

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

GABELLI EQUITY TRUST INC  
Form N-CSR  
March 07, 2007

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 811-04700  
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The Gabelli Equity Trust Inc.  
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(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  
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(Name and address of agent for service)

registrant's telephone number, including area code: 1-800-422-3554  
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Date of fiscal year end: December 31  
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Date of reporting period: December 31, 2006  
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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, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

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[LOGO OMITTED]  
 THE GABELLI  
 EQUITY TRUST INC.

THE GABELLI EQUITY TRUST INC.

Annual Report  
 December 31, 2006

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](http://www.gabelli.com).

Enclosed are the audited financial statements and the investment portfolio as of December 31, 2006.

COMPARATIVE RESULTS

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 ~AVERAGE ANNUAL RETURNS THROUGH DECEMBER 31, 2006 (A)

	Quarter	1 Year	3 Year	5 Year	10 Year	15 Year
-----						
GABELLI EQUITY TRUST						
NAV TOTAL RETURN (B).....	11.52%	28.24%	17.55%	12.79%	12.20%	12.4
INVESTMENT TOTAL RETURN (C).....	10.86	29.42	17.35	8.24	12.28	12.5
S&P 500 Index.....	6.69	15.78	10.43	6.18	8.42	10.6
Dow Jones Industrial Average.....	7.31	18.98	8.49	6.83	8.95	12.0
Nasdaq Composite Index.....	6.95	9.52	6.43	4.37	6.46	9.9

(a) RETURNS REPRESENT PAST PERFORMANCE AND DO NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURNS AND THE PRINCIPAL VALUE OF AN INVESTMENT WILL FLUCTUATE. WHEN SHARES ARE SOLD, THEY MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA PRESENTED. VISIT [WWW.GABELLI.COM](http://WWW.GABELLI.COM) FOR PERFORMANCE INFORMATION AS OF THE MOST RECENT MONTH END. PERFORMANCE RETURNS FOR LESS THAN ONE YEAR ARE NOT ANNUALIZED. INVESTORS SHOULD CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS, CHARGES, AND EXPENSES OF THE FUND BEFORE INVESTING. THE DOW JONES INDUSTRIAL AVERAGE IS AN UNMANAGED INDEX OF 30 LARGE CAPITALIZATION STOCKS.

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THE S&P 500 AND THE NASDAQ COMPOSITE INDICES ARE UNMANAGED INDICATORS OF STOCK MARKET PERFORMANCE. DIVIDENDS ARE CONSIDERED REINVESTED EXCEPT FOR THE NASDAQ COMPOSITE INDEX. YOU CANNOT INVEST DIRECTLY IN AN INDEX.

- (b) TOTAL RETURNS AND AVERAGE ANNUAL RETURNS REFLECT CHANGES IN NET ASSET VALUE PER SHARE ("NAV"), REINVESTMENT OF DISTRIBUTIONS AT NAV ON THE EX-DIVIDEND DATE, AND ADJUSTMENTS FOR RIGHTS OFFERINGS, SPIN-OFFS, AND TAXES PAID ON UNDISTRIBUTED LONG-TERM CAPITAL GAINS, AND ARE NET OF EXPENSES. SINCE INCEPTION RETURN IS BASED ON AN INITIAL NAV OF \$9.34.
- (c) TOTAL RETURNS AND AVERAGE ANNUAL RETURNS REFLECT CHANGES IN CLOSING MARKET VALUES ON THE NEW YORK STOCK EXCHANGE, REINVESTMENT OF DISTRIBUTIONS, AND ADJUSTMENTS FOR RIGHTS OFFERINGS, SPIN-OFFS, AND TAXES PAID ON UNDISTRIBUTED LONG-TERM CAPITAL GAINS. SINCE INCEPTION RETURN IS BASED ON AN INITIAL OFFERING PRICE OF \$10.00.
- (d) FROM AUGUST 31, 1986, THE DATE CLOSEST TO THE FUND'S INCEPTION DATE FOR WHICH DATA IS AVAILABLE.
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Sincerely yours,

Bruce N. Alpert  
President

January 24, 2007

### THE GABELLI EQUITY TRUST INC. SUMMARY OF PORTFOLIO HOLDINGS (UNAUDITED)

The following table presents portfolio holdings as a percent of total investments as of December 31, 2006:

Repurchase Agreements .....	10.5%
Food and Beverage .....	9.3%
Financial Services .....	9.1%
Energy and Utilities .....	7.6%
Telecommunications .....	5.5%
Health Care .....	4.9%
Diversified Industrial .....	4.9%
Consumer Products .....	4.9%
Publishing .....	4.5%
Entertainment .....	4.1%
Cable and Satellite .....	4.0%
Hotels and Gaming .....	3.0%
Equipment and Supplies .....	2.7%
Automotive: Parts and Accessories .....	2.4%
Aviation: Parts and Services .....	2.1%
Consumer Services .....	1.6%
Electronics .....	1.6%
Broadcasting .....	1.6%
Communications Equipment .....	1.5%
Specialty Chemicals .....	1.4%
Aerospace .....	1.4%
U.S. Government Obligations .....	1.3%
Business Services .....	1.2%
Machinery .....	1.1%
Agriculture .....	1.0%
Metals and Mining .....	0.9%
Environmental Services .....	0.9%
Wireless Communications .....	0.9%

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Real Estate .....	0.8%
Automotive .....	0.8%
Retail .....	0.7%
Computer Software and Services .....	0.5%
Transportation .....	0.4%
Closed-End Funds .....	0.4%
Paper and Forest Products .....	0.2%
Real Estate Investment Trusts .....	0.2%
Manufactured Housing and Recreational Vehicles .....	0.1%
	-----
	100.0%
	=====

THE GABELLI EQUITY TRUST INC. (THE "FUND") FILES A COMPLETE SCHEDULE OF PORTFOLIO HOLDINGS WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") FOR THE FIRST AND THIRD QUARTERS OF EACH FISCAL YEAR ON FORM N-Q, THE LAST OF WHICH WAS FILED FOR THE QUARTER ENDED SEPTEMBER 30, 2006. SHAREHOLDERS MAY OBTAIN THIS INFORMATION AT WWW.GABELLI.COM OR BY CALLING THE FUND AT 800-GABELLI (800-422-3554). THE FUND'S FORM N-Q IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.SEC.GOV AND MAY ALSO BE REVIEWED AND COPIED AT THE SEC'S PUBLIC REFERENCE ROOM IN WASHINGTON, DC. INFORMATION ON THE OPERATION OF THE PUBLIC REFERENCE ROOM MAY BE OBTAINED BY CALLING 1-800-SEC-0330.

### PROXY VOTING

The Fund files Form N-PX with its complete proxy voting record for the 12 months ended June 30th, no later than August 31st of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, by (i) calling 800-GABELLI (800-422-3554); (ii) writing to The Gabelli Funds at One Corporate Center, Rye, NY 10580-1422; or (iii) visiting the SEC's website at www.sec.gov.

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### THE GABELLI EQUITY TRUST INC. PORTFOLIO CHANGES QUARTER ENDED DECEMBER 31, 2006 (UNAUDITED)

	SHARES	OWNERSHIP AT DECEMBER 31, 2006
	-----	-----
NET PURCHASES		
COMMON STOCKS		
Advanced Medical Optics Inc. ....	22,000	22,000
Alcoa Inc. ....	10,000	20,000
American International Group Inc. ...	40,000	50,000
AMETEK Inc. (a).....	80,000	265,000
Aruze Corp. ....	13,000	13,000
Assa Abloy AB, Cl. B .....	8,000	50,000
Aztar Corp. ....	94,600	132,600
Banta Corp. ....	70,000	70,000
Barclays plc.....	15,000	70,000
Brown-Forman Corp., Cl. A .....	10,100	10,100
Cadbury Schweppes plc, ADR .....	40,000	100,000
Capitalia SpA.....	15,000	45,000
Clear Channel Communications Inc.....	99,000	100,000
Clear Channel Outdoor Holdings Inc.,		

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Cl. A .....	4,200	100,000
Columbia Equity Trust Inc. ....	100,100	100,100
Corus Entertainment Inc., Cl. B, New York .....	13,333	13,333
Davide Campari-Milano SpA.....	20,000	20,000
Delta & Pine Land Co. ....	20,000	70,000
Dow Jones & Co. Inc. ....	5,000	55,000
Earl Scheib Inc. ....	2,000	82,500
Enodis plc.....	400,000	400,000
Fastweb.....	15,000	15,000
Fleetwood Enterprises Inc. ....	15,000	50,000
FMC Corp. ....	1,000	2,000
Fortune Brands Inc. ....	10,000	60,000
GATX Corp. ....	10,000	120,000
General Electric Co. ....	120,000	120,000
Giant Industries Inc. ....	6,000	16,000
Greif Inc., Cl. B .....	3,000	8,000
Griffin Land & Nurseries Inc. ....	500	55,500
Halliburton Co. ....	50,000	210,000
Hanesbrands Inc. ....	35,000	60,000
Harrah's Entertainment Inc. ....	39,000	45,000
Heineken NV.....	5,000	10,000
Hennes & Mauritz AB, Cl. B .....	4,000	21,500
Hospira Inc. ....	5,000	30,000
ICOS Corp. ....	868,800	868,800
Idearc Inc. (b).....	9,000	9,000
Intel Corp. ....	20,000	80,000
InterContinental Hotels Group Inc. ..	45,000	45,000
International Flavors & Fragrances Inc. ....	50,000	50,000
ITO EN Ltd.....	150,000	150,000
Jacuzzi Brands Inc. ....	250,000	250,000
John H. Harland Co. ....	12,000	12,000
Kinder Morgan Inc. ....	200,000	350,000
Legg Mason Inc. ....	21,000	23,000
Lenox Group Inc. ....	2,000	42,000
Mandarin Oriental International Ltd..	600,000	600,000
Marsh & McLennan Companies Inc.....	30,000	30,000
Midas Inc. ....	14,000	130,000
Monsanto Co. ....	22,000	30,000
Niko Resources Ltd., New York.....	2,000	2,000
Nissin Food Products Co. Ltd.....	36,000	36,000
Nortel Networks Corp.(c).....	15,000	200,000
Oil-Dri Corp. of America.....	10,000	10,000
Orient-Express Hotels Ltd., Cl.A ...	12,000	12,000
PAN Fish ASA.....	650,000	650,000
PepsiAmericas Inc. ....	35,000	500,000
Pfizer Inc. ....	30,000	430,000
Redback Networks Inc. ....	200,000	200,000
Remy Cointreau SA.....	18,000	18,000
Rio Tinto plc.....	18,000	18,000

OWNERSHIP AT  
DECEMBER 31,  
2006

SHARES

Rogers Communications Inc., Cl B, Toronto (d) .....	9,655	19,310
Rolls-Royce Group plc.....	200,000	1,200,000
Rolls-Royce Group plc, Cl. B (e)....	36,700,000	36,700,000
Sally Beauty Holdings Inc. ....	50,000	50,000
Sara Lee Corp. ....	200,000	300,000

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Serono SA.....	5,000	5,000
Swedish Match AB.....	110,000	1,000,000
Symbol Technologies Inc. ....	901,900	1,401,900
Syngenta AG, ADR .....	5,000	15,000
TD Banknorth Inc. ....	166,800	166,800
TELUS Corp. ....	15,000	15,000
The Coca-Cola Co. ....	10,000	200,000
The Fairchild Corp., Cl. A .....	4,900	205,000
The Mosaic Co. ....	20,000	30,000
The Reader's Digest Association Inc..	295,000	470,000
Thomas & Betts Corp. ....	15,000	305,000
Triple Crown Media Inc. ....	450	20,200
UnitedHealth Group Inc. ....	20,000	40,000
Univision Communications Inc., Cl. A	40,000	50,000
Westpac Banking Corp. ....	5,000	58,000
Woolworths Ltd.....	10,000	73,000
Xstrata plc.....	16,666	66,666
Yahoo! Inc. ....	10,000	150,000
YAKULT HONSHA Co. Ltd.....	475,000	475,000

NET SALES

COMMON STOCKS

Acuity Brands Inc. ....	(105,000)	40,000
Advanced Micro Devices Inc. ....	(5,000)	5,000
Agere Systems Inc. ....	(3,000)	45,000
AGL Resources Inc. ....	(4,000)	6,000
Allegheny Energy Inc. ....	(50,000)	70,000
America Movil SAB de CV, Cl. L, ADR.	(80,000)	110,000
Ameriprise Financial Inc. ....	(35,000)	65,000
Ampco-Pittsburgh Corp. ....	(31,000)	164,000
ANC Rental Corp. ....	(60,000)	-
Archer-Daniels-Midland Co. ....	(60,000)	490,000
Arkema.....	(815)	-
Ashland Inc. ....	(240,000)	60,000
AT&T Inc. ....	(450,000)	-
AutoNation Inc. ....	(1,252)	168,000
Avis Budget Group Inc. ....	(10,000)	30,000
Avon Products Inc. ....	(5,000)	85,000
Bell Aliant Regional Communications Income Fund.....	(1,762)	16,000
Berkshire Hathaway Inc., Cl. A .....	(12)	248
Biogen Idec Inc. ....	(1,000)	26,000
BorgWarner Inc. ....	(5,000)	43,000
CA Inc. ....	(146)	-
Camden Property Trust.....	(2,500)	2,500
Campbell Soup Co. ....	(8,000)	72,000
CBS Corp., Cl. A .....	(7,500)	415,000
CH Energy Group Inc. ....	(10,000)	105,000
Christian Dior SA.....	(1,000)	42,000
Cincinnati Bell Inc. ....	(20,000)	800,000
Citizens Communications Co. ....	(55,000)	5,000
CLARCOR Inc. ....	(12,300)	185,000
Clorox Co. ....	(1,000)	32,000
CMS Energy Corp. ....	(10,000)	70,000
Coldwater Creek Inc. ....	(8,000)	27,000
Comcast Corp., Cl. A .....	(105,000)	55,000
Commerzbank AG, ADR .....	(30,000)	155,000
Commonwealth Telephone Enterprises Inc. ....	(40,000)	130,000
ConocoPhillips.....	(2,739)	320,000

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
 PORTFOLIO CHANGES (CONTINUED)  
 QUARTER ENDED DECEMBER 31, 2006  
 (UNAUDITED)

	SHARES	OWNERSHIP AT DECEMBER 31, 2006
	-----	-----
NET SALES (CONTINUED)		
COMMON STOCKS (CONTINUED)		
Cooper Industries Ltd., Cl. A .....	(49,000)	136,000
Corn Products International Inc. ....	(33,000)	60,000
Corus Entertainment Inc.,		
Cl. B, Toronto .....	(13,333)	3,333
Curtiss-Wright Corp. ....	(22,000)	374,000
Dana Corp. ....	(50,000)	380,000
Deere & Co. ....	(15,000)	220,000
Deutsche Bank AG.....	(1,000)	149,000
Deutsche Telekom AG, ADR .....	(2,000)	168,000
Duke Energy Corp. ....	(30,000)	250,000
Duquesne Light Holdings Inc. ....	(16,000)	84,000
El Paso Electric Co. ....	(55,000)	285,000
Embarq Corp. ....	(26,619)	-
Embratel Participacoes SA, ADR .....	(15,000)	-
Energizer Holdings Inc. ....	(1,000)	114,000
Eni SpA.....	(80,000)	-
Equity Residential.....	(1,500)	-
Fedders Corp. ....	(5,000)	65,000
Flowers Foods Inc. ....	(5,000)	70,000
Fomento Economico Mexicano		
SAB de CV, ADR .....	(3,000)	33,000
Franklin Elec Co., Inc. ....	(1,000)	23,000
Gallaher Group plc, ADR .....	(42,000)	190,000
Gemstar-TV Guide International Inc...	(30,000)	600,000
Gerber Scientific Inc. ....	(10,000)	90,000
GlaxoSmithKline plc.....	(20,000)	45,036
Gold Kist Inc. (f).....	(50,000)	-
Greif Inc., Cl. A .....	(113,000)	115,000
Grupo Televisa SA, ADR .....	(25,000)	650,000
Harley-Davidson Inc. ....	(4,000)	32,000
Hercules Inc. ....	(20,000)	170,000
Hilton Hotels Corp. ....	(20,000)	530,000
Host Hotels & Resorts Inc. ....	(15,000)	-
IAC/InterActiveCorp.....	(30,000)	200,000
Inco Ltd.....	(200,000)	-
Irish Life & Permanent plc.....	(65,000)	-
ITT Corp. ....	(5,000)	255,000
Janus Capital Group Inc. ....	(39,000)	145,000
Johnson & Johnson.....	(15,000)	-
Johnson Controls Inc. ....	(36,000)	76,000
JP Morgan Chase & Co. ....	(3,000)	52,000
Kellogg Co. ....	(25,000)	105,000
Landesbank Berlin Holding AG.....	(15,000)	260,000
Leucadia National Corp. ....	(2,000)	133,000
Liberty Media Holding Corp. -		
Capital, Cl. A .....	(43,000)	77,000
Liberty Media Holding Corp. -		

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Interactive, Cl. A .....	(120,000)	430,000
Lin TV Corp., Cl. A .....	(5,000)	80,000
Lucent Technologies Inc. (g).....	(180,000)	-
Lufkin Industries Inc. ....	(2,000)	103,000
Mellon Financial Corp. ....	(20,000)	80,000
Merck & Co. Inc. ....	(5,000)	95,000
Metro International SA, SDR, Cl. A...	(21,000)	-
Metro International SA, SDR, Cl. B...	(42,000)	-
MGM Mirage.....	(8,000)	110,000
Motorola Inc. ....	(10,000)	90,000
National Presto Industries Inc. ....	(2,500)	22,500
Navistar International Corp. ....	(35,000)	325,000
New York Times Co., Cl. A .....	(30,000)	50,000
News Corp., Cl. A .....	(84,800)	1,660,000
Niko Resources Ltd., Toronto.....	(2,000)	1,000
Northeast Utilities.....	(60,000)	240,000

OWNERSHIP AT  
DECEMBER 31,  
2006

	SHARES	
	-----	-----
Northrop Grumman Corp. ....	(15,000)	80,000
Omnova Solutions Inc. ....	(2,300)	230,000
Oriental Land Co. Ltd.....	(17,500)	-
Pactiv Corp. ....	(1,000)	114,000
Precision Castparts Corp. ....	(65,000)	115,000
Qwest Communications International Inc. ....	(230,000)	570,000
Realogy Corp. (h).....	(20,000)	-
Rogers Communications Inc., Cl. B, New York .....	(70,000)	295,345
Rollins Inc. ....	(15,000)	795,000
Sensient Technologies Corp. ....	(20,000)	280,000
Sequa Corp., Cl. A .....	(15,230)	73,000
SJW Corp. ....	(55,000)	5,000
Southern Energy Homes Inc. (i).....	(4,600)	-
Starwood Hotel & Resorts Worldwide Inc. ....	(4,000)	34,000
Sulzer AG.....	(2,000)	2,000
SUPERVALU Inc. ....	(30,960)	20,000
Takeda Pharmaceutical Co. Ltd.....	(4,000)	19,000
Telecom Italia SpA.....	(18,075)	1,470,000
Telefonica SA, ADR .....	(18,000)	230,000
Telephone & Data Systems Inc. ....	(50,000)	260,000
TELUS Corp., ADR .....	(25,000)	-
The AES Corp. ....	(5,000)	65,000
The Bank of New York Co. Inc. ....	(10,000)	70,000
The Central Europe and Russia Fund Inc. ....	(2,785)	105,000
The DIRECTV Group Inc. ....	(143,444)	10,000
The McGraw-Hill Companies Inc. ....	(17,000)	183,000
The Phoenix Companies Inc. ....	(5,000)	135,000
The Reynolds and Reynolds Co. (j)....	(120,000)	-
The St. Joe. Co. ....	(4,000)	150,000
The Walt Disney Co. ....	(175,000)	85,000
Transocean Inc. ....	(12,000)	-
TXU Corp. ....	(54,000)	30,000
Verizon Communications Inc. ....	(10,000)	180,000
Viacom Inc., Cl. A .....	(85,000)	375,000
Vivendi.....	(20,000)	333,900
Waste Management Inc. ....	(20,000)	450,000
Watts Water Technologies Inc., Cl. A.	(35,000)	195,000



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Westar Energy Inc. ....	(20,000)	270,000
Wyndham Worldwide Corp. ....	(16,000)	-
Young Broadcasting Inc., Cl. A .....	(10,000)	115,000

### CONVERTIBLE PREFERRED STOCKS

Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B .....	(1,000)	25,000
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### PRINCIPAL AMOUNT

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### U.S. TREASURY NOTE

U.S. Treasury Note, 3.500%, 11/15/06 .....	\$(300,000)	-
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- (a) 3 for 2 stock split
- (b) Spin-off - 1 share Idearc Inc. for every 20 shares of Verizon Communications Inc.
- (c) Reverse Stock Split - 1:10
- (d) 2 for 1 stock split
- (e) Spin-off - 36.7 shares of Rolls-Royce Group plc, Cl. B for every 1 share of Rolls-Royce Group plc
- (f) Tender Offer - \$21.00 for every 1 share
- (g) Merger - 0.1952 share of Alcatel-Lucent for every 1 share of Lucent Technologies Inc.
- (h) Tender Offer - \$23.00 for every 0.992274884 share
- (i) Cash Merger - \$8.50 for every 1 share
- (j) Cash Merger - \$40.00 for every 1 share

See accompanying notes to financial statements.

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### THE GABELLI EQUITY TRUST INC. SCHEDULE OF INVESTMENTS DECEMBER 31, 2006

SHARES -----	COST -----	MARKET VALUE -----
COMMON STOCKS -- 87.9%		
FOOD AND BEVERAGE -- 9.3%		
85,000 Ajinomoto Co. Inc. ....	\$ 998,444	\$ 1,123,524
40,000 Anheuser-Busch Companies Inc. ....	1,816,269	1,968,000
36,000 ARIAKE JAPAN Co. Ltd. ....	857,851	703,332
10,100 Brown-Forman Corp., Cl. A .....	684,855	681,043
110,000 Cadbury Schweppes plc .....	1,136,502	1,177,041
100,000 Cadbury Schweppes plc, ADR .....	3,559,110	4,293,000
72,000 Campbell Soup Co. ....	1,915,927	2,800,080
20,000 Coca-Cola Enterprises Inc. ....	376,514	408,400
40,000 Coca-Cola Hellenic Bottling Co. SA .....	519,295	1,562,933
60,000 Corn Products International Inc. ....	811,122	2,072,400
20,000 Davide Campari-Milano SpA .....	196,011	198,271
60,000 Del Monte Foods Co. ....	564,374	661,800
10,108 Denny's Corp.+ .....	14,357	47,609
80,000 Diageo plc .....	1,174,064	1,570,301
224,000 Diageo plc, ADR .....	9,660,541	17,765,440

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70,000	Flowers Foods Inc. ....	771,725	1,889,300
33,000	Fomento Economico Mexicano SAB de CV, ADR .....	1,356,892	3,820,080
180,000	General Mills Inc. ....	8,693,258	10,368,000
200,000	Groupe Danone .....	19,701,934	30,308,230
1,000,000	Grupo Bimbo SA de CV, Cl. A ....	2,705,279	4,998,611
110,000	H.J. Heinz Co. ....	3,901,343	4,951,100
20,000	Hain Celestial Group Inc.+ ....	267,663	624,200
10,000	Heineken NV .....	471,537	475,612
150,000	ITO EN Ltd. ....	4,531,517	4,588,042
105,000	Kellogg Co. ....	3,784,191	5,256,300
75,000	Kerry Group plc, Cl. A .....	860,877	1,861,263
12,100	LVMH Moet Hennessy Louis Vuitton SA .....	419,052	1,277,005
2,500	Nestle SA .....	513,610	888,387
36,000	Nissin Food Products Co. Ltd. ....	1,270,527	1,334,062
650,000	PAN Fish ASA+ .....	550,715	594,207
500,000	PepsiAmericas Inc. ....	9,040,864	10,490,000
355,000	PepsiCo Inc. ....	17,975,927	22,205,250
6,750	Pernod-Ricard SA .....	1,457,288	1,550,393
68,200	Ralcorp Holdings Inc.+ .....	1,308,415	3,470,698
18,000	Remy Cointreau SA .....	1,153,170	1,164,280
300,000	Sara Lee Corp. ....	4,862,162	5,109,000
200,000	The Coca-Cola Co. ....	8,929,955	9,650,000
45,000	The Hershey Co. ....	1,915,127	2,241,000
2,000	The J.M. Smucker Co. ....	52,993	96,940
115,360	Tootsie Roll Industries Inc. ....	1,562,923	3,772,272
170,000	Wm. Wrigley Jr. Co. ....	8,244,515	8,792,400
42,500	Wm. Wrigley Jr. Co., Cl. B .....	2,191,580	2,184,500
475,000	YAKULT HONSHA Co. Ltd. ....	13,356,561	13,650,687
		-----	-----
		146,136,836	194,644,993
		-----	-----
	FINANCIAL SERVICES -- 9.1%		
7,000	Allianz SE .....	1,053,147	1,430,031
575,000	American Express Co. ....	27,278,920	34,885,250
50,000	American International Group Inc. ....	3,327,703	3,583,000
65,000	Ameriprise Financial Inc. ....	1,630,926	3,542,500
30,000	Argonaut Group Inc.+ .....	752,879	1,045,800
95,000	Aviva plc .....	1,163,351	1,528,988
90,000	Banco Santander Central Hispano SA, ADR .....	322,130	1,679,400
100,000	Bank of Ireland .....	584,533	2,310,079
70,000	Barclays plc .....	916,885	1,000,529
SHARES		COST	MARKET VALUE
-----		----	-----
248	Berkshire Hathaway Inc., Cl. A+ .....	785,026	\$ 27,277,520
7,500	Calamos Asset Management Inc., Cl. A .....	135,000	201,225
45,000	Capitalia SpA .....	395,314	425,912
250,000	Citigroup Inc. ....	12,033,563	13,925,000
155,000	Commerzbank AG, ADR .....	3,145,338	5,876,251
149,000	Deutsche Bank AG .....	13,066,887	19,852,760
20,000	H&R Block Inc. ....	329,930	460,800
145,000	Janus Capital Group Inc. ....	2,432,086	3,130,550

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52,000	JPMorgan Chase & Co. ....	1,327,407	2,511,600
260,000	Landesbank Berlin Holding AG+ .....	5,263,037	2,745,693
23,000	Legg Mason Inc. ....	2,046,053	2,186,150
133,000	Leucadia National Corp. ....	1,662,878	3,750,600
30,000	Marsh & McLennan Companies Inc. ....	922,962	919,800
45,000	Mediobanca SpA .....	932,143	1,062,702
80,000	Mellon Financial Corp. ....	2,519,801	3,372,000
65,000	Moody's Corp. ....	3,285,357	4,488,900
108,750	Nikko Cordial Corp. ....	1,351,625	1,247,374
2,500	Prudential Financial Inc. ....	68,750	214,650
50,000	Standard Chartered plc .....	954,007	1,460,655
80,000	State Street Corp. ....	4,001,480	5,395,200
20,000	SunTrust Banks Inc. ....	419,333	1,689,000
150,000	T. Rowe Price Group Inc. ....	4,610,820	6,565,500
166,800	TD Banknorth Inc. ....	5,373,585	5,384,304
5,000	The Allstate Corp. ....	209,064	325,550
70,000	The Bank of New York Co. Inc. ....	2,490,562	2,755,900
45,000	The Charles Schwab Corp. ....	657,563	870,300
18,000	The Dun & Bradstreet Corp.+ ....	395,898	1,490,220
189,000	The Midland Co. ....	1,386,764	7,928,550
135,000	The Phoenix Companies Inc. ....	1,924,073	2,145,150
80,000	The Shizuoka Bank Ltd. ....	791,848	793,916
3,000	The St. Paul Travelers Companies Inc. ....	113,277	161,070
40,000	UBS AG .....	1,875,967	2,430,858
120,000	UniCredito Italiano SpA .....	885,016	1,051,812
100,000	Waddell & Reed Financial Inc., Cl. A .....	2,058,579	2,736,000
58,000	Westpac Banking Corp. ....	927,920	1,109,759
		-----	-----
		117,809,387	188,948,808
		-----	-----
	ENERGY AND UTILITIES -- 7.6%		
6,000	AGL Resources Inc. ....	106,104	233,460
70,000	Allegheny Energy Inc.+ .....	1,099,843	3,213,700
70,000	Apache Corp. ....	2,728,670	4,655,700
10,000	Aquila Inc.+ .....	44,350	47,000
247,000	BP plc, ADR .....	15,155,797	16,573,700
105,000	CH Energy Group Inc. ....	4,342,243	5,544,000
70,000	CMS Energy Corp.+ .....	448,516	1,169,000
320,000	ConocoPhillips .....	19,595,465	23,024,000
8,000	Constellation Energy Group .....	449,608	550,960
60,000	DPL Inc. ....	1,411,620	1,666,800
14,000	DTE Energy Co. ....	619,460	677,740
250,000	Duke Energy Corp. ....	7,728,249	8,302,500
84,000	Duquesne Light Holdings Inc. ...	1,310,794	1,667,400
270,000	El Paso Corp. ....	3,253,601	4,125,600
285,000	El Paso Electric Co.+ .....	4,563,231	6,945,450
50,000	Energy East Corp. ....	1,065,733	1,240,000
80,000	Exxon Mobil Corp. ....	2,750,108	6,130,400
20,000	FPL Group Inc. ....	556,256	1,088,400
16,000	Giant Industries Inc.+ .....	1,273,995	1,199,200
210,000	Halliburton Co. ....	3,809,429	6,520,500

See accompanying notes to financial statements.

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### THE GABELLI EQUITY TRUST INC. SCHEDULE OF INVESTMENTS (CONTINUED) DECEMBER 31, 2006

SHARES -----		COST ----	MARKET VALUE -----
COMMON STOCKS (CONTINUED)			
ENERGY AND UTILITIES (CONTINUED)			
27,000	Imperial Oil Ltd. ....	1,010,138	\$ 993,963
350,000	Kinder Morgan Inc. ....	36,650,631	37,012,500
10,000	Marathon Oil Corp. ....	242,414	925,000
10,000	Mirant Corp.+ ....	192,014	315,700
140,000	Mirant Corp. Escrow+ (a) .....	0	0
2,000	Niko Resources Ltd., New York .....	110,842	166,700
1,000	Niko Resources Ltd., Toronto ...	55,421	71,474
10,000	NiSource Inc. ....	215,500	241,000
240,000	Northeast Utilities .....	4,631,542	6,758,400
20,000	Oceaneering International Inc.+	538,223	794,000
2,000	PetroChina Co. Ltd., ADR .....	137,965	281,560
16,000	Petroleo Brasileiro SA, ADR ....	1,125,213	1,647,840
100,000	Progress Energy Inc., CVO+ .....	52,000	32,500
60,000	Saipem SpA .....	1,126,995	1,563,461
13,000	Sasol Ltd. ....	500,463	479,702
5,000	SJW Corp. ....	68,704	193,800
20,000	Southwest Gas Corp. ....	451,132	767,400
65,000	The AES Corp.+ ....	369,961	1,432,600
32,628	Total SA .....	1,986,057	2,353,799
30,000	TXU Corp. ....	740,349	1,626,300
270,000	Westar Energy Inc. ....	4,728,664	7,009,200
		-----	-----
		127,247,300	159,242,409
		-----	-----
TELECOMMUNICATIONS -- 5.4%			
5,000	Alltel Corp. ....	91,103	302,400
220,000	BCE Inc. ....	5,679,932	5,940,000
30,000	Brasil Telecom Participacoes SA, ADR .....	1,743,257	1,280,700
1,700,000	BT Group plc .....	7,029,679	10,035,637
4,440,836	Cable & Wireless Jamaica Ltd.+ .....	101,639	66,919
800,000	Cincinnati Bell Inc.+ .....	5,663,624	3,656,000
5,000	Citizens Communications Co. ....	69,940	71,850
130,000	Commonwealth Telephone Enterprises Inc. ....	5,053,722	5,441,800
110,000	Compania de Telecomunicaciones de Chile SA, ADR .....	1,634,847	883,300
168,000	Deutsche Telekom AG, ADR .....	2,793,519	3,057,600
15,000	Fastweb .....	778,948	857,765
5,000	France Telecom SA, ADR .....	146,305	138,500
100,000	Koninklijke KPN NV .....	232,728	1,421,688
570,000	Qwest Communications International Inc.+ .....	1,958,336	4,770,900
550,000	Sprint Nextel Corp. ....	15,436,707	10,389,500
186,554	Tele Norte Leste Participacoes SA, ADR .....	2,477,755	2,783,386
48,000	Telecom Argentina SA, Cl. B, ADR+ .....	369,540	960,480
1,470,000	Telecom Italia SpA .....	6,015,464	4,443,667
230,000	Telefonica SA, ADR .....	11,566,157	14,662,500

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62,000	Telefonos de Mexico SAB de CV, Cl. L, ADR .....	469,422	1,752,120
260,000	Telephone & Data Systems Inc. ....	12,077,996	14,125,800
370,000	Telephone & Data Systems Inc., Special .....	16,257,412	18,352,000
15,000	TELUS Corp. ....	280,203	688,419
180,000	Verizon Communications Inc. ....	6,606,128	6,703,200
5,169	Windstream Corp. ....	19,996	73,503
		-----	-----
		104,554,359	112,859,634
		-----	-----
	HEALTH CARE -- 4.9%		
10,000	Abbott Laboratories .....	398,848	487,100
22,000	Advanced Medical Optics Inc.+ .....	846,104	774,400
			MARKET
SHARES		COST	VALUE
-----		-----	-----
7,023	Allergan Inc. ....	655,380	\$ 840,934
52,000	Amgen Inc.+ .....	3,039,863	3,552,120
19,146	AstraZeneca plc .....	949,527	1,027,783
26,000	Biogen Idec Inc.+ .....	157,406	1,278,940
135,000	Bristol-Myers Squibb Co. ....	3,485,673	3,553,200
7,000	Cochlear Ltd. ....	287,028	320,475
45,036	GlaxoSmithKline plc .....	1,292,245	1,185,135
4,000	GlaxoSmithKline plc, ADR .....	216,096	211,040
30,000	Henry Schein Inc.+ .....	764,324	1,469,400
38,300	Hisamitsu Pharmaceutical Co. Inc. ....	935,511	1,213,319
30,000	Hospira Inc.+ .....	1,049,087	1,007,400
868,800	ICOS Corp.+ .....	27,383,160	29,356,752
40,000	Invitrogen Corp.+ .....	2,065,234	2,263,600
95,000	Merck & Co. Inc. ....	3,625,481	4,142,000
2,000	Nobel Biocare Holding AG .....	286,712	591,301
39,000	Novartis AG .....	2,076,654	2,248,461
105,000	Novartis AG, ADR .....	4,622,998	6,031,200
430,000	Pfizer Inc. ....	11,887,587	11,137,000
16,400	Roche Holding AG .....	2,587,332	2,940,829
15,108	Sanofi-Aventis .....	1,354,266	1,395,029
100,000	Schering-Plough Corp. ....	1,917,839	2,364,000
5,000	Serono SA .....	4,513,312	4,489,126
80,000	Smith & Nephew plc .....	752,722	834,883
5,250	Straumann Holding AG .....	1,087,318	1,271,030
10,000	Synthes Inc. ....	1,190,727	1,192,450
19,000	Takeda Pharmaceutical Co. Ltd. ....	909,016	1,304,399
40,000	UnitedHealth Group Inc. ....	1,873,359	2,149,200
82,000	William Demant Holding A/S+ ....	3,730,842	6,648,492
100,000	Wyeth .....	4,105,470	5,092,000
3,500	Zimmer Holdings Inc.+ .....	217,154	274,330
		-----	-----
		90,264,275	102,647,328
		-----	-----
	DIVERSIFIED INDUSTRIAL -- 4.9%		
40,000	Acuity Brands Inc. ....	1,214,400	2,081,600
55,000	Amano Corp. ....	956,301	690,475
164,000	Ampco-Pittsburgh Corp. ....	2,155,086	5,490,720
26,000	Bayer AG .....	1,093,829	1,395,499
25,000	Bouygues SA .....	1,244,323	1,604,844
136,000	Cooper Industries Ltd., Cl. A ..	7,429,909	12,298,480

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260,000	Crane Co. ....	5,942,015	9,526,400
77,500	CRH plc .....	1,027,655	3,226,652
400,000	Enodis plc .....	1,399,733	1,560,512
120,000	General Electric Co. ....	4,360,104	4,465,200
115,000	Greif Inc., Cl. A .....	2,679,427	13,616,000
8,000	Greif Inc., Cl. B .....	453,774	860,000
455,500	Honeywell International Inc. ...	15,523,651	20,606,820
255,000	ITT Corp. ....	6,693,277	14,489,100
101,000	Park-Ohio Holdings Corp.+ .....	1,073,670	1,624,080
2,000	Sulzer AG .....	425,026	2,276,569
30,000	Technip SA .....	2,101,417	2,059,270
74,000	The Lamson & Sessions Co.+ .....	435,944	1,795,240
75,000	Trinity Industries Inc. ....	945,000	2,640,000
		-----	-----
		57,154,541	102,307,461
		-----	-----
	CONSUMER PRODUCTS -- 4.9%		
24,000	Altadis SA .....	1,010,055	1,256,155
85,000	Avon Products Inc. ....	2,457,708	2,808,400
42,000	Christian Dior SA .....	3,082,702	4,476,932
15,000	Church & Dwight Co. Inc. ....	99,536	639,750
32,000	Clorox Co. ....	1,776,613	2,052,800
10,000	Colgate-Palmolive Co. ....	513,338	652,400
69,000	Compagnie Financiere Richemont AG, Cl. A .....	2,879,288	4,020,517
114,000	Energizer Holdings Inc.+ .....	4,929,546	8,092,860

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	CONSUMER PRODUCTS (CONTINUED)		
60,000	Fortune Brands Inc. ....	\$ 4,147,453	\$ 5,123,400
60,000	Gallaher Group plc .....	938,308	1,346,896
190,000	Gallaher Group plc, ADR .....	13,470,232	17,090,500
2,000	Givaudan SA .....	550,742	1,851,456
60,000	Hanesbrands Inc.+ .....	1,376,148	1,417,200
32,000	Harley-Davidson Inc. ....	1,486,605	2,255,040
250,000	Jacuzzi Brands Inc.+ .....	3,063,335	3,107,500
42,000	Lenox Group Inc.+ .....	383,261	268,800
15,000	Matsushita Electric Industrial Co. Ltd., ADR ....	178,325	301,350
15,000	Mattel Inc. ....	270,000	339,900
22,500	National Presto Industries Inc. ....	767,432	1,347,075
10,000	Oil-Dri Corp. of America .....	171,255	168,800
300,000	Procter & Gamble Co. ....	15,983,165	19,281,000
60,000	Reckitt Benckiser plc .....	1,849,650	2,741,958
7,500	Swatch Group AG .....	1,587,958	1,657,263
1,000,000	Swedish Match AB .....	11,131,012	18,697,186
		-----	-----
		74,103,667	100,995,138
		-----	-----

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PUBLISHING -- 4.5%		
70,000	Banta Corp. ....	2,865,557      2,548,000
55,000	Dow Jones & Co. Inc. ....	2,230,693      2,090,000
9,000	Idearc Inc.+ ....	275,255      257,850
348,266	Independent News & Media plc .....	663,968      1,383,777
14,212	McClatchy Co., Cl. A .....	730,795      615,380
320,000	Media General Inc., Cl. A .....	19,151,873      11,894,400
122,000	Meredith Corp. ....	5,066,964      6,874,700
50,000	New York Times Co., Cl. A .....	1,945,184      1,218,000
1,660,000	News Corp., Cl. A .....	21,945,920      35,656,800
20,000	News Corp., Cl. B .....	186,274      445,200
200,000	Penton Media Inc.+ .....	439,128      154,000
382,000	PRIMEDIA Inc.+ .....	1,665,474      645,580
261,319	SCMP Group Ltd. ....	191,790      99,108
66,585	Seat Pagine Gialle SpA .....	177,139      39,685
150,000	The E.W. Scripps Co., Cl. A ....	5,032,324      7,491,000
183,000	The McGraw-Hill Companies Inc. ....	7,152,812      12,447,660
470,000	The Reader's Digest Association Inc. ....	8,075,814      7,849,000
45,000	Tribune Co. ....	1,425,927      1,385,100
		79,222,891      93,095,240
ENTERTAINMENT -- 4.1%		
13,000	Aruze Corp. ....	378,492      373,598
32,000	Canal+ Groupe .....	34,011      315,121
2,002	Chestnut Hill Ventures+ (a) ....	54,500      42,990
220,000	Discovery Holding Co., Cl. A+ ..	3,185,692      3,539,800
3,000	DreamWorks Animation SKG Inc., Cl. A+ .....	68,959      88,470
110,000	EMI Group plc .....	292,543      570,752
79,500	EMI Group plc, ADR .....	941,481      824,638
600,000	Gemstar-TV Guide International Inc.+ .....	2,825,471      2,406,000
650,000	Grupo Televisa SA, ADR .....	6,226,362      17,556,500
125	Live Nation Inc.+ .....	1,296      2,800
160,000	Publishing & Broadcasting Ltd. ....	2,612,735      2,696,409
1,629,500	Rank Group plc .....	7,987,535      7,457,868
12,000	Regal Entertainment Group, Cl. A .....	165,788      255,840
75,000	Six Flags Inc.+ .....	360,725      393,000
85,000	The Walt Disney Co. ....	1,792,093      2,912,950
810,000	Time Warner Inc. ....	17,932,501      17,641,800
SHARES	COST	MARKET VALUE
20,200	Triple Crown Media Inc.+ .....\$	\$      156,348
375,000	Viacom Inc., Cl. A+ .....	18,170,566      15,378,750
333,900	Vivendi .....	9,061,536      13,050,992
		72,310,185      85,664,626
CABLE AND SATELLITE -- 4.0%		
1,590,000	Cablevision Systems Corp., Cl. A+ .....	33,560,398      45,283,200
55,000	Comcast Corp., Cl. A+ .....	1,751,889      2,328,150
85,000	Comcast Corp., Cl. A, Special+ .	756,584      3,559,800
55,000	EchoStar Communications	

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Corp., Cl. A+ .....	1,722,522	2,091,650
156,770 Liberty Global Inc., Cl. A+ ....	2,194,421	4,569,846
139,001 Liberty Global Inc., Cl. C+ ....	2,941,276	3,892,028
295,345 Rogers Communications Inc., Cl. B, New York .....	4,345,478	17,602,562
19,310 Rogers Communications Inc., Cl. B, Toronto .....	137,424	574,589
80,000 Shaw Communications Inc., Cl. B, New York .....	329,198	2,536,800
20,000 Shaw Communications Inc., Cl. B, Toronto .....	52,983	633,023
10,000 The DIRECTV Group Inc.+ .....	250,200	249,400
	48,042,373	83,321,048
HOTELS AND GAMING -- 3.0%		
132,600 Aztar Corp.+ .....	6,731,424	7,216,092
190,000 Gaylord Entertainment Co.+ ....	5,061,983	9,676,700
28,000 Greek Organization of Football Prognostics SA .....	370,769	1,082,226
45,000 Harrah's Entertainment Inc. ....	3,378,976	3,722,400
530,000 Hilton Hotels Corp. ....	8,778,237	18,497,000
45,000 InterContinental Hotels Group plc .....	912,562	1,111,938
1,344,116 Ladbrokes plc .....	14,291,853	11,007,315
6,000 Las Vegas Sands Corp.+ .....	221,279	536,880
600,000 Mandarin Oriental International Ltd. ....	1,028,889	1,002,000
110,000 MGM Mirage+ .....	3,730,098	6,308,500
12,000 Orient-Express Hotels Ltd., Cl. A .....	518,369	567,840
34,000 Starwood Hotels & Resorts Worldwide Inc. ....	520,597	2,125,000
	45,545,036	62,853,891
EQUIPMENT AND SUPPLIES -- 2.7%		
265,000 AMETEK Inc. ....	4,455,847	8,437,600
2,000 Amphenol Corp., Cl. A .....	14,775	124,160
50,000 Assa Abloy AB, Cl. B .....	948,665	1,088,235
94,000 CIRCOR International Inc. ....	974,241	3,458,260
200,000 Donaldson Co. Inc. ....	2,943,696	6,942,000
65,000 Fedders Corp.+ .....	285,346	65,000
110,000 Flowserve Corp.+ .....	2,075,580	5,551,700
23,000 Franklin Electric Co. Inc. ....	250,434	1,181,970
90,000 Gerber Scientific Inc.+ .....	988,544	1,130,400
75,000 GrafTech International Ltd.+ ...	785,966	519,000
210,000 IDEX Corp. ....	7,537,793	9,956,100
40,000 Ingersoll-Rand Co. Ltd., Cl. A .....	855,378	1,565,200
103,000 Lufkin Industries Inc. ....	1,000,348	5,982,240
11,000 Mueller Industries Inc. ....	485,034	348,700
1,000 Sealed Air Corp. ....	17,404	64,920
2,000 The Manitowoc Co. Inc. ....	25,450	118,860
100,000 The Weir Group plc .....	420,789	1,045,562
195,000 Watts Water Technologies Inc., Cl. A .....	3,012,603	8,016,450
	27,077,893	55,596,357

See accompanying notes to financial statements.



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THE GABELLI EQUITY TRUST INC.  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 2.3%		
43,000	BorgWarner Inc. ....	\$ 1,126,424	\$ 2,537,860
185,000	CLARCOR Inc. ....	1,506,877	6,254,850
380,000	Dana Corp.+ .....	3,511,898	528,200
82,500	Earl Scheib Inc.+ .....	644,854	292,050
350,000	Genuine Parts Co. ....	12,868,192	16,600,500
76,000	Johnson Controls Inc. ....	4,515,029	6,529,920
130,000	Midas Inc.+ .....	1,805,604	2,990,000
317,500	Modine Manufacturing Co. ....	8,027,340	7,947,025
180,000	Proliance International Inc.+ ..	1,288,913	828,000
160,000	Standard Motor Products Inc. ...	1,743,588	2,396,800
35,000	Superior Industries International Inc. ....	822,800	674,450
27,000	TI Automotive Ltd., Cl. A+ (a) .....	0	0
		-----	-----
		37,861,519	47,579,655
		-----	-----
	AVIATION: PARTS AND SERVICES -- 2.1%		
374,000	Curtiss-Wright Corp. ....	5,410,846	13,867,920
200,000	GenCorp Inc.+ .....	2,572,011	2,804,000
115,000	Precision Castparts Corp. ....	5,913,307	9,002,200
73,000	Sequa Corp., Cl. A+ .....	2,963,867	8,399,380
74,600	Sequa Corp., Cl. B+ .....	3,852,672	8,573,032
205,000	The Fairchild Corp., Cl. A+ ....	1,196,473	448,950
		-----	-----
		21,909,176	43,095,482
		-----	-----
	CONSUMER SERVICES -- 1.6%		
200,000	IAC/InterActiveCorp+ .....	5,436,750	7,432,000
430,000	Liberty Media Corp. - Interactive, Cl. A+ .....	9,042,363	9,275,100
795,000	Rollins Inc. ....	12,221,245	17,577,450
		-----	-----
		26,700,358	34,284,550
		-----	-----
	ELECTRONICS -- 1.6%		
5,000	Advanced Micro Devices Inc.+ .....	52,100	101,750
5,000	Hitachi Ltd., ADR .....	347,376	311,800
80,000	Intel Corp. ....	1,488,952	1,620,000
4,920	Keyence Corp. ....	941,170	1,219,199
20,000	Molex Inc., Cl. A .....	519,697	554,000
7,500	NEC Corp., ADR .....	43,625	36,000
38,000	Royal Philips Electronics NV, ADR .....	52,354	1,428,040
1,401,900	Symbol Technologies Inc. ....	20,788,893	20,944,386
265,000	Texas Instruments Inc. ....	6,407,535	7,632,000
		-----	-----
		30,641,702	33,847,175

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BROADCASTING -- 1.6%			
415,000	CBS Corp., Cl. A .....	13,320,613	12,956,300
100,000	Clear Channel Communications Inc. ....	3,546,281	3,554,000
2,000	Cogeco Inc. ....	39,014	50,182
13,333	Corus Entertainment Inc., Cl. B, New York .....	49,629	479,455
3,333	Corus Entertainment Inc., Cl. B, Toronto .....	12,406	118,612
120,000	Gray Television Inc. ....	1,060,168	879,600
27,000	Gray Television Inc., Cl. A ....	317,211	221,940
200,000	ION Media Networks Inc.+ .....	333,063	100,000
77,000	Liberty Media Corp. - Capital, Cl. A+ .....	6,188,638	7,544,460
80,000	Lin TV Corp., Cl. A+ .....	1,131,059	796,000
120,000	Mediaset SpA .....	1,288,354	1,424,065

SHARES		COST	MARKET VALUE
30,000	Modern Times Group AB, Cl. B+ .....	1,832,335	\$ 1,971,969
100,000	Television Broadcasts Ltd. ....	396,239	610,673
50,000	Univision Communications Inc., Cl. A+ .....	1,758,776	1,771,000
115,000	Young Broadcasting Inc., Cl. A+ .....	1,045,804	324,300
		32,319,590	32,802,556

COMMUNICATIONS EQUIPMENT -- 1.5%			
45,000	Agere Systems Inc.+ .....	664,168	862,650
10,000	Andrew Corp.+ .....	109,277	102,300
480,000	Corning Inc.+ .....	4,124,295	8,980,800
90,000	Motorola Inc. ....	1,024,871	1,850,400
200,000	Nortel Networks Corp.+ .....	5,602,878	5,346,000
305,000	Thomas & Betts Corp.+ .....	9,229,463	14,420,400
		20,754,952	31,562,550

SPECIALTY CHEMICALS -- 1.4%			
60,000	Ashland Inc. ....	3,784,810	4,150,800
5,400	Ciba Specialty Chemicals AG, ADR .....	4,285	179,874
20,000	E.I. du Pont de Nemours and Co. ....	802,600	974,200
325,000	Ferro Corp. ....	6,822,762	6,724,250
2,000	FMC Corp. ....	136,430	153,100
50,000	H.B. Fuller Co. ....	668,859	1,291,000
170,000	Hercules Inc.+ .....	1,979,821	3,282,700
50,000	International Flavors & Fragrances Inc. ....	2,289,946	2,458,000
230,000	Omnova Solutions Inc.+ .....	1,861,571	1,053,400
280,000	Sensient Technologies Corp. ....	5,133,933	6,888,000
15,000	Syngenta AG, ADR .....	189,981	557,100
165,000	Tokai Carbon Co. Ltd. ....	677,815	1,172,976
4,032	Tronox Inc., Cl. B .....	44,467	63,665
		24,397,280	28,949,065

AEROSPACE -- 1.3%

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105,000	Boeing Co. ....	6,475,976	9,328,200
10,000	Lockheed Martin Corp. ....	585,900	920,700
80,000	Northrop Grumman Corp. ....	4,444,416	5,416,000
1,200,000	Rolls-Royce Group plc+ ....	9,166,092	10,520,237
36,700,000	Rolls-Royce Group plc, Cl. B .....	37,618	72,936
		-----	-----
		20,710,002	26,258,073
		-----	-----
	BUSINESS SERVICES -- 1.2%		
7,050	ACCO Brands Corp.+ .....	126,069	186,614
30,000	Avis Budget Group Inc. ....	568,356	650,700
22,500	Canon Inc. ....	865,859	1,266,753
1,000	CheckFree Corp.+ .....	9,040	40,160
100,000	Clear Channel Outdoor . Holdings Inc., Cl. A+ .....	2,029,434	2,791,000
186,554	Contax Participacoes SA, ADR ...	76,632	171,257
200,000	Group 4 Securicor plc .....	0	736,201
94,000	Landauer Inc. ....	2,511,653	4,932,180
119,000	MasterCard Inc., Cl. A .....	4,776,000	11,720,310
72,500	Nashua Corp.+ .....	656,627	606,825
25,000	Secom Co. Ltd. ....	1,095,891	1,296,164
		-----	-----
		12,715,561	24,398,164
		-----	-----
	MACHINERY -- 1.1%		
20,000	Caterpillar Inc. ....	136,559	1,226,600
220,000	Deere & Co. ....	12,905,974	20,915,400
		-----	-----
		13,042,533	22,142,000
		-----	-----

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES		COST	MARKET VALUE
-----		----	-----
	COMMON STOCKS (CONTINUED)		
	AGRICULTURE -- 1.0%		
490,000	Archer-Daniels-Midland Co. ....\$	10,962,208	\$ 15,660,400
70,000	Delta & Pine Land Co. ....	2,712,884	2,831,500
30,000	Monsanto Co. ....	1,342,682	1,575,900
30,000	The Mosaic Co.+ .....	491,686	640,800
		-----	-----
		15,509,460	20,708,600
		-----	-----
	METALS AND MINING -- 0.9%		
20,000	Alcoa Inc. ....	602,426	600,200
33,000	Anglo American plc .....	1,250,229	1,609,520
89,148	Barrick Gold Corp. ....	2,610,253	2,736,844
72,500	Harmony Gold Mining Co. Ltd.+ .....	347,738	1,149,538
35,000	Harmony Gold Mining Co. Ltd., ADR+ .....	460,007	551,250
75,000	Ivanhoe Mines Ltd.+ .....	560,208	737,250

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105,000	Newmont Mining Corp. ....	2,525,310	4,740,750
110,000	Novelis Inc. ....	2,381,034	3,063,500
18,000	Rio Tinto plc ....	937,265	957,923
66,666	Xstrata plc ....	1,347,948	3,328,536
		13,022,418	19,475,311
	ENVIRONMENTAL SERVICES -- 0.9%		
65,000	Republic Services Inc. ....	875,761	2,643,550
450,000	Waste Management Inc. ....	11,177,729	16,546,500
		12,053,490	19,190,050
	WIRELESS COMMUNICATIONS -- 0.9%		
110,000	America Movil SAB de CV, Cl. L, ADR .....	1,466,186	4,974,200
1,500	NTT DoCoMo Inc. ....	3,553,937	2,369,648
3,340	Tele Norte Celular Participacoes SA, ADR .....	51,601	30,060
8,350	Telemig Celular Participacoes SA, ADR .....	241,320	319,388
32,165	Tim Participacoes SA, ADR .....	390,212	1,113,552
100,000	United States Cellular Corp.+ ..	4,333,517	6,959,000
270	Vivo Participacoes SA+ .....	941	1,858
174,122	Vivo Participacoes SA, ADR .....	2,370,462	713,900
5,845	Vivo Participacoes SA, Pfd.+ ...	89,788	23,911
70,000	Vodafone Group plc, ADR .....	1,902,872	1,944,600
		14,400,836	18,450,117
	REAL ESTATE -- 0.8%		
70,000	Cheung Kong (Holdings) Ltd. ....	815,521	861,692
98,000	Florida East Coast Industries Inc. ....	2,113,491	5,840,800
55,500	Griffin Land & Nurseries Inc.+ .	529,369	1,800,975
150,000	The St. Joe Co. ....	8,609,636	8,035,500
		12,068,017	16,538,967
	AUTOMOTIVE -- 0.8%		
35,000	General Motors Corp. ....	958,291	1,075,200
325,000	Navistar International Corp.+ ..	11,502,531	10,864,750
64,500	PACCAR Inc. ....	431,444	4,186,050
		12,892,266	16,126,000
	RETAIL -- 0.7%		
168,000	AutoNation Inc.+ .....	2,264,270	3,581,760
4,000	AutoZone Inc.+ .....	351,780	462,240
27,000	Coldwater Creek Inc.+ .....	54,462	662,040
40,000	Costco Wholesale Corp. ....	1,868,913	2,114,800
21,500	Hennes & Mauritz AB, Cl. B .....	919,237	1,086,628
50,000	Matsumotokiyoshi Co. Ltd. ....	1,372,603	1,111,298
		COST	MARKET VALUE
		-----	-----
30,000	Next plc .....	811,183	\$ 1,057,310
50,000	Sally Beauty Holdings Inc.+ ....	416,928	390,000
39,800	Seven & I Holdings Co. Ltd. ....	1,114,381	1,237,427
20,000	SUPERVALU Inc. ....	595,000	715,000
10,000	The Home Depot Inc. ....	342,745	401,600

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73,000	Woolworths Ltd. ....	1,058,044	1,377,174
		-----	-----
		11,169,546	14,197,277
		-----	-----
	COMPUTER SOFTWARE AND SERVICES -- 0.5%		
10,000	Check Point Software Technologies Ltd.+ .....	169,874	219,200
12,000	John H. Harland Co. ....	604,895	602,400
	830 NIWS Co. HQ Ltd. ....	1,012,369	498,676
200,000	Redback Networks Inc.+ .....	5,002,545	4,988,000
24,100	Square Enix Co. Ltd. ....	648,849	631,839
25,256	Telecom Italia Media SpA .....	26,868	12,019
150,000	Yahoo! Inc.+ .....	4,869,908	3,831,000
		-----	-----
		12,335,308	10,783,134
		-----	-----
	TRANSPORTATION -- 0.4%		
100,000	AMR Corp.+ .....	1,924,248	3,023,000
120,000	GATX Corp. ....	2,497,512	5,199,600
15,000	Grupo TMM SA, Cl. A, ADR+ .....	80,459	37,800
		-----	-----
		4,502,219	8,260,400
		-----	-----
SHARES/ UNITS			
-----			
	CLOSED-END FUNDS -- 0.4%		
16,000	Bell Aliant Regional Communications Income Fund+ (b) .....	510,684	369,920
31,500	Royce Value Trust Inc. ....	388,297	699,300
105,000	The Central Europe and Russia Fund Inc. ....	2,403,781	5,650,050
70,000	The New Germany Fund Inc. ....	754,518	1,012,900
		-----	-----
		4,057,280	7,732,170
		-----	-----
	PAPER AND FOREST PRODUCTS -- 0.2%		
114,000	Pactiv Corp.+ .....	1,196,847	4,068,660
10,000	Svenska Cellulosa AB, Cl. B ....	423,932	522,207
		-----	-----
		1,620,779	4,590,867
		-----	-----
	REAL ESTATE INVESTMENT TRUSTS -- 0.2%		
2,500	Camden Property Trust .....	46,862	184,625
100,100	Columbia Equity Trust Inc. ....	1,885,912	1,912,911
2,187	Prosperity REIT .....	616	475
24,984	Rayonier Inc. ....	798,811	1,025,593
		-----	-----
		2,732,201	3,123,604
		-----	-----
	MANUFACTURED HOUSING AND RECREATIONAL VEHICLES -- 0.1%		
70,000	Champion Enterprises Inc.+ .....	659,503	655,200
50,000	Fleetwood Enterprises Inc.+ .....	535,046	395,500
31,000	Huttig Building Products Inc.+ .	78,168	163,990
7,000	Martin Marietta Materials Inc. .	144,225	727,370
10,000	Nobility Homes Inc. ....	195,123	265,900
22,000	Skyline Corp. ....	883,239	884,840
		-----	-----
		2,495,304	3,092,800
		-----	-----
TOTAL			

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COMMON STOCKS ..... 1,349,380,540 1,829,365,500  
-----

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
SCHEDULE OF INVESTMENTS (CONTINUED)  
DECEMBER 31, 2006

SHARES -----		COST -----	MARKET VALUE -----
	CONVERTIBLE PREFERRED STOCKS -- 0.2%		
	AEROSPACE -- 0.1%		
13,500	Northrop Grumman Corp., 7.000% Cv. Pfd., Ser. B .....	\$ 1,573,020	\$ 1,795,500
		-----	-----
	TELECOMMUNICATIONS -- 0.1%		
25,000	Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B .....	787,113	1,150,000
		-----	-----
	BROADCASTING -- 0.0%		
90	Gray Television Inc., 8.000% Cv. Pfd., Ser. C (a) (b) (c) .....	900,000	900,000
		-----	-----
	TOTAL CONVERTIBLE PREFERRED STOCKS .....	3,260,133	3,845,500
		-----	-----
PRINCIPAL AMOUNT -----			
	CONVERTIBLE CORPORATE BONDS -- 0.1%		
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.1%		
\$ 1,000,000	Standard Motor Products Inc., Sub. Deb. Cv., 6.750%, 07/15/09 .....	968,763	950,000
500,000	The Pep Boys - Manny, Moe & Jack, Cv., 4.250%, 06/01/07 .....	496,690	497,500
		-----	-----
		1,465,453	1,447,500
		-----	-----
	AEROSPACE -- 0.0%		
669,000	Kaman Corp., Sub. Deb. Cv., 6.000%, 03/15/12 .....	645,242	687,398
		-----	-----
	CONSUMER PRODUCTS -- 0.0%		
1,000,100	Pillowtex Corp., Sub. Deb. Cv., 9.000%, 12/15/07 (a) (d) .....	0	0
		-----	-----
	TOTAL CONVERTIBLE CORPORATE BONDS .....	2,110,695	2,134,898
		-----	-----
SHARES -----			

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	WARRANTS -- 0.0%		
	ENERGY AND UTILITIES -- 0.0%		
12,183	Mirant Corp., Ser. A, expire 01/03/11+ .....	36,353	159,597
		-----	-----
PRINCIPAL AMOUNT			
	SHORT-TERM OBLIGATIONS -- 11.8%		
	REPURCHASE AGREEMENTS -- 10.5%		
\$94,449,000	Barclays Capital Inc., 4.800%, dated 12/29/06, due 01/03/07, proceeds at maturity, \$94,511,966 (e) .....	94,449,000	94,449,000
125,000,000	Daiwa Securities America Inc., 4.820%, dated 12/29/06, due 01/03/07, proceeds at maturity, \$125,083,681 (f) ..	125,000,000	125,000,000
		-----	-----
		219,449,000	219,449,000
		-----	-----
	U.S. TREASURY BILLS -- 1.3%		
27,645,000	U.S. Treasury Bills, 5.006% to 5.100%+, 03/08/07 to 05/03/07 (g) ....	27,188,439	27,200,512
		-----	-----
	TOTAL SHORT-TERM OBLIGATIONS .....	246,637,439	246,649,512
		-----	-----
		COST	MARKET VALUE
		----	-----
	TOTAL INVESTMENTS -- 100.0% .....	\$1,601,425,160	\$2,082,155,007
		=====	
	FUTURES CONTRACTS		
	(Unrealized depreciation) .....		(87,420)
	OTHER ASSETS AND LIABILITIES (NET) .....		32,331,192
	PREFERRED STOCK		
	(13,906,900 preferred shares outstanding) .....		(527,492,500)
			-----
	NET ASSETS -- COMMON STOCK		
	(168,756,272 common shares outstanding) .....	\$1,586,906,279	
		=====	
	NET ASSET VALUE PER COMMON SHARE		
	(\$1,586,906,279 / 168,756,272 shares outstanding) .....		\$9.40
			=====
	NUMBER OF CONTRACTS	EXPIRATION DATE	UNREALIZED DEPRECIATION
	-----	-----	-----
	FUTURES CONTRACTS -- SHORT POSITION		
	31 S & P 500 Index Futures .....	03/15/07	\$ (87,420)
			=====

(a) Security fair valued under procedures established by the Board of

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Directors. The procedures may include reviewing available financial information about the company and reviewing valuation of comparable securities and other factors on a regular basis. At December 31, 2006, the market value of fair valued securities amounted to \$942,990 or 0.05% of total investments.

- (b) Security exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At December 31, 2006, the market value of the Rule 144A securities amounted to \$1,269,920 or 0.06% of total investments.
- (c) At December 31, 2006, the Fund held an investment in a restricted and illiquid security amounting to \$900,000 or 0.04% of total investments, which was valued under methods approved by the Board as follows:

ACQUISITION SHARES	ISSUER	ACQUISITION DATE	ACQUISITION COST	12/31/2006 CARRYING VALUE PER UNIT
-----	-----	-----	-----	-----
90	Gray Television Inc., 8.000% Cv. Pfd., Ser. C ..	04/23/02	\$900,000	\$10,000

- (d) Bond in default.
- (e) Collateralized by \$67,430,000 and \$1,465,000 U.S. Treasury Bonds, 8.875% and 6.375%, due 02/15/19 and 08/15/27, market value \$94,556,040 and \$1,781,940, respectively.
- (f) Collateralized by \$127,091,000 U.S. Treasury Bill and \$2,193,000 U.S. Treasury Note, 5.987% and 4.000%, due 03/29/07 and 06/15/09, market value \$125,343,499 and \$2,157,364, respectively.
- (g) At December 31, 2006, \$600,000 of the principal amount was pledged as collateral for futures contracts.
- + Non-income producing security.
- ++ Represents annualized yield at date of purchase.
- ADR American Depository Receipt
- CVO Contingent Value Obligation

GEOGRAPHIC DIVERSIFICATION	% OF MARKET VALUE	MARKET VALUE
-----	-----	-----
North America.....	79.4%	\$1,652,579,749
Europe.....	15.5	323,393,342
Latin America.....	2.8	58,100,649
Japan.....	1.8	38,476,335
Asia/Pacific.....	0.4	7,424,442
South Africa.....	0.1	2,180,490
Total Investments.....	100.0%	\$2,082,155,007
	=====	=====

See accompanying notes to financial statements.



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DECEMBER 31, 2006

**ASSETS:**

Investments, at value (cost \$1,381,976,160) .....	\$ 1,862,706,007
Repurchase agreements, at value	
(cost \$219,449,000) .....	219,449,000
Foreign currency, at value (cost \$18,383) .....	18,334
Deposit at broker .....	47,243
Cash .....	17,583
Receivable for investments sold .....	53,414,291
Dividends and interest receivable .....	2,070,035
Unrealized appreciation on swap contracts .....	625,830
Variation margin .....	42,160
Prepaid expense .....	69,720
	-----
TOTAL ASSETS .....	2,138,460,203
	-----

**LIABILITIES:**

Payable for investments purchased .....	17,151,507
Payable for investment advisory fees .....	5,332,140
Distributions payable .....	493,030
Payable for offering expenses .....	307,531
Payable for payroll expenses .....	33,115
Payable for accounting fees .....	7,481
Payable for Directors' fees .....	1,500
Other accrued expenses .....	735,120
	-----
TOTAL LIABILITIES .....	24,061,424
	-----

**PREFERRED STOCK:**

Series B Cumulative Preferred Stock (7.20%, \$25 liquidation value, \$0.001 par value, 6,600,000 shares authorized with 4,950,000 shares issued and outstanding) .....	123,750,000
Series C Cumulative Preferred Stock (Auction Rate, \$25,000 liquidation value, \$0.001 par value, 5,200 shares authorized with 5,200 shares issued and outstanding) .....	130,000,000
Series D Cumulative Preferred Stock (5.875%, \$25 liquidation value, \$0.001 par value, 3,000,000 shares authorized with 2,949,700 shares issued and outstanding) .....	73,742,500
Series E Cumulative Preferred Stock (Auction Rate, \$25,000 liquidation value, \$0.001 par value, 2,000 shares authorized with 2,000 shares issued and outstanding) .....	50,000,000
Series F Cumulative Preferred Stock (6.20%, \$25 liquidation value, \$0.001 par value, 6,000,000 shares authorized with 6,000,000 shares issued and outstanding) .....	150,000,000
	-----
TOTAL PREFERRED STOCK .....	527,492,500
	-----
NET ASSETS ATTRIBUTABLE TO COMMON SHARES.....	\$ 1,586,906,279
	=====

**NET ASSETS ATTRIBUTABLE TO COMMON SHARES**

**CONSIST OF:**

Paid-in capital, at \$0.001 par value .....	\$ 1,110,082,186
Accumulated net investment income .....	693,273
Accumulated distributions in excess of net realized gain on investments, options, futures contracts, swap contracts, and foreign currency transactions .....	(5,141,866)

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Net unrealized appreciation on investments .....	480,729,847
Net unrealized appreciation on swap contracts .....	625,830
Net unrealized depreciation on futures .....	(87,420)
Net unrealized appreciation on foreign currency translations .....	4,429
	-----
NET ASSETS .....	\$ 1,586,906,279
	=====
NET ASSET VALUE PER COMMON SHARE	
(\$1,586,906,279 / 168,756,272 shares outstanding; 246,000,000 shares authorized).....	
	\$9.40
	=====

### STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2006

INVESTMENT INCOME:	
Dividends (net of foreign taxes of \$646,110) .....	\$ 41,180,391
Interest .....	10,581,496
	-----
TOTAL INVESTMENT INCOME .....	51,761,887
	-----
EXPENSES:	
Investment advisory fees .....	18,761,514
Auction agent fees .....	449,260
Shareholder communications expenses .....	395,336
Custodian fees .....	255,855
Payroll expenses .....	188,995
Shareholder services fees .....	171,830
Directors' fees .....	139,938
Legal and audit fees .....	118,004
Accounting fees .....	45,000
Interest expense .....	75
Miscellaneous expenses .....	352,303
	-----
TOTAL EXPENSES .....	20,878,110
Less: Custodian fee credits .....	(52,316)
	-----
NET EXPENSES .....	20,825,794
	-----
NET INVESTMENT INCOME .....	30,936,093
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS WRITTEN, FUTURES CONTRACTS, SWAP CONTRACTS, AND FOREIGN CURRENCY:	
Net realized gain on investments .....	141,539,769
Net realized gain on options written .....	21,999
Net realized gain on futures contracts .....	1,626,836
Net realized gain on swap contracts .....	615,003
Net realized loss on foreign currency transactions .....	(182,582)
	-----
Net realized gain on investments, options written, futures contracts, swap contracts, and foreign currency transactions .....	143,621,025
	-----
Net change in unrealized appreciation/(depreciation):	
on investments .....	219,834,170
on future contracts .....	(87,420)
on swap contracts .....	210,805
on foreign currency translations .....	12,066

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Net change in unrealized appreciation/(depreciation) on investments, future contracts, swap contracts, and foreign currency translations .....	219,969,621
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS WRITTEN, FUTURES CONTRACTS, SWAP CONTRACTS, AND FOREIGN CURRENCY .....	363,590,646
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	394,526,739
Total Distributions to Preferred Stock Shareholders .....	(24,947,491)
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHARES RESULTING FROM OPERATIONS .....	\$ 369,579,248

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHARES

	YEAR ENDED DECEMBER 31,
OPERATIONS:	
Net investment income .....	\$ 30,936
Net realized gain on investments, written options, futures contracts, swap contracts, and foreign currency transactions .....	143,621
Net change in unrealized appreciation/(depreciation) on investments, futures contracts, swap contracts, and foreign currency translations .....	219,969
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	394,526
DISTRIBUTIONS TO PREFERRED SHARES:	
Net investment income .....	(4,468)
Net realized short-term gains on investments, written options, futures contracts, swap contracts, and foreign currency transactions .....	(1,813)
Net realized long-term gains on investments, written options, futures contracts, swap contracts, and foreign currency transactions .....	(18,665)
TOTAL DISTRIBUTIONS TO PREFERRED SHARES .....	(24,947)
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHARES RESULTING FROM OPERATIONS .....	369,579
DISTRIBUTIONS TO COMMON SHARES:	
Net investment income .....	(26,337)
Net realized short-term gains on investments, written options, futures contracts, swap contracts, and foreign currency transactions .....	(10,620)

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Net realized long-term gains on investments, written options, futures contracts, swap contracts, and foreign currency transactions .....	(109,810)
<hr/>	
TOTAL DISTRIBUTIONS TO COMMON SHARES .....	(146,769)
<hr/>	
FUND SHARE TRANSACTIONS:	
Net increase in net assets from common shares issued upon reorganization and reinvestment of dividends and distributions .....	23,591
Net increase in net assets from common shares issued upon rights offering .....	
Offering costs for preferred shares charged to paid-in capital .....	(5,235)
Offering costs for issuance of common shares in rights charged to paid-in capital .....	(151)
<hr/>	
NET INCREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS .....	18,204
<hr/>	
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHARES .....	241,014
<hr/>	
NET ASSETS ATTRIBUTABLE TO COMMON SHARES:	
Beginning of period .....	1,345,891
<hr/>	
End of period (including undistributed net investment income of \$693,273 and \$561,527, respectively) .....	\$ 1,586,906
<hr/>	
<hr/>	

See accompanying notes to financial statements.

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

1. ORGANIZATION. The Gabelli Equity Trust Inc. (the "Fund") is a non-diversified closed-end management investment company organized as a Maryland corporation on May 20, 1986 and registered under the Investment Company Act of 1940, as amended (the "1940 Act"), whose primary objective is long-term growth of capital. Investment operations commenced on August 21, 1986.

The Fund will invest at least 80% of its assets in equity securities under normal market conditions (the "80% Policy"). The 80% Policy may be changed without shareholder approval. The Fund will provide shareholders with notice at least 60 days prior to the implementation of any change in the 80% Policy.

2. SIGNIFICANT ACCOUNTING POLICIES. The preparation of financial statements in accordance with United States ("U.S.") 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 Fund in the preparation of its financial statements.

SECURITY VALUATION. Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Directors (the "Board") so determines, by such other method as the

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Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the "Adviser").

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of 60 days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than 60 days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

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

In September 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") 157, Fair Value Measurements, which clarifies the definition of fair value and requires companies to expand their disclosure about the use of fair value to measure assets and liabilities in interim and annual periods subsequent to initial recognition. Adoption of SFAS 157 requires the use of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. At this time, management is in the process of reviewing the requirements of SFAS 157 against its current valuation policies to determine future applicability.

**REPURCHASE AGREEMENTS.** The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, 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. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. The Fund 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 Fund in each agreement. The Fund 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 Fund may be delayed or limited. At December 31, 2006, the Fund had investments of \$219,449,000 in repurchase agreements.

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INVESTMENTS IN OTHER INVESTMENT COMPANIES. The Fund may invest, from time to time, in shares of other investment companies (or entities that would be considered investment companies but are excluded from the definition pursuant to certain exceptions under the 1940 Act) (the "Acquired Funds") in accordance with the 1940 Act and related rules.

As a shareholder in the Fund, you would bear the pro rata portion of the periodic expenses of the Acquired Funds in addition to the Fund's expenses.

For the fiscal year ended December 31, 2006, the Fund's pro rata portion of the periodic expenses charged by the Acquired Funds was less than one basis point.

OPTIONS. The Fund may purchase or write call or put options on securities or indices. As a writer of put options, the Fund receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instrument underlying

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

the option. The Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates.

As a purchaser of put options, the Fund pays a premium for the right to sell to the seller of the put option the underlying security at a specified price. The seller of the put has the obligation to purchase the underlying security upon exercise at the exercise price. If the price of the underlying security declines, the Fund would realize a gain upon sale or exercise. If the price of the underlying security increases or stays the same, the Fund would realize a loss upon sale or at expiration date, but only to the extent of the premium paid.

In the case of call options, these exercise prices are referred to as "in-the-money", "at-the-money", and "out-of-the-money", respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline moderately during the option period, (b) covered at-the-money call options when the Adviser expects that the price of the underlying security will remain stable or advance moderately during the option period, and (c) out-of-the-money call options when the Adviser expects that the premiums received from writing the call option will be greater than the appreciation in the price of the underlying security above the exercise price. By writing a call option, the Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option. Out-of-the-money, at-the-money, and in-the-money put options (the reverse of call options as to the relation of exercise price to market price) may be utilized in the same market environments that such call options are used in equivalent transactions.

SWAP AGREEMENTS. The Fund may enter into interest rate swap or cap transactions. The use of swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio transactions. Swap agreements may involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities. In an interest rate swap, the Fund would agree to pay to the other

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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 Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Series C Preferred Stock. In an interest rate cap, the Fund would pay a premium to the counterparty and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from that counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. If there is a default by the counterparty to a swap contract, the Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to a swap contract or that, in the event of default, the Fund will succeed in pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to a swap contract. The creditworthiness of the swap contract counterparties is closely monitored in order to minimize this risk. Depending on the general state of short-term interest rates and the returns on the Fund's portfolio securities at that point in time, such a default could negatively affect the Fund's ability to make dividend payments for 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 Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the Fund's ability to make dividend payments on Series C Preferred Stock.

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps is reported as unrealized gains or losses in the Statement of Operations. A realized gain or loss is recorded upon payment or receipt of a periodic payment or termination of swap agreements.

The Fund has entered into an interest rate swap agreement with Citibank N.A. Under the agreement, the Fund 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, 2006 are as follows:

NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE* (RATE RESET MONTHLY)	TERMINATION DATE	UNREALIZED APPRECIATION
\$130,000,000	4.494%	5.34938%	July 2, 2007	\$625,830

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

FUTURES CONTRACTS. The Fund may engage in futures contracts for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Upon entering into a futures contract, the Fund is required to deposit with the broker an amount of cash or cash equivalents equal to a certain percentage of the contract amount. This is known as the "initial margin". Subsequent payments ("variation margin") are made or received by the Fund each day, depending on the daily fluctuations in the value of the contract, which are included in unrealized appreciation/(depreciation) on investments and futures contracts. The Fund recognizes a realized gain or loss when the contract is closed.

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily

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corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. Open futures contracts at December 31, 2006 are reflected within the Schedule of Investments.

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

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

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. At December 31, 2006, there were no open forward foreign exchange contracts.

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

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

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



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

**RESTRICTED AND ILLIQUID SECURITIES.** The Fund may invest up to 10% of its net assets in securities for which the markets are illiquid. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity.

**SECURITIES TRANSACTIONS AND INVESTMENT INCOME.** Securities transactions are accounted for on the trade date with realized gain or loss on investments determined by using the identified cost method. Interest income (including amortization of premium and accretion of discount) is recorded on the accrual basis. Premiums and discounts on debt securities are amortized using the effective yield to maturity method. Dividend income is recorded on the ex-dividend date except for certain dividends which are recorded as soon as the Fund is informed of the dividend.

**CUSTODIAN FEE CREDITS AND INTEREST EXPENSE.** When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as "custodian fee credits". When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 110% of the 90 day Treasury Bill rate on outstanding balances. This amount, if any, would be shown as "interest expense" in the Statement of Operations.

**DISTRIBUTIONS TO SHAREHOLDERS.** Distributions to common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with Federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on NAV of the Fund. For the fiscal year ended December 31, 2006, reclassifications were made to increase accumulated net investment income by \$1,732 and increase accumulated distributions in excess of net realized gain on investments, options, futures contracts, swap contracts, and foreign currency transactions by \$51,952, with an offsetting adjustment to paid-in capital.

Distributions to shareholders of the Fund's 7.20% Series B Cumulative Preferred Stock, Series C Auction Rate Cumulative Preferred Stock, 5.875% Series D Cumulative Preferred Stock, Series E Auction Rate Cumulative Preferred Stock, and 6.20% Series F Cumulative Preferred Stock ("Cumulative Preferred Stock") are recorded on a daily basis and are determined as described in Note 5.

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

The tax character of distributions paid during the fiscal years ended December 31, 2006 and December 31, 2005 was as follows:

	YEAR ENDED DECEMBER 31, 2006	
	COMMON	PREFERRED
DISTRIBUTIONS PAID FROM:		
Ordinary income (Inclusive of short-term capital gains) .....	\$ 36,958,559	\$ 6,282,132
Net long-term capital gains .....	109,810,607	18,665,359
	-----	-----
Total distributions paid .....	\$146,769,166	\$24,947,491
	=====	=====

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

As of December 31, 2006, the components of accumulated earnings/(losses) on a tax basis were as follows:

Net unrealized appreciation on investments	\$475,036,839
Net unrealized appreciation on foreign currency and swap contracts.....	537,593
Undistributed ordinary income (inclusive of short-term capital gains).....	777,037
Undistributed long-term capital gains.....	472,624
	-----
Total.....	\$476,824,093
	=====

The following summarizes the tax cost of investments, swap contracts, and the related unrealized appreciation/(depreciation) at December 31, 2006:

	COST	GROSS UNREALIZED APPRECIATION	GROSS UNREALIZED DEPRECIATION
	----	-----	-----
Investments .....	\$1,607,118,168	\$528,271,411	\$ (53,234,572)
Swap contracts.....		533,164	--
		-----	-----
		\$528,804,575	\$ (53,234,572)
		=====	=====

In July 2006, the FASB issued Interpretation No. 48, "Accounting for

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Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109" ("the Interpretation"). The Interpretation establishes for all entities, including pass through entities such as the Fund, a minimum threshold for financial statement recognition of the benefit of positions taken in filing tax returns (including whether an entity is taxable in a particular jurisdiction), and requires certain expanded tax disclosures. The Interpretation is required to be implemented for the Fund no later than June 29, 2007, and is to be applied to all open tax years as of the date of effectiveness. Management has begun to evaluate the application of the Interpretation to the Fund, and is not in a position at this time to estimate the significance of its impact, if any, on the Fund's financial statements.

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

The Fund's total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of Cumulative Preferred Stock for the period. For the fiscal year ended December 31, 2006, the Fund's total return on the NAV of the common shares exceeded the stated dividend rate or corresponding swap rate of all outstanding Preferred Stock. Thus, management fees were accrued on these assets.

During the fiscal year ended December 31, 2006, the Fund paid brokerage commissions of \$483,095 to Gabelli & Company, Inc. ("Gabelli & Company"), an affiliate of the Adviser.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the fiscal year ended December 31, 2006, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

The Fund is assuming its portion of the allocated cost of the Gabelli Funds' Chief Compliance Officer in the amount of \$30,061 for the fiscal year ended December 31, 2006, which is included in payroll expenses in the Statement of Operations.

The Fund pays each Director that is not considered to be an affiliated person an annual retainer of \$12,000 plus \$1,500 for each Board meeting attended and they are reimbursed for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$1,000 per meeting attended. In addition, the Audit Committee Chairman receives an annual fee of \$3,000, the Proxy Voting Committee Chairman receives an annual fee of \$1,500, and the Nominating Committee Chairman receives an annual fee of \$2,000. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. PORTFOLIO SECURITIES. Purchases and proceeds from the sales of securities for the year ended December 31, 2006, other than short-term securities, aggregated \$555,514,591 and \$495,441,658, respectively.

Options activity for the Fund for the period ended December 31, 2006 was as follows:

	NUMBER OF CONTRACTS	PREMIUMS
Options outstanding at December 31, 2005...	--	--
Options written.....	500	\$ 21,999
Options expired.....	(500)	(21,999)
	----	-----
Options outstanding at December 31, 2006...	--	\$ --
	====	=====

5. CAPITAL. The charter permits the Fund to issue 246,000,000 shares of common stock (par value \$0.001) and authorizes the Board to increase its authorized shares from time to time. The Board has authorized the repurchase of its shares on the open market when the shares are trading on the New York Stock Exchange ("NYSE") at a discount of 10% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the fiscal year ended December 31, 2006, the Fund did not repurchase any shares of its common stock in the open market.

Transactions in common stock were as follows:

	YEAR ENDED DECEMBER 31, 2006		
	Shares	Amount	S
Shares issued upon reinvestment of dividends and distributions.....	2,677,002	\$23,591,621	3,
Shares issued in rights offering.....	--	--	20,
Shares issued in connection with reorganization of Sterling Capital Corporation.....	--	--	1,
	-----	-----	-----
Net increase.....	2,677,002	\$23,591,621	25,
	=====	=====	=====

The Fund's Articles of Incorporation, as amended, authorizes the issuance of up to 18,000,000 shares of \$0.001 par value Cumulative Preferred Stock. The Cumulative Preferred Stock is senior to the common stock and results in the financial leveraging of the common stock. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on shares of the Cumulative Preferred Stock are cumulative. The Fund is required by the 1940 Act and by the Articles Supplementary to meet certain asset coverage tests with respect to the Cumulative Preferred Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the 7.20% Series B, Series C Auction Rate, 5.875% Series D, Series E Auction Rate, and 6.20% Series F Cumulative Preferred Stock

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at redemption prices of \$25, \$25,000, \$25, \$25,000, and \$25, respectively, per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Fund's assets may vary in a manner unrelated to the fixed and variable rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

On September 21, 2005, the Fund distributed one transferable right for each of the 143,681,301 shares of common stock outstanding to shareholders of record on that date. Seven rights were required to purchase one additional common share at the subscription price of \$7.00 per share. Shareholders who exercised their full primary subscription rights were eligible for an over-subscription privilege entitling them to subscribe, subject to certain limitations and a pro-rata allotment, for any additional shares not purchased pursuant to the primary subscription plus such additional amounts as authorized by the Board in accordance with the registration statement. The subscription period expired on October 26, 2005. The rights offering was fully subscribed, having received over-subscription requests in excess of the shares available for primary subscription resulting in the issuance of 20,525,901 shares of common stock and proceeds of \$143,681,307 to the Fund, prior to the deduction of estimated expenses of \$600,000. Additional expenses of \$151,821 were recorded in the year ended December 31, 2006. The NAV of the Fund's common shares was reduced by approximately \$0.15 per share as a result of the issuance of shares below NAV.

On June 20, 2001, the Fund received net proceeds of \$159,329,175 (after underwriting discounts of \$5,197,500 and offering expenses of \$473,325) from the public offering of 6,600,000 shares of 7.20% Series B Cumulative Preferred Stock. Commencing June 20, 2006 and thereafter, the Fund, at its option, may redeem the 7.20% Series B Cumulative Preferred Stock in whole or in part at the redemption price at any time. On June 26, 2006, the Fund, as authorized by the Board, redeemed 25% (1,650,000 shares) of its outstanding 7.20% Series B Cumulative Preferred Stock at the redemption price of \$25.00 per share (the liquidation value). The Series B Preferred Shares were callable at any time at the liquidation value plus accrued dividends following the expiration of the five year call protection on June 20, 2006. At December 31, 2006, 4,950,000 shares of 7.20% Series B Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$148,500.

On June 27, 2002, the Fund 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 seven days, is expected to vary with short-term interest rates. The dividend rates of Series C Auction Rate Cumulative Preferred Stock ranged from 4.21% to 5.27% for the year ended December 31, 2006. 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 Fund, 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 fiscal year ended December 31, 2006, the Fund did not redeem any shares of Series C Auction Rate Cumulative Preferred Stock. At December 31, 2006, 5,200 shares of Series C Auction Rate Cumulative Preferred Stock were outstanding with an annualized dividend rate of 5.26% and accrued dividends amounted to \$95,241.

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

On October 7, 2003, the Fund received net proceeds of \$72,375,842 (after underwriting discounts of \$2,362,500 and offering expenses of \$261,658) from the public offering of 3,000,000 shares of 5.875% Series D Cumulative Preferred Stock. Commencing October 7, 2008 and thereafter, the Fund, at its option, may redeem the 5.875% Series D Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the fiscal year ended December 31, 2006, the Fund did not repurchase any shares of 5.875% Series D Cumulative Preferred Stock. At December 31, 2006, 2,949,700 shares of 5.875% Series D Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$72,206.

On October 7, 2003, the Fund received net proceeds of \$49,350,009 (after underwriting discounts of \$500,000 and offering expenses of \$149,991) 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 seven days, is expected to vary with short-term interest rates. The dividend rates of Series E Auction Rate Cumulative Preferred Stock ranged from 4.10% to 5.30% for the fiscal year ended December 31, 2006. 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 Fund, 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 fiscal year ended December 31, 2006, the Fund did not redeem any shares of Series E Auction Rate Cumulative Preferred Stock. At December 31, 2006, 2,000 shares of Series E Auction Rate Cumulative Preferred Stock were outstanding with an annualized dividend rate of 5.30% and accrued dividends amounted to \$22,083.

On November 10, 2006, the Fund received net proceeds of \$144,765,000 (after underwriting discounts of \$4,725,000 and estimated offering expenses of \$510,000) from the public offering of 6,000,000 shares of 6.20% Series F Cumulative Preferred Stock. Commencing November 10, 2011 and thereafter, the Fund, at its option, may redeem the 6.20% Series F Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the fiscal year ended December 31, 2006, the Fund did not repurchase any shares of 6.20% Series F Cumulative Preferred Stock. At December 31, 2006, 6,000,000 shares of 6.20% Series F Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$155,000.

The holders of Cumulative Preferred Stock generally are entitled to one vote per share held on each matter submitted to a vote of shareholders of the Fund and will vote together with holders of common stock as a single class. The holders of Cumulative Preferred Stock voting together as a single class also have the right currently to elect two Directors and under certain circumstances are entitled to elect a majority of the Board of Directors. In addition, the affirmative vote of a majority of the votes entitled to be cast by holders of all outstanding shares of the preferred stock, voting as a single class, will be required to approve any plan of reorganization adversely affecting the preferred stock, and the approval of two-thirds of each class, voting separately, of the Fund's outstanding voting stock must approve the conversion of the Fund from a closed-end to an open-end investment company. The approval of a majority (as defined in the 1940 Act) of the outstanding preferred stock and a majority (as defined in the 1940 Act) of the Fund's outstanding voting securities are required to approve certain other actions, including changes in the Fund's investment objectives or fundamental investment policies.

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

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7. REORGANIZATION. On September 13, 2005, the Fund acquired substantially all of the net assets of the Sterling Capital Corp. pursuant to a Plan of Reorganization approved by Sterling Capital Corp. on September 12, 2005. The acquisition was accomplished by a tax free exchange of 1,978,190 common shares of the Fund valued at \$18,306,860 for the net assets of the Sterling Capital Corp. on September 12, 2005. Sterling Capital Corp.'s net assets of \$18,306,860, including \$2,191,264 of unrealized appreciation, were combined with those of the Fund on September 13, 2005. The net assets attributable to common shares of the Fund immediately before the acquisition were \$1,273,163,812.

8. SUBSEQUENT EVENTS. On January 8, 2007, the Fund, as authorized by the Board, redeemed 100% (4,950,000 shares) of its outstanding 7.20% Series B Cumulative Preferred Stock at the redemption price of \$25.00 per share (the liquidation value), plus accumulated and unpaid dividends through the redemption date of \$0.06 per share. The Preferred Shares were callable at any time at the liquidation value plus accrued dividends following the expiration of the five year call protection on June 20, 2006.

9. OTHER MATTERS. The Adviser and/or affiliates received subpoenas from the Attorney General of the State of New York and the SEC requesting information on mutual fund share trading practices involving certain funds managed by the Adviser. GAMCO Investors, Inc. ("GAMCO"), the Adviser's parent company, responded to these requests for documents and testimony. In June 2006, GAMCO began discussions with the SEC regarding a possible resolution of their inquiry. In February 2007, the Adviser made an offer of settlement to the staff of the SEC for communication to the Commission for its consideration to resolve this matter. This offer of settlement is subject to agreement regarding the specific language of the SEC's administrative order and other settlement documents. On a separate matter, in September 2005, the Adviser was informed by the staff of the SEC that the staff may recommend to the Commission that an administrative remedy and a monetary penalty be sought from the Adviser in connection with the actions of two of seven closed-end funds managed by the Adviser relating to Section 19(a) and Rule 19a-1 of the 1940 Act. These provisions require registered investment companies to provide written statements to shareholders when a dividend is made from a source other than net investment income. While the two closed-end funds sent annual statements and provided other materials containing this information, the funds did not send written statements to shareholders with each distribution in 2002 and 2003. The Adviser believes that all of the funds are now in compliance. The Adviser believes that these matters would have no effect on the Fund or any material adverse effect on the Adviser or its ability to manage the Fund. The staff's notice to the Adviser did not relate to the Fund.

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### THE GABELLI EQUITY TRUST INC. FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD:

	YEAR ENDED		
	2006	2005	2004
<b>OPERATING PERFORMANCE:</b>			
Net asset value, beginning of period.....	\$ 8.10	\$ 8.69	\$ 8.69
Net investment income.....	0.18	0.09	0.09
Net realized and unrealized gain (loss) on investments ....	2.18	0.47	0.47

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Total from investment operations.....	2.36	0.56	
DISTRIBUTIONS TO PREFERRED SHAREHOLDERS: (A)			
Net investment income.....	(0.03)	(0.01)	(
Net realized gain on investments.....	(0.12)	(0.14)	(
Total distributions to preferred shareholders .....	(0.15)	(0.15)	(
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS.....			
	2.21	0.41	
DISTRIBUTIONS TO COMMON SHAREHOLDERS:			
Net investment income.....	(0.16)	(0.08)	(
Net realized gain on investments.....	(0.72)	(0.77)	(
Return of capital.....	--	--	
Total distributions to common shareholders .....	(0.88)	(0.85)	(
FUND SHARE TRANSACTIONS:			
Increase (decrease) in net asset value from common stock share transactions .....	--	(0.00) (e)	
Decrease in net asset value from shares issued in rights offering .....	--	(0.15)	
Increase in net asset value from repurchase of preferred shares .....	--	--	
Offering costs for preferred shares charged to paid-in capital .....	(0.03)	(0.00) (e)	
Offering costs for issuance of rights charged to paid-in capital .....	(0.00) (e)	(0.00) (e)	
Total fund share transactions.....	(0.03)	(0.15)	
NET ASSET VALUE ATTRIBUTABLE TO COMMON SHAREHOLDERS, END OF PERIOD.....			
	\$ 9.40	\$ 8.10	\$
=====			
NAV Total Return + .....	28.17%	5.50%	1
=====			
Market Value, End of Period.....	\$ 9.41	\$ 8.03	\$
=====			
Investment Total Return ++.....	29.42%	0.66%	2
=====			

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
FINANCIAL HIGHLIGHTS (CONTINUED)

SELECTED DATA FOR A COMMON SHARE OUTSTANDING THROUGHOUT EACH PERIOD:

	YEAR ENDED		
	2006	2005	2004
	-----	-----	-----



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### RATIOS AND SUPPLEMENTAL DATA:

Net assets including liquidation value of preferred shares, end of period (in 000's) .....	\$2,114,399	\$1,764,634	\$1,638
Net assets attributable to common shares, end of period (in 000's) .....	\$1,586,906	\$1,345,891	\$1,219
Ratio of net investment income to average net assets attributable to common shares before preferred distributions .....	2.12%	1.27%	
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any (b).....	1.43%	1.39%	
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any (b).....	1.11%	1.04%	
Portfolio turnover rate .....	29.5%	22.4%	

### PREFERRED STOCK:

#### 7.25% CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's) .....	--	--	
Total shares outstanding (in 000's) .....	--	--	
Liquidation preference per share.....	--	--	
Average market value (c) .....	--	--	
Asset coverage per share.....	--	--	

#### 7.20% CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's) .....	\$ 123,750	\$ 165,000	\$ 165
Total shares outstanding (in 000's) .....	4,950	6,600	6
Liquidation preference per share.....	\$ 25.00	\$ 25.00	\$ 2
Average market value (c) .....	\$ 25.27	\$ 25.92	\$ 2
Asset coverage per share.....	\$ 100.21	\$ 105.35	\$ 9

#### AUCTION RATE SERIES C CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's) .....	\$ 130,000	\$ 130,000	\$ 130
Total shares outstanding (in 000's) .....	5	5	
Liquidation preference per share.....	\$ 25,000	\$ 25,000	\$ 25
Average market value (c) .....	\$ 25,000	\$ 25,000	\$ 25
Asset coverage per share.....	\$ 100,211	\$ 105,353	\$ 97

#### 5.875% CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's) .....	\$ 73,743	\$ 73,743	\$ 73
Total shares outstanding (in 000's) .....	2,950	2,950	2
Liquidation preference per share.....	\$ 25.00	\$ 25.00	\$ 2
Average market value (c) .....	\$ 23.98	\$ 24.82	\$ 2
Asset coverage per share.....	\$ 100.21	\$ 105.35	\$ 9

#### AUCTION RATE SERIES E CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's) .....	\$ 50,000	\$ 50,000	\$ 50
Total shares outstanding (in 000's) .....	2	2	
Liquidation preference per share.....	\$ 25,000	\$ 25,000	\$ 25
Average market value (c) .....	\$ 25,000	\$ 25,000	\$ 25
Asset coverage per share.....	\$ 100,211	\$ 105,353	\$ 97

#### 6.20% CUMULATIVE PREFERRED STOCK

Liquidation value, end of period (in 000's) .....	\$ 150,000	--	
Total shares outstanding (in 000's) .....	6,000	--	
Liquidation preference per share.....	\$ 25.00	--	
Average market value (c) .....	\$ 25.12	--	
Asset coverage per share.....	\$ 100.21	--	
ASSET COVERAGE (D) .....	401%	421%	

-----  
+ Based on net asset value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan, including the effect of shares issued pursuant to 2005 rights

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offering, assuming full subscription by shareholder.

- ++ Based on market value per share, adjusted for reinvestment of distributions at prices obtained under the Fund's dividend reinvestment plan, including the effect of shares issued pursuant to 2005 rights offering, assuming full subscription by shareholder.
- (a) Calculated based upon average common shares outstanding on the record dates throughout the periods.
  - (b) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. For the fiscal years ended December 31, 2006, 2005, 2004, 2003, and 2002 the effect of the custodian fee credits was minimal.
  - (c) Based on weekly prices.
  - (d) Asset coverage is calculated by combining all series of preferred stock.
  - (e) Amount represents less than \$0.005 per share.

See accompanying notes to financial statements.

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THE GABELLI EQUITY TRUST INC.  
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
The Gabelli Equity Trust Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Equity Trust Inc. (hereafter referred to as the "Fund") at December 31, 2006, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2006 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
February 28, 2007

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THE GABELLI EQUITY TRUST INC.

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### ADDITIONAL FUND INFORMATION (UNAUDITED)

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

NAME, POSITION(S) ADDRESS 1 AND AGE -----	TERM OF OFFICE AND LENGTH OF TIME SERVED 2 -----	NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY DIRECTOR -----	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS -----
<b>INTERESTED DIRECTORS 3:</b> -----			
MARIO J. GABELLI Director and Chief Investment Officer Age: 64	Since 1986**	24	Chairman of the Board and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer - Value Portfolio Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli Fund complex; Chairman and Chief Executive Officer of GGCP, Inc.
<b>INDEPENDENT DIRECTORS 6:</b> -----			
THOMAS E. BRATTER Director Age: 67	Since 1986**	3	Director, President and Founder of The Dewey Academy (residential college preparatory therapeutic high school)
ANTHONY J. COLAVITA4 Director Age: 71	Since 1999***	34	Partner in the law firm of Anthony J. Colavita, P.C.
JAMES P. CONN4 Director Age: 68	Since 1989*	15	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (insurance holding company) (1992-1998)
FRANK J. FAHRENKOPF JR. Director Age: 67	Since 1998***	5	President and Chief Executive Officer of American Gaming Association; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee (1983-1989)
ARTHUR V. FERRARA Director Age: 76	Since 2001**	7	Former Chairman of the Board and Chief Executive Officer of The Guardian Life Insurance Company of America (1993-1995)
ANTHONY R. PUSTORINO Director Age: 81	Since 1986*	14	Certified Public Accountant; Professor Emeritus, Pace University
SALVATORE J. ZIZZA	Since 1986***	25	Chairman of Hallmark Electrical Supplies

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Director  
Age: 61

(distribution of electrical supplies)

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

NAME, POSITION(S) ADDRESS 1 AND AGE	TERM OF OFFICE AND LENGTH OF TIME SERVED 2	PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS
-----		
OFFICERS: -----		
BRUCE N. ALPERT President Age: 55	Since 2003	Executive Vice President and Chief Operating Officer of LLC and an officer of all of the registered investment Gabelli Funds complex. Director and President of Gabelli since 1998
CARTER W. AUSTIN Vice President Age: 40	Since 2000	Vice President of the Fund since 2000. Vice President & Income Trust since 2003; The Gabelli Global Gold, Na Income Trust since 2005; and The Gabelli Global Deal F President of Gabelli Funds, LLC since 1996
LOAN P. NGUYEN Vice President and Ombudsman Age: 24	Since 2006	Vice President of The Gabelli Global Multimedia Trust Assistant Vice President of GAMCO Investors, Inc. sinc Administrator for Gabelli Funds, LLC during 2004; Stud prior to 2004
JAMES E. MCKEE Secretary Age: 43	Since 1995	Vice President, General Counsel and Secretary of GAMCO since 1999; GAMCO Asset Management Inc. since 1993; Se the registered investment companies in the Gabelli Fun
AGNES MULLADY Treasurer Age: 48	Since 2006	Treasurer of all of the registered investment companie Senior Vice President of U.S. Trust Company, N.A. and Officer of Excelsior Funds from 2004 through 2005; Chi Distribution Partners from 2002 through 2004; Controll Corporation and Reserve Partners, Inc. and Treasurer o through 2002
PETER D. GOLDSTEIN Chief Compliance Officer Age: 53	Since 2004	Director of Regulatory Affairs at GAMCO Investors, Inc Officer of all of the registered investment companies Vice President of Goldman Sachs Asset Management from

- 
- 1 Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.
  - 2 The Fund's Board of Directors is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:
    - \* - Term expires at the Fund's 2009 Annual Meeting of Shareholders or until their successors are duly elected and qualified.
    - \*\* - Term expires at the Fund's 2007 Annual Meeting of Shareholders or until

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their successors are duly elected and qualified.

\*\*\* - Term expires at the Fund's 2008 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

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

- 3 "Interested person" of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an "interested person" of the Fund because of his affiliation with Gabelli Funds, LLC which acts as the Fund's investment adviser.
- 4 Represents holders of the Fund's Preferred Stock.
- 5 This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended (i.e. public companies) or other investment companies registered under the 1940 Act.
- 6 Directors who are not interested persons are considered "Independent" Directors.

### CERTIFICATIONS

The Fund's Chief Executive Officer has certified to the New York Stock Exchange ("NYSE") that, as of June 12, 2006, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund reports to the SEC on Form N-CSR which contains certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's disclosure in such reports and that are required by Rule 30a-2(a) under the 1940 Act.

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### THE GABELLI EQUITY TRUST INC. INCOME TAX INFORMATION (UNAUDITED) DECEMBER 31, 2006

#### CASH DIVIDENDS AND DISTRIBUTIONS

PAYABLE DATE -----	RECORD DATE -----	TOTAL AMOUNT PAID PER SHARE (A) -----	ORDINARY INVESTMENT INCOME (A) -----	LONG-TERM CAPITAL GAINS (A) -----
<b>COMMON SHARES</b>				
03/27/06	03/17/06	\$0.19000	\$0.05020	\$0.13980
06/26/06	06/16/06	0.19000	0.04700	0.14300
09/25/06	09/15/06	0.20000	0.04950	0.15050
12/18/06	12/13/06	0.30000	0.07420	0.22580
		-----	-----	-----
		\$0.88000	\$0.22090	\$0.65910
<b>7.20% PREFERRED SHARES</b>				
03/27/06	03/20/06	\$0.45000	\$0.11710	\$0.33290
06/26/06	06/19/06	0.45000	0.11130	0.33870
09/26/06	09/19/06	0.45000	0.11130	0.33870
12/26/06	12/18/06	0.45000	0.11130	0.33870
		-----	-----	-----
		\$1.80000	\$0.45100	\$1.34900
<b>5.875% PREFERRED SHARES</b>				
03/27/06	03/20/06	\$0.36719	\$0.09624	\$0.27095
06/26/06	06/19/06	0.36719	0.09086	0.27633
09/26/06	09/19/06	0.36719	0.09086	0.27633
12/26/06	12/18/06	0.36719	0.09085	0.27633

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			-----	-----	-----
			\$1.46875	\$0.36881	\$1.09994
6.20% PREFERRED SHARES					
	12/26/06	12/18/06	\$0.20236	\$0.05007	\$0.15229
			-----	-----	-----
			\$0.20236	\$0.05007	\$0.15229

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. The percentage of 2006 distributions derived from long-term capital gains for the Series C and Series E Auction Rate Preferred Shares was 74.89%.

A Form 1099-DIV has been mailed to all shareholders of record which sets forth specific amounts to be included in the 2006 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. The long-term gain distributions for the fiscal year ended December 31, 2006 were \$128,475,966, or the maximum allowable.

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

In 2006, the Fund paid to common, 7.20% Series B, 5.875% Series D, and 6.20% Series F preferred shareholders ordinary income totaling \$0.22090, \$0.45100, \$0.36881, and \$0.05007 per share, respectively. The Fund paid weekly distributions to Series C and Series E preferred shareholders at varying rates throughout the year, including an ordinary income dividend totaling \$309.66231 and \$307.25932 per share, respectively, in 2006. For the fiscal year ended December 31, 2006, 100% of the ordinary income dividend qualified for the dividend received deduction available to corporations, and 92.41% of the ordinary income distribution was deemed qualified dividend income and is reported in box 1b on Form 1099-DIV. The percentage of the ordinary income dividends paid by the Fund during 2006 derived from U.S. Government Securities was 0.51%. Such income is exempt from state and local tax in all states. However, many states, including New York and California, allow a tax exemption for a portion of the income earned only if a mutual fund has invested at least 50% of its assets at the end of each quarter of the Fund's fiscal year in U.S. Government Securities. The Fund did not meet this strict requirement in 2006. The percentage of U.S. Government Securities held as of December 31, 2006 was 1.29%.

THE GABELLI EQUITY TRUST INC.  
INCOME TAX INFORMATION (CONTINUED) (UNAUDITED)  
DECEMBER 31, 2006

HISTORICAL DISTRIBUTION SUMMARY

INVESTMENT INCOME	SHORT- TERM CAPITAL GAINS (B)	LONG- TERM CAPITAL GAINS	NON-TAXABLE RETURN OF CAPITAL	UNDISTRIBUTED LONG-TERM CAPITAL GAINS	TAXES PAID UNDISTRIBUTED CAPITAL GAINS (C)
-----	-----	-----	-----	-----	-----

COMMON STOCK

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2006.....	\$0.15690	\$0.06400	\$0.65910	--	--	--
2005 (d).....	0.08756	0.00672	0.75572	--	--	--
2004.....	0.01930	0.04990	0.73080	--	--	--
2003.....	0.01140	0.04480	0.63380	--	--	--
2002.....	0.05180	0.01550	0.88270	--	--	--
2001 (e).....	0.06700	0.06400	0.94900	--	--	--
2000.....	0.04070	0.15500	1.11430	--	--	--
1999 (f).....	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 (g).....	0.12890	--	0.49310	0.37800	--	--
1994 (h).....	0.13536	0.06527	0.30300	1.38262	--	--
1993 (i).....	0.13050	0.02030	0.72930	0.22990	--	--
1992 (j).....	0.20530	0.04050	0.29660	0.51760	--	--
1991 (k).....	0.22590	0.03990	0.14420	0.68000	--	--
1990.....	0.50470	--	0.22950	0.44580	--	--
1989.....	0.29100	0.35650	0.66250	--	\$0.62880	\$0.21380
1988.....	0.14500	0.20900	0.19600	--	0.25130	0.08540
1987.....	0.25600	0.49100	0.33500	--	--	--
7.20% PREFERRED STOCK						
2006.....	\$0.32000	\$0.13100	\$1.34900	--	--	--
2005.....	0.17650	0.01430	1.60920	--	--	--
2004.....	0.04340	0.11224	1.64436	--	--	--
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						
2006.....	\$0.26193	\$0.10688	\$1.09994	--	--	--
2005.....	0.14405	0.01170	1.31300	--	--	--
2004.....	0.03542	0.09159	1.34174	--	--	--
2003.....	0.00535	0.02086	0.29610	--	--	--
6.20% PREFERRED STOCK						
2006.....	\$0.03527	\$0.01480	\$0.15229	--	--	--
AUCTION RATE PREFERRED C STOCK						
2006.....	\$219.92983	\$89.73249	\$923.57769	--	--	--
2005.....	83.01020	6.73650	756.60330	--	--	--
2004.....	9.15570	23.67550	346.83810	--	--	--
2003.....	5.42000	21.05000	298.41000	--	--	--
2002.....	12.28350	3.71450	209.89200	--	--	--
AUCTION RATE PREFERRED E STOCK						
2006.....	\$218.22316	\$89.03616	\$916.41068	--	--	--
2005.....	82.44330	6.69050	751.43620	--	--	--
2004.....	9.30280	24.05620	352.41090	--	--	--
2003.....	1.07000	4.18000	59.32000	--	--	--

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(a) Total amounts may differ due to rounding.

(b) Taxable as ordinary income.

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

(d) On September 21, 2005, the Fund also distributed Rights equivalent to \$0.21 per share based upon full subscription of all issued shares.

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

(f) On July 9, 1999, the Fund also distributed shares of The Gabelli Utility Trust valued at \$9.8125 per share.

(g) On October 19, 1995, the Fund also distributed Rights equivalent to \$0.37 per share based upon full subscription of all issued shares.

(h) On November 15, 1994, the Fund also distributed shares of The Gabelli Global Multimedia Trust Inc. valued at \$8.0625 per share.

(i) On July 14, 1993, the Fund also distributed Rights equivalent to \$0.50 per

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- share based upon full subscription of all issued shares.
- (j) On September 28, 1992, the Fund also distributed Rights equivalent to \$0.36 per share based upon full subscription of all issued shares.
  - (k) On October 21, 1991, the Fund 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.

25

### AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLAN

#### ENROLLMENT IN THE PLAN

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

The Gabelli Equity Trust Inc.  
c/o Computershare  
P.O. Box 43010  
Providence, RI 02940-3010

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

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

The number of shares of common stock distributed to participants in the Plan in lieu of cash dividends is determined in the following manner. Under the Plan, whenever the market price of the Fund's common stock is equal to or exceeds net asset value at the time shares are valued for purposes of determining the number of shares equivalent to the cash dividends or capital gains distribution, participants are issued shares of common stock valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then current market price of the Fund's common stock. The valuation date is the dividend or distribution payment date or, if that date is not a New York Stock Exchange ("NYSE") trading day, the next trading day. If the net asset value of the common stock at the time of valuation exceeds the market price of the common stock, participants will receive shares from the Fund valued at market price. If the Fund should declare a dividend or capital gains distribution payable only in cash, Computershare will buy common stock in the open market, or on the NYSE or



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elsewhere, for the participants' accounts, except that Computershare will endeavor to terminate purchases in the open market and cause the Fund to issue shares at net asset value if, following the commencement of such purchases, the market value of the common stock exceeds the then current net asset value.

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

### VOLUNTARY CASH PURCHASE PLAN

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

Participants in the Voluntary Cash Purchase Plan have the option of making additional cash payments to Computershare for investments in the Fund's shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. Computershare will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. Computershare will charge each shareholder who participates \$0.75, plus a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that any voluntary cash payments be sent to Computershare, P.O. Box 43010, Providence, RI 02940-3010 such that Computershare receives such payments approximately 10 days before the 1st and 15th of the month. Funds not received at least five days before the investment date shall be held for investment until the next purchase date. A payment may be withdrawn without charge if notice is received by Computershare at least 48 hours before such payment is to be invested.

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

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

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

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The Annual Meeting of The Gabelli Equity Trust's shareholders will be held at 9:00 A.M. on Monday, May 14, 2007 at the Greenwich Library in Greenwich, Connecticut.

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

DIRECTORS

Mario J. Gabelli, CFA  
 CHAIRMAN & CHIEF EXECUTIVE OFFICER,  
 GAMCO INVESTORS, INC.

Dr. Thomas E. Bratter  
 PRESIDENT, JOHN DEWEY ACADEMY

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

James P. Conn  
 FORMER 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

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

Peter D. Goldstein  
 CHIEF COMPLIANCE OFFICER

James E. McKee  
 SECRETARY

Agnes Mullady  
 TREASURER

LoAn P. Nguyen  
 VICE PRESIDENT & OMBUDSMAN

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

CUSTODIAN  
 Mellon Trust of New England, N.A.

COUNSEL  
 Willkie Farr & Gallagher LLP

TRANSFER AGENT AND REGISTRAR  
 Computershare Trust Company, N.A.

STOCK EXCHANGE LISTING

	Common	Pre
	-----	----
NYSE-Symbol:	GAB	GA
Shares Outstanding:	168,756,272	4,9

The Net Asset Value per share appears in the Publicly Traded Funds column, under the heading "General Equity Funds," in Monday's The Wall Street Journal. It is also listed in the Mutual Funds/Closed End Funds section of the Journal, under the heading "General Equity Funds".

The Net Asset Value per share may be obtained by calling (914) 921-5070.

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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  
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Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may, from time to time, purchase shares of its common stock in the open market when the Fund's shares are trading at a discount of 10% or more from the net asset value of the shares. The Fund may also, from time to time, purchase shares of its Series B, Series D, and Series F Cumulative Preferred Stock in the open market when the shares are trading at a discount to the Liquidation Value of \$25.00.  
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THE GABELLI EQUITY TRUST INC.  
ONE CORPORATE CENTER, RYE, NY 10580-1422

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

GAB Q4/2006

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.
- (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 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

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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 Item 3 of Form N-CSR.

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

#### AUDIT FEES

- (a) 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 \$88,558 for 2005 and \$53,500 for 2006.

#### AUDIT-RELATED FEES

- (b) 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 \$20,600 for 2005 and \$20,600 for 2006. Audit-related fees represent services provided in the preparation of Preferred Shares Reports.

#### TAX FEES

- (c) 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 \$2,880 for 2005 and \$3,100 for 2006. Tax fees represent tax compliance services provided in connection with the review of the Registrant's tax returns.

#### ALL OTHER FEES

- (d) 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 2005 and \$48,000 for 2006. Other fees include fees for issuance of consents, comfort letters in connection with the preferred share offerings.
- (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 registered public accounting firm to the registrant and (ii) all permissible non-audit services to be provided by the independent registered public accounting firm to the Adviser, Gabelli Funds, LLC, and any affiliate of Gabelli Funds, LLC ("Gabelli") that provides services to the registrant (a "Covered Services Provider") if the independent registered public accounting firm's engagement related

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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 the 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 permissible non-audit services were not recognized by the registrant at the time of the engagement to be non-audit services; and (ii) such services are promptly brought to the attention of the Committee and approved by the Committee or 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) 100%

(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 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 for 2005 and \$0 for 2006.

(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 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.

The registrant has a separately designated audit committee consisting of the following members: Anthony J. Colavita, Anthony R Pustorino and Salvatore J.

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Zizza.

### ITEM 6. SCHEDULE OF INVESTMENTS.

Schedule of Investments in securities of unaffiliated issuers as of the close of the reporting period is included as part of the report to shareholders filed under Item 1 of this form.

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

The Proxy Voting Policies are attached herewith.

#### 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 Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., 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.

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

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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.

### A. CONFLICTS OF INTEREST.

THE ADVISERS HAVE IMPLEMENTED THESE PROXY VOTING PROCEDURES IN ORDER TO PREVENT CONFLICTS OF INTEREST FROM INFLUENCING THEIR PROXY VOTING DECISIONS. BY FOLLOWING THE PROXY GUIDELINES, AS WELL AS THE RECOMMENDATIONS OF ISS, OTHER THIRD-PARTY SERVICES AND THE ANALYSTS OF GABELLI & COMPANY, THE ADVISERS ARE ABLE TO AVOID, WHEREVER POSSIBLE, THE INFLUENCE OF POTENTIAL CONFLICTS OF INTEREST. NEVERTHELESS, CIRCUMSTANCES MAY ARISE IN WHICH ONE OR MORE OF THE ADVISERS ARE FACED WITH A CONFLICT OF INTEREST OR THE APPEARANCE OF A CONFLICT OF INTEREST IN CONNECTION WITH ITS VOTE. IN GENERAL, A CONFLICT OF INTEREST MAY ARISE WHEN AN ADVISER KNOWINGLY DOES BUSINESS WITH AN ISSUER, AND MAY APPEAR TO HAVE A MATERIAL CONFLICT BETWEEN ITS OWN INTERESTS AND THE INTERESTS OF THE SHAREHOLDERS OF AN INVESTMENT COMPANY MANAGED BY ONE OF THE ADVISERS REGARDING HOW THE PROXY IS TO BE VOTED. A CONFLICT ALSO MAY EXIST WHEN AN ADVISER HAS ACTUAL KNOWLEDGE OF A MATERIAL BUSINESS ARRANGEMENT BETWEEN AN ISSUER AND AN AFFILIATE OF THE ADVISER.

IN PRACTICAL TERMS, A CONFLICT OF INTEREST MAY ARISE, FOR EXAMPLE, WHEN A PROXY IS VOTED FOR A COMPANY THAT IS A CLIENT OF ONE OF THE ADVISERS, SUCH AS GAMCO ASSET MANAGEMENT INC. A CONFLICT ALSO MAY ARISE WHEN A CLIENT OF ONE OF THE ADVISERS HAS MADE A SHAREHOLDER PROPOSAL IN A PROXY TO BE VOTED UPON BY ONE OR MORE OF THE ADVISERS. THE DIRECTOR OF PROXY VOTING SERVICES, TOGETHER WITH THE LEGAL DEPARTMENT, WILL SCRUTINIZE ALL PROXIES FOR THESE OR OTHER SITUATIONS THAT MAY GIVE RISE TO A CONFLICT OF INTEREST WITH RESPECT TO THE VOTING OF PROXIES.

### A. OPERATION OF PROXY VOTING 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 present their viewpoints. IF THE DIRECTOR OF PROXY VOTING SERVICES or the Legal Department believe 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

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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

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



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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.

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

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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 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:

The back of the VAF is stamped indicating that we wish to vote in person. The forms are then sent overnight to ADP. ADP issues individual legal proxies and sends them back via overnight (or the Adviser can pay messenger charges). 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."

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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.
- 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 GAMCO INVESTORS, 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:

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- 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 audit.

### 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
  - 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

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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.

### 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.

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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.

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.

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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.

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. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

### PORTFOLIO MANAGER

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Mr. Mario J. Gabelli, CFA, is primarily responsible for the day-to-day management of The Gabelli Equity Trust Inc., (the Trust). Mr. Gabelli has served

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as Chairman, Chief Executive Officer, and Chief Investment Officer -Value Portfolios of GAMCO Investors, Inc. and its affiliates since their organization.

Additionally, Mr. Caesar M. P. Bryan manages a portion of the Trust's assets. Mr. Bryan is a Senior Vice President and Portfolio Manager with GAMCO Asset Management Inc. (a wholly owned subsidiary of GAMCO Investors, Inc.) since 1994.

### MANAGEMENT OF OTHER ACCOUNTS

The table below shows the number of other accounts managed by the Portfolio Managers and the total assets in each of the following categories: registered investment companies, other paid investment vehicles and other accounts. For each category, the table also shows the number of accounts and the total assets in the accounts with respect to which the advisory fee is based on account performance.

Name of Portfolio Manager or Team Member	Type of Accounts	Total No. of Accounts Managed	Total Assets	No. of Ac where Ad Fee is Ba Perform
1. Mario J. Gabelli	Registered Investment Companies:	21	\$11.8B	5
	Other Pooled Investment Vehicles:	17	\$714.9M	16
	Other Accounts:	1818	\$11.0B	6
2. Caesar M.P. Bryan	Registered Investment Companies:	5	\$1.5B	0
	Other Pooled Investment Vehicles:	1	\$4.0M	1
	Other Accounts:	5	\$50.5M	0

### POTENTIAL CONFLICTS OF INTEREST

As reflected above, the Portfolio Managers manage accounts in addition to the Trust. Actual or apparent conflicts of interest may arise when a Portfolio Manager also has day-to-day management responsibilities with respect to one or more other accounts. These potential conflicts include:

ALLOCATION OF LIMITED TIME AND ATTENTION. As indicated above, the Portfolio Managers manage multiple accounts. As a result, they will not be able to devote all of their time to management of the Trust. The Portfolio Manager, therefore, may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the



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case if he were to devote all of his attention to the management of only the Trust.

ALLOCATION OF LIMITED INVESTMENT OPPORTUNITIES. As indicated above, the Portfolio Managers manage managed accounts with investment strategies and/or policies that are similar to the Trust. In these cases, if he identifies an investment opportunity that may be suitable for multiple accounts, a Fund may not be able to take full advantage of that opportunity because the opportunity may be allocated among all or many of these accounts or other accounts managed primarily by other Portfolio Managers of the Adviser, and their affiliates. In addition, in the event the Portfolio Manager determines to purchase a security for more than one account in an aggregate amount that may influence the market price of the security, accounts that purchased or sold the security first may receive a more favorable price than accounts that made subsequent transactions.

SELECTION OF BROKER/DEALERS. Because of Mr. Gabelli's position with the Distributor and his indirect majority ownership interest in the Distributor, he may have an incentive to use the Distributor to execute portfolio transactions for a Fund.

PURSUIT OF DIFFERING STRATEGIES. At times, the Portfolio Manager may determine that an investment opportunity may be appropriate for only some of the accounts for which he exercises investment responsibility, or may decide that certain of the funds or accounts should take differing positions with respect to a particular security. In these cases, he may execute differing or opposite transactions for one or more accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment of one or more other accounts.

VARIATION IN COMPENSATION. A conflict of interest may arise where the financial or other benefits available to the Portfolio Managers differ among the accounts that they manage. If the structure of the Adviser's management fee or the Portfolio Manager's compensation differs among accounts (such as where certain accounts pay higher management fees or performance-based management fees), the Portfolio Manager may be motivated to favor certain accounts over others. The Portfolio Manager also may be motivated to favor accounts in which he has an investment interest, or in which the Adviser, or their affiliates have investment interests. Similarly, the desire to maintain assets under management or to enhance a Portfolio Manager's performance record or to derive other rewards, financial or otherwise, could influence the Portfolio Manager in affording preferential treatment to those accounts that could most significantly benefit the Portfolio Manager. For example, as reflected above, if the Portfolio Manager manages accounts which have performance fee arrangements, certain portions of his compensation will depend on the achievement of performance milestones on those accounts. The Portfolio Manager could be incented to afford preferential treatment to those accounts and thereby be subject to a potential conflict of interest.

The Adviser, and the Funds have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Adviser and their staff members. However, there is no guarantee that such policies and procedures will be able to detect and prevent every situation in which an actual or potential conflict may arise.

### COMPENSATION STRUCTURE FOR MARIO J. GABELLI

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Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Adviser for managing the Trust. Net revenues are determined by deducting from gross investment management fees the firm's expenses (other than Mr. Gabelli's compensation) allocable to this Trust. Five

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closed-end registered investment companies (including this Trust) managed by Mr. Gabelli have arrangements whereby the Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred stock (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met. Additionally, he receives similar incentive based variable compensation for managing other accounts within the firm and its affiliates. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. One of the other registered investment companies managed by Mr. Gabelli has a performance (fulcrum) fee arrangement for which his compensation is adjusted up or down based on the performance of the investment company relative to an index. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component is based on a percentage of net revenues to the investment adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Adviser's parent company, GBL, Mr. Gabelli also receives ten percent of the net operating profits of the parent company. He receives no base salary, no annual bonus, and no stock options.

### COMPENSATION STRUCTURE FOR CAESAR M. P. BRYAN

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The compensation of Mr. Bryan for the Trust is structured to enable the Adviser to attract and retain highly qualified professionals in a competitive environment. The Portfolio Manager receives a compensation package that includes a minimum draw or base salary, equity-based incentive compensation via awards of stock options, and incentive based variable compensation based on a percentage of net revenue received by the Adviser for managing the Trust to the extent that the amount exceeds a minimum level of compensation. Net revenues are determined by deducting from gross investment management fees certain of the firm's expenses (other than the Portfolio Managers' compensation) allocable to the Trust (the incentive-based variable compensation for managing other accounts is also based on a percentage of net revenues to the investment adviser for managing the account). This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of equity-based incentive and incentive-based variable compensation is based on an evaluation by the Adviser's parent, GBL, of quantitative and qualitative performance evaluation criteria. This evaluation takes into account, in a broad sense, the performance of the accounts managed by the Portfolio Manager, but the level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. Generally, greater consideration is given to the performance of larger accounts and to longer term performance over smaller accounts and short-term performance.

### OWNERSHIP OF SHARES IN THE FUND

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Mario Gabelli and Caesar M. P. Bryan owned over \$1,000,000 and \$0, respectively, of shares of the Trust as of December 31, 2006.

(B) Not applicable.

### ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT

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COMPANY AND AFFILIATED PURCHASERS.  
REGISTRANT PURCHASES OF EQUITY SECURITIES

PERIOD	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) APP SHAR BE
Month #1 07/01/06 through 07/31/06	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Comm Pref Pref
Month #2 08/01/06 through 08/31/06	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Comm Pref Pref
Month #3 09/01/06 through 09/30/06	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Comm Pref Pref
Month #4 10/01/06 through 10/31/06	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A	Comm Pref Pref
Month #5 11/01/06 through 11/30/06	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Comm Pref Pref Pref
Month #6 12/01/06 through 12/31/06	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Comm Pref Pref Pref
Total	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	Common - N/A Preferred Series B - N/A Preferred Series D - N/A Preferred Series F - N/A	N/A

Footnote columns (c) and (d) of the table, by disclosing the following information in the aggregate for all plans or programs publicly announced:

- a. The date each plan or program was announced - The notice of the potential repurchase of common and preferred shares occurs quarterly in the Fund's quarterly report in accordance with Section 23(c) of the Investment Company Act of 1940, as amended.
- b. The dollar amount (or share or unit amount) approved - Any or all common shares outstanding may be repurchased when the Fund's common shares are trading at a discount of 10% or more from the net asset value of the shares. Any or all preferred shares outstanding may be repurchased when the

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Fund's preferred shares are trading at a discount to the liquidation value of \$25.00.

- c. The expiration date (if any) of each plan or program - The Fund's repurchase plans are ongoing.
- d. Each plan or program that has expired during the period covered by the table - The Fund's repurchase plans are ongoing.
- e. Each plan or program the registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases. - The Fund's repurchase plans are ongoing.

### ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's Board of Directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) of Schedule 14A (17 CFR 240.14a-101)), or this Item.

### ITEM 11. 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 second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

### ITEM 12. 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 to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a) (3) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

### SIGNATURES

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

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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.  
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By (Signature and Title)\* /s/ Bruce N. Alpert  
-----

Bruce N. Alpert, Principal Executive Officer

Date 03/01/2007  
-----

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

Date 03/01/2007  
-----

By (Signature and Title)\* /s/ Agnes Mullady  
-----

Agnes Mullady, Principal Financial Officer and  
Treasurer

Date 03/01/2007  
-----

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