

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

GABELLI EQUITY TRUST INC  
Form N-CSR  
March 10, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-4700  
-----

The Gabelli Equity Trust Inc.  
-----

(Exact name of registrant as specified in charter)

One Corporate Center  
Rye, New York 10580-1422  
-----

(Address of principal executive offices) (Zip code)

Bruce N. Alpert  
Gabelli Funds, LLC  
One Corporate Center  
Rye, New York 10580-1422  
-----

(Name and address of agent for service)

registrant's telephone number, including area code: 1-800-422-3554  
-----

Date of fiscal year end: December 31  
-----

Date of reporting period: December 31, 2003  
-----

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

### ITEM 1. REPORTS TO STOCKHOLDERS.

The Annual Report to Shareholders is attached herewith.

[LOGO OMITTED]  
THE GABELLI  
EQUITY TRUST INC.

THE GABELLI EQUITY TRUST INC.

Annual Report  
December 31, 2003

TO OUR SHAREHOLDERS,

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

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

Enclosed are the audited financial statements and the investment portfolio as of December 31, 2003.

#### COMPARATIVE RESULTS

-----  
AVERAGE ANNUAL RETURNS THROUGH DECEMBER 31, 2003 (A)  
-----

|  | QUARTER | 1 YEAR | 3 YEAR  | 5 YEAR  | 10 YEAR |
|--|---------|--------|---------|---------|---------|
| Gabelli Equity Trust NAV Return (c) .....      | 18.12%  | 41.41% | 3.02%   | 6.25%   | 9.84%   |
| Gabelli Equity Trust Investment Return (d) ... | 11.63%  | 28.58% | 0.53%   | 5.56%   | 8.73%   |
| S&P 500 Index .....                            | 12.17%  | 28.67% | (4.05)% | (0.57)% | 11.06%  |
| Dow Jones Industrial Average .....             | 13.33%  | 28.27% | 1.01%   | 4.57%   | 13.09%  |
| Nasdaq Composite Index .....                   | 12.11%  | 50.01% | (6.75)% | (1.79)% | 9.94%   |

- (a) Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. The Dow Jones Industrial Average is an unmanaged index of 30 large industrial stocks. The S&P 500 and the Nasdaq Composite Indices are unmanaged indicators of stock market performance. Dividends are considered reinvested (except for the Nasdaq Composite Index). Performance for periods less than one year is not annualized.
- (b) From commencement of investment operations on August 21, 1986.
- (c) Total returns and average annual returns reflect changes in net asset value ("NAV"), reinvestment of distributions at NAV on the ex-dividend

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

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 initial net asset value of \$9.34.

- (d) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange, reinvestment of distributions as of the payable date, 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.

Sincerely yours,

/s/ Bruce N. Alpert

Bruce N. Alpert  
President

February 24, 2004

A description of the Trust's proxy voting policies and procedures is available (i) without charge, upon request, by calling 800-GABELLI (800-422-3554); (ii) by writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580; and (iii) on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

THE GABELLI EQUITY TRUST INC.  
PORTFOLIO CHANGES  
QUARTER ENDED DECEMBER 31, 2003  
(UNAUDITED)

|                                 | SHARES  | OWNERSHIP AT<br>DECEMBER 31,<br>2003 |
|---------------------------------|---------|--------------------------------------|
|                                 | -----   | -----                                |
| NET PURCHASES                   |         |                                      |
| COMMON STOCKS                   |         |                                      |
| AGCO Corp. ....                 | 20,000  | 20,000                               |
| Biogen Idec Inc. (a) .....      | 29,900  | 29,900                               |
| Bouygues SA .....               | 5,000   | 25,000                               |
| Coca-Cola Co. ....              | 1,000   | 35,000                               |
| Curtiss-Wright Corp.,           |         |                                      |
| Cl. B (b) .....                 | 102,320 | 204,640                              |
| Dana Corp. ....                 | 40,000  | 380,000                              |
| Dial Corp. ....                 | 450,000 | 450,000                              |
| Dreyer's Grand Ice Cream        |         |                                      |
| Holdings Inc., Cl. A .....      | 97,000  | 100,000                              |
| El Paso Corp. ....              | 10,000  | 200,000                              |
| Exxon Mobile Corp. ....         | 20,000  | 80,000                               |
| Fedders Corp. ....              | 70,000  | 70,000                               |
| Fomento Economico Mexicano SA   |         |                                      |
| de CV, ADR .....                | 20,000  | 30,000                               |
| FPL Group Inc. ....             | 1,700   | 10,000                               |
| Gray Television Inc. ....       | 20,000  | 120,000                              |
| Grupo Bimbo SA de CV, Ser. A .. | 50,000  | 500,000                              |
| Grupo Televisa SA, ADR .....    | 100     | 185,100                              |
| Heinz (H.J.) Co. ....           | 10,000  | 130,000                              |
| Honeywell International Inc. .. | 17,000  | 435,000                              |
| Hughes Electronics Corp. (c) .. | 148,445 | 148,445                              |
| Index Corp. ....                | 65      | 65                                   |
| Kellogg Co. ....                | 1,400   | 291,400                              |
| Knight-Ridder Inc. ....         | 1,000   | 20,000                               |
| Matsumotokiyoshi Co. Ltd. ....  | 10,000  | 10,000                               |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|                                      |         |         |
|--------------------------------------|---------|---------|
| Matsumotokiyoshi Co.                 |         |         |
| Ltd., W/I (d) .....                  | 10,000  | 10,000  |
| Mediaset SpA .....                   | 15,000  | 165,000 |
| Merck & Co. Inc. ....                | 15,000  | 60,000  |
| Nakanishi Inc. ....                  | 12,000  | 12,000  |
| NIWS Co. Ltd. ....                   | 160     | 160     |
| Pearson plc .....                    | 40,000  | 40,000  |
| Precision Castparts Corp. (e) .      | 46,898  | 91,898  |
| Pulitzer Inc. ....                   | 5,000   | 45,000  |
| Rayonier Inc. (f) .....              | 1,656   | 16,656  |
| Roche Holding AG .....               | 200     | 18,100  |
| Rohm Co. Ltd. ....                   | 2,000   | 9,500   |
| Royce Value Trust Inc. ....          | 790     | 36,790  |
| Sekisui House Ltd. ....              | 40,000  | 40,000  |
| SGS Societe Generale de Surveillance |         |         |
| Holding SA .....                     | 250     | 1,250   |
| Shin-Etsu Chemical Co. Ltd. ...      | 10,000  | 10,000  |
| Technip SA .....                     | 4,000   | 7,500   |
| Telefonica Moviles SA .....          | 15,000  | 90,000  |
| Texas Instruments Inc. ....          | 20,000  | 240,000 |
| Titan Corp. ....                     | 100,000 | 100,000 |
| United States Cellular Corp. ..      | 10,000  | 20,000  |
| Unitrin Inc. ....                    | 11,800  | 71,800  |
| Wyeth .....                          | 5,000   | 70,000  |

PREFERRED STOCKS

|                                |        |         |
|--------------------------------|--------|---------|
| News Corp. Ltd., Pfd., ADR (c) | 16,603 | 771,603 |
|--------------------------------|--------|---------|

RIGHTS

|                         |        |        |
|-------------------------|--------|--------|
| Fedders Corp. (g) ..... | 70,000 | 70,000 |
|-------------------------|--------|--------|

OWNERSHIP AT  
DECEMBER 31,  
2003

SHARES

NET SALES

COMMON STOCKS

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Acuity Brands Inc. ....         | (10,700)  | 189,300   |
| Agere Systems Inc., Cl. B ..... | (20,000)  | 125,000   |
| AGL Resources Inc. ....         | (10,000)  | 50,000    |
| Albertson's Inc. ....           | (5,000)   | 195,000   |
| Allegheny Energy Inc. ....      | (5,000)   | 120,000   |
| Amadeus Global Travel           |           |           |
| Distribution SA, Cl. A .....    | (10,000)  | 115,000   |
| America Movil SA de CV, Cl. L,  |           |           |
| ADR .....                       | (5,000)   | 90,000    |
| AMETEK Inc. ....                | (2,000)   | 118,000   |
| Amgen Inc. ....                 | (1,000)   | 59,000    |
| Andrew Corp. ....               | (60,000)  | 230,000   |
| AT&T Corp. ....                 | (15,000)  | 280,000   |
| BAE Systems plc .....           | (150,000) | --        |
| Bank One Corp. ....             | (70,000)  | --        |
| Biogen Inc. (a) .....           | (26,000)  | --        |
| Boeing Co. ....                 | (2,000)   | 110,000   |
| BorgWarner Inc. ....            | (2,802)   | 35,000    |
| BP plc .....                    | (120,000) | --        |
| BT Group plc, ADR .....         | (14,000)  | 10,000    |
| Cable & Wireless plc, ADR ..... | (50,000)  | 50,000    |
| Cablevision Systems             |           |           |
| Corp., Cl. A .....              | (15,000)  | 1,520,000 |
| Catellus Development Corp. .... | (186,958) | 83,042    |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|                                 |           |         |
|---------------------------------|-----------|---------|
| Cendant Corp. ....              | (10,000)  | 160,000 |
| Cinergy Corp. ....              | (3,000)   | 20,000  |
| Coca-Cola Enterprises Inc. .... | (40,000)  | 5,000   |
| Comcast Corp., Cl. A .....      | (52,000)  | 420,000 |
| Compagnie Financiere            |           |         |
| Richemont AG, Cl. A .....       | (10,000)  | 90,000  |
| Corning Inc. ....               | (25,000)  | 500,000 |
| Crane Co. ....                  | (20,000)  | 250,000 |
| Cypress Semiconductor Corp. ... | (200,000) | --      |
| Delphi Corp. ....               | (10,000)  | 40,000  |
| Deutsche Bank AG, ADR .....     | (1,000)   | 157,000 |
| Deutsche Telekom AG, ADR .....  | (10,000)  | 180,000 |
| Donaldson Co. Inc. ....         | (100,000) | 110,000 |
| Duquesne Light Holdings Inc. .. | (5,000)   | 110,000 |
| EMC Corp. ....                  | (5,000)   | 130,000 |
| EMI Group plc, ADR .....        | (15,000)  | 80,000  |
| Fairchild Corp., Cl. A .....    | (15,000)  | 100,000 |
| FleetBoston Financial Corp. ... | (45,000)  | --      |
| Florida East Coast Industries   |           |         |
| Inc., Cl. A .....               | (1,451)   | 100,000 |
| Ford Motor Co. ....             | (5,000)   | 15,000  |
| Fortune Brands Inc. ....        | (50,000)  | 40,000  |
| General Motors Corp. ....       | (5,000)   | 150,000 |
| General Motors Corp.,           |           |         |
| Cl. H (c) .....                 | (180,323) | --      |
| Gillette Co. ....               | (25,000)  | 240,000 |
| Gray Television Inc., Cl. A ... | (500)     | 27,500  |
| Greif Inc., Cl. A .....         | (10,000)  | 250,000 |
| Gucci Group NV, ADR .....       | (5,000)   | --      |
| Halliburton Co. ....            | (5,000)   | 70,000  |
| IDEX Corp. ....                 | (5,000)   | 175,000 |
| Invitrogen Corp. ....           | (8,011)   | 48,000  |
| Japan Telecom Holdings          |           |         |
| Co. Ltd. ....                   | (255)     | --      |
| Johnson Controls Inc. ....      | (11,000)  | 97,000  |
| Kerr-McGee Corp. ....           | (3,632)   | 35,000  |
| Lockheed Martin Corp. ....      | (5,000)   | 90,000  |
| MeadWestvaco Corp. ....         | (30,300)  | 64,700  |
| Medco Health Solutions Inc. ... | (10,427)  | --      |
| Media General Inc., Cl. A ..... | (26,000)  | 339,000 |

See accompanying notes to financial statements.

2

THE GABELLI EQUITY TRUST INC.  
PORTFOLIO CHANGES  
QUARTER ENDED DECEMBER 31, 2003  
(UNAUDITED)

|                                 | SHARES    | OWNERSHIP AT<br>DECEMBER 31,<br>2003 |
|---------------------------------|-----------|--------------------------------------|
|                                 | -----     | -----                                |
| Metro-Goldwyn-Mayer Inc. (h) .. | (145,000) | 215,000                              |
| Mirant Corp. ....               | (50,000)  | 150,000                              |
| Modine Manufacturing Co. ....   | (3,500)   | 331,500                              |
| Mondavi (Robert) Corp., Cl. A . | (5,000)   | 45,000                               |
| Navistar International Corp. .. | (7,000)   | 405,000                              |
| Nextel Communications Inc.,     |           |                                      |
| Cl. A .....                     | (90,000)  | 110,000                              |
| Northrop Grumman Corp. ....     | (14,000)  | 150,000                              |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|  |           |         |
|--|-----------|---------|
| Penton Media Inc. ....                             | (170,000) | 305,000 |
| PepsiAmericas Inc. ....                            | (20,595)  | 580,000 |
| PepsiCo Inc. ....                                  | (5,000)   | 415,000 |
| Phoenix Companies Inc. ....                        | (5,000)   | 150,000 |
| Pimco RCM Europe Fund Inc. (i)                     | (70,000)  | --      |
| Reader's Digest Association<br>Inc. ....           | (3,000)   | 175,000 |
| Rogers Wireless Communications<br>Inc., Cl. B .... | (30,000)  | 195,000 |
| Rollins Inc. ....                                  | (5,000)   | 690,000 |
| Sara Lee Corp. ....                                | (30,000)  | 70,000  |
| Sealed Air Corp. ....                              | (4,000)   | 1,000   |
| SPS Technologies Inc. (e) ....                     | (170,000) | --      |
| Starwood Hotel & Resorts<br>Worldwide Inc. ....    | (5,000)   | 45,000  |
| Telefonica SA, ADR ....                            | (1,849)   | 274,000 |
| Telephone & Data Systems Inc. .                    | (25,000)  | 415,000 |
| TXU Corp. ....                                     | (5,000)   | 95,000  |
| Wachovia Corp. ....                                | (70,000)  | --      |
| Watts Water Technologies<br>Inc., Cl. A ....       | (15,000)  | 235,000 |
| Zimmer Holdings Inc. ....                          | (2,178)   | 33,001  |

PREFERRED STOCKS

|                                 |          |        |
|---------------------------------|----------|--------|
| Hercules Trust I, 9.420% Pfd. . | (20,500) | 27,000 |
|---------------------------------|----------|--------|

CORPORATE BONDS

|  |         |           |
|--|---------|-----------|
| Standard Motor Products Inc., Sub. Deb.<br>Cv., 6.750%, 07/15/09 ..... | 200,000 | 1,000,000 |
|--|---------|-----------|

- 
- (a) Merger -- 1.15 shares of Biogen Idec Inc. for every 1 share of Biogen Inc.
  - (b) 2 for 1 stock split
  - (c) Merger -- .82321617 shares of Hughes Electronics Corp. and .09207432 News Corp. Ltd., Pfd., ADR for every 1 share of General Motors Corp., Cl. H
  - (d) Bonus Issue -- 1 share of Matsumotokiyoshi Co. Ltd. W/I for every 1 share of Matsumotokiyoshi Co. Ltd.
  - (e) Merger -- .709117 shares of Precision Castparts Corp. for every 1 share of SPS Technologies Inc.
  - (f) 18.7% stock dividend
  - (g) Rights Issue -- 1 right of Fedders Corp. for every 1 share of Fedders Corp.
  - (h) Tender Offer at \$16.00 per share
  - (i) Fund liquidation at 8.07 per share

See accompanying notes to financial statements.

3

THE GABELLI EQUITY TRUST INC.  
PORTFOLIO OF INVESTMENTS  
DECEMBER 31, 2003

| SHARES  |                            | COST         | MARKET<br>VALUE |
|---------|----------------------------|--------------|-----------------|
| -----   |                            | -----        | -----           |
|         | COMMON STOCKS -- 87.5%     |              |                 |
|         | FINANCIAL SERVICES -- 7.8% |              |                 |
| 60,000  | Allstate Corp. ....        | \$ 2,508,768 | \$ 2,581,200    |
| 550,000 | American Express Co. ..    | 21,247,943   | 26,526,500      |
| 34,000  | Argonaut Group Inc.+ ..    | 893,076      | 528,360         |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |  |            |             |
|---------|--|------------|-------------|
| 90,000  | Banco Santander Central<br>Hispano SA, ADR . . . . | 322,130    | 1,080,900   |
| 110,000 | Bank of Ireland . . . . .                          | 635,101    | 1,501,261   |
| 77,000  | Bank of New York<br>Co. Inc. . . . .               | 2,834,050  | 2,550,240   |
| 275,000 | Bankgesellschaft<br>Berlin AG+ . . . . .           | 5,495,399  | 697,212     |
| 260     | Berkshire Hathaway Inc.,<br>Cl. A+ . . . . .       | 824,299    | 21,905,000  |
| 185,000 | Commerzbank AG, ADR . . .                          | 3,747,342  | 3,609,924   |
| 157,000 | Deutsche Bank AG, ADR .                            | 8,708,108  | 12,906,970  |
| 20,000  | Dun and Bradstreet<br>Corp.+ . . . .               | 333,130    | 1,014,200   |
| 5,000   | H&R Block Inc. . . . .                             | 97,625     | 276,850     |
| 25,000  | Hibernia Corp., Cl. A .                            | 198,750    | 587,750     |
| 20,000  | Invik & Co. AB, Cl. B .                            | 936,800    | 1,973,510   |
| 100,000 | Irish Life &<br>Permanent plc . . . . .            | 781,432    | 1,614,531   |
| 25,000  | Janus Capital<br>Group Inc. . . . .                | 393,520    | 410,250     |
| 80,000  | John Hancock Financial<br>Services Inc. . . . .    | 2,892,043  | 3,000,000   |
| 45,000  | JP Morgan Chase & Co. .                            | 1,251,002  | 1,652,850   |
| 60,000  | Leucadia National Corp.                            | 1,889,682  | 2,766,000   |
| 100,000 | Mellon Financial Corp.                             | 3,140,094  | 3,211,000   |
| 190,000 | Midland Co. . . . .                                | 1,070,105  | 4,487,800   |
| 65,000  | Mitsubishi Securities<br>Co. Ltd. . . . .          | 458,816    | 707,801     |
| 30,000  | Moody's Corp. . . . .                              | 1,024,050  | 1,816,500   |
| 257,500 | Nikko Cordial Corp. . . .                          | 1,725,292  | 1,434,427   |
| 150,000 | Phoenix Companies Inc.                             | 2,179,395  | 1,806,000   |
| 2,500   | Prudential Financial<br>Inc. . . . .               | 68,750     | 104,425     |
| 46,002  | RAS SpA . . . . .                                  | 576,832    | 783,334     |
| 60,000  | Riggs National Corp. . .                           | 552,538    | 991,800     |
| 45,000  | Schwab (Charles) Corp.                             | 657,562    | 532,800     |
| 80,000  | State Street Corp. . . . .                         | 4,001,480  | 4,166,400   |
| 20,000  | SunTrust Banks Inc. . . .                          | 419,333    | 1,430,000   |
| 80,000  | T. Rowe Price<br>Group Inc. . . . .                | 2,689,800  | 3,792,800   |
| 20,000  | UBS AG . . . . .                                   | 845,648    | 1,369,719   |
| 71,800  | Unitrin Inc. . . . .                               | 2,324,517  | 2,973,238   |
| 60,000  | Waddell & Reed Financial<br>Inc., Cl. A . . . . .  | 1,247,250  | 1,407,600   |
|         |  | -----      | -----       |
|         |  | 78,971,662 | 118,199,152 |
|         |  | -----      | -----       |
|         | FOOD AND BEVERAGE -- 7.1%                          |            |             |
| 30,000  | Cadbury Schweppes<br>plc, ADR . . . . .            | 746,559    | 896,700     |
| 100,000 | Campbell Soup Co. . . . .                          | 2,694,094  | 2,680,000   |
| 35,000  | Coca-Cola Co. . . . .                              | 1,624,092  | 1,776,250   |
| 5,000   | Coca-Cola<br>Enterprises Inc. . . . .              | 77,195     | 109,350     |
| 40,000  | Coca-Cola Hellenic Bottling<br>Co. SA . . . . .    | 519,295    | 833,502     |
| 100,000 | Corn Products<br>International Inc. . . . .        | 2,916,387  | 3,445,000   |
| 73,592  | Del Monte Foods Co.+ . .                           | 623,741    | 765,357     |
| 10,108  | Denny's Corp.+ . . . .                             | 14,358     | 4,144       |
| 100,000 | Diageo plc . . . . .                               | 1,037,393  | 1,315,765   |
| 224,000 | Diageo plc, ADR . . . . .                          | 8,642,745  | 11,840,640  |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |  |           |           |
|---------|--|-----------|-----------|
| 100,000 | Dreyer's Grand Ice Cream Holdings Inc., Cl. A  | 7,749,175 | 7,775,000 |
| 62,400  | Flowers Foods Inc. ....                        | 1,055,628 | 1,609,920 |
| 30,000  | Fomento Economico Mexicano SA de CV, ADR ..... | 1,094,322 | 1,106,400 |
| 85,000  | General Mills Inc. ....                        | 3,933,248 | 3,850,500 |
| 500,000 | Grupo Bimbo SA de CV, Cl. A .....              | 1,052,379 | 938,397   |
| 20,000  | Hain Celestial Group Inc.+ .....               | 267,663   | 464,200   |
| 130,000 | Heinz (H.J.) Co. ....                          | 4,668,773 | 4,735,900 |

| SHARES    |  | COST       | MARKET VALUE |
|-----------|--|------------|--------------|
| -----     |  | -----      | -----        |
| 20,000    | Hershey Foods Corp. ... \$                 | 1,333,128  | \$ 1,539,800 |
| 291,400   | Kellogg Co. ....                           | 9,226,180  | 11,096,512   |
| 75,000    | Kerry Group plc, Cl. A                     | 860,877    | 1,390,415    |
| 12,100    | LVMH Moet Hennessy Louis Vuitton SA .....  | 419,053    | 880,638      |
| 45,000    | Mondavi (Robert) Corp., Cl. A+ .....       | 1,286,656  | 1,747,800    |
| 2,500     | Nestle SA .....                            | 513,610    | 624,621      |
| 580,000   | PepsiAmericas Inc. ....                    | 7,990,227  | 9,929,600    |
| 415,000   | PepsiCo Inc. ....                          | 18,472,238 | 19,347,300   |
| 6,750     | Pernod-Ricard SA .....                     | 470,174    | 750,520      |
| 60,000    | Ralcorp Holdings Inc.+                     | 940,903    | 1,881,600    |
| 70,000    | Sara Lee Corp. ....                        | 1,266,240  | 1,519,700    |
| 2,000     | Smucker (J.M.) Co. ....                    | 52,993     | 90,580       |
| 106,969   | Tootsie Roll Industries Inc. ....          | 1,580,949  | 3,850,884    |
| 175,000   | Wrigley (Wm.) Jr. Co. .                    | 9,501,202  | 9,836,750    |
|           |  | -----      | -----        |
|           |  | 92,631,477 | 108,633,745  |
|           |  | -----      | -----        |
|           | ENTERTAINMENT -- 6.7%                      |            |              |
| 160,000   | Canal Plus, ADR .....                      | 34,011     | 194,960      |
| 110,000   | EMI Group plc .....                        | 292,543    | 312,606      |
| 80,000    | EMI Group plc, ADR ....                    | 947,487    | 454,704      |
| 120,000   | Fox Entertainment Group Inc., Cl. A+ ..... | 2,783,871  | 3,498,000    |
| 50,000    | GC Companies Inc.+ ....                    | 54,500     | 17,500       |
| 365,000   | Gemstar-TV Guide International Inc.+       | 2,710,973  | 1,843,250    |
| 65        | Index Corp. ....                           | 305,893    | 382,103      |
| 1,916,352 | Liberty Media Corp., Cl. A+ .....          | 9,752,938  | 22,785,426   |
| 215,000   | Metro-Goldwyn-Mayer Inc.+ .....            | 2,983,181  | 3,674,350    |
| 160,000   | Publishing & Broadcasting Ltd. ..          | 893,720    | 1,509,309    |
| 15,000    | Regal Entertainment Group, Cl. A .....     | 285,000    | 307,800      |
| 210,000   | Six Flags Inc.+ .....                      | 1,752,972  | 1,579,200    |
| 260,000   | The Walt Disney Co. ...                    | 5,453,387  | 6,065,800    |
| 700,000   | Time Warner Inc.+ .....                    | 15,921,711 | 12,593,000   |
| 840,000   | Viacom Inc., Cl. A ....                    | 35,321,393 | 37,186,800   |
| 40,900    | Vivendi Universal SA+ .                    | 2,169,026  | 994,126      |
| 350,000   | Vivendi Universal SA, ADR+ .....           | 10,223,476 | 8,498,000    |
|           |  | -----      | -----        |



Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|  | 91,886,082 | 101,896,934 |
|--|------------|-------------|
|  | -----      | -----       |
| TELECOMMUNICATIONS -- 6.5%   |            |             |
| 7,000 Aliant Inc. ....   | 62,390     | 173,883     |
| 25,000 ALLTEL Corp. ....   | 534,554    | 1,164,500   |
| 280,000 AT&T Corp. ....  | 9,376,946  | 5,684,000   |
| 90,540 ATX Communications<br>Inc.+ .....                           | 151,570    | 19,919      |
| 290,000 BCE Inc. ....  | 7,665,817  | 6,484,400   |
| 33,400 Brasil Telecom Participacoes<br>SA, ADR .....               | 1,940,826  | 1,262,520   |
| 1,760,000 BT Group plc .....                                       | 7,277,785  | 5,931,148   |
| 10,000 BT Group plc, ADR .....                                     | 343,423    | 342,200     |
| 4,440,836 Cable & Wireless<br>Jamaica Ltd. ....                    | 101,639    | 60,152      |
| 50,000 Cable & Wireless<br>plc, ADR .....                          | 650,341    | 350,500     |
| 117,000 CenturyTel Inc. ....                                       | 2,733,061  | 3,816,540   |
| 880,000 Cincinnati Bell Inc.+ .                                    | 7,720,293  | 4,444,000   |
| 150,000 Citizens Communications<br>Co.+ .....                      | 1,813,288  | 1,863,000   |
| 254,800 Commonwealth Telephone<br>Enterprises Inc.+ ..             | 9,416,914  | 9,618,700   |
| 60,000 Compania de<br>Telecomunicaciones de<br>Chile SA, ADR ..... | 897,938    | 897,000     |
| 180,000 Deutsche Telekom AG,<br>ADR+ .....                         | 2,992,534  | 3,263,400   |

See accompanying notes to financial statements.

4

THE GABELLI EQUITY TRUST INC.  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2003

| SHARES   | COST       | MARKET<br>VALUE |
|--|------------|-----------------|
| -----  | -----      | -----           |
| COMMON STOCKS (CONTINUED)                                    |            |                 |
| TELECOMMUNICATIONS (CONTINUED)                               |            |                 |
| 15,000 Embratel Participacoes SA,<br>ADR .....               | \$ 266,400 | \$ 249,150      |
| 7,000 France Telecom SA, ADR                                 | 224,125    | 200,130         |
| 208 KDDI Corp. ....  | 685,401    | 1,191,677       |
| 100,000 KPN NV+ .....  | 232,728    | 771,947         |
| 800,000 Qwest Communications<br>International Inc.+          | 2,475,505  | 3,456,000       |
| 60,000 RCN Corp.+ .....                                      | 425,991    | 48,000          |
| 9,655 Rogers Communications Inc.,<br>Cl. B .....             | 137,424    | 159,441         |
| 110,345 Rogers Communications Inc.,<br>Cl. B, ADR .....      | 1,537,198  | 1,820,692       |
| 220,000 SBC Communications Inc.                              | 7,272,156  | 5,735,400       |
| 350,000 Sprint Corp. -<br>FON Group .....                    | 10,687,538 | 5,747,000       |
| 186,554 Tele Norte Leste Participacoes<br>SA, ADR .....      | 2,554,387  | 2,878,528       |
| 42,000 Telecom Argentina Stet France<br>Telecom SA, ADR+ ... | 360,891    | 367,500         |
| 1,320,480 Telecom Italia SpA+ ...                            | 3,059,314  | 3,914,137       |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |   |             |            |
|---------|---|-------------|------------|
| 495,130 | Telecom Italia<br>SpA, RNC+ .....                 | 572,370     | 1,008,621  |
| 274,000 | Telefonica SA, ADR ....                           | 13,264,644  | 12,108,060 |
| 17,595  | Telefonica SA, BDR ....                           | 202,143     | 256,759    |
| 36,000  | Telefonos de Mexico SA de<br>CV, Cl. L, ADR+ .... | 389,422     | 1,189,080  |
| 12,750  | TELUS Corp. ....                                  | 222,542     | 256,036    |
| 52,500  | TELUS Corp., ADR .....                            | 950,397     | 1,054,266  |
| 4,250   | TELUS Corp., Non-Voting                           | 74,181      | 79,590     |
| 20,750  | TELUS Corp., Non-Voting,<br>ADR .....             | 438,501     | 388,586    |
| 320,000 | Verizon Communications<br>Inc. ....               | 14,384,284  | 11,225,600 |
|         |   | -----       | -----      |
|         |   | 114,096,861 | 99,482,062 |
|         |   | -----       | -----      |

ENERGY AND UTILITIES -- 5.7%

|         |   |            |            |
|---------|---|------------|------------|
| 75,000  | AES Corp.+ .....                        | 424,572    | 708,000    |
| 50,000  | AGL Resources Inc. ....                 | 891,012    | 1,455,000  |
| 120,000 | Allegheny Energy Inc.+                  | 1,090,388  | 1,531,200  |
| 36,000  | Apache Corp. ....                       | 2,806,632  | 2,919,600  |
| 247,000 | BP plc, ADR .....                       | 10,018,320 | 12,189,450 |
| 140,000 | Burlington<br>Resources Inc. ....       | 5,902,202  | 7,753,200  |
| 115,000 | CH Energy Group Inc. ..                 | 4,749,282  | 5,393,500  |
| 20,000  | Cinergy Corp. ....                      | 607,416    | 776,200    |
| 100,000 | CMS Energy Corp.+ .....                 | 640,176    | 852,000    |
| 103,217 | ConocoPhillips .....                    | 5,288,737  | 6,767,939  |
| 10,000  | Constellation Energy<br>Group Inc. .... | 237,177    | 391,600    |
| 26,000  | DPL Inc. ....                           | 524,093    | 542,880    |
| 17,000  | DTE Energy Co. ....                     | 750,951    | 669,800    |
| 470,000 | Duke Energy Corp. ....                  | 8,624,500  | 9,611,500  |
| 110,000 | Duquesne Light<br>Holdings Inc. ....    | 1,848,062  | 2,017,400  |
| 200,000 | El Paso Corp. ....                      | 2,520,332  | 1,638,000  |
| 400,000 | El Paso Electric Co.+ .                 | 3,236,625  | 5,340,000  |
| 40,000  | Energy East Corp. ....                  | 826,233    | 896,000    |
| 50,000  | Eni SpA .....                           | 732,789    | 943,491    |
| 80,000  | Exxon Mobil Corp. ....                  | 2,750,108  | 3,280,000  |
| 10,000  | FPL Group Inc. ....                     | 556,256    | 654,200    |
| 70,000  | Halliburton Co. ....                    | 1,726,011  | 1,820,000  |
| 35,000  | Kerr-McGee Corp. ....                   | 2,046,290  | 1,627,150  |
| 150,000 | Mirant Corp.+ .....                     | 201,190    | 58,500     |
| 100,000 | NiSource Inc.+ .....                    | 200,000    | 256,000    |
| 300,000 | Northeast Utilities ...                 | 5,660,050  | 6,051,000  |
| 100,000 | Progress Energy<br>Inc., CVO+ .....     | 52,000     | 23,000     |
| 10,000  | SJW Corp. ....                          | 883,106    | 892,500    |
| 20,000  | Southwest Gas Corp. ...                 | 415,025    | 449,000    |
| 7,907   | Total SA .....                          | 1,114,624  | 1,470,096  |

| SHARES  |                    | COST         | MARKET<br>VALUE |
|---------|--------------------|--------------|-----------------|
| -----   |                    | -----        | -----           |
| 95,000  | TXU Corp.          | \$ 1,557,877 | \$ 2,253,400    |
| 255,000 | Westar Energy Inc. | 4,319,800    | 5,163,750       |
|         |                    | -----        | -----           |
|         |                    | 73,201,836   | 86,395,356      |
|         |                    | -----        | -----           |

EQUIPMENT AND SUPPLIES -- 5.4%

|         |                  |           |           |
|---------|------------------|-----------|-----------|
| 118,000 | AMETEK Inc. .... | 5,527,719 | 5,694,680 |
|---------|------------------|-----------|-----------|

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |  |            |            |
|---------|--|------------|------------|
| 1,500   | Amphenol Corp., Cl. A+                       | 22,162     | 95,895     |
| 10,000  | Caterpillar Inc. ....                        | 136,559    | 830,200    |
| 95,000  | CIRCOR International<br>Inc. ....            | 981,440    | 2,289,500  |
| 320,000 | Deere & Co. ....                             | 15,328,000 | 20,816,000 |
| 110,000 | Donaldson Co. Inc. ....                      | 970,341    | 6,507,600  |
| 70,000  | Fedders Corp. ....                           | 444,646    | 504,000    |
| 115,000 | Flowserve Corp.+ ....                        | 1,995,044  | 2,401,200  |
| 13,000  | Franklin Electric<br>Co. Inc. ....           | 210,022    | 786,370    |
| 100,000 | Gerber Scientific Inc.+                      | 1,060,701  | 796,000    |
| 70,000  | GrafTech International<br>Ltd.+ ....         | 850,486    | 945,000    |
| 175,000 | IDEX Corp. ....                              | 5,657,750  | 7,278,250  |
| 20,000  | Ingersoll-Rand Co.,<br>Cl. A ....            | 836,200    | 1,357,600  |
| 60,000  | Lufkin Industries Inc.                       | 1,105,223  | 1,727,400  |
| 1,000   | Manitowoc Co. Inc. ....                      | 25,450     | 31,200     |
| 12,000  | Nakanishi Inc. ....                          | 525,284    | 520,108    |
| 405,000 | Navistar International<br>Corp.+ ....        | 13,980,821 | 19,395,450 |
| 30,000  | PACCAR Inc. ....                             | 450,000    | 2,553,600  |
| 1,000   | Sealed Air Corp.+ ....                       | 17,404     | 54,140     |
| 60,000  | Sybron Dental<br>Specialties Inc.+ ..        | 1,140,669  | 1,686,000  |
| 235,000 | Watts Water Technologies<br>Inc., Cl. A .... | 3,107,523  | 5,217,000  |
| 100,000 | Weir Group plc .....                         | 420,789    | 458,728    |
|         |  | -----      | -----      |
|         |  | 54,794,233 | 81,945,921 |
|         |  | -----      | -----      |
|         | PUBLISHING -- 4.9%                           |            |            |
| 20,000  | Dow Jones & Co. Inc. ..                      | 1,030,036  | 997,000    |
| 248,266 | Independent News &<br>Media plc .....        | 358,456    | 588,724    |
| 20,000  | Knight-Ridder Inc. ....                      | 1,345,264  | 1,547,400  |
| 5,000   | McClatchy Co., Cl. A ..                      | 240,250    | 344,000    |
| 100,000 | McGraw-Hill Companies<br>Inc. ....           | 6,052,805  | 6,992,000  |
| 339,000 | Media General Inc.,<br>Cl. A .....           | 20,169,846 | 22,068,900 |
| 125,000 | Meredith Corp. ....                          | 2,091,313  | 6,101,250  |
| 115,000 | New York Times Co.,<br>Cl. A .....           | 5,259,249  | 5,495,850  |
| 120,000 | News Corp. Ltd. ....                         | 696,029    | 1,084,062  |
| 10,000  | News Corp. Ltd., ADR ..                      | 186,274    | 361,000    |
| 40,000  | Pearson plc .....                            | 432,050    | 445,391    |
| 305,000 | Penton Media Inc.+ ....                      | 2,706,367  | 414,800    |
| 400,000 | PRIMEDIA Inc.+ .....                         | 1,948,569  | 1,132,000  |
| 45,000  | Pulitzer Inc. ....                           | 2,085,193  | 2,430,000  |
| 175,000 | Reader's Digest<br>Association Inc. ...      | 3,181,221  | 2,565,500  |
| 261,319 | SCMP Group Ltd. ....                         | 191,790    | 115,284    |
| 70,000  | Scripps (E.W.) Co.,<br>Cl. A .....           | 4,559,387  | 6,589,800  |
| 66,585  | Seat Pagine Gialle SpA+                      | 177,139    | 63,410     |
| 80,000  | Thomas Nelson Inc. ....                      | 951,267    | 1,546,400  |
| 250,000 | Tribune Co. ....                             | 11,310,100 | 12,900,000 |
|         |  | -----      | -----      |
|         |  | 64,972,605 | 73,782,771 |
|         |  | -----      | -----      |
|         | DIVERSIFIED INDUSTRIAL -- 4.7%               |            |            |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |  |            |            |
|---------|--|------------|------------|
| 189,300 | Acuity Brands Inc. ....                | 3,209,193  | 4,883,940  |
| 195,000 | Ampco-Pittsburgh Corp.                 | 2,627,873  | 2,665,650  |
| 125,000 | Cooper Industries Ltd.,<br>Cl. A ..... | 6,152,755  | 7,241,250  |
| 250,000 | Crane Co. ....                         | 4,841,093  | 7,685,000  |
| 105,000 | GATX Corp. ....                        | 1,708,946  | 2,937,900  |
| 250,000 | Greif Inc., Cl. A .....                | 4,682,789  | 8,877,500  |
| 3,400   | Greif Inc., Cl. B .....                | 69,824     | 121,550    |
| 435,000 | Honeywell International<br>Inc. ....   | 14,705,345 | 14,542,050 |

See accompanying notes to financial statements.

5

THE GABELLI EQUITY TRUST INC.  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2003

| SHARES                             |  | COST       | MARKET<br>VALUE |
|------------------------------------|--|------------|-----------------|
| -----                              |  | -----      | -----           |
| COMMON STOCKS (CONTINUED)          |  |            |                 |
| DIVERSIFIED INDUSTRIAL (CONTINUED) |  |            |                 |
| 118,000                            | ITT Industries Inc. ...\$                                | 3,585,603  | \$ 8,756,780    |
| 400,600                            | Lamson & Sessions Co.+                                   | 2,458,185  | 2,311,462       |
| 110,000                            | Park-Ohio Holdings<br>Corp.+ .....                       | 1,072,210  | 814,000         |
| 212,000                            | Sensient Technologies<br>Corp. ....                      | 3,831,251  | 4,191,240       |
| 10,000                             | Smiths Group plc .....                                   | 171,257    | 118,330         |
| 4,000                              | Sulzer AG .....  | 850,053    | 1,077,016       |
| 7,500                              | Technip SA .....   | 721,269    | 811,680         |
| 100,000                            | Thomas Industries Inc.                                   | 1,388,525  | 3,466,000       |
| 50,000                             | Trinity Industries Inc.                                  | 945,000    | 1,542,000       |
|                                    |  | -----      | -----           |
|                                    |  | 53,021,171 | 72,043,348      |
|                                    |  | -----      | -----           |
| CONSUMER PRODUCTS -- 4.3%          |  |            |                 |
| 60,000                             | Altadis SA .....   | 885,677    | 1,702,825       |
| 43,000                             | Christian Dior SA .....                                  | 1,514,055  | 2,605,058       |
| 10,000                             | Church & Dwight<br>Co. Inc. ....                         | 99,536     | 396,000         |
| 90,000                             | Compagnie Financiere<br>Richemont AG, Cl. A              | 1,264,406  | 2,161,310       |
| 50,000                             | Department 56 Inc.+ ...                                  | 524,317    | 655,000         |
| 450,000                            | Dial Corp. ....  | 12,799,740 | 12,811,500      |
| 40,000                             | Energizer Holdings<br>Inc.+ .....                        | 938,568    | 1,502,400       |
| 40,000                             | Fortune Brands Inc. ...                                  | 2,801,736  | 2,859,600       |
| 30,000                             | Gallaher Group plc ....                                  | 274,164    | 322,228         |
| 235,000                            | Gallaher Group plc, ADR                                  | 9,106,250  | 9,996,900       |
| 240,000                            | Gillette Co. ....  | 7,618,928  | 8,815,200       |
| 2,000                              | Givaudan SA .....  | 550,742    | 1,038,205       |
| 50,000                             | Harley-Davidson Inc. ..                                  | 2,322,820  | 2,376,500       |
| 15,000                             | Matsushita Electric<br>Industrial<br>Co. Ltd., ADR ..... | 178,325    | 209,100         |
| 100,000                            | Mattel Inc. ....   | 1,549,565  | 1,927,000       |
| 75,000                             | Maytag Corp. ....  | 1,879,366  | 2,088,750       |
| 51,300                             | National Presto<br>Industries Inc. ....                  | 1,808,866  | 1,854,495       |



## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |                              |            |            |
|---------|------------------------------|------------|------------|
| 30,000  | Charter Communications Inc., |            |            |
|         | Cl. A+ .....                 | 138,876    | 120,600    |
| 420,000 | Comcast Corp., Cl. A+ .      | 13,979,458 | 13,805,400 |
| 85,000  | Comcast Corp., Cl. A,        |            |            |
|         | Special+ .....               | 756,584    | 2,658,800  |
| 20,000  | Shaw Communications Inc.,    |            |            |
|         | Cl. B .....                  | 52,983     | 312,169    |
| 80,000  | Shaw Communications Inc.,    |            |            |
|         | Cl. B, Non-Voting ..         | 329,198    | 1,241,600  |
| 360,000 | UnitedGlobalCom Inc.,        |            |            |
|         | Cl. A+ .....                 | 2,303,003  | 3,052,800  |
|         |                              | -----      | -----      |
|         |                              | 40,169,896 | 56,744,169 |
|         |                              | -----      | -----      |

### AUTOMOTIVE: PARTS AND ACCESSORIES -- 3.4%

|         |                         |            |            |
|---------|-------------------------|------------|------------|
| 35,000  | BorgWarner Inc. ....    | 1,585,347  | 2,977,450  |
| 100,000 | CLARCOR Inc. ....       | 1,266,455  | 4,410,000  |
| 380,000 | Dana Corp. ....         | 6,140,866  | 6,973,000  |
| 40,000  | Delphi Corp. ....       | 594,773    | 408,400    |
| 260,000 | GenCorp Inc. ....       | 2,470,673  | 2,800,200  |
| 250,000 | Genuine Parts Co. ....  | 6,819,120  | 8,300,000  |
| 97,000  | Johnson Controls Inc. . | 7,847,300  | 11,263,640 |
| 115,000 | Midas Inc.+ .....       | 1,490,603  | 1,644,500  |
| 331,500 | Modine Manufacturing    |            |            |
|         | Co. ....                | 8,839,589  | 8,943,870  |
| 75,000  | Scheib (Earl) Inc.+ ... | 619,805    | 183,750    |
| 163,000 | Standard Motor          |            |            |
|         | Products Inc. ....      | 1,748,388  | 1,980,450  |
| 24,000  | Superior Industries     |            |            |
|         | International Inc. .    | 603,378    | 1,044,480  |
| 105,000 | TransPro Inc.+ .....    | 936,807    | 439,950    |
|         |                         | -----      | -----      |
|         |                         | 40,963,104 | 51,369,690 |
|         |                         | -----      | -----      |

### HEALTH CARE -- 2.8%

|         |                         |           |           |
|---------|-------------------------|-----------|-----------|
| 14,000  | Abbott Laboratories ... | 553,180   | 652,400   |
| 59,000  | Amgen Inc.+ .....       | 3,449,075 | 3,646,200 |
| 5,000   | AstraZeneca plc, London | 198,161   | 239,881   |
| 35,146  | AstraZeneca plc,        |           |           |
|         | Stockholm .....         | 1,255,532 | 1,712,044 |
| 15,000  | Aventis SA .....        | 1,056,288 | 991,423   |
| 29,900  | Biogen Idec Inc.+ ..... | 181,025   | 1,099,722 |
| 135,000 | Bristol-Myers           |           |           |
|         | Squibb Co. ....         | 3,547,915 | 3,861,000 |
| 75,036  | GlaxoSmithKline plc ... | 1,817,377 | 1,719,376 |
| 4,000   | GlaxoSmithKline         |           |           |
|         | plc, ADR .....          | 216,096   | 186,480   |
| 18,000  | Henry Schein Inc.+ .... | 775,800   | 1,216,440 |
| 48,000  | Invitrogen Corp.+ ..... | 2,378,658 | 3,360,000 |
| 60,000  | Merck & Co. Inc. ....   | 3,079,701 | 2,772,000 |
| 41,000  | Novartis AG .....       | 1,292,180 | 1,861,451 |
| 108,000 | Novartis AG, Registered | 3,905,280 | 4,956,120 |
| 90,000  | Pfizer Inc. ....        | 2,512,582 | 3,179,700 |
| 18,100  | Roche Holding AG .....  | 1,644,615 | 1,825,733 |
| 20,000  | Sanofi-Synthelabo SA .. | 967,750   | 1,506,055 |
| 80,000  | Schering-Plough Corp. . | 1,589,838 | 1,391,200 |
| 1,000   | Synthes-Stratec Inc. .. | 677,094   | 989,691   |

See accompanying notes to financial statements.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

THE GABELLI EQUITY TRUST INC.  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 DECEMBER 31, 2003

| SHARES                    |  | COST       | MARKET<br>VALUE |
|---------------------------|--|------------|-----------------|
| COMMON STOCKS (CONTINUED) |  |            |                 |
| HEALTH CARE (CONTINUED)   |  |            |                 |
| 18,000                    | Takeda Chemical<br>Industries Ltd. ....\$        | 936,071    | \$ 713,819      |
| 70,000                    | Wyeth .....                                      | 2,984,097  | 2,971,500       |
| 33,001                    | Zimmer Holdings Inc.+ .                          | 1,402,872  | 2,323,256       |
|                           |  | 36,421,187 | 43,175,491      |
| HOTELS AND GAMING -- 2.7% |  |            |                 |
| 110,000                   | Aztar Corp.+ .....                               | 772,707    | 2,475,000       |
| 100,000                   | Boca Resorts Inc.,<br>Cl. A+ .....               | 921,500    | 1,496,000       |
| 245,000                   | Gaylord Entertainment<br>Co.+ .....              | 6,257,129  | 7,313,250       |
| 45,000                    | Greek Organization of<br>Football Prognostics    | 465,942    | 647,074         |
| 8,000                     | GTECH Holdings Corp. ..                          | 69,219     | 395,920         |
| 2,510,000                 | Hilton Group plc .....                           | 8,418,704  | 10,098,678      |
| 650,000                   | Hilton Hotels Corp. ...                          | 6,579,110  | 11,134,500      |
| 50,000                    | MGM Mirage+ .....                                | 1,298,240  | 1,880,500       |
| 430,000                   | Park Place<br>Entertainment Corp.+               | 2,424,893  | 4,656,900       |
| 45,000                    | Starwood Hotels & Resorts<br>Worldwide Inc. .... | 963,235    | 1,618,650       |
|                           |  | 28,170,679 | 41,716,472      |
| CONSUMER SERVICES -- 2.1% |  |            |                 |
| 475,000                   | InterActiveCorp.+ .....                          | 11,476,194 | 16,116,750      |
| 40,000                    | Loewen Group Inc.+ ....                          | 48,700     | 0               |
| 690,000                   | Rollins Inc. ....                                | 14,241,157 | 15,559,500      |
|                           |  | 25,766,051 | 31,676,250      |
| RETAIL -- 1.9%            |  |            |                 |
| 195,000                   | Albertson's Inc. ....                            | 5,337,136  | 4,416,750       |
| 300,000                   | AutoNation Inc.+ .....                           | 3,354,597  | 5,511,000       |
| 75,000                    | Boots Group plc .....                            | 739,158    | 927,749         |
| 22,500                    | Coldwater Creek Inc.+ .                          | 181,517    | 247,500         |
| 22,000                    | Ito-Yokado Co. Ltd. ...                          | 749,555    | 691,798         |
| 10,000                    | Matsumotokiyoshi<br>Co. Ltd. ....                | 291,926    | 224,410         |
| 10,000                    | Matsumotokiyoshi<br>Co. Ltd.<br>(W/I)+ .....     | 291,926    | 224,410         |
| 323,500                   | Neiman Marcus Group Inc.,<br>Cl. B+ .....        | 7,874,064  | 16,175,000      |
|                           |  | 18,819,879 | 28,418,617      |
| BROADCASTING -- 1.8%      |  |            |                 |
| 16,666                    | Corus Entertainment Inc.,<br>Cl. B .....         | 62,036     | 354,664         |
| 120,000                   | Gray Television Inc. ..                          | 1,204,736  | 1,814,400       |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |  |            |            |
|---------|--|------------|------------|
| 27,500  | Gray Television Inc.,<br>Cl. A .....     | 370,755    | 417,175    |
| 185,100 | Grupo Televisa SA, ADR                   | 6,385,024  | 7,378,086  |
| 200,000 | Liberty Corp. ....                       | 8,528,905  | 9,038,000  |
| 15,000  | Lin TV Corp., Cl. A+ ..                  | 344,736    | 387,150    |
| 165,000 | Mediaset SpA .....                       | 1,326,670  | 1,960,520  |
| 4,000   | Nippon Broadcasting<br>System Inc. ....  | 161,709    | 186,246    |
| 40,375  | NRJ Group .....                          | 384,806    | 860,668    |
| 140,000 | Paxson Communications<br>Corp. ....      | 1,323,628  | 539,000    |
| 17,700  | RTL Group .....                          | 775,136    | 1,044,854  |
| 420     | SKY Perfect<br>Communications Inc.+      | 317,218    | 493,795    |
| 100,000 | Television Broadcasts<br>Ltd. ....       | 396,239    | 504,920    |
| 115,000 | Young Broadcasting Inc.,<br>Cl. A+ ..... | 2,822,920  | 2,304,600  |
|         |  | -----      | -----      |
|         |  | 24,404,518 | 27,284,078 |
|         |  | -----      | -----      |

| SHARES  |                         | COST         | MARKET<br>VALUE |
|---------|-------------------------|--------------|-----------------|
| -----   |                         | -----        | -----           |
|         | AEROSPACE -- 1.7%       |              |                 |
| 110,000 | Boeing Co. ....         | \$ 3,680,633 | \$ 4,635,400    |
| 90,000  | Lockheed Martin Corp. . | 5,002,530    | 4,626,000       |
| 150,000 | Northrop Grumman Corp.  | 14,243,999   | 14,340,000      |
| 100,000 | Titan Corp.+ .....      | 2,171,880    | 2,181,000       |
|         |                         | -----        | -----           |
|         |                         | 25,099,042   | 25,782,400      |
|         |                         | -----        | -----           |

|         |                                      |            |            |
|---------|--------------------------------------|------------|------------|
|         | AVIATION: PARTS AND SERVICES -- 1.4% |            |            |
| 204,640 | Curtiss-Wright Corp.,<br>Cl. B ..... | 5,637,891  | 9,188,336  |
| 100,000 | Fairchild Corp., Cl. A+              | 921,286    | 504,000    |
| 91,898  | Precision Castparts<br>Corp. ....    | 2,378,560  | 4,173,092  |
| 84,500  | Sequa Corp., Cl. A+ ...              | 3,371,578  | 4,140,500  |
| 74,600  | Sequa Corp., Cl. B+ ...              | 3,852,673  | 3,722,540  |
|         |                                      | -----      | -----      |
|         |                                      | 16,161,988 | 21,728,468 |
|         |                                      | -----      | -----      |

|         |  |            |            |
|---------|--|------------|------------|
|         | ELECTRONICS -- 1.2%                        |            |            |
| 125,000 | Agere Systems Inc.,<br>Cl. B+ .....        | 362,157    | 362,500    |
| 3,000   | Hitachi Ltd., ADR .....                    | 218,796    | 180,210    |
| 20,000  | Molex Inc., Cl. A .....                    | 519,697    | 587,200    |
| 7,500   | NEC Corp., ADR .....                       | 43,625     | 56,317     |
| 9,500   | Rohm Co. Ltd. ....                         | 1,408,684  | 1,113,371  |
| 38,800  | Royal Philips Electronics<br>NV, ADR ..... | 53,456     | 1,128,692  |
| 45,000  | Sony Corp., ADR .....                      | 1,340,589  | 1,560,150  |
| 240,000 | Texas Instruments Inc.                     | 5,860,035  | 7,051,200  |
| 250,000 | Thomas & Betts Corp. ..                    | 4,581,748  | 5,722,500  |
| 10,400  | Tokyo Electron Ltd. ...                    | 507,989    | 789,923    |
|         |  | -----      | -----      |
|         |  | 14,896,776 | 18,552,063 |
|         |  | -----      | -----      |

|        |                      |  |  |
|--------|----------------------|--|--|
|        | REAL ESTATE -- 1.0%  |  |  |
| 83,042 | Catellus Development |  |  |



Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|           |   |            |            |
|-----------|---|------------|------------|
|           | Corp. ....  | 1,619,777  | 2,002,973  |
| 70,000    | Cheung Kong<br>(Holdings) Ltd. ....                   | 815,521    | 556,765    |
| 100,000   | Florida East Coast<br>Industries Inc.,<br>Cl. A ..... | 1,458,643  | 3,310,000  |
| 55,000    | Griffin Land &<br>Nurseries Inc.+ ....                | 513,143    | 781,605    |
| 245,000   | St. Joe Co. ....                                      | 1,817,919  | 9,136,050  |
|           |   | -----      | -----      |
|           |   | 6,225,003  | 15,787,393 |
|           |   | -----      | -----      |
|           | AGRICULTURE -- 1.0%                                   |            |            |
| 20,000    | AGCO Corp.+ .....                                     | 350,026    | 402,800    |
| 1,000,000 | Archer-Daniels-<br>Midland Co. ....                   | 13,091,460 | 15,220,000 |
| 5,000     | Delta & Pine Land Co. .                               | 84,396     | 127,000    |
|           |   | -----      | -----      |
|           |   | 13,525,882 | 15,749,800 |
|           |   | -----      | -----      |
|           | SPECIALTY CHEMICALS -- 0.9%                           |            |            |
| 5,400     | Ciba Specialty Chemicals,<br>ADR .....                | 14,912     | 209,196    |
| 8,000     | du Pont de Nemours (E.I.)<br>and Co. ....             | 262,000    | 367,120    |
| 330,000   | Ferro Corp. ....                                      | 6,975,503  | 8,979,300  |
| 40,000    | Fuller (H.B.) Co. ....                                | 968,437    | 1,189,600  |
| 120,000   | Hercules Inc.+ .....                                  | 1,543,119  | 1,464,000  |
| 15,000    | IVAX Corp.+ .....                                     | 170,440    | 358,200    |
| 215,000   | Omnova Solutions Inc.+                                | 1,788,690  | 1,032,000  |
| 10,000    | Shin-Etsu Chemical<br>Co. Ltd. ....                   | 415,465    | 408,696    |
| 10,000    | Syngenta AG, ADR .....                                | 18,940     | 134,800    |
|           |   | -----      | -----      |
|           |   | 12,157,506 | 14,142,912 |
|           |   | -----      | -----      |
|           | COMMUNICATIONS EQUIPMENT -- 0.8%                      |            |            |
| 230,000   | Andrew Corp.+ .....                                   | 2,513,371  | 2,647,300  |
| 500,000   | Corning Inc.+ .....                                   | 4,402,807  | 5,215,000  |
| 130,000   | Lucent Technologies<br>Inc.+ .....                    | 800,828    | 369,200    |
| 140,000   | Motorola Inc. ....                                    | 1,803,785  | 1,969,800  |
| 100,000   | Nortel Networks Corp.+                                | 686,285    | 423,000    |
| 44,000    | Scientific-Atlanta Inc.                               | 355,750    | 1,201,200  |
|           |   | -----      | -----      |
|           |   | 10,562,826 | 11,825,500 |
|           |   | -----      | -----      |

See accompanying notes to financial statements.

7

THE GABELLI EQUITY TRUST INC.  
PORTFOLIO OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2003

| SHARES |                                | COST    |    | MARKET<br>VALUE |
|--------|--------------------------------|---------|----|-----------------|
| -----  |                                | -----   |    | -----           |
|        | COMMON STOCKS (CONTINUED)      |         |    |                 |
|        | ENVIRONMENTAL SERVICES -- 0.7% |         |    |                 |
| 65,000 | Republic Services Inc. \$      | 875,761 | \$ | 1,665,950       |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |   |           |            |
|---------|---|-----------|------------|
| 300,000 | Waste Management Inc. .                                     | 6,690,206 | 8,880,000  |
|         |   | -----     | -----      |
|         |   | 7,565,967 | 10,545,950 |
|         |   | -----     | -----      |
|         | BUSINESS SERVICES -- 0.6%                                   |           |            |
| 60,000  | ANC Rental Corp.+ .....                                     | 578,273   | 6          |
| 160,000 | Cendant Corp.+ .....  | 3,192,685 | 3,563,200  |
| 1,000   | CheckFree Corp.+ .....                                      | 9,040     | 27,650     |
| 98,000  | Landauer Inc. ....  | 2,494,473 | 3,996,440  |
| 70,000  | Nashua Corp.+ .....   | 634,028   | 595,000    |
| 212,500 | Securicor plc .....   | 0         | 362,339    |
| 1,250   | SGS Societe Generale de<br>Surveillance<br>Holding SA ..... | 598,409   | 784,314    |
|         |   | -----     | -----      |
|         |   | 7,506,908 | 9,328,949  |
|         |   | -----     | -----      |
|         | METALS AND MINING -- 0.6%                                   |           |            |
| 72,500  | Harmony Gold Mining<br>Co. Ltd. ....                        | 347,738   | 1,178,464  |
| 35,000  | Harmony Gold Mining Co.<br>Ltd., ADR .....                  | 282,733   | 568,050    |
| 130,000 | Newmont Mining Corp. ..                                     | 2,977,871 | 6,319,300  |
| 50,000  | Placer Dome Inc. ....                                       | 487,169   | 895,500    |
|         |   | -----     | -----      |
|         |   | 4,095,511 | 8,961,314  |
|         |   | -----     | -----      |
|         | AUTOMOTIVE -- 0.5%  |           |            |
| 15,000  | Ford Motor Co. ....   | 334,700   | 240,000    |
| 150,000 | General Motors Corp. ..                                     | 4,903,032 | 8,010,000  |
|         |   | -----     | -----      |
|         |   | 5,237,732 | 8,250,000  |
|         |   | -----     | -----      |
|         | PAPER AND FOREST PRODUCTS -- 0.4%                           |           |            |
| 64,700  | MeadWestvaco Corp. ....                                     | 1,813,944 | 1,924,825  |
| 150,000 | Pactiv Corp.+ .....   | 1,569,911 | 3,585,000  |
| 16,656  | Rayonier Inc. ....  | 531,510   | 691,391    |
|         |   | -----     | -----      |
|         |   | 3,915,365 | 6,201,216  |
|         |   | -----     | -----      |
|         | BUILDING AND CONSTRUCTION -- 0.3%                           |           |            |
| 25,000  | Bouygues SA .....   | 724,706   | 874,117    |
| 100,500 | CRH plc .....   | 1,259,458 | 2,059,946  |
| 32,222  | Huttig Building<br>Products Inc.+ .....                     | 81,163    | 96,666     |
| 15,000  | Martin Marietta<br>Materials Inc. ....                      | 322,687   | 704,550    |
| 40,000  | Sekisui House Ltd. ....                                     | 389,946   | 413,175    |
|         |   | -----     | -----      |
|         |   | 2,777,960 | 4,148,454  |
|         |   | -----     | -----      |
|         | CLOSED END FUNDS -- 0.2%                                    |           |            |
| 58,000  | Central Europe and Russia<br>Fund Inc. ....                 | 722,985   | 1,331,680  |
| 20,000  | France Growth<br>Fund Inc.+ .....                           | 184,353   | 149,600    |
| 70,000  | New Germany Fund Inc. .                                     | 754,518   | 500,500    |
| 36,790  | Royce Value Trust Inc.                                      | 448,512   | 636,103    |
|         |   | -----     | -----      |
|         |   | 2,110,368 | 2,617,883  |
|         |   | -----     | -----      |
|         | COMPUTER SOFTWARE AND SERVICES -- 0.2%                      |           |            |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|         |   |               |                 |
|---------|---|---------------|-----------------|
| 5,000   | Electronic Data<br>Systems Corp. ....                         | 69,661        | 122,700         |
| 130,000 | EMC Corp.+ .....  | 1,936,565     | 1,679,600       |
| 160     | NIWS Co. Ltd. ....  | 452,235       | 358,309         |
| 25,256  | Telecom Italia<br>Media SpA+ .....                            | 26,868        | 12,552          |
|         |   | -----         | -----           |
|         |   | 2,485,329     | 2,173,161       |
|         |   | -----         | -----           |
|         | TRANSPORTATION -- 0.1%  |               |                 |
| 115,000 | Amadeus Global Travel<br>Distribution SA,<br>Cl. A .....      | 679,535       | 747,036         |
| 100,000 | AMR Corp.+ .....  | 1,924,248     | 1,295,000       |
| 15,000  | Grupo TMM SA de CV,<br>Cl. A, ADR+ .....                      | 80,460        | 63,600          |
|         |   | -----         | -----           |
|         |   | 2,684,243     | 2,105,636       |
|         |   | -----         | -----           |
| SHARES  |   | COST          | MARKET<br>VALUE |
| -----   |   | -----         | -----           |
|         | SATELLITE -- 0.2%   |               |                 |
| 148,445 | Hughes Electronics<br>Corp.+ .....\$                          | 2,127,264     | \$ 2,456,761    |
| 50,000  | Loral Space &<br>Communications Ltd.+                         | 11,250        | 15,750          |
|         |   | -----         | -----           |
|         |   | 2,138,514     | 2,472,511       |
|         |   | -----         | -----           |
|         | TOTAL COMMON<br>STOCKS .....                                  | 1,105,998,293 | 1,332,678,831   |
|         |   | -----         | -----           |
|         | PREFERRED STOCKS -- 1.9%                                      |               |                 |
|         | PUBLISHING -- 1.5%  |               |                 |
| 771,603 | News Corp. Ltd.,<br>Pfd., ADR .....                           | 20,984,232    | 23,340,994      |
|         |   | -----         | -----           |
|         | TELECOMMUNICATIONS -- 0.1%                                    |               |                 |
| 26,000  | Cincinnati Bell Inc.,<br>6.750% Cv. Pfd.,<br>Ser. B .....     | 820,366       | 1,066,000       |
| 21,000  | Citizens Communications Co.,<br>5.000% Cv. Pfd. ....          | 1,020,698     | 1,071,000       |
|         |   | -----         | -----           |
|         |   | 1,841,064     | 2,137,000       |
|         |   | -----         | -----           |
|         | AEROSPACE -- 0.1%   |               |                 |
| 14,021  | Northrop Grumman Corp.,<br>7.000% Cv. Pfd.,<br>Ser. B .....   | 1,633,727     | 1,749,120       |
|         |   | -----         | -----           |
|         | BROADCASTING -- 0.1%  |               |                 |
| 90      | Gray Television Inc.,<br>8.000% Cv. Pfd.,<br>Ser. C (a) ..... | 900,000       | 945,657         |
|         |   | -----         | -----           |
|         | SPECIALTY CHEMICALS -- 0.1%                                   |               |                 |
| 27,000  | Hercules Trust I,<br>9.420% Pfd. ....                         | 553,660       | 688,500         |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|             |   |                       |
|-------------|---|-----------------------|
|             | -----                                     | -----                 |
|             | AVIATION: PARTS AND SERVICES -- 0.0%      |                       |
| 3,000       | Sequa Corp.,                              |                       |
|             | \$5.00 Cv. Pfd. ....                      | 239,700 266,925       |
|             | -----                                     | -----                 |
|             | WIRELESS COMMUNICATIONS -- 0.0%           |                       |
| 10,760,547  | Telesp Celular Participacoes              |                       |
|             | SA, Pfd.+ .....                           | 82,623 28,235         |
|             | -----                                     | -----                 |
|             | TOTAL PREFERRED                           |                       |
|             | STOCKS .....                              | 26,235,006 29,156,431 |
|             | -----                                     | -----                 |
| PRINCIPAL   |   |                       |
| AMOUNT      |   |                       |
|             | -----                                     |                       |
|             | CORPORATE BONDS -- 0.2%                   |                       |
|             | AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.1% |                       |
| \$1,000,000 | Standard Motor Products Inc.,             |                       |
|             | Sub. Deb. Cv.,                            |                       |
|             | 6.750%, 07/15/09 ...                      | 943,168 940,000       |
|             | -----                                     | -----                 |
|             | CABLE -- 0.1%                             |                       |
| 1,000,000   | Charter Communications Inc., Cv.,         |                       |
|             | 4.750%, 06/01/06 ...                      | 675,823 890,000       |
|             | -----                                     | -----                 |
|             | AVIATION: PARTS AND SERVICES -- 0.0%      |                       |
| 868,000     | Kaman Corp., Sub. Deb. Cv.,               |                       |
|             | 6.000%, 03/15/12 ...                      | 825,281 859,320       |
|             | -----                                     | -----                 |
|             | ENERGY AND UTILITIES -- 0.0%              |                       |
| 900,000     | Mirant Corp., Sub. Deb. Cv.,              |                       |
|             | 2.500%, 06/15/21+ (c)                     | 685,613 553,500       |
|             | -----                                     | -----                 |
|             | TOTAL CORPORATE                           |                       |
|             | BONDS .....                               | 3,129,885 3,242,820   |
|             | -----                                     | -----                 |

See accompanying notes to financial statements.

8

THE GABELLI EQUITY TRUST INC.  
 PORTFOLIO OF INVESTMENTS (CONTINUED)  
 DECEMBER 31, 2003

| SHARES    |                                | COST    |       | MARKET |
|-----------|--------------------------------|---------|-------|--------|
| -----     |                                | -----   |       | VALUE  |
|           |                                |         |       | -----  |
|           | RIGHTS -- 0.0%                 |         |       |        |
|           | EQUIPMENT AND SUPPLIES -- 0.0% |         |       |        |
| 70,000    | Fedders Corp.+ .....           | \$ 0    | \$    | 4,200  |
|           |                                | -----   | ----- | -----  |
|           | WARRANTS -- 0.0%               |         |       |        |
|           | FOOD AND BEVERAGE -- 0.0%      |         |       |        |
| 62,463    | Denny's Corp.,                 |         |       |        |
|           | expires 01/07/05+ ..           | 105,603 |       | 640    |
|           |                                | -----   | ----- | -----  |
| PRINCIPAL |                                |         |       |        |
| AMOUNT    |                                |         |       |        |
|           | -----                          |         |       |        |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

U.S. GOVERNMENT OBLIGATIONS -- 6.5%  
 \$99,000,000 U.S. Treasury Bills,  
 0.935%+, 01/02/04  
 to 02/19/04 (d) .... 98,992,563 98,992,563  
 -----

REPURCHASE AGREEMENTS -- 3.9%  
 58,901,000 Agreement with State Street Bank  
 and Trust Co., 0.810%, dated  
 12/31/03, due 01/02/04,  
 proceeds at maturity,  
 \$58,903,651 (b) .... 58,901,000 58,901,000  
 -----

TOTAL INVESTMENTS-- 100.0% .....\$1,293,362,350 \$1,522,976,485  
 =====

LIABILITIES IN EXCESS OF OTHER ASSETS ..... (8,451,273)

PREFERRED STOCK  
 (9,607,200 preferred shares outstanding) ..... (420,000,000)  
 -----

NET ASSETS -- COMMON STOCK  
 (137,189,884 common shares outstanding) ..... \$1,094,525,212  
 =====

NET ASSET VALUE PER COMMON SHARE  
 (\$1,094,525,212 (DIVIDE)  
 137,189,884 shares outstanding) ..... \$7.98  
 =====

-----  
 For Federal tax purposes:  
 Aggregate cost ..... \$1,300,268,903  
 =====  
 Gross unrealized appreciation ..... \$ 295,739,176  
 Gross unrealized depreciation ..... (73,031,594)  
 -----  
 Net unrealized appreciation ..... \$ 222,707,582  
 =====

- 
- (a) Security fair valued under procedures established by the Board of Directors. At December 31, 2003, the market value of fair valued securities amounted to \$945,657 or 0.06% of total investments.
  - (b) Collateralized by U.S. Treasury Notes, 1.750%, due 12/31/04, market value \$60,086,022.
  - (c) Bond in default.
  - (d) Partially segregated as collateral for when issued security.  
 + Non-income producing security.
- ADR - American Depository Receipt.  
 BDR - Brazilian Depository Receipt.  
 CVO - Contingent Value Obligation.  
 RNC - Non-Convertible Savings Shares.  
 USD - U.S. Dollars.  
 W/I - When Issued.  
 ++ Represents annualized yield at date of purchase.

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|                            | MARKET<br>VALUE<br>----- | MARKET<br>VALUE<br>----- |
|----------------------------|--------------------------|--------------------------|
| GEOGRAPHIC DIVERSIFICATION |                          |                          |
| United States .....        | 82.9%                    | \$1,262,650,203          |
| Europe .....               | 11.6                     | 175,405,729              |
| Asia/Pacific .....         | 2.9                      | 43,731,733               |
| Latin America .....        | 1.4                      | 22,048,479               |
| Canada .....               | 1.1                      | 17,393,827               |
| South Africa .....         | 0.1                      | 1,746,514                |
|                            | -----                    | -----                    |
| Total Investments .....    | 100.0%                   | \$1,522,976,485          |
|                            | =====                    | =====                    |

See accompanying notes to financial statements.

9

THE GABELLI EQUITY TRUST INC.

STATEMENT OF ASSETS AND LIABILITIES  
DECEMBER 31, 2003

ASSETS:

|  |                 |
|--|-----------------|
| Investments, at value (cost \$1,293,362,350) .....         | \$1,522,976,485 |
| Cash and foreign currency, at value (cost \$392,656) ..... | 438,602         |
| Dividends and interest receivable .....                    | 1,845,509       |
| Receivable for investments sold .....                      | 1,773,148       |
| Other assets .....   | 60,345          |
|  | -----           |
| TOTAL ASSETS .....   | 1,527,094,089   |
|  | -----           |

LIABILITIES:

|  |            |
|--|------------|
| Dividends payable .....                          | 291,785    |
| Unrealized depreciation on swap contracts .....  | 7,197,704  |
| Payable for investment advisory fees .....       | 4,122,083  |
| Interest payable on swap contract .....          | 360,100    |
| Payable for shareholder communication fees ..... | 224,798    |
| Payable to custodian .....                       | 28,541     |
| Payable for offering expenses .....              | 186,124    |
| Other accrued expenses and liabilities .....     | 157,742    |
|  | -----      |
| TOTAL LIABILITIES .....                          | 12,568,877 |
|  | -----      |

PREFERRED STOCK:

|   |             |
|---|-------------|
| Series B Cumulative Preferred Stock (7.20%,<br>\$25 liquidation value, \$0.001 par<br>value, 6,600,000 shares authorized<br>with 6,600,000 shares issued and<br>outstanding) .....  | 165,000,000 |
| Series C Cumulative Preferred Stock<br>(Auction Rate, \$25,000 liquidation value,<br>\$0.001 par value, 5,200 shares authorized<br>with 5,200 shares issued and outstanding) .....  | 130,000,000 |
| Series D Cumulative Preferred Stock (5.875%,<br>\$25 liquidation value, \$0.001 par<br>value, 3,000,000 shares authorized<br>with 3,000,000 shares issued and<br>outstanding) ..... | 75,000,000  |

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|  |   |
|--|---|
| Series E Cumulative Preferred Stock (Auction Rate,<br>\$25,000 liquidation value, \$0.001 par value,<br>2,000 shares authorized with 2,000 shares<br>issued and outstanding) ..... | 50,000,000                                  |
| <hr style="border-top: 1px dashed black;"/>  |   |
| TOTAL PREFERRED STOCK .....  | 420,000,000                                 |
| <hr style="border-top: 1px dashed black;"/>  |   |
| NET ASSETS ATTRIBUTABLE TO COMMON<br>STOCK SHAREHOLDERS .....  | \$1,094,525,212                             |
| <hr style="border-top: 1px dashed black;"/>  |   |
| NET ASSETS ATTRIBUTABLE TO COMMON STOCK<br>SHAREHOLDERS CONSIST OF:  |   |
| Capital stock, at par value .....  | \$ 137,190                                  |
| Additional paid-in capital .....   | 879,075,214                                 |
| Accumulated distributions in excess of net<br>investment income .....  | (263,701)                                   |
| Accumulated distributions in excess of net realized<br>gain on investments, futures contracts<br>and foreign currency transactions .....   | (6,934,637)                                 |
| Net unrealized appreciation on investments, swap<br>contracts and foreign currency transactions .....  | 222,511,146                                 |
| <hr style="border-top: 1px dashed black;"/>  |   |
| TOTAL NET ASSETS .....   | \$1,094,525,212                             |
| <hr style="border-top: 1px dashed black;"/>  |   |
| NET ASSET VALUE PER COMMON SHARE<br>(\$1,094,525,212 / 137,189,884 shares outstanding;<br>182,000,000 shares authorized of \$0.001 par value) .....                                |   |
|  | \$7.98                                      |
|  | <hr style="border-top: 1px dashed black;"/> |

### STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2003

|  |               |
|--|---------------|
| INVESTMENT INCOME:   |               |
| Dividends (net of foreign taxes of \$437,295) .....  | \$ 19,232,727 |
| Interest .....   | 1,759,509     |
| <hr style="border-top: 1px dashed black;"/>  |               |
| TOTAL INVESTMENT INCOME .....  | 20,992,236    |
| <hr style="border-top: 1px dashed black;"/>  |               |
| EXPENSES:  |               |
| Investment advisory fees .....   | 12,895,377    |
| Interest expense on swap contracts (Note 2) .....  | 4,302,270     |
| Shareholder communications expenses .....  | 702,936       |
| Custodian fees .....   | 176,109       |
| Directors' fees .....  | 138,681       |
| Legal and audit fees .....   | 130,996       |
| Shareholder services fees .....  | 124,565       |
| Payroll .....  | 187,625       |
| Miscellaneous expenses .....   | 497,921       |
| <hr style="border-top: 1px dashed black;"/>  |               |
| TOTAL EXPENSES .....   | 19,156,480    |
| <hr style="border-top: 1px dashed black;"/>  |               |
| NET INVESTMENT INCOME .....  | 1,835,756     |
| <hr style="border-top: 1px dashed black;"/>  |               |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON<br>INVESTMENTS, FUTURES CONTRACTS, SWAP<br>CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS: |               |
| Net realized gain on investments .....   | 114,488,294   |
| Net realized gain on foreign currency transactions .....   | 40,605        |
| Net realized loss on futures contracts .....   | (5,099,573)   |
| <hr style="border-top: 1px dashed black;"/>  |               |
| Net realized gain on investments, futures contracts  |               |

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|  |               |
|--|---------------|
| and foreign currency transactions .....  | 109,429,326   |
|  | -----         |
| Net change in unrealized appreciation/depreciation<br>on investments, swap contracts and foreign<br>currency transactions .....  | 234,044,532   |
|  | -----         |
| NET REALIZED AND UNREALIZED GAIN ON<br>INVESTMENTS, FUTURES CONTRACTS, SWAP<br>CONTRACTS AND FOREIGN CURRENCY TRANSACTIONS ..... | 343,473,858   |
|  | -----         |
| NET INCREASE IN NET ASSETS RESULTING<br>FROM OPERATIONS .....  | 345,309,614   |
|  | -----         |
| Total Distributions to Preferred Stock Shareholders .....  | (19,173,715)  |
|  | -----         |
| NET INCREASE IN NET ASSETS ATTRIBUTABLE TO<br>COMMON STOCK SHAREHOLDERS<br>RESULTING FROM OPERATIONS .....                       | \$326,135,899 |
|  | =====         |

See accompanying notes to financial statements.

10

### THE GABELLI EQUITY TRUST INC.

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

|  | YEAR ENDED<br>DECEMBER 31, |
|--|----------------------------|
|  | -----                      |
| OPERATIONS:  |                            |
| Net investment income .....  | \$ 1,835,7                 |
| Net realized gain on investments, futures contracts and foreign<br>currency transactions .....                               | 109,429,3                  |
| Net change in unrealized appreciation/depreciation on investments,<br>swap contracts and foreign currency transactions ..... | 234,044,5                  |
|  | -----                      |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS .....  | 345,309,6                  |
|  | -----                      |
| DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:   |                            |
| Net investment income .....  | (320,4                     |
| Net realized short-term gain on investments, futures contracts<br>and foreign currency transactions .....                    | (1,248,0                   |
| Net realized long-term gains on investments, futures contracts<br>and foreign currency transactions .....                    | (17,605,2                  |
|  | -----                      |
| TOTAL DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS .....  | (19,173,7                  |
|  | -----                      |
| NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO COMMON STOCK<br>SHAREHOLDERS RESULTING FROM OPERATIONS .....           | 326,135,8                  |
|  | -----                      |
| DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:  |                            |
| Net investment income .....  | (1,408,1                   |
| Net realized short-term gain on investments, futures contracts and<br>foreign currency transactions .....                    | (6,188,8                   |
| Net realized long-term gains on investments, futures contracts and   |                            |



## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|  |               |
|--|---------------|
| foreign currency transactions .....  | (85,161,3     |
| Return of capital .....  | (558,0        |
|  | -----         |
| TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS .....   | (93,316,4     |
|  | -----         |
| TRUST SHARE TRANSACTIONS:  |               |
| Net increase in net assets from common shares issued upon reinvestment<br>of dividends and distributions ..... | 22,608,7      |
| Offering costs for preferred shares charged to paid-in capital .....   | (3,305,9      |
|  | -----         |
| NET INCREASE IN NET ASSETS FROM TRUST SHARE TRANSACTIONS .....   | 19,302,8      |
|  | -----         |
| NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO COMMON<br>STOCK SHAREHOLDERS .....                       | 252,122,3     |
| NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS:  |               |
| Beginning of period .....  | 842,402,9     |
|  | -----         |
| End of period .....  | \$1,094,525,2 |
|  | =====         |

See accompanying notes to financial statements.

11

### THE GABELLI EQUITY TRUST INC. NOTES TO FINANCIAL STATEMENTS

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

Effective August 1, 2002, the Equity Trust modified its non-fundamental investment policy to increase, from 65% to 80%, the portion of its assets that it will invest, under normal market conditions in equity securities (the "80% Policy"). The 80% Policy may be changed without shareholder approval. However, the Equity Trust has adopted a policy to provide shareholders with at least 60 days' notice of the implementation of any change in the 80% Policy.

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

SECURITY VALUATION. Portfolio securities listed or traded on a nationally recognized securities exchange 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

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

Board of Directors so determines, by such other method as the Board of Directors shall determine in good faith, to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the "Adviser"). Portfolio securities primarily traded in foreign markets are generally valued at the preceding closing values of such securities on their respective exchanges or markets. Securities and assets for which market quotations are not readily available are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Board of Directors. Short term debt securities with remaining maturities of 60 days or less are valued at amortized cost, unless the Board of Directors determines such does not reflect the securities fair value, in which case these securities will be valued at their fair value as determined by the Board of Directors. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the latest average of the bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price on that day. Options are valued at the last sale price on the exchange on which they are listed. If no sales of such options have taken place that day, they will be valued at the mean between their closing bid and asked prices.

**REPURCHASE AGREEMENTS.** The Equity Trust may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Bank of New York, with member banks of the Federal Reserve System or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board of Directors. Under the terms of a typical repurchase agreement, the Equity Trust takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Equity Trust to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Equity Trust's holding period. The Equity Trust will always receive and maintain securities as collateral whose market value, including accrued interest, will be at least equal to 102% of the dollar amount invested by the Equity Trust in each agreement. The Equity Trust will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Equity Trust may be delayed or limited.

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

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

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

on the Equity Trust's portfolio securities at that point in time, such a default could negatively affect the Equity Trust's ability to make dividend payments for the Series C Preferred Stock. In addition, at the time an interest rate swap or cap transaction reaches its scheduled termination date, there is a risk that the Equity Trust will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Equity Trust's ability to make dividend payments on the Series C Preferred Stock.

The Trust has entered into one interest rate swap agreement with Citibank N.A. Under the agreement the Trust receives a floating rate of interest and pays a respective fixed rate of interest on the nominal value of the swap. Details of the swap at December 31, 2003 are as follows:

| NOTIONAL<br>AMOUNT | FIXED RATE | FLOATING RATE*<br>(RATE RESET MONTHLY) | TERMINATION<br>DATE | UNREALIZED<br>DEPRECIATION |
|--------------------|------------|--|---------------------|----------------------------|
| \$130,000,000      | 4.494%     | 1.17%                                  | July 2, 2007        | \$(7,197,704)              |

-----  
\*Based on Libor (London Interbank Offered Rate).

**FUTURES CONTRACTS.** The Equity Trust may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Such investments will only be made if they are economically appropriate to the reduction of risks involved in the management of the Equity Trust's investments. Upon entering into a futures contract, the Equity Trust is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin." Subsequent payments ("variation margin") are made or received by the Equity Trust each day, depending on the daily fluctuation of the value of the contract. The daily changes in the contract are included in unrealized appreciation/depreciation on investments and futures contracts. The Equity Trust recognizes a realized gain or loss when the contract is closed. There were no open futures contracts at December 31, 2003.

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

**FOREIGN CURRENCY TRANSACTION.** The books and records of the Equity Trust are maintained in United States (U.S.) dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the exchange rates prevailing at the end of the period, and purchases and sales of investment securities, income and expenses are translated at the exchange rate prevailing on the respective dates of such transactions. Unrealized gains and losses, which result from changes in foreign exchange rates and/or changes in market prices of securities, have been included in unrealized appreciation/depreciation on investments and foreign currency transactions. Net realized foreign currency

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date on investment securities transactions, foreign currency transactions and the difference between the amounts of interest and dividends recorded on the books of the Equity Trust and the amounts actually received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial trade date and subsequent sale trade date is included in realized gain/(loss) on investments.

SECURITIES TRANSACTIONS AND INVESTMENT INCOME. Securities transactions are accounted for as of the trade date with realized gain or loss on investments determined by using the identified cost method. Interest income (including amortization of premium and accretion of discount) is recorded as earned. Dividend income is recorded on the ex-dividend date.

DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS. Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders of the Equity Trust's 7.25% Tax Advantaged Series A Cumulative Preferred Stock, 7.20% Tax Advantaged Series B Cumulative Preferred Stock, Series C Auction Rate Cumulative Preferred Stock, 5.875% Series D Cumulative Preferred Stock, and Series E Auction Rate Cumulative Preferred Stock ("Cumulative Preferred Stock") are accrued on a daily basis and are determined as described in Note 5.

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

For the year ended December 31, 2003, reclassifications were made to increase accumulated distributions in excess of net investment income for \$35,924 and decrease accumulated distributions in excess of net realized gain on investments, options, future contracts and foreign currency transactions for \$35,924 with an offsetting adjustment to additional paid-in capital.

13

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

The tax character of distributions paid during the fiscal year ended December 31, 2003 and December 31, 2002 were as follows:

|   | YEAR ENDED        |              |          |
|---|-------------------|--------------|----------|
|   | DECEMBER 31, 2003 |              |          |
|   | COMMON            | PREFERRED    | COMMO    |
|   | -----             | -----        | -----    |
| DISTRIBUTIONS PAID FROM:                  |                   |              |          |
| Ordinary income                           |                   |              |          |
| (Inclusive of short term capital gain) .. | \$ 7,596,973      | \$ 1,568,448 | \$ 8,87  |
| Net long term capital gain .....          | 85,161,394        | 17,605,267   | 115,65   |
| Non-taxable return of capital .....       | 558,040           | --           | 21       |
|   | -----             | -----        | -----    |
| Total distribution paid .....             | \$93,316,407      | \$19,173,715 | \$124,75 |
|   | =====             | =====        | =====    |

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

PROVISION FOR INCOME TAXES. The Equity Trust intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. It is the Trust's policy to comply with the requirements of the Internal Revenue 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, 2003, the components of accumulated earnings/(losses) on a tax basis were as follows:

|  |               |
|--|---------------|
| Net unrealized appreciation on investments ..... | \$222,707,582 |
| Net unrealized depreciation on foreign currency  |               |
| transactions and interest rate swaps .....       | (7,102,989)   |
| Other .....                                      | (291,785)     |
|  | -----         |
| Total accumulated gain .....                     | \$215,312,808 |
|  | =====         |

Other is primarily due to dividends payable on preferred stock at December 31, 2003.

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

The Trust's total return on the net asset value of the common shares is monitored on a monthly basis to assess whether the total return on the net asset value of the common shares exceeds the stated dividend rate of the Cumulative Preferred Stock for the period. For the year ended December 31, 2003, the Trust's total return on the net asset value of the common shares exceeded the stated dividend rates and net swap expense of all outstanding preferred stock. Thus, management fees were earned on these assets.

During the year ended December 31, 2003, Gabelli & Company, Inc. received \$426,924 in brokerage commissions as a result of executing agency transactions in portfolio securities on behalf of the Equity Trust.

The cost of calculating the Trust's net asset value per share is a Trust expense pursuant to the Investment Advisory Agreement between the Trust and the Adviser. During fiscal 2003, the Gabelli Equity Trust reimbursed the Adviser \$34,800 in connection with the cost of computing the Trust's net asset value.

4. PORTFOLIO SECURITIES. Cost of purchases and proceeds from sales of securities, other than short-term securities, for the year ended December 31, 2003 aggregated \$230,599,247 and \$332,248,556, respectively.

5. CAPITAL. The charter permits the Equity Trust to issue 182,000,000 shares of common stock (par value \$0.001). The Board of Directors of the Equity Trust has authorized the repurchase of its shares on the open market when the shares are

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

trading at a discount of 10% or more (or such other percentage as the Board of Directors may determine from time to time) from the net asset value of the shares. During the year ended December 31, 2003, the Equity Trust did not repurchase any shares of its common stock in the open market.

Transactions in common stock were as follows:

|                                      | YEAR ENDED<br>DECEMBER 31, 2003 |              |        |
|--------------------------------------|---------------------------------|--------------|--------|
|                                      | Shares                          | Amount       | Share  |
| Shares issued upon reinvestment      |                                 |              |        |
| of dividends and distributions ..... | 3,129,917                       | \$22,608,759 | 3,992, |
|                                      | -----                           | -----        | -----  |
| Net increase .....                   | 3,129,917                       | \$22,608,759 | 3,992, |
|                                      | =====                           | =====        | =====  |

14

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

The holders of Cumulative Preferred Stock have voting rights equivalent to those of the holders of common stock (one vote per share) and will vote together with holders of shares of common stock as a single class. In addition, the 1940 Act requires that along with approval of a majority of the holders of common stock, approval of a majority of the holders of any outstanding shares of Cumulative Preferred Stock, voting separately as a class, would be required to (a) adopt any plan of reorganization that would adversely affect the Cumulative Preferred Stock, and (b) take any action requiring a vote of security holders, including, among other things, changes in the Trust's subclassification as a closed-end investment company or changes in its fundamental investment restrictions. The Equity Trust's Articles of Incorporation, as amended, authorize the issuance of up to 16,006,000 shares of \$0.001 par value Cumulative Preferred Stock. The Cumulative Preferred Stock is senior to the common stock and results in the financial leveraging of the common stock. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Stock are cumulative. The Equity Trust is required to meet certain asset coverage tests as required by the 1940 Act and by the Shares' Articles Supplementary with respect to the Cumulative Preferred Stock. If the Equity Trust fails to meet these requirements and does not correct such failure, the Equity Trust may be required to redeem, in part or in full, the 7.20% Series B, Series C Auction Rate, 5.875% Series D, and Series E Auction Rate Cumulative Preferred Stock at a redemption price of \$25, \$25,000, \$25, and \$25,000, respectively, per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset requirements could restrict the Equity Trust's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Equity Trust's assets may vary in a manner unrelated to the fixed and variable rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

Under Emerging Issues Task Force (EITF) promulgating Topic D-98, CLASSIFICATION AND MEASUREMENT OF REDEEMABLE SECURITIES, which was issued on

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

July 19, 2001, preferred securities that are redeemable for cash or other assets are to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer. In accordance with the guidance of the EITF, the Equity Trust's Cumulative Preferred Stock is classified outside of permanent equity (net assets attributable to common stock shareholders) in the accompanying financial statements.

The Equity Trust, as authorized by the Board of Directors, redeemed all (5,367,900 shares) of its outstanding 7.25% Series A Cumulative Preferred Stock. The redemption date was June 17, 2003 and the redemption price was \$25.4078 per Preferred Share, which consisted of \$25.00 per Preferred Share (the "liquidation value") plus accrued dividends through the redemption date of \$0.4078 per Preferred Share. The Preferred Shares were callable at any time at the liquidation value of \$25.00 per share plus accrued dividends following the expiration of the five-year call protection on June 9, 2003.

On June 27, 2002, the Equity Trust received net proceeds of \$128,246,557 (after underwriting discounts of \$1,300,000 and offering expenses of \$453,443) from the public offering of 5,200 shares of Series C Auction Rate Cumulative Preferred Stock. The dividend rate, as set by the auction process, which is generally held every 7 days, is expected to vary with short-term interest rates. The Rates of Series C Auction Rate Cumulative Preferred Stock ranged from 1.08% to 1.68% for the year ended December 31, 2003. Existing shareholders may submit an order to hold, bid or sell such shares on each auction date. Series C Auction Rate Cumulative Preferred Stock shareholders may also trade shares in the secondary market. The Equity Trust, at its option, may redeem the Series C Auction Rate Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the year ended December 31, 2003, the Equity Trust did not repurchase any shares of Series C Auction Rate Cumulative Preferred Stock. At December 31, 2003, 5,200 shares of the Series C Auction Rate Cumulative Preferred Stock were outstanding at the annual rate of 1.53 percent and accrued dividends amounted to \$5,525.

On October 7, 2003, the Equity Trust received net proceeds of \$72,387,500 (after underwriting discounts of \$2,362,500 and estimated offering expenses of \$250,000) from the public offering of 3,000,000 shares of 5.875% Series D Cumulative Preferred Stock. Commencing October 7, 2008 and thereafter, the Equity Trust, at its option, may redeem the 5.875% Series D Cumulative Preferred Stock in whole or in part at the redemption price. During the year ended December 31, 2003, the Equity Trust did not repurchase any shares of 5.875% Series D Cumulative Preferred Stock. At December 31, 2003, 3,000,000 shares of the 5.875% Series D Cumulative Preferred Stock were outstanding at the fixed rate of 5.875 percent and accrued dividends amounted to \$73,438.

On October 7, 2003, the Equity Trust received net proceeds of \$49,260,000 (after underwriting discounts of \$500,000 and estimated offering expenses of \$240,000) from the public offering of 2,000 shares of Series E Auction Rate Cumulative Preferred Stock. The dividend rate, as set by the auction process, which is generally held every 7 days, is expected to vary with short-term interest rates. The Rates of Series E Auction Rate Cumulative Preferred Stock ranged from 1.10% to 1.47% from October 7, 2003 to December 31, 2003. Existing shareholders may submit an order to hold, bid or sell such shares on each auction date. Series E Auction Rate Cumulative Preferred Stock shareholders may also trade shares in the secondary market. The Equity Trust, at its option, may redeem the Series E Auction Rate Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the year ended December 31, 2003, the Equity Trust did not repurchase any shares of Series E Auction Rate Cumulative Preferred Stock. At December 31, 2003, 2,000 shares of the Series E Auction Rate Cumulative Preferred Stock were outstanding at the annual rate of 1.47 percent and accrued dividends amounted to \$12,250.

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

6. OTHER MATTERS. On October 7, 2003, the Equity Trust's Adviser received a subpoena from the Attorney General of the State of New York requesting information on mutual fund shares trading practices. The Adviser is fully cooperating in responding to the request. The Equity Trust does not believe that this matter will have a material adverse effect on the Equity Trust's financial position or results of the operations.

15

THE GABELLI EQUITY TRUST INC.  
FINANCIAL HIGHLIGHTS

SELECTED DATA FOR AN EQUITY TRUST COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD:

|  | YEAR ENDED DECEMBER 31 |            |          |
|--|------------------------|------------|----------|
|  | 2003 (A)               | 2002 (A)   | 2001 (A) |
| <b>OPERATING PERFORMANCE:</b>  |                        |            |          |
| Net asset value, beginning of period .....   | \$ 6.28                | \$ 8.97    | \$ 10.00 |
| Net investment income .....  | 0.01                   | 0.06       | 0.00     |
| Net realized and unrealized gain (loss)<br>on investments .....  | 2.53                   | (1.64)     | (0.00)   |
| Total from investment operations .....   | 2.54                   | (1.58)     | (0.00)   |
| <b>DISTRIBUTIONS TO PREFERRED STOCK SHAREHOLDERS:</b>  |                        |            |          |
| Net investment income .....  | (0.00) (c)             | (0.01)     | (0.00)   |
| Net realized gain on investments .....   | (0.14)                 | (0.16)     | (0.00)   |
| Total distributions to preferred stock shareholders ...  | (0.14)                 | (0.17)     | (0.00)   |
| <b>NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS RESULTING FROM OPERATIONS</b> |                        |            |          |
|  | 2.40                   | (1.75)     | (0.00)   |
| <b>DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS:</b>   |                        |            |          |
| Net investment income .....  | (0.01)                 | (0.05)     | (0.00)   |
| Net realized gain on investments .....   | (0.68)                 | (0.90)     | (1.00)   |
| Return of capital .....  | (0.00) (c)             | (0.00) (c) | (0.00)   |
| Total distributions to common stock shareholders .....   | (0.69)                 | (0.95)     | (1.00)   |
| <b>CAPITAL SHARE TRANSACTIONS:</b>   |                        |            |          |
| Increase in net asset value from common stock<br>share transactions .....  | 0.01                   | 0.02       | 0.00     |
| Decrease in net asset value from shares issued<br>in rights offering .....                                       | --                     | --         | (0.00)   |
| Offering costs for preferred shares charged to<br>paid-in capital .....  | (0.02)                 | (0.01)     | (0.00)   |
| Total capital share transactions .....   | (0.01)                 | 0.01       | (0.00)   |
| <b>NET ASSET VALUE ATTRIBUTABLE TO COMMON STOCK SHAREHOLDERS, END OF PERIOD</b>                                  |                        |            |          |
|  | \$ 7.98                | \$ 6.28    | \$ 8.00  |



Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|   |             |             |           |
|---|-------------|-------------|-----------|
| Net asset value total return + .....  | 39.90%      | (21.00)%    | (3.       |
| Market value, end of period .....   | \$ 8.00     | \$ 6.85     | \$ 10.    |
| Total investment return ++ .....  | 28.58%      | (28.36)%    | 10.       |
| RATIOS AND SUPPLEMENTAL DATA:   |             |             |           |
| Net assets including liquidation value of preferred shares, end of period (in 000's) .....                            | \$1,514,525 | \$1,271,600 | \$1,465,3 |
| Net assets attributable to common shares, end of period (in 000's) .....  | \$1,094,525 | \$ 842,403  | \$1,166,1 |
| Ratio of net investment income to average net assets attributable to common shares .....                              | 0.20%       | 0.81%       | 0.        |
| Ratio of operating expenses to average net assets attributable to common shares (e) (g) .....                         | 2.09%       | 1.37%       | 1.        |
| Ratio of operating expenses to average total net assets including liquidation value of preferred shares (e) (g) ..... | 1.47%       | 1.00%       | 0.        |
| Portfolio turnover rate .....   | 19.2%       | 27.1%       | 23        |
| PREFERRED STOCK:  |             |             |           |
| 7.25% CUMULATIVE PREFERRED STOCK  |             |             |           |
| Liquidation value, end of period (in 000's) .....   | --          | \$ 134,198  | \$ 134,1  |
| Total shares outstanding (in 000's) .....   | --          | 5,368       | 5,3       |
| Liquidation preference per share .....  | --          | \$ 25.00    | \$ 25.    |
| Average market value (d) .....  | --          | \$ 25.75    | \$ 25.    |
| Asset coverage per share .....  | --          | \$ 74.07    | \$ 122.   |
| 7.20% SERIES B CUMULATIVE PREFERRED STOCK   |             |             |           |
| Liquidation value, end of period (in 000's) .....   | \$ 165,000  | \$ 165,000  | \$ 165,0  |
| Total shares outstanding (in 000's) .....   | 6,600       | 6,600       | 6,6       |
| Liquidation preference per share .....  | \$ 25.00    | \$ 25.00    | \$ 25.    |
| Average market value (d) .....  | \$ 27.06    | \$ 26.40    | \$ 25.    |
| Asset coverage per share .....  | \$ 90.15    | \$ 74.07    | \$ 122.   |
| AUCTION RATE SERIES C CUMULATIVE PREFERRED STOCK  |             |             |           |
| Liquidation value, end of period (in 000's) .....   | \$ 130,000  | \$ 130,000  |           |
| Total shares outstanding (in 000's) .....   | 5           | 5           |           |
| Liquidation preference per share .....  | \$ 25,000   | \$ 25,000   |           |
| Average market value (d) .....  | \$ 25,000   | \$ 25,000   |           |
| Asset coverage per share .....  | \$ 90,150   | \$ 74,068   |           |
| 5.875% SERIES D CUMULATIVE PREFERRED STOCK  |             |             |           |
| Liquidation value, end of period (in 000's) .....   | \$ 75,000   | --          |           |
| Total shares outstanding (in 000's) .....   | 3,000       | --          |           |
| Liquidation preference per share .....  | \$ 25.00    | --          |           |
| Average market value (d) .....  | \$ 25.10    | --          |           |
| Asset coverage per share .....  | \$ 90.15    | --          |           |
| AUCTION RATE SERIES E CUMULATIVE PREFERRED STOCK  |             |             |           |
| Liquidation value, end of period (in 000's) .....   | \$ 50,000   | --          |           |
| Total shares outstanding (in 000's) .....   | 2           | --          |           |
| Liquidation preference per share .....  | \$ 25,000   | --          |           |
| Average market value (d) .....  | \$ 25,000   | --          |           |
| Asset coverage per share .....  | \$ 90,150   | --          |           |
| ASSET COVERAGE (f) .....  | 361%        | 296%        | 4         |

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

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

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

- (a) Per share amounts have been calculated using the monthly average shares outstanding method.
- (b) A distribution equivalent to \$0.75 per share for The Gabelli Utility Trust spin-off from net investment income, realized short-term gains, realized long-term gains, and paid-in-capital were \$0.01029, \$0.07453, \$0.34218 and \$0.32300, respectively.
- (c) Amount represents less than \$0.005 per share.
- (d) Based on weekly prices.
- (e) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the years ended 2002, 2001 and 2000, the ratios of operating expenses to average net assets attributable to common stock would be 1.37%, 1.11%, and 1.14%, respectively, and the ratios of operating expenses to average total net assets including liquidation value of preferred shares would be 1.00%, 0.94% and 1.03%, respectively.
- (f) Asset coverage is calculated by combining all series of preferred stock.
- (g) The Trust incurred interest expense during the periods ended December 31, 2003 and 2002. If interest expense had not been incurred, the ratio of operating expenses to average net assets attributable to common stock would be 1.62% and 1.19%, respectively, and the ratio of operating expenses to average total net assets including liquidation value of preferred shares would be 1.14% and 0.87%, respectively.

See accompanying notes to financial statements.

16

### THE GABELLI EQUITY TRUST INC. REPORT OF INDEPENDENT AUDITORS

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 portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Equity Trust Inc. (the "Trust") at December 31, 2003, 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 Trust'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 auditing standards generally accepted in the United States of America, which 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, 2003 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

February 20, 2004

17

THE GABELLI EQUITY TRUST INC.  
 ADDITIONAL FUND INFORMATION (UNAUDITED)

The business and affairs of the Trust are managed under the direction of the Trust's Board of Directors. Information pertaining to the Directors and officers of the Trust is set forth below. The Trust's Statement of Additional Information includes additional information about The Gabelli Equity Trust Inc. Directors 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.

| NAME, POSITION(S)<br>ADDRESS 1<br>AND AGE                               | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED 2 | NUMBER OF<br>FUNDS IN FUND<br>COMPLEX<br>OVERSEEN BY<br>DIRECTOR | PRINCIPAL OCCUPATION(S)<br>DURING PAST FIVE YEARS   |
|---|--|--|---|
| INTERESTED DIRECTORS 3:   |  |  |   |
| MARIO J. GABELLI<br>Director and<br>Chief Investment Officer<br>Age: 61 | Since 1986**   | 24   | Chairman of the Board and Chief Executive Officer of Gabelli Asset Management Inc. a Chief Investment Officer of Gabelli Funds, LLC and GAMCO Investors, Inc.; Vice Chairman and Chief Executive Officer of Lynch Interactive Corporation (multimedia and services) |
| KARL OTTO POHL<br>Director<br>Age: 74                                   | Since 1992*  | 33   | Member of the Shareholder Committee of Sal Oppenheim Jr. & Cie, Zurich (private investment bank); Former President of the Deutsche Bundesbank and Chairman of its Central Bank Council (1980-1991)  |
| NON-INTERESTED DIRECTORS:   |  |  |   |
| THOMAS E. BRATTER<br>Director<br>Age: 64                                | Since 1986**   | 3  | Director, President and Founder, The John Dewey Academy (residential college preparatory therapeutic high school)   |
| ANTHONY J. COLAVITA 4<br>Director<br>Age: 68                            | Since 1999***  | 35   | President and Attorney at Law in the law firm of Anthony J. Colavita, P.C.  |
| JAMES P. CONN 4<br>Director<br>Age: 65                                  | Since 1989*  | 12   | Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (1992-1998)   |
| FRANK J. FAHRENKOPF JR.<br>Director<br>Age: 64                          | Since 1998***  | 4  | President and Chief Executive Officer of the American Gaming Association since June 1995; Partner in the law firm of Hogan & Hartson; Co-Chairman of the Commission on Presidential Debates; Former Chairman  |

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|   |               |    |   |
|---|---------------|----|---|
| ARTHUR V. FERRARA<br>Director<br>Age: 73    | Since 2001*** | 9  | of the Republican National Committee<br><br>Formerly, Chairman of the Board and Chief Executive Officer of The Guardian Life Insurance Company of America from January 1993 to December 1995; President, Chief Executive Officer and a Director prior the |
| ANTHONY R. PUSTORINO<br>Director<br>Age: 78 | Since 1986*   | 17 | Certified Public Accountant; Professor Emeritus, Pace University  |
| SALVATORE J. ZIZZA<br>Director<br>Age: 58   | Since 1986*** | 11 | Chairman, Hallmark Electrical Supplies Cor  |

18

THE GABELLI EQUITY TRUST INC.  
 ADDITIONAL FUND INFORMATION (CONTINUED) (UNAUDITED)

| NAME, POSITION(S)<br>ADDRESS 1<br>AND AGE     | TERM OF<br>OFFICE AND<br>LENGTH OF<br>TIME<br>SERVED 2 | NUMBER OF<br>FUNDS IN FUND<br>COMPLEX<br>OVERSEEN BY<br>DIRECTOR | PRINCIPAL OCCUPATION(S)<br>DURING PAST FIVE YEARS  |
|---|--|--|--|
| -----   | -----  | -----  | -----  |
| OFFICERS:                                     |  |  |  |
| -----   |  |  |  |
| BRUCE N. ALPERT<br>President<br>Age: 52       | Since 2003   | --   | Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all mutual funds advised by Gabelli Funds, LLC and its affiliates. Director and President of the Gabelli Advisory Inc. |
| CARTER W. AUSTIN<br>Vice President<br>Age: 36 | Since 2000   | --   | Vice President at the Trust since 2000. Vice President of Gabelli Funds, LLC since 1996.   |
| JAMES E. MCKEE<br>Secretary<br>Age: 40        | Since 1995   | --   | Vice President, General Counsel and Secretary of Gabelli Asset Management Inc. since 1999 and GAMCO Investors, Inc. since 1993; Secretary of all mutual funds advised by Gabelli Advisory Inc. and Gabelli Funds, LLC          |

-----

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

2 The Trust'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 Trust's 2006 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

\*\* - Term expires at the Trust's 2004 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

\*\*\* - Term expires at the Trust's 2005 Annual Meeting of Shareholders and until their successors are duly elected and qualified.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

3 "Interested person" of the Trust as defined in the Investment Company Act of 1940. Messrs. Gabelli and Pohl are each considered an "interested person" because of their affiliation with Gabelli Funds, LLC which acts as the Trust's investment adviser.

4 Represents holders of the Trust's Preferred Stock.

---

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

#### WHO ARE WE?

The Gabelli Equity Trust Inc. (the "Trust") is a closed-end 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 Gabelli Asset Management Inc. Gabelli Asset Management is a publicly-held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

WHAT KIND OF NON-PUBLIC INFORMATION DO WE COLLECT ABOUT YOU IF YOU BECOME A GABELLI CUSTOMER? When you purchase shares of the Trust 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.

- o 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.
- o 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 web site, 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.

---

19

### THE GABELLI EQUITY TRUST INC. INCOME TAX INFORMATION (UNAUDITED) DECEMBER 31, 2003

#### CASH DIVIDENDS AND DISTRIBUTIONS

PAYABLE

RECORD

TOTAL AMOUNT  
PAID

ORDINARY  
INVESTMENT

LONG  
CAP

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

|                         | DATE     | DATE     | PER SHARE (A) | INCOME (A) | GAIN  |
|-------------------------|----------|----------|---------------|------------|-------|
|                         | -----    | -----    | -----         | -----      | ----- |
| COMMON SHARES           |          |          |               |            |       |
|                         | 03/25/03 | 03/17/03 | \$0.2700      | \$0.0220   | \$0.  |
|                         | 06/24/03 | 06/16/03 | 0.1400        | 0.0114     | 0.    |
|                         | 09/24/03 | 09/16/03 | 0.1400        | 0.0114     | 0.    |
|                         | 12/24/03 | 12/16/03 | 0.1400        | 0.0114     | 0.    |
|                         |          |          | -----         | -----      | ----- |
|                         |          |          | \$0.6900      | \$0.0562   | \$0.  |
| 7.25% PREFERRED SHARES  |          |          |               |            |       |
|                         | 03/26/03 | 03/19/03 | \$0.4531      | \$0.0368   | \$0.  |
|                         | 06/26/03 | 06/19/03 | 0.4078        | 0.0332     | 0.    |
|                         |          |          | -----         | -----      | ----- |
|                         |          |          | \$0.8609      | \$0.0700   | \$0.  |
| 7.20% PREFERRED SHARES  |          |          |               |            |       |
|                         | 03/26/03 | 03/19/03 | \$0.4500      | \$0.0366   | \$0.  |
|                         | 06/26/03 | 06/19/03 | 0.4500        | 0.0366     | 0.    |
|                         | 09/26/03 | 09/19/03 | 0.4500        | 0.0366     | 0.    |
|                         | 12/26/03 | 12/18/03 | 0.4500        | 0.0366     | 0.    |
|                         |          |          | -----         | -----      | ----- |
|                         |          |          | \$1.8000      | \$0.1464   | \$1.  |
| 5.875% PREFERRED SHARES |          |          |               |            |       |
|                         | 12/26/03 | 12/18/03 | \$0.3223      | \$0.0262   | \$0.  |

SERIES C AND E AUCTION RATE PREFERRED SHARES

Auction Rate Preferred Shares pay dividends weekly based on a rate set at auction, usually held every seven days.

A Form 1099-DIV has been mailed to all shareholders of record for the distributions mentioned above, setting forth specific amounts to be included in the 2003 tax returns. Ordinary income distributions include net investment income and realized net short-term capital gains. Ordinary income is reported in box 1a of Form 1099-DIV. Capital gain distributions are reported in box 2a of Form 1099-DIV. 100% of the long-term capital gains paid by the Gabelli Equity Trust in 2003 were classified as "Post May 5 Capital Gains" and reported in box 2b of Form 1099-DIV.

CORPORATE DIVIDENDS RECEIVED DEDUCTION, QUALIFIED DIVIDEND INCOME AND U.S. GOVERNMENT SECURITIES INCOME

The Equity Trust paid to common shareholders an ordinary income dividend totalling \$0.0562 per share in 2003. The Equity Trust paid to 7.25% Series A preferred shareholders, 7.20% Series B preferred shareholders and 5.875% Series D preferred shareholders an ordinary income dividend totalling \$0.0700 per share, \$0.1464 per share, and \$0.0262 per share, respectively, in 2003. The Equity Trust paid to Series C and E Auction Rate preferred shareholders an ordinary income dividend totalling \$26.47 per share and \$5.25 per share, respectively, in 2003. For the fiscal year ended December 31, 2003, 100% of the ordinary income dividend qualifies for the dividend received deduction available to corporations, and 100% of the ordinary income distribution was deemed qualifying dividend income. The percentage of the ordinary income dividends paid by the Equity Trust during 2003 derived from U.S. Government Securities was 0.10%. However, it should be noted that the Equity Trust did not hold more than 50% of its assets in U.S. Government Securities at the end of each calendar quarter during 2003.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

THE GABELLI EQUITY TRUST INC.  
 INCOME TAX INFORMATION (CONTINUED) (UNAUDITED)  
 DECEMBER 31, 2003

### HISTORICAL DISTRIBUTION SUMMARY

COMMON STOCK

|                                 | INVESTMENT<br>INCOME | SHORT-<br>TERM<br>CAPITAL<br>GAINS (B) | LONG-<br>TERM<br>CAPITAL<br>GAINS | NON-TAXABLE<br>RETURN OF<br>CAPITAL | UNDISTRIBUTED<br>LONG-TERM<br>CAPITAL<br>GAINS | TAXES PAID ON<br>UNDISTRIBUTED<br>CAPITAL<br>GAINS (C) |
|---------------------------------|----------------------|--|-----------------------------------|-------------------------------------|--|--|
|                                 | -----                | -----                                  | -----                             | -----                               | -----  | -----  |
| 2003 .....                      | \$0.01140            | \$0.04480                              | \$0.63380                         | --                                  | --   | --   |
| 2002 .....                      | 0.05180              | 0.01550                                | 0.88270                           | --                                  | --   | --   |
| 2001 (d) ....                   | 0.06700              | 0.06400                                | 0.94900                           | --                                  | --   | --   |
| 2000 .....                      | 0.04070              | 0.15500                                | 1.11430                           | --                                  | --   | --   |
| 1999 (e) ....                   | 0.03010              | 0.21378                                | 0.99561                           | \$0.91176                           | --   | --   |
| 1998 .....                      | 0.06420              | --                                     | 1.10080                           | --                                  | --   | --   |
| 1997 .....                      | 0.07610              | 0.00210                                | 0.93670                           | 0.02510                             | --   | --   |
| 1996 .....                      | 0.10480              | --                                     | 0.78120                           | 0.11400                             | --   | --   |
| 1995 (f) ....                   | 0.12890              | --                                     | 0.49310                           | 0.37800                             | --   | --   |
| 1994 (g) ....                   | 0.13536              | 0.06527                                | 0.30300                           | 1.38262                             | --   | --   |
| 1993 (h) ....                   | 0.13050              | 0.02030                                | 0.72930                           | 0.22990                             | --   | --   |
| 1992 (i) ....                   | 0.20530              | 0.04050                                | 0.29660                           | 0.51760                             | --   | --   |
| 1991 (j) ....                   | 0.22590              | 0.03990                                | 0.14420                           | 0.68000                             | --   | --   |
| 1990 .....                      | 0.50470              | --                                     | 0.22950                           | 0.44580                             | --   | --   |
| 1989 .....                      | 0.29100              | 0.35650                                | 0.66250                           | --                                  | \$0.6288                                       | \$0.2138   |
| 1988 .....                      | 0.14500              | 0.20900                                | 0.19600                           | --                                  | 0.2513   | 0.0854   |
| 1987 .....                      | 0.25600              | 0.49100                                | 0.33500                           | --                                  | --   | --   |
| 7.25% PREFERRED STOCK           |                      |  |                                   |                                     |  |  |
| 2003 .....                      | \$0.01430            | \$0.05571                              | \$0.79091                         | --                                  | --   | --   |
| 2002 .....                      | 0.09860              | 0.02980                                | 1.68410                           | --                                  | --   | --   |
| 2001 .....                      | 0.11440              | 0.10610                                | 1.59200                           | --                                  | --   | --   |
| 2000 .....                      | 0.05670              | 0.21430                                | 1.54150                           | --                                  | --   | --   |
| 1999 .....                      | 0.04370              | 0.31640                                | 1.45240                           | --                                  | --   | --   |
| 1998 .....                      | 0.05600              | --                                     | 0.96100                           | --                                  | --   | --   |
| 7.20% PREFERRED STOCK           |                      |  |                                   |                                     |  |  |
| 2003 .....                      | \$0.03000            | \$0.11640                              | \$1.65360                         | --                                  | --   | --   |
| 2002 .....                      | 0.09800              | 0.02960                                | 1.67240                           | --                                  | --   | --   |
| 2001 .....                      | 0.05870              | 0.05440                                | 0.81690                           | --                                  | --   | --   |
| 5.875% PREFERRED STOCK          |                      |  |                                   |                                     |  |  |
| 2003 .....                      | \$0.00535            | \$0.02086                              | \$0.29610                         | --                                  | --   | --   |
| AUCTION RATE PREFERRED C SHARES |                      |  |                                   |                                     |  |  |
| 2003 .....                      | \$5.42000            | \$21.05000                             | \$298.41000                       | --                                  | --   | --   |
| 2002 .....                      | 12.28350             | 3.71450                                | 209.89200                         | --                                  | --   | --   |
| AUCTION RATE PREFERRED E SHARES |                      |  |                                   |                                     |  |  |
| 2003 .....                      | \$1.07000            | \$4.18000                              | \$59.32000                        | --                                  | --   | --   |

-----  
 (a) Total amounts may differ due to rounding.

(b) Taxable as ordinary income.

(c) Net Asset Value is reduced by this amount on the last business day of the year.

(d) On January 10, 2001, the Company also distributed Rights equivalent to \$0.56 per share based upon full subscription of all issued shares.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

- (e) On July 9, 1999, the Company also distributed shares of The Gabelli Utility Trust valued at \$9.8125 per share.
  - (f) On October 19, 1995, the Company also distributed Rights equivalent to \$0.37 per share based upon full subscription of all issued shares.
  - (g) On November 15, 1994, the Company also distributed shares of The Gabelli Global Multimedia Trust Inc. valued at \$8.0625 per share.
  - (h) On July 14, 1993, the Company also distributed Rights equivalent to \$0.50 per share based upon full subscription of all issued shares.
  - (i) On September 28, 1992, the Company also distributed Rights equivalent to \$0.36 per share based upon full subscription of all issued shares.
  - (j) On October 21, 1991, the Company also distributed Rights equivalent to \$0.42 per share based upon full subscription of all issued shares.
- Decrease in cost basis.
  - + Increase in cost basis.

21

### AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN

#### ENROLLMENT IN THE PLAN

It is the policy of The Gabelli Equity Trust Inc. ("Equity Trust") to automatically reinvest dividends. As a "registered" shareholder you automatically become a participant in the Equity Trust's Automatic Dividend Reinvestment Plan (the "Plan"). The Plan authorizes the Equity Trust to issue shares to participants upon an income dividend or a capital gains distribution regardless of whether the shares are trading at a discount or a premium to net asset value. All distributions to shareholders whose shares are registered in their own names will be automatically reinvested pursuant to the Plan in additional shares of the Equity Trust. Plan participants may send their stock certificates to EquiServe Trust Company ("EquiServe") to be held in their dividend reinvestment account. Registered shareholders wishing to receive their distribution in cash must submit this request in writing to:

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

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

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

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

The number of shares of Common Stock distributed to participants in the Plan



## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Equity Trust's Common Stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of Common Stock valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Equity Trust's Common Stock. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange trading day, the next trading day. If the net asset value of the Common Stock at the time of valuation exceeds the market price of the Common Stock, participants will receive shares from the Equity Trust valued at market price. If the Equity Trust should declare a dividend or capital gains distribution payable only in cash, EquiServe will buy Common Stock in the open market, or on the New York Stock Exchange or elsewhere, for the participants' accounts, except that EquiServe will endeavor to terminate purchases in the open market and cause the Equity Trust to issue shares at net asset value if, following the commencement of such purchases, the market value of the Common Stock exceeds the then current net asset value.

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

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

### VOLUNTARY CASH PURCHASE PLAN

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

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

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

---

The Annual Meeting of The Gabelli Equity Trust's stockholders will be held at 9:00 A.M. on Monday, May 10, 2004, at the Greenwich Public Library, 101 West Putnam Avenue in Greenwich, Connecticut.

---

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

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

DIRECTORS

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

Dr. Thomas E. Bratter  
PRESIDENT, JOHN DEWEY ACADEMY

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

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

Frank J. Fahrenkopf, Jr.  
PRESIDENT & CHIEF EXECUTIVE OFFICER,  
AMERICAN GAMING ASSOCIATION

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

Karl Otto Pohl  
FORMER PRESIDENT, DEUTSCHE BUNDESBANK

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

Salvatore J. Zizza  
CHAIRMAN, HALLMARK ELECTRICAL SUPPLIES CORP.

OFFICERS

Bruce N. Alpert  
PRESIDENT

Carter W. Austin  
VICE PRESIDENT

James E. McKee  
SECRETARY

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

CUSTODIAN  
Boston Safe Deposit and Trust Company

COUNSEL  
Willkie Farr & Gallagher

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

TRANSFER AGENT AND REGISTRAR  
EquiServe Trust Company

### STOCK EXCHANGE LISTING

|                     | COMMON      | 7.20%<br>PREFERRED | 5.875%<br>PREFERRED |
|---------------------|-------------|--------------------|---------------------|
| NYSE-Symbol:        | GAB         | GABPrB             | GAB PrD             |
| Shares Outstanding: | 137,189,884 | 6,600,000          | 3,000,000           |

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

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

---

For general information about the Gabelli Funds, call 800-GABELLI (800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: WWW.GABELLI.COM or e-mail us at: closedend@gabelli.com

---

---

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Equity Trust may, from time to time, purchase shares of its common stock in the open market when the Equity Trust shares are trading at a discount of 10% or more from the net asset value of the shares. The Equity Trust may also, from time to time, purchase shares of its Cumulative Preferred Stock in the open market when the shares are trading at a discount to the Liquidation Value of \$25.00.

---

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

PHONE: 800-GABELLI (800-422-3554)  
FAX: 914-921-5118 INTERNET: WWW.GABELLI.COM  
E-MAIL: CLOSEDEND@GABELLI.COM

GBFCM-AR-12/03

### ITEM 2. CODE OF ETHICS.

- (a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (b) No response required.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

by the registrant or a third party, and that relates to any element of the code of ethics description.

- (d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

### ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

As of the end of the period covered by the report, the registrant's board of directors has determined that Anthony R. Pustorino is qualified to serve as an audit committee financial expert serving on its audit committee and that he is "independent," as defined by this Item 3.

### ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

- (a) **AUDIT FEES:** The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$82,229 in 2003 and \$86,565 in 2002.
- (b) **AUDIT-RELATED FEES:** The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item are \$12,500 in 2003 and \$86,750 in 2002.
- Audit-related fees represent services provided in the preparation of Preferred Shares Reports to Moody's.
- (c) **TAX FEES:** The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$2,350 in 2003 and \$2,250 in 2002.
- Tax fees represent tax compliance services provided in connection with the review of the Registrant's tax returns.
- (d) **ALL OTHER FEES:** The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for 2003 and \$0 for 2002.
- (e) (1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c) (7) of Rule 2-01 of Regulation S-X.

Pre-Approval Policies and Procedures. The Audit Committee ("Committee") of the registrant is responsible for pre-approving (i) all audit and permissible non-audit services to be provided by the independent auditors to the registrant and (ii) all

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

permissible non-audit services to be provided by the independent auditors to Gabelli and any affiliate of Gabelli that provides services to the registrant (a "Covered Services Provider") if the independent auditors' engagement relates directly to the operations and financial reporting of the registrant. The Committee may delegate its responsibility to pre-approve any such audit and permissible non-audit services to the Chairperson of the Committee, and the Chairperson must report to the Committee, at its next regularly scheduled meeting after the Chairperson's pre-approval of such services, his or her decision(s). The Committee may also establish detailed pre-approval policies and procedures for pre-approval of such services in accordance with applicable laws, including the delegation of some or all of the Committee's pre-approval responsibilities to other persons (other than Gabelli or the registrant's officers). Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the aggregate amount of all such permissible non-audit services provided to the registrant, Gabelli and any Covered Services Provider constitutes not more than 5% of the total amount of revenues paid by the registrant to its independent auditors during the fiscal year in which the permissible non-audit services are provided; (ii) the permissible non-audit services were not recognized by the registrant at the time of the engagement to be non-audit services; and (iii) such services are promptly brought to the attention of the Committee and approved by the Committee or the Chairperson prior to the completion of the audit.

(e) (2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X are as follows:

(b) 100%

(c) 100%

(d) N/A

(f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was zero percent (0%).

(g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was \$0 in 2003 and \$0 in 2002.

(h) The registrant's audit committee of the board of directors HAS considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

### ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

### ITEM 6. [RESERVED]

### ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The Proxy Voting Policies are attached herewith.

## GABELLI ASSET MANAGEMENT INC. AND AFFILIATES

---

### THE VOTING OF PROXIES ON BEHALF OF CLIENTS

---

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Investors, Inc., Gabelli Funds, LLC and Gabelli Advisers, Inc. (collectively, the "Advisers") to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client's proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

#### I. PROXY VOTING COMMITTEE

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published by GAMCO Investors, Inc. in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee. As of June 30, 2003, the members are:

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

Bruce N. Alpert, Chief Operating Officer of Gabelli Funds, LLC

Ivan Arteaga, Research Analyst

Caesar M. P. Bryan, Portfolio Manager

Stephen DeTore, Deputy General Counsel

Joshua Fenton, Director of Research

Douglas R. Jamieson, Chief Operating Officer of GAMCO

James E. McKee, General Counsel

Karyn M. Nappi, Director of Proxy Voting Services

William S. Selby, Managing Director of GAMCO

Howard F. Ward, Portfolio Manager

Peter D. Zaglio, Senior Vice President

Peter D. Zaglio currently chairs the Committee. In his absence, the Director of Research will chair the Committee. Meetings are held as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Corporate Governance Service ("ISS"), other third-party services and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer's Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer's Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

present their viewpoints. If the Legal Department believes that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

### II. SOCIAL ISSUES AND OTHER CLIENT GUIDELINES

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client's account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers' policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

### III. CLIENT RETENTION OF VOTING RIGHTS

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

- Operations
- Legal Department
- Proxy Department
- Investment professional assigned to the account



## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

### IV. VOTING RECORDS

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers' staff may request proxy-voting records for use in presentations to current or prospective clients. Requests for proxy voting records should be made at least ten days prior to client meetings.

If a client wishes to receive a proxy voting record on a quarterly, semi-annual or annual basis, please notify the Proxy Voting Department. The reports will be available for mailing approximately ten days after the quarter end of the period. First quarter reports may be delayed since the end of the quarter falls during the height of the proxy season.

A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to:

[Adviser name]

Attn: Proxy Voting Department

One Corporate Center

Rye, New York 10580-1433

The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

### V. VOTING PROCEDURES

1. Custodian banks, outside brokerage firms and Wexford Clearing Services Corporation are responsible for forwarding proxies directly to GAMCO.

Proxies are received in one of two forms:

- o Shareholder Vote Authorization Forms (VAFs) - Issued by ADP. VAFs must be voted through the issuing institution causing a time lag. ADP is an outside service contracted by the various institutions to issue proxy materials.

- o Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.

Since January 1, 1992, records have been maintained on the Proxy Edge system. The system is backed up regularly. From 1990 through 1991, records were maintained on the PROXY VOTER system and in hardcopy format. Prior to 1990, records were maintained on diskette and in hardcopy format.

PROXY EDGE records include:

Security Name and Cusip Number

Date and Type of Meeting (Annual, Special, Contest)

Client Name

Adviser or Fund Account Number

Directors' Recommendation

How GAMCO voted for the client on each issue

The rationale for the vote when it appropriate

Records prior to the institution of the PROXY EDGE system include:

Security name

Type of Meeting (Annual, Special, Contest)

Date of Meeting

Name of Custodian

Name of Client

Custodian Account Number

Adviser or Fund Account Number

Directors' recommendation

How the Adviser voted for the client on each issue

Date the proxy statement was received and by whom

Name of person posting the vote

Date and method by which the vote was cast

- o From these records individual client proxy voting records are compiled. It is our policy to provide institutional clients with a proxy voting record during

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

client reviews. In addition, we will supply a proxy voting record at the request of the client on a quarterly, semi-annual or annual basis.

5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.

6. Shareholder Vote Authorization Forms issued by ADP are always sent directly to a specific individual at ADP.

7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:

- o VAFs can be faxed to ADP up until the time of the meeting. This is followed up by mailing the original form.
- o When a solicitor has been retained, the solicitor is called. At the solicitor's direction, the proxy is faxed.

8. In the case of a proxy contest, records are maintained for each opposing entity.

9. Voting in Person

a) At times it may be necessary to vote the shares in person. In this case, a "legal proxy" is obtained in the following manner:

- o Banks and brokerage firms using the services at ADP:

A call is placed to ADP requesting legal proxies. The VAFs are then sent overnight to ADP. ADP issues individual legal proxies and sends them back via overnight. A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using ADP may be implemented.

- o Banks and brokerage firms issuing proxies directly:

The bank is called and/or faxed and a legal proxy is requested.

All legal proxies should appoint:

"REPRESENTATIVE OF [ADVISER NAME] WITH FULL POWER OF SUBSTITUTION."

b) The legal proxies are given to the person attending the meeting along with the following supplemental material:

- o A limited Power of Attorney appointing the attendee an Adviser representative.
- o A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must "qualify" the votes (i.e. determine if the vote have previously been cast, if the votes have been rescinded, etc. vote have previously been cast, etc.).
- o A sample ERISA and Individual contract.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

- o A sample of the annual authorization to vote proxies form.
- o A copy of our most recent Schedule 13D filing (if applicable).

### APPENDIX A

#### PROXY GUIDELINES

-----  
PROXY VOTING GUIDELINES  
-----

#### GENERAL POLICY STATEMENT

It is the policy of GABELLI ASSET MANAGEMENT INC. to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither FOR nor AGAINST management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

#### BOARD OF DIRECTORS

The advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

- o Historical responsiveness to shareholders

This may include such areas as:

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

-Paying greenmail

-Failure to adopt shareholder resolutions receiving a majority of shareholder votes

- o Qualifications
- o Nominating committee in place
- o Number of outside directors on the board
- o Attendance at meetings
- o Overall performance

### SELECTION OF AUDITORS

In general, we support the Board of Directors' recommendation for auditors.

### BLANK CHECK PREFERRED STOCK

We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

### CLASSIFIED BOARD

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board's historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board.

When an annually elected board is in place, we generally will not support attempts to classify the board.

### INCREASE AUTHORIZED COMMON STOCK

The request to increase the amount of outstanding shares is considered on a case-by-case basis.

Factors taken into consideration include:

- o Future use of additional shares

-Stock split

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

- Stock option or other executive compensation plan
- Finance growth of company/strengthen balance sheet
- Aid in restructuring

- Improve credit rating
- Implement a poison pill or other takeover defense

- o Amount of stock currently authorized but not yet issued or reserved for stock option plans
- o Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

### CONFIDENTIAL BALLOT

We support the idea that a shareholder's identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.

### CUMULATIVE VOTING

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

### DIRECTOR LIABILITY AND INDEMNIFICATION

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

### EQUAL ACCESS TO THE PROXY

The SEC's rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents' written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

### FAIR PRICE PROVISIONS

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

### GOLDEN PARACHUTES

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover.

We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by-case basis.

NOTE: CONGRESS HAS IMPOSED A TAX ON ANY PARACHUTE THAT IS MORE THAN THREE TIMES THE EXECUTIVE'S AVERAGE ANNUAL COMPENSATION.

### ANTI-GREENMAIL PROPOSALS

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

### LIMIT SHAREHOLDERS' RIGHTS TO CALL SPECIAL MEETINGS

We support the right of shareholders to call a special meeting.

### CONSIDERATION OF NONFINANCIAL EFFECTS OF A MERGER

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger's effects on employees, the community, and consumers.

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

Reviewed on a case-by-case basis.

### MERGERS, BUYOUTS, SPIN-OFFS, RESTRUCTURINGS

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

### MILITARY ISSUES

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our ERISA clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-ERISA clients, we will vote according to the client's direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

### NORTHERN IRELAND

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our ERISA clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-ERISA clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

### OPT OUT OF STATE ANTI-TAKEOVER LAW

This shareholder proposal requests that a company opt out of the coverage of the state's takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company's stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

- o State of Incorporation
- o Management history of responsiveness to shareholders
- o Other mitigating factors

### POISON PILL

In general, we do not endorse poison pills.



## Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

### REINCORPORATION

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

### STOCK OPTION PLANS

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

- o Dilution of voting power or earnings per share by more than 10%
- o Kind of stock to be awarded, to whom, when and how much
- o Method of payment
- o Amount of stock already authorized but not yet issued under existing stock option plans

### SUPERMAJORITY VOTE REQUIREMENTS

Supermajority vote requirements in a company's charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals' approvals by a simple majority of the shares voting.

### LIMIT SHAREHOLDERS RIGHT TO ACT BY WRITTEN CONSENT

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

### ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

### ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not yet applicable.

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

ITEM 10. CONTROLS AND PROCEDURES.

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

- (a) (1) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (a) (2) Certifications pursuant Rule 30a-2(a) of the Investment Company Act of 1940, as amended, are attached hereto.
- (a) (3) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) of the Investment Company Act of 1940, as amended, are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(registrant) \_\_\_\_\_ The Gabelli Equity Trust Inc.

By (Signature and Title)\* \_\_\_\_\_ /s/ Bruce N. Alpert  
Bruce N. Alpert, Principal Executive Officer

Date \_\_\_\_\_ March 9, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the

Edgar Filing: GABELLI EQUITY TRUST INC - Form N-CSR

Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)\* /s/ Bruce N. Alpert  
-----  
Bruce N. Alpert, Principal Executive  
Officer and Principal Financial  
Officer

Date March 9, 2004  
-----

\* Print the name and title of each signing officer under his or her signature.