\$ 18.96838	67.70000	\$ 18.96838
2009	65.24000				65.24000	
2008	783.29000				783.29000	
2007	199.17211	103.42412	1,021.33377		1,323.93000	
2006	218.22316	89.03616	916.41068		1,223.67000	

(a) Total amounts may differ due to rounding.

(b) Taxable as ordinary income.

(c) On June 28, 2007, the Fund distributed shares of The Gabelli Healthcare & Wellness<sup>Rx</sup> Trust valued at \$8.40 per share.

- Decrease in cost basis

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

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**AUTOMATIC DIVIDEND REINVESTMENT  
AND VOLUNTARY CASH PURCHASE PLANS**

**Enrollment in the Plan**

It is the policy of The Gabelli Equity Trust Inc. (the Fund ) to automatically reinvest dividends payable to common shareholders. As a registered shareholder, you automatically become a participant in the Fund's Automatic Dividend Reinvestment Plan (the Plan ). The Plan authorizes the Fund to credit shares of common stock 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 additional shares of the Fund. Plan participants may send their stock certificates to Computershare Trust Company, N.A. ( Computershare ) 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 Computershare

P.O. Box 30170

College Station, TX 77842-3170

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 or requesting a copy of the terms of the Plan may contact Computershare at (800) 336-6983.

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 Fund'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 Fund's common stock. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange ( NYSE ) trading day, the next trading day. If the net asset value of the common stock at the time of valuation exceeds the market price of the common stock, participants will receive shares from the Fund valued at market price. If the Fund should declare a dividend or capital gains distribution payable only in cash, Computershare will buy common stock in the open market, or on the NYSE or elsewhere, for the participants' accounts, except that Computershare will endeavor to terminate purchases in the open market and cause the Fund 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 instead of shares.

### **Voluntary Cash Purchase Plan**

The Voluntary Cash Purchase Plan is yet another vehicle for our shareholders to increase their investment in the Fund. 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 Computershare for investments in the Fund's shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. Computershare will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. Computershare 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 Computershare, P.O. Box 43010, Providence, RI 02940-3010 such that Computershare receives such payments approximately 10 days before the 1st and 15th of the month. Funds not received at least five days before the investment date shall be held for investment until the

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next purchase date. A payment may be withdrawn without charge if notice is received by Computershare at least 48 hours before such payment is to be invested.

Shareholders wishing to liquidate shares held at Computershare 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.

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 Fund.

The Fund 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 Computershare on at least 90 days written notice to participants in the Plan.



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**THE GABELLI EQUITY TRUST INC.  
AND YOUR PERSONAL PRIVACY**

**Who are we?**

The Gabelli Equity Trust Inc. (the Fund ) is a closed-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory services for a variety of clients.

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

When you purchase shares of the Fund on the New York Stock Exchange, you have the option of registering directly with our transfer agent in order, for example, to participate in our dividend reinvestment plan.

*Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.

*Information about your transactions with us.* This would include information about the shares that you buy or sell; it may also include information about whether you sell or exercise rights that we have issued from time to time. If we hire someone else to provide services like a transfer agent we will also have information about the transactions that you conduct through them.

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

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

**What do we do to protect your personal information?**

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the Fund and to ensure that we are complying with the laws governing the

securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

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**THE GABELLI EQUITY TRUST INC.**

**One Corporate Center**

**Rye, NY 10580-1422**

**Portfolio Management Team Biographies**

**Mario J. Gabelli, CFA**, is Chairman, Chief Executive Officer, and Chief Investment Officer - Value Portfolios of GAMCO Investors, Inc. that he founded in 1977, and Chief Investment Officer - Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. He is also Chief Executive Officer and Chairman of the Board of Directors of Associated Capital Group, Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

**Christopher J. Marangi** joined Gabelli in 2003 as a research analyst. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Marangi graduated magna cum laude and Phi Beta Kappa with a BA in Political Economy from Williams College and holds an MBA with honors from Columbia Business School.

**Kevin V. Dreyer** joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. He currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Fund Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA from Columbia Business School.

**Robert D. Leininger, CFA**, joined GAMCO Investors, Inc. in 1993 as an equity analyst. Subsequently, he was a partner and portfolio manager at Rorer Asset Management before rejoining GAMCO in 2010 where he currently serves as a portfolio manager of Gabelli Funds, LLC and co-manages the Fund. Mr. Leininger is a magna cum laude graduate of Amherst College with a degree in Economics and holds an MBA from the Wharton School at the University of Pennsylvania.

**Daniel M. Miller** has been the portfolio manager of The Gabelli Focus Five Fund since inception of the investment strategy on January 1, 2012. He is also a Managing Director of GAMCO Asset Management and Chairman of Gabelli & Company, the firm's institutional research business. Mr. Miller joined the firm in 2002 and graduated magna cum laude with a degree in finance from the University of Miami in Coral Gables, Florida.

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

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading "General Equity Funds," 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 per share may be obtained each day by calling (914) 921-5070 or visiting [www.gabelli.com](http://www.gabelli.com).

The NASDAQ symbol for the Net Asset Value is XGABX.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may, from time to time, purchase its common shares in the open market when the Fund's shares are trading at a discount of 10% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

**Table of Contents**

THE GABELLI EQUITY TRUST INC.

One Corporate Center

Rye, NY 10580-1422

t 800-GABELLI (800-422-3554)

f 914-921-5118

e info@gabelli.com

GABELLI.COM

**DIRECTORS**

Mario J. Gabelli, CFA

Chairman & Chief Executive Officer,

GAMCO Investors, Inc.

Chairman and

Chief Executive Officer,

Associated Capital Group, Inc.

Anthony J. Colavita

President,

Anthony J. Colavita, P.C.

James P. Conn

Former Managing Director &

Chief Investment Officer,

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**OFFICERS**

Bruce N. Alpert

President

Andrea R. Mango

Secretary & Vice President

Agnes Mullady

Treasurer

Richard J. Walz

Chief Compliance Officer

Carter W. Austin

Vice President

Financial Security Assurance

Holdings Ltd.

Molly A.F. Marion

Vice President & Ombudsman

Frank J. Fahrenkopf, Jr.

Former President &

David I. Schachter

Chief Executive Officer,

Vice President

American Gaming Association

INVESTMENT ADVISER

Arthur V. Ferrara

Former Chairman &

Gabelli Funds, LLC

Chief Executive Officer,

One Corporate Center

Guardian Life Insurance

Rye, New York 10580-1422

Company of America

CUSTODIAN

William F. Heitmann

Former Senior Vice President

The Bank of New York Mellon

of Finance,

Verizon Communications, Inc.

COUNSEL

Anthony R. Pustorino

Willkie Farr & Gallagher LLP

Certified Public Accountant,

TRANSFER AGENT AND REGISTRAR

Professor Emeritus,

Pace University

Computershare Trust Company, N.A.

Salvatore J. Zizza

Chairman,

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Zizza & Associates Corp.

GAB Q4/2015

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Base Prospectus dated March 18, 2016

PROSPECTUS

**\$500,000,000**

**The Gabelli Equity Trust Inc.**

**Common Stock**

**Preferred Stock**

**Subscription Rights to Purchase Common Stock**

**Subscription Rights to Purchase Preferred Stock**

**Subscription Rights to Purchase Common Stock and Preferred Stock**

*Investment Objectives.* The Gabelli Equity Trust Inc. (the Fund) is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is to achieve long term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities, and warrants and rights to purchase such securities. Income is a secondary investment objective. Gabelli Funds, LLC (the Investment Adviser) serves as investment adviser to the Fund. Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities. The Fund was organized as a Maryland corporation on May 20, 1986, and commenced its investment operations on August 21, 1986. An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund's objectives will be achieved.

We may offer, from time to time, in one or more offerings, shares of our common stock or preferred stock, each having a par value of \$0.001 per share, or our subscription rights to purchase our common stock or preferred stock. Shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our shares.

Our shares may be offered directly to one or more purchasers, including existing stockholders in a rights offering, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission, or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of shares of preferred stock will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period, and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of shares (preferred or common) issuable upon the exercise of each right (or number of rights) and the other terms of such rights offering. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering. Shares of our common stock are listed on the New York Stock Exchange (NYSE) under the symbol GAB. Currently, the Fund's Series D Cumulative Preferred Stock, Series G Cumulative Preferred Stock and Series H Cumulative Preferred Stock are listed on the NYSE under the symbol GAB PrD, GAB PrG and GAB PrH, respectively. Any future series of fixed rate preferred stock would also likely be listed on a stock exchange. On March 17, 2016, the last reported NYSE sale price of shares of our common stock was \$5.24 per share. The net asset value of shares of the Fund's common stock at the close of business on March 17, 2016 was \$5.72 per share. **Shares of closed-end funds often trade at a discount from net asset value. This creates a risk of loss for an investor purchasing shares in a public offering.**



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**Investing in the Fund's shares involves risks. See Risk Factors and Special Considerations on page 28 for factors that should be considered before investing in shares of the Fund.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This Prospectus may not be used to consummate sales of shares by us through agents, underwriters, or dealers unless accompanied by a Prospectus Supplement.

This Prospectus sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus, which contains important information about the Fund, before deciding whether to invest in the shares, and retain it for future reference. A Statement of Additional Information, dated March 18, 2016, containing additional information about the Fund, has been filed with the Securities and Exchange Commission and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of our annual and semiannual reports, request a free copy of the Statement of Additional Information, the table of contents of which is on page 63 of this Prospectus, request other information about us and make stockholder inquiries by calling (800) GABELLI (422-3554) or by writing to the Fund, or obtain a copy (and other information regarding the Fund) from the Securities and Exchange Commission's web site (<http://www.sec.gov>).

Our shares do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

**You should rely only on the information contained or incorporated by reference in this Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus is accurate as of any date other than the date of this Prospectus.**

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**PROSPECTUS SUMMARY**

*This is only a summary. This summary may not contain all of the information that you should consider before investing in our shares. You should review the more detailed information contained in this Prospectus and the Statement of Additional Information dated March 18, 2016 (the SAI).*

**The Fund**

The Gabelli Equity Trust Inc. is a closed-end, non-diversified management investment company organized as a Maryland corporation on May 20, 1986. Throughout this Prospectus, we refer to The Gabelli Equity Trust Inc. as the Fund or as we. See The Fund.

The Fund's outstanding shares of common stock, par value \$0.001 per share, are listed on the New York Stock Exchange under the symbol GAB. As of December 31, 2015, the net assets of the Fund attributable to its common stock were \$1,249,156,957. As of December 31, 2015, the Fund had outstanding 219,244,891 shares of common stock; 2,880 shares of Series C Auction Rate Cumulative Preferred Stock, liquidation preference \$25,000 per share (the Series C Auction Rate Preferred); 2,363,860 shares of 5.875% Series D Cumulative Preferred Stock, liquidation preference \$25 per share (the Series D Preferred); 1,120 shares of Series E Auction Rate Cumulative Preferred Stock, liquidation preference \$25,000 per share (the Series E Auction Rate Preferred); 2,797,001 shares of Series G Cumulative Preferred Stock, liquidation preference \$25 per share (the Series G Preferred); and 4,185,773 shares of 5.00% Series H Cumulative Preferred Stock, liquidation preference \$25 per share (the Series H Preferred). The Series C Auction Rate Preferred, Series D Preferred, Series E Auction Rate Preferred, Series G Preferred and Series H Preferred have the same seniority with respect to distributions and liquidation preference.

**The Offering**

We may offer, from time to time, in one or more offerings, our common stock, \$0.001 par value per share and our preferred stock, \$0.001 par value per share. The shares may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). We may also offer subscription rights to purchase our common stock or preferred stock. The offering price per share of our common stock will not be less than the net asset value per share of our common stock at the time we make the offering, exclusive of any underwriting commissions or discounts, provided that transferable rights offerings that meet certain conditions may be offered at a price below the then current net asset value. See Rights Offerings. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our shares. Our shares may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred stock will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of shares (preferred or common) issuable upon the exercise of each right (or number of rights) and the other terms of such rights offering. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering. Shares of our common stock are listed on the New York Stock Exchange (NYSE) under the symbol GAB. Currently, the Fund's Series D Preferred, Series G Preferred and Series H Cumulative Preferred Stock are listed on the NYSE under the symbol GAB PrD, GAB PrG and GAB PrH, respectively. Any future series of fixed rate preferred stock would also likely be listed on a stock exchange. On March 17, 2016, the last reported NYSE sale price of shares of our common stock was \$5.24 per share. The net

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asset value of shares of the Fund's common stock at the close of business on March 17, 2016 was \$5.72 per share.

### **Investment Objectives and Policies**

The Fund's primary investment objective is to achieve long term growth of capital by investing primarily in a portfolio of equity securities consisting of common stock, preferred stock, convertible or exchangeable securities, and warrants and rights to purchase such securities selected by the Investment Adviser. Income is a secondary investment objective.

Under normal market conditions, the Fund will invest at least 80% of the value of its total assets in equity securities (the 80% Policy). The 80% Policy may be changed without stockholder approval. The Fund will provide stockholders with notice at least 60 days prior to the implementation of any change in the 80% Policy.

The Investment Adviser selects investments on the basis of fundamental value and, accordingly, the Fund typically invests in the securities of companies that are believed by the Investment Adviser to be priced lower than justified in relation to their underlying assets. Other important factors in the selection of investments include favorable price/earnings and debt/equity ratios and strong management.

The Fund seeks to achieve its secondary investment objective of income, in part, by investing up to 10% of its total assets in a portfolio consisting primarily of high yielding, fixed income securities, such as corporate bonds, debentures, notes, convertible securities, preferred stock, and domestic and foreign government obligations. Fixed income securities purchased by the Fund may be rated as low as C by Moody's Investors Service, Inc. (Moody's) or D by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc. (S&P), or may be unrated securities considered to be of equivalent quality. Securities that are rated C by Moody's are the lowest rated class and can be regarded as having extremely poor prospects of ever obtaining investment grade standing. Debt rated D by S&P is in default or is expected to default upon maturity of payment date. These debt securities, which are often referred to in the financial press as junk bonds, are predominantly speculative and involve major risk exposure to adverse conditions.

The Fund invests in equity securities across all market capitalization ranges. The Fund may invest up to 35% of its total assets in foreign securities. Among the foreign securities in which the Fund may invest are those issued by companies located in emerging markets.

No assurance can be given that the Fund's investment objectives will be achieved. See Investment Objectives and Policies.

### **Common Stock**

Currently, 237,024,900 shares of the Fund's capital stock, which includes the common stock being registered with this registration statement, are classified as common stock, par value \$0.001 per share. Holders of the common stock are entitled to one vote per share held. Holders of the common stock are entitled to share equally in distributions authorized by the Fund's Board of Directors (the Board) payable to the holders of such shares and in the net assets of the Fund available on liquidation for distribution to holders of such shares. The shares of common stock have noncumulative voting rights and no conversion, preemptive or other subscription rights, and are not redeemable. In the event of liquidation, each share of Fund common stock is entitled to its proportion of the Fund's assets after payment of debts and expenses and the amounts payable to holders of the Fund's preferred stock ranking senior to the shares of common stock of the Fund. As of December 31, 2015, 219,244,891 shares of common stock of the Fund were outstanding.

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**Table of Contents****Preferred Stock**

Currently, 32,975,100 shares of the Fund's capital stock, which includes the preferred stock being registered with this registration statement, have been classified by the Board of the Fund or any duly authorized committee thereof as preferred stock, par value \$0.001 per share. The Fund's Board may reclassify authorized and unissued shares of the Fund, previously classified as common stock, as preferred stock prior to the completion of any offering. The number of shares and terms of each series of preferred stock may be fixed by the Board and may materially limit and/or qualify the rights of holders of the Fund's common stock. If the Fund's Board determines that it may be advantageous to the holders of the Fund's common stock for the Fund to utilize additional leverage, the Fund may issue additional series of fixed rate preferred stock ( Fixed Rate Preferred Stock ). Any Fixed Rate Preferred Stock issued by the Fund will pay distributions at a fixed rate, which may be reset after an initial period. As of December 31, 2015, 2,880 shares of Series C Auction Rate Preferred, 2,363,860 shares of Series D Preferred, 1,120 shares of Series E Auction Rate Preferred, 2,797,001 shares of Series G Preferred and 4,185,773 shares of Series H Preferred were outstanding. Leverage creates a greater risk of loss as well as a potential for more gains for the common shares than if leverage were not used. See Risk Factors and Special Considerations Leverage Risk and Certain Investment Practices Leveraging. The Fund may also engage in investment management techniques which will not be considered senior securities if the Fund establishes in a segregated account cash or other liquid securities equal to the Fund's obligations in respect of such techniques. The Fund may borrow money in accordance with its investment restrictions, including as a temporary measure for extraordinary or emergency purposes. The Fund will not borrow for investment purposes.

**Dividends and Distributions**

*Preferred Stock Distributions.* In accordance with the Fund's Articles of Incorporation (together with any amendments or supplements thereto, including any articles supplementary of the Fund establishing a series of preferred stock (the Articles Supplementary ) and together with the Articles of Incorporation, the Charter ) and as required by the 1940 Act, all preferred stock of the Fund must have the same seniority with respect to distributions. Accordingly, no full distribution will be declared or paid on any series of preferred stock of the Fund for any dividend period, or part thereof, unless full cumulative dividends and distributions due through the most recent dividend payment dates for all series of outstanding preferred stock of the Fund are declared and paid. If full cumulative distributions due have not been declared and made on all outstanding preferred stock of the Fund, any distributions on such preferred stock will be made as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred stock on the relevant dividend payment date.

In the event that for any calendar year the total distributions on shares of the Fund's preferred stock exceed the Fund's current and accumulated earnings and profits allocable to such shares, the excess distributions will generally be treated as a tax-free return of capital (to the extent of the stockholder's tax basis in the shares). The amount treated as a tax-free return of capital will reduce a stockholder's adjusted tax basis in the preferred stock, thereby increasing the stockholder's potential taxable gain or reducing the potential taxable loss on the sale of the stock. Any amount in excess of a stockholder's remaining adjusted tax basis will constitute gain to such stockholder. The Fund did not make return of capital distributions to its preferred stockholders during the year ended December 31, 2015.

*Common Stock Distributions.* In order to allow its common stockholders to realize a predictable, but not assured, level of cash flow and some liquidity periodically on their investment without having to sell shares, the Fund has adopted a managed distribution policy, which may be changed at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of its stated distribution in a given year, the Fund may return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the Fund's

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preferred stock. Any return of capital should not be considered by investors as yield or total return on their investment in the Fund. For the fiscal year ended December 31, 2015, the Fund made distributions of \$0.64 per share of common stock, approximately 23% of which was deemed a return of capital. The Fund has made quarterly distributions with respect to its common stock since 1987. A portion of the distributions to common stockholders during seventeen of the twenty-nine fiscal years that distributions were paid since the Fund's inception has constituted a return of capital.

Under the Fund's distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current or accumulated earnings and profits, they are considered ordinary income or long term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pass through to stockholders all of its net realized long term capital gains as a capital gain dividend, subject to the maximum federal income tax rate of 20% (plus an additional 3.8% Medicare contribution surcharge on income and net gain from investments), and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 39.6% plus the 3.8% Medicare contribution surcharge. ***Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund. Stockholders who periodically receive the payment of a dividend or other distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Stockholders should not assume that the source of a distribution from the Fund is net profit.*** The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each of the current year's distributions will be based on the Fund's investment activity through December 31, 2016.

## **Use of Proceeds**

The Fund will use the net proceeds from the offering to purchase portfolio securities in accordance with its investment objectives and policies as appropriate investment opportunities are identified, which is expected to substantially be completed within three months; however, changes in market conditions could result in the Fund's anticipated investment period extending to as long as six months. Depending on market conditions and operations, a portion of the cash held by the Fund, including any proceeds raised from the offering, may be used to pay distributions in accordance with the Fund's distribution policy. The Investment Adviser may also use the proceeds to call existing series of preferred stock. See Use of Proceeds.

## **Exchange Listing**

The Fund's outstanding shares of common stock are listed on the NYSE, under the trading or ticker symbol GAB. Currently, the Series D Preferred, Series G Preferred and Series H Preferred are listed on the NYSE under the symbol GAB PrD, GAB PrG and GAB PrH, respectively. See Description of Capital Stock. Any additional series of Fixed Rate Preferred Stock issued by the Fund would also likely be listed on the NYSE. Subscription rights issued by the Fund may also be listed on a securities exchange.

## **Market Price of Shares**

Common shares of closed-end investment companies often trade at prices lower than their net asset value. Common shares of closed-end investment companies may trade during some periods at prices higher than their net asset value and during other periods at prices lower than their net asset value. The Fund cannot assure you that its common stock will trade at a price higher than, equal to, or below net asset value. The Fund's net asset value will be reduced immediately following an offering by the sales load and the amount of the offering expenses paid by the Fund.

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In addition to net asset value, the market price of the Fund's common stock may be affected by such factors as the Fund's dividend and distribution levels and stability, market liquidity, market supply and demand, unrealized gains, general market and economic conditions, and other factors. See Risk Factors and Special Considerations, Description of the Capital Stock and Repurchase of Common Stock.

The Fund's common stock is designed primarily for long term investors, and you should not purchase shares of common stock of the Fund if you intend to sell them shortly after purchase.

Fixed rate preferred stock, if issued, may also trade at premiums to or discounts from its liquidation preference for a variety of reasons, including changes in interest rates.

### **Risk Factors and Special Considerations**

Risk is inherent in all investing. Therefore, before investing in shares of the Fund, you should consider the following risks carefully.

*Leverage Risk.* The Fund currently uses, and intends to continue to use, financial leverage for investment purposes by issuing preferred stock. As of December 31, 2015, the amount of leverage represented approximately 21% of the Fund's net assets. The Fund's leveraged capital structure creates special risks not associated with unleveraged funds having similar investment objectives and policies. The use of leverage, which can be described as exposure to changes in price at a ratio greater than the amount of equity invested magnifies both the favorable and unfavorable effects of price movements in the investments made by the Fund. To the extent that the Fund determines to employ additional leverage in its investment operations, the Fund is subject to additional substantial risk of loss. The Fund cannot assure you that the issuance of preferred shares will result in a higher yield or return to the holders of shares of common stock. Also, as the Fund is utilizing leverage, a decline in net asset value could affect the ability of the Fund to make common stock distributions and such a failure to pay dividends or make distributions could result in the Fund ceasing to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code). See Taxation.

*Special Risks to Holders of Fixed Rate Preferred Stock.* Prior to any offering, there will be no public market for any additional series of Fixed Rate Preferred Stock. In the event any additional series of Fixed Rate Preferred Stock are issued, prior application will have been made to list such shares on a national securities exchange, which will likely be the NYSE. However, during an initial period, which is not expected to exceed 30 days after the date of its initial issuance, such shares may not be listed on any securities exchange. During such period, the underwriters may make a market in such shares, although they will have no obligation to do so. Consequently, an investment in such shares may be illiquid during such period. Shares of Fixed Rate Preferred Stock may trade at a premium to or discount from liquidation value for various reasons, including changes in interest rates.

*Portfolio Guidelines of Rating Agencies for Preferred Stock and/or Credit Facility.* In order to obtain attractive credit quality ratings for shares of preferred stock or borrowings, the Fund must comply with investment quality, diversification and other guidelines established by the relevant rating agencies. These guidelines could affect portfolio decisions and may be more stringent than those imposed by the 1940 Act.

*Our Subscription Rights.* There is a risk that changes in yield or changes in the credit quality of the Fund may result in the underlying preferred shares purchasable upon exercise of the subscription rights being less attractive to investors at the conclusion of the subscription period. This may reduce or eliminate the value of the subscription rights. Investors who receive subscription rights may find that there is no market to sell rights they do not wish to exercise. If investors exercise only a portion of the rights, the number of shares of preferred stock or shares of common stock issued may be reduced, and the preferred stock or common stock may trade at less favorable prices than larger offerings for similar securities.

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*Common Stock Distribution Policy Risk.* The Fund has adopted a policy, which may be changed at any time by the Board, of paying a minimum annual distribution of 10% of the average net asset value of the Fund to common stockholders. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount equal to or in excess of its stated distribution in a given year, the Fund may return capital as part of such distribution, which may have the effect of decreasing the asset coverage per share with respect to the preferred stock. A portion of the distributions to holders of common stock during seventeen of the twenty-nine fiscal years that distributions were paid since the Fund's inception has constituted a return of capital. Under the Fund's distribution policy, the Fund declares and pays quarterly distributions from net investment income, capital gains, and paid-in capital. The actual source of the distribution is determined after the end of the year. Pursuant to this policy, distributions during the year may be made in excess of required distributions. To the extent such distributions are made from current or accumulated earnings and profits, they are considered ordinary income or long term capital gains. The Fund's current distribution policy may restrict the Fund's ability to pass through to stockholders all of its net realized long term capital gains as a capital gain dividend, subject to the maximum federal income tax rate of 20% (plus an additional 3.8% Medicare contribution surcharge on income and net gain from investments), and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate of 39.6% plus the 3.8% Medicare contribution surcharge. Distributions sourced from paid-in capital should not be considered as dividend yield or the total return from an investment in the Fund.

*Market Discount Risk.* Common shares of closed-end investment companies often trade at a discount from net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the Fund's net asset value may decrease. The Investment Adviser cannot predict whether the Fund's shares will trade at, below or above net asset value. The risk of holding shares of a closed-end fund that might trade at a discount is more pronounced for stockholders who wish to sell their shares in a relatively short period of time after acquiring them, because, for those investors, realization of a gain or loss on their investments is likely to be more dependent upon the existence of a premium or discount than upon portfolio performance. The Fund's common shares are not subject to redemption. Stockholders desiring liquidity may, subject to applicable securities laws, trade their shares in the Fund on the NYSE or other markets on which such shares may trade at the then-current market value, which may differ from the then current net asset value.

*Non-Diversified Status.* As a non-diversified, closed-end management investment company under the 1940 Act, the Fund may invest a greater portion of its assets in a more limited number of issuers than may a diversified fund, and accordingly, an investment in the Fund may, under certain circumstances, present greater risk to an investor than an investment in a diversified company. See Risk Factors and Special Considerations Non-Diversified Status.

To qualify as a regulated investment company, or RIC for purposes of the Code, the Fund intends to conduct its operations in a manner that will relieve it of any liability for federal income tax to the extent its earnings are distributed to stockholders. To so qualify as a regulated investment company, among other requirements, the Fund will limit its investments so that, at the close of each quarter of the taxable year:

not more than 25% of the market value of its total assets will be invested in the securities (other than U.S. government securities or the securities of other RICs) of a single issuer, any two or more issuers in which the Fund owns 20% or more of the voting securities and which are determined to be engaged in the same, similar or related trades or businesses or in the securities of one or more qualified publicly traded partnerships (as defined in the Code); and

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

See Taxation.



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*Industry Concentration Risk.* The Fund may invest up to 25% of its assets in the securities of companies principally engaged in a single industry. In the event the Fund makes substantial investments in a single industry, the Fund would become more susceptible to adverse economic or regulatory occurrences affecting that industry. See Risk Factors and Special Considerations Industry Concentration Risk.

*Interest Rate Transactions.* The Fund may enter into swap transactions. The use of interest rate swaps and caps is a highly specialized activity that involves certain risks to the Fund including, among others, counterparty risk and early termination risk. See How the Fund Manages Risk Interest Rate Transactions.

*Foreign Securities.* The Fund may invest up to 35% of its total assets in securities of foreign issuers, including issuers in emerging markets. Investments in the securities of foreign issuers involve certain considerations and risks not ordinarily associated with investments in securities of domestic issuers. Foreign companies are not generally subject to uniform accounting, auditing and financial standards, and requirements comparable to those applicable to U.S. companies. Foreign securities exchanges, brokers and listed companies may be subject to less government supervision and regulation than exists in the United States. Dividend and interest income may be subject to withholding and other foreign taxes, which may adversely affect the net return on such investments. There may be difficulty in obtaining or enforcing a court judgment abroad. In addition, it may be difficult to effect repatriation of capital invested in certain countries. Also, with respect to certain countries, there are risks of expropriation, confiscatory taxation, political or social instability, or diplomatic developments that could affect assets of the Fund held in foreign countries. Dividend income the Fund receives from foreign securities may not be eligible for the special tax treatment applicable to qualified dividend income.

There may be less publicly available information about a foreign company than a U.S. company. Foreign securities markets may have substantially less volume than U.S. securities markets and some foreign company securities are less liquid than securities of otherwise comparable U.S. companies. A portfolio of foreign securities may also be adversely affected by fluctuations in the rates of exchange between the currencies of different nations and by exchange control regulations. Foreign markets also have different clearance and settlement procedures that could cause the Fund to encounter difficulties in purchasing and selling securities on such markets and may result in the Fund missing attractive investment opportunities or experiencing losses. In addition, a portfolio that includes foreign securities can expect to have a higher expense ratio because of the increased transaction costs on non-U.S. securities markets and the increased costs of maintaining the custody of foreign securities.

The Fund also may purchase sponsored American Depositary Receipts ( ADRs ) or United States dollar denominated securities of foreign issuers, including emerging market issuers. ADRs are receipts issued by United States banks or trust companies in respect of securities of foreign issuers held on deposit for use in the United States securities markets. While ADRs may not necessarily be denominated in the same currency as the securities into which they may be converted, many of the risks associated with foreign securities may also apply to ADRs. In addition, the underlying issuers of certain depositary receipts, particularly unsponsored or unregistered depositary receipts, are under no obligation to distribute stockholder communications to the holders of such receipts, or to pass through to them any voting rights with respect to the deposited securities.

*Non-Investment Grade Securities.* The Fund may invest up to 10% of its total assets in fixed income securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. These securities, which may be preferred stock or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Debt securities that are not rated or that are rated lower than BBB by S&P or lower than Baa by Moody's are referred to in the financial press as junk bonds.

Generally, such lower grade securities and unrated securities of comparable quality offer a higher current yield than is offered by higher rated securities, but also (i) will likely have some quality and protective

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characteristics that, in the judgment of the rating organizations, are outweighed by large uncertainties or major risk exposures to adverse conditions and (ii) are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. The market values of certain of these securities also tend to be more sensitive to individual corporate developments and changes in economic conditions than higher quality securities. In addition, such securities generally present a higher degree of credit risk. The risk of loss due to default by these issuers is significantly greater because such lower grade securities and unrated securities of comparable quality generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness. In light of these risks, the Investment Adviser, in evaluating the creditworthiness of an issue, whether rated or unrated, will take various factors into consideration. These may include, as applicable, the issuer's operating history, financial resources and its sensitivity to economic conditions and trends, the market support for the facility financed by the issue, the perceived ability and integrity of the issuer's management, and regulatory matters.

In addition, the market value of se