

GABELLI UTILITY TRUST
Form N-30D
March 08, 2002

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LOGO OF MOUNTAINS AND THE GABELLI UTILITY TRUST OMITTED

ANNUAL REPORT
DECEMBER 31, 2001

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

INVESTMENT OBJECTIVE:

The Gabelli Utility Trust is a closed-end, non-diversified management investment company whose primary objectives are long-term growth of capital and income. The Utility Trust will invest in companies that provide products, services or equipment for the generation or distribution of electricity, gas and water. Additionally, the Utility Trust will invest in companies in telecommunications services or infrastructure operations.

THIS REPORT IS PRINTED ON RECYCLED PAPER.

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PHOTO OF MARIO J. GABELLI OMITTED

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TO OUR SHAREHOLDERS,

In our view the major investment theme for electric, gas and telephone utilities can be summed up in two words: size matters. Electric generators with a large and geographically diverse portfolio of generating plants can trade around their structural long positions to enhance returns while avoiding the risk of asset concentration in a single market that experiences a hiccup, as all markets do from time to time. Electric, gas and telephone distribution companies can spread their substantial fixed costs over a larger base of customers, and see the cost per customer decline, enhancing earnings while reducing prices. The current unsettled market conditions seem to have caused the consolidation activity seen over the past several years to slow for a while, but the underlying economics continue to point to continuing merger and acquisition activity over time. Things seem to be picking up a bit already, and if Congress cooperates, which is always a big question mark, we could be off to the races next year.

PREMIUM / DISCOUNT DISCUSSION

As a refresher to our shareholders, the price of a closed-end mutual fund

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is determined in the open market by willing buyers and sellers. Shares of the Trust trade on the New York Stock Exchange and may trade at a premium to (higher than) net asset value ("NAV") (the market value of the Trust's underlying portfolio) or a discount to (lower than) net asset value. Of the 470 closed-end funds in the U.S., approximately 30% currently trade at premiums to NAV versus 24% five years ago and 18% ten years ago.

Ideally, the Trust's market price will generally track the NAV. The Trust's premium or discount to NAV fluctuates over time. Over our Trust's 2 1/2-year history, the range fluctuated from a 2% discount in October 2000 to a 27% premium in December 2001. The average variance from NAV for the Trust since inception is an 8% premium to NAV. Shortly after the inception of the Trust, the market price of the Trust exceeded the NAV and this premium has increased throughout the year.

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

The Trust's long-term investment goal is growth of capital and income. We believe that our stock selection process adds to the investment equation. We have a successful history of investment providing shareholders average annual returns of 8.5% since inception. However, it is important to remember that "Mr. Market" is a pendulum that swings both ways. As the market moves away from momentum investing and back to basics, we believe that an excessive premium for the Trust is not likely to be sustainable.

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EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

PREMIUM/DISCOUNT SINCE INCEPTION

| | |
|-----------|---------|
| | 0.1672 |
| | 0.0816 |
| | 0.1152 |
| | 0.0582 |
| | 0.0117 |
| | 0.0007 |
| Y2k | 0.0375 |
| | 0.0289 |
| | -0.0127 |
| | 0.0417 |
| | -0.0016 |
| | 0.0403 |
| | 0.0016 |
| | 0.0081 |
| | 0.0064 |
| | -0.022 |
| | 0.0003 |
| | 0.0658 |
| Year 2001 | 0.0532 |
| | 0.1445 |
| | 0.0728 |
| | 0.1646 |
| | 0.1409 |
| | 0.1223 |
| | 0.1229 |
| | 0.1643 |
| | 0.1572 |
| | 0.2455 |
| | 0.2414 |
| | 0.2746 |

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INVESTMENT RESULTS (a)

| | | Quarter | | | | |
|-------|-----------------------|---------|--------|----------|--------|----------|
| | | 1st | 2nd | 3rd | 4th | Year |
| 2001: | Net Asset Value | \$7.83 | \$7.93 | \$7.38 | \$7.32 | \$7.32 |
| | Total Return | (2.8)% | 3.1% | (5.2)% | 2.1% | (3.2)% |
| 2000: | Net Asset Value | \$7.66 | \$7.63 | \$8.26 | \$8.21 | \$8.21 |
| | Total Return | 2.6% | 1.5% | 10.3% | 6.3% | 22.0% |
| 1999: | Net Asset Value | -- | -- | \$7.51 | \$7.62 | \$7.62 |
| | Total Return | -- | -- | 0.1% (c) | 3.5% | 3.6% (c) |

Average Annual Returns - December 31, 2001

| | Average Annual NAV Return (a) | Average Annual Investment Return (b) |
|------------------------|-------------------------------|--------------------------------------|
| 1 Year | (3.15)% | 15.82% |
| Life of Fund (c) | 8.49% | 16.58% |

(a) Life of Fund return based on initial net asset value of \$7.50. Total returns and average annual returns reflect changes in net asset value and reinvestment of distributions and are net of expenses. Of course, the returns noted 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.

(b) Life of Fund return based on initial offering price of \$7.50. Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange and reinvestment of distributions.

(c) From commencement of investment operations on July 9, 1999.

INVESTMENT PERFORMANCE

For the fourth quarter ended December 31, 2001, The Gabelli Utility Trust's (the "Trust") net asset value ("NAV") rose 2.06% after adjusting for the reinvestment of the \$0.25 per share in distributions. The Standard & Poor's ("S&P") Utility Index and the Lipper Utility Fund Average declined 3.26% and 0.74%, respectively, over the same period. The S&P Utility Index is an unmanaged indicator of electric and gas utility stock performance, while the Lipper Average reflects the average performance of open-end mutual funds classified in this particular category.

The Trust fell 3.15% during 2001 after adjusting for the reinvestment of the \$0.70 per share in distributions. The S&P Utility Index and the Lipper

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Utility Fund Average fell 30.43% and 21.24%, respectively, over the same twelve-month period. Since inception on July 9, 1999 through December 31, 2001, the Trust had a cumulative total return of 22.44%, including adjustments of \$1.85 per share in distributions, which equates to an average annual total return of 8.49%.

The Trust's shares of beneficial interest ended the fourth quarter at \$9.33 per share on the New York Stock Exchange, a premium to the net asset value of 27.46% and a total return of 12.41% for the fourth quarter. The Trust's common shares rose 15.82% during 2001 after adjusting for all distributions.

OUR APPROACH

There are nearly 80 publicly traded investor-owned electric utilities in the U.S., and this is at least 50 more than we need from the standpoint of economic efficiency. Stand-alone natural gas distribution companies make no economic sense either; the combination utility model is clearly better. The balkanized structure of the industry is inherently inefficient, and competitive forces are now putting pressure on the marginal players. The big companies feel the need to get bigger to achieve scale economies, and the small companies are selling out as the cost of staying in the game rises. It is only because of a complex and lengthy merger review and approval process that the industry remains as fragmented as it is. Our investments in regulated utility companies have primarily, though not exclusively, focused on fundamentally sound, reasonably

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priced mid-cap and small-cap utilities that are likely acquisition targets for large utilities seeking to bulk up. We also like the beneficiaries of developing trends. This has led to our ongoing focus on incumbent local telecommunications companies, natural gas pipelines and storage operators, and wholesale electric generators, another group that is in our opinion increasingly ripe for consolidation.

COMMENTARY

People tell me that utilities are boring, and I always dispute it. The good utilities are boring. They provide safe, reliable service in good weather and in bad, and earn steady, predictable returns on investment. They pay decent dividends to shareholders. They take prudent risks in the expectation of earning reasonable returns. They try to stay out of the papers. They are Clark Kent, not Superman. They are as dull as dishwater.

The bad utilities are fascinating, each in their own miserable way. Their badness usually comes from over-reaching, from trying to be different and more than they basically are. Which brings me to Enron. In November, Enron, the pipeline that morphed into a hedge fund, went bankrupt. It was the largest bankruptcy in U.S. history, and proved to be larger than initially thought. The billions in debt that the company took such pains to conceal from its investors, auditors, counterparties and debt rating agencies returned with the bankruptcy filing to the scene of the crime, Enron's balance sheet. The unedifying spectacle of creditors squabbling over the assets is under way, Enron's senior officers are desperately trying to blame each other for the collapse, and Congress is convening hearings. Tens of thousands of innocent, hard-working employees who thought that they worked for the greatest company in the energy industry are suddenly out of work and out of luck. Employee 401K accounts were loaded with Enron stock that legally could not be sold by holders who watched

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helplessly as it circled, and then fell into the abyss. A year ago, Enron sported the largest market capitalization in the utility universe, and by itself carried a weighting of 19% of the Standard & Poor's ("S&P") Utility Index. Today the stock trades at under \$1.00 per share, and is on its way to zero. The Enron story has it all: pride, greed, lies, humiliation and tragedy. You can't call it boring. No way.

Opponents of deregulation, and there are many, will point to Enron's collapse as the inevitable result of competition in electric and gas markets. This is self-serving nonsense, but that won't matter in the short run. The witch-hunt is under way, and the movement towards competitive wholesale energy markets has suffered a major blow. This presents major challenges for industry participants, and that includes us as investors and as consumers. We can live with unbridled competition. We can live with fully regulated markets, although at some considerable cost. The real danger is that we could, as a nation, end up with "managed competition" where companies continue to have the obligation to serve, and must manage competitive risk in markets where the costs of bad luck or bad decisions are borne by investors, while the benefits of good luck or wise decisions are truncated by regulation. A "market" where companies earn only their cost of capital when everything goes right and are exposed to unlimited downside when everything does not is not going to attract capital.

We are seeing this already. In December and January, many competitive generators, including Mirant, American Electric Power, Allegheny Power, PPL and Calpine, slashed their plans to build new generating assets. In its January conference call, PPL cited the price caps imposed by federal and state regulators in response to shortage-induced price spikes as a major factor in its decision to reduce its investment in competitive generation. At the moment, there is plenty of capacity because the economy is weak and the weather is warm, so demand is low. A couple of years down the road, with normal economic growth, the shoes are going to pinch. At the moment the U.S. is stalled halfway down the road to fully competitive energy markets, with no energy policy. We saw earlier this year that it takes a crisis to break a political impasse, but in the midst of a crisis it is very hard to take the long view of the nation's ultimate best interests. In the "price spike" crisis early in 2001 (how long ago it seems!), the imposition of price caps was the only tangible result, and the caps did bring prices down. The rationing of capacity that will result in a couple of years will not, in the public's mind, be connected with the price caps that caused it. We live in interesting times.

In the current unsettled environment, vanilla has been the flavor of the year. The utility stocks that have performed well have been the low-risk, slow-growth Steady Eddies: the electric and gas distribution companies with little or no competitive market presence. As is so often the case, the stocks for which expectations were highest early in the year have done the worst: the wholesale generators and the natural gas pipelines. A year ago, the competitive generators traded at 20 to 35 times 2001 earnings estimates, the gas pipelines traded at 16 to 45 times 2001 earnings estimates, and the plain vanilla utilities traded at 11 to 13 times earnings. Today the plain vanilla utilities trade about where they were a year ago while the wholesale generators

trade at 8 to 10 times greatly reduced estimates and the dwindling universe of pipelines trade at 10 to 12 times 2001 estimates. The vanilla utilities trade at 2 to 3 times earnings growth while the generators and pipelines trade at less than 1 times earnings growth, because investors are skeptical about the companies' ability to deliver that growth.

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You can see where I'm going with this. The Trust is buying shares of beaten-down wholesale generators today. When natural gas commodity prices crack in the spring, as we currently expect, we plan to buy some pipeline names. We don't expect the generating companies or the pipelines to get back to prior highs, which represented extreme overvaluation on unrealistic earnings expectations. Today, however, expectations are a lot more realistic and valuations are compelling. Warts and all, these stocks have gotten very cheap.

FINANCIAL ENGINEERING -- ONE OF OUR CATALYSTS

A component of our investment methodology is to identify industry and sector trends and themes ahead of the curve and position ourselves to take advantage of these developments. Consolidation in a particular industry is one such dynamic. As we have shared with you in previous quarterly letters, the activity in mergers and acquisitions, albeit slow, contributed significantly to the performance of our Trust. The accompanying table illustrates how deal activity surfaced value in a small sample of the portfolio holdings.

2001 COMPLETED DEALS

| TRUST HOLDING ----- | NUMBER OF SHARES (a) ----- | AVERAGE COST PER SHARE (b) ----- | CLOSING PRICE (c) ----- | CLOSING DATE ----- |
|------------------------------------|----------------------------------|--|-------------------------------|-----------------------|
| FIRST QUARTER 2001 DEALS ----- | | | | |
| Azurix Corp. | 500,000 | \$7.26 | \$8.38 | 03/19/01 |
| SECOND QUARTER 2001 DEALS ----- | | | | |
| Powertel Inc. | 5,037 | 53.60 | 59.05 | 05/23/01 |
| MCN Energy Group Inc. | 18,000 | 21.78 | 27.22 | 05/30/01 |
| FOURTH QUARTER 2001 DEALS ----- | | | | |
| Bangor Hydro-Electric Co. | 85,000 | 20.03 | 26.78 | 10/11/01 |
| Louis Dreyfus Natural Gas Corp. | 20,000 | 39.58 | 39.60 | 11/01/01 |
| GPU Inc. | 8,000 | 30.29 | 40.71 | 11/06/01 |
| Canadian Hunter Exploration Ltd. | 50,000 | 33.39 | 33.70 | 12/03/01 |

- (a) Number of shares held by the Trust on the final day of trading for the issuer.
- (b) Average purchase price of issuer's shares held by the Trust on the final day of trading for the issuer.
- (c) Closing price on the final day of trading for the issuer or the tender price on the closing date of the tender offer.
- (d) Represents average estimated return based on average cost per share and closing price per share.

NOTE: SEE THE PORTFOLIO OF INVESTMENTS FOR A COMPLETE LISTING OF HOLDINGS.

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LET'S TALK STOCKS

The following are stock specifics on selected holdings of our Trust. Favorable earnings prospects do not necessarily translate into higher stock prices, but they do express a positive trend that we believe will develop over time.

BROADWING INC. (BRW - \$9.50 - NYSE) located in Cincinnati, OH, received its new name in 1999 when local phone provider Cincinnati Bell made a \$3.2 billion acquisition of IXC Communications and gained access to a nation-wide all optical fiber network. Broadwing's Cincinnati-based operations include one million local phone lines and about 480,000 wireless customers through its 80% ownership of a wireless joint venture with AT&T Wireless Services (AWE - \$14.37 - NYSE). Broadwing also offers long distance voice and broadband data services to other carriers and enterprise accounts on a nation-wide basis. Broadwing's incumbent local exchange carrier's ("ILEC") operations are surrounded by SBC Communications (SBC - \$39.17 - NYSE)/Ameritech's local footprint.

CENTURYTEL INC. (CTL - \$32.80 - NYSE), based in Monroe, Louisiana, is the eighth largest local telephone company in the U.S., with over 1.8 million access lines in the South and Midwest. CenturyTel also has over 740,000 cellular customers. Through acquisitions, CTL has created clusters of rural telephone and cellular companies within commuting distance of metropolitan areas in states including Wisconsin, Michigan, Ohio, Louisiana and Arkansas. With the \$2.2 billion acquisition of Portland-based Pacific Telecom, CenturyTel has added seven states, ten cellular markets and 640,000 access lines to its customer base. The acquired operations have nearly doubled Century's revenues. The company has recently announced acquisition of 675,000 additional access lines from Verizon for \$2.15 billion. Century also announced its decision to divest its wireless operations and focus on growing its rural wireline operations. In July, the company received an unsolicited bid from Alltel (AT - \$61.73 - NYSE) to acquire CenturyTel for \$43 per share in cash and Alltel stock. CenturyTel management has rejected Alltel's offer.

CINERGY CORP. (CIN - \$33.43 - NYSE) is another consolidation play. Cinergy has been to the altar more times than Billy Bob Thornton (or Elizabeth Taylor for our more senior shareholders), but never quite got the deal done. The stumbling block has been, as always, "social issues." The logjam may be breaking, however, given the burgeoning stock and option position of Cinergy's senior management team. Cinergy has a mouthwatering portfolio of very low cost coal-fired generating plants, an opportunity to make a lot of money in the deregulating Ohio wholesale generating market, and transmission access that is highly strategic to a bigger buyer. The stock is cheap at 12 times consensus 2002 EPS of \$2.80. We think that the stock is cheap because investors have been waiting so long for the sale that many have given up and moved on.

CONSTELLATION ENERGY GROUP INC. (CEG - \$26.55 - NYSE) is a position that was initiated in October at about the current price. The stock is a fallen angel. Constellation had grandiose plans to split off the competitive generation business as a separate publicly traded stock. In October, as the generating companies' stocks cratered, the company reversed its strategy and flushed its entire senior management team. The new management and strategy will be unveiled at an analyst meeting in January. The company expects to earn \$2.70 in 2002 and should be earning at least \$3.00 in 2003. The stock is statistically cheap but will remain under a cloud until the company starts to deliver results in line with expectations. We expect a dividend increase related to the company's new, lower risk strategy to be announced shortly, which should give the stock some yield support.

NIAGARA MOHAWK HOLDINGS INC. (NMK - \$17.73 - NYSE) agreed to be acquired by the National Grid of the U.K. in August 2000 for \$19 per share in cash and stock. The acquisition is expected to close shortly. The New York regulators recently

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approved the merger. The company's revenue growth prospects are minimal, but its operations are inefficient and its cost structure is bloated. The Grid expects to be able to reduce Niagara Mohawk's cost base by 10% or \$90 million. Assuming that the Grid attains its cost reduction targets, which we think are readily attainable, the acquisition will be accretive to the Grid's EPS in the first year.

ONEOK INC. (OKE - \$17.84 - NYSE) is pronounced "wun-oke," not "oh-nee-ock." One company, in Oklahoma. Get it? We didn't, either. No matter. The Trust initiated a position in ONEOK late in the third quarter. The stock had fallen along with natural gas prices, and then got shredded when S&P dropped the company from the S&P 500 Index. The index funds had to sell; we bought. We're looking for a sale. Western Resources owns 45% of ONEOK and would like to sell. They have two problems: first, avoiding capital gains taxes and second, keeping the sale proceeds away from the sticky fingers of the Kansas regulators. Both problems are difficult but not impossible. We think that ONEOK management would be amenable to an approach from a buyer willing to

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structure a bid such that shareholders, customers and management all benefit. Possible buyers include Utilicorp (UCU - \$25.17 - NYSE), Oklahoma Gas & Electric and American Electric Power (AEP - \$43.53 - NYSE), among others.

RGS ENERGY GROUP INC. (RGS - \$37.60 - NYSE) is a small electric and gas utility serving metropolitan Rochester, NY, a city that is the economic hub of upstate New York. In February, 2001 RGS agreed to be acquired by Energy East, its upstate neighbor, for \$39.50 per share. We support this deal. RGS got a good premium for its shareholders while mitigating lingering concerns about the deteriorating outlook for major industrial customers, including Xerox and Eastman Kodak. Energy East is paying a reasonable multiple and is acquiring a company with increasingly valuable and strategic generation assets and a service territory that presents ample scope for cost reduction over time.

SCANA CORP. (SCG - \$27.83 - NYSE) is the parent company of South Carolina Electric & Gas. It generates and distributes electricity to more than 537,000 South Carolina households and businesses. It provides natural gas to nearly 1.1 million customers in North Carolina, South Carolina and Georgia. The company was able to monetize its telecommunications ventures this past spring through the acquisition of VoiceStream Wireless and Powertel by Deutsche Telekom. SCANA is a small company surrounded by much larger utilities: Duke and Progress to the north, and Southern Company to the south. Either Progress or Southern would acquire SCANA in a heartbeat if management was willing to sell. Unfortunately, in our view, the company is determined to remain independent for the foreseeable future.

SEMCO ENERGY INC. (SEN - \$10.75 - NYSE) is a diversified energy and infrastructure company distributing gas to over 367,000 customers in Michigan and Alaska. It also has businesses involved in gas engineering services including pipeline construction and natural gas storage in various regions throughout the United States. The company's propane division is one of the largest suppliers in the Upper Peninsula of Michigan.

SJW CORP. (SJW - \$85.29 - AMEX) is a California water utility serving San Jose. In 1999 the company agreed to sell out to American Water Works (AWK - \$41.75 - NYSE) for more than \$100 per share. American Water Works itself is now being acquired by the German utility giant RWE (RWEQY - \$37.75 - Nasdaq BB). SJW's sale ran into state regulatory problems and American Water Works walked away last year. SJW is going to be sold eventually, and we think that California

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Water Service Group (CWT - \$25.75 - NYSE) is the best buyer. SJW trades at a moderate premium because its near term earnings are depressed and because takeover speculation continues to circulate. With normal weather we expect the company to earn about \$5.00 per share this year.

MONTHLY DISTRIBUTIONS

The Trust previously had a \$0.05 per share monthly distribution policy in place when the monthly distribution was increased by 20% to \$0.06 per share beginning in October 2001. The Trust paid an incremental distribution of \$0.07 per share to shareholders on December 27, 2001 that allows the Trust to avoid the imposition of Federal income and excise tax on undistributed taxable income.

WWW.GABELLI.COM

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

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

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

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

| | FEBRUARY ----- | MARCH ----- | APRIL ----- |
|---------------|--------------------------------|------------------------------|----------------|
| 1st Wednesday | Charles Minter & Martin Weiner | Henry van der Eb | Susan Br |
| 2nd Wednesday | Ivan Arteaga | Walter Walsh & Laura Linehan | Lynda Ca |
| 3rd Wednesday | Tim O'Brien | Tim O'Brien | Caesar B |
| 4th Wednesday | Barbara Marcin | Barbara Marcin | Barbara |

All chat sessions start at 4:15 ET. Please arrive early, as participation is limited.

You may sign up for our HIGHLIGHTS e-mail newsletter at www.gabelli.com and receive early notice of chat sessions, closing mutual fund prices, news events and media sightings.

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

February 5, 2002

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SELECTED HOLDINGS
DECEMBER 31, 2001

| | |
|---------------------------------|-----------------------|
| Broadwing Inc. | ONEOK Inc. |
| CenturyTel Inc. | RGS Energy Group Inc. |
| Cinergy Corp. | SCANA Corp. |
| Constellation Energy Group Inc. | SEMCO Energy Inc. |
| Niagara Mohawk Holdings Inc. | SJW Corp. |

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

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THE GABELLI UTILITY TRUST
PORTFOLIO OF INVESTMENTS
DECEMBER 31, 2001

| SHARES | | COST | MARKET VALUE |
|---------|--|------------|-----------------|
| ----- | | ----- | ----- |
| | COMMON STOCKS -- 76.6% | | |
| | AGRICULTURE -- 0.1% | | |
| 10,600 | Cadiz Inc.+ | \$ 95,339 | \$ 85,012 |
| | | ----- | ----- |
| | COMMUNICATIONS EQUIPMENT -- 0.3% | | |
| 40,000 | Furukawa Electric Co. Ltd. | 628,930 | 212,422 |
| | | ----- | ----- |
| | ENERGY AND UTILITIES: ELECTRIC-- 28.4% | | |
| 12,000 | AES Corp.+ | 359,036 | 196,200 |
| 10,000 | Calpine Corp.+ | 160,326 | 167,900 |
| 70,000 | Cinergy Corp. | 2,106,153 | 2,340,100 |
| 10,000 | Cleco Corp. | 153,250 | 219,700 |
| 115,000 | Conectiv Inc. | 2,019,821 | 2,816,350 |
| 55,000 | DPL Inc. | 1,152,088 | 1,324,400 |
| 20,219 | DTE Energy Co. | 886,992 | 847,985 |
| 164,900 | El Paso Electric Co.+ | 1,505,961 | 2,391,050 |
| 12,000 | FPL Group Inc. | 653,346 | 676,800 |
| 52,200 | Maine Public Service Co. | 946,754 | 1,552,950 |
| 240,000 | Niagara Mohawk Holdings Inc.+ | 3,521,249 | 4,255,200 |
| 140,000 | Northeast Utilities | 2,875,426 | 2,468,200 |
| 1,500 | Orion Power Holdings Inc.+ | 28,106 | 39,150 |
| 57,000 | SCANA Corp. | 1,455,381 | 1,586,310 |
| 30,000 | TECO Energy Inc. | 696,545 | 787,200 |
| 25,000 | UIL Holdings Corp. | 1,096,481 | 1,282,500 |
| 20,000 | Unisource Energy Corp. | 236,625 | 363,800 |
| | | ----- | ----- |
| | | 19,853,540 | 23,315,795 |

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| ENERGY AND UTILITIES: INTEGRATED-- 21.4% | | | |
|--|---|------------|------------|
| 13,000 | Allete | 222,463 | 327,600 |
| 40,000 | CH Energy Group Inc. | 1,481,732 | 1,738,800 |
| 70,000 | Constellation Energy Group Inc. | 1,721,293 | 1,858,500 |
| 5,000 | Dominion Resources Inc. | 304,000 | 300,500 |
| 45,000 | DQE Inc. | 1,172,140 | 851,850 |
| 15,000 | Edison International | 165,700 | 226,500 |
| 5,000 | Empire District Electric Co. | 98,000 | 105,000 |
| 18,000 | Entergy Corp. | 505,492 | 703,980 |
| 3,979 | FirstEnergy Corp. | 137,371 | 139,185 |
| 50,000 | Florida Public Utilities Co. | 792,675 | 861,500 |
| 30,000 | Madison Gas & Electric Co. | 621,679 | 793,500 |
| 10,000 | Mirant Corp.+ | 148,693 | 160,200 |
| 30,000 | Montana Power Co. | 512,203 | 172,500 |
| 52,000 | NSTAR | 2,222,019 | 2,332,200 |
| 18,000 | PG&E Corp. | 213,988 | 346,320 |
| 40,000 | Progress Energy Inc. | 20,800 | 17,600 |
| 6,000 | Puget Energy Inc. | 136,670 | 131,340 |
| 95,000 | RGS Energy Group Inc. | 2,522,402 | 3,572,000 |
| 5,000 | Sierra Pacific Resources+ | 68,000 | 75,250 |
| 140,000 | Western Resources Inc. | 2,460,757 | 2,408,000 |
| 7,000 | WPS Resources Corp. | 204,319 | 255,850 |
| 9,000 | Xcel Energy Inc. | 257,790 | 249,660 |
| | | 15,990,186 | 17,627,835 |

| ENERGY AND UTILITIES: NATURAL GAS-- 11.2% | | | |
|---|---------------------------------|---------|---------|
| 35,000 | AGL Resources Inc. | 640,625 | 805,700 |
| 5,000 | Cascade Natural Gas Corp. | 109,218 | 110,250 |
| 2,000 | Chesapeake Utilities Corp. | 36,525 | 39,600 |
| 34,000 | Delta Natural Gas Co. Inc. | 570,349 | 686,800 |
| 5,000 | Dynegy Inc., Cl. A | 105,675 | 127,500 |
| 14,000 | National Fuel Gas Co. | 356,898 | 345,800 |
| 12,000 | Nicor Inc. | 434,475 | 499,680 |
| 40,000 | ONEOK Inc. | 676,494 | 713,600 |

| SHARES | | COST | MARKET VALUE |
|---------|---------------------------------------|------------|-----------------|
| 19,000 | Peoples Energy Corp. | \$ 665,481 | \$ 720,670 |
| 23,000 | Piedmont Natural Gas Co. Inc. | 687,398 | 823,400 |
| 100,000 | SEMCO Energy Inc. | 1,534,170 | 1,075,000 |
| 20,254 | Southern Union Co. | 336,801 | 381,991 |
| 130,000 | Southwest Gas Corp. | 3,288,133 | 2,905,500 |
| | | 9,442,242 | 9,235,491 |

| ENERGY AND UTILITIES: WATER -- 5.9% | | | |
|-------------------------------------|--|---------|---------|
| 8,000 | American States Water Co. | 266,713 | 279,600 |
| 11,000 | Artesian Resources Corp., Cl. A | 257,250 | 340,340 |
| 25,500 | Birmingham Utilities Inc. | 497,726 | 480,675 |
| 20,520 | California Water Service Group | 566,928 | 528,390 |
| 7,500 | Connecticut Water Service Inc. | 146,455 | 221,775 |

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| | | | |
|---------|---|------------|------------|
| 21,200 | Middlesex Water Co. | 615,485 | 719,104 |
| 45,000 | NiSource Inc.+ | 90,000 | 104,400 |
| 5,466 | Pennichuck Corp. | 99,323 | 147,582 |
| 35,000 | Philadelphia Suburban Corp. | 532,452 | 789,250 |
| 13,500 | SJW Corp. | 1,380,854 | 1,151,415 |
| 5,250 | Southwest Water Co. | 52,062 | 74,130 |
| | | ----- | ----- |
| | | 4,505,248 | 4,836,661 |
| | | ----- | ----- |
| | ENVIRONMENTAL SERVICES -- 0.1% | | |
| 12,000 | Catalytica Energy Systems Inc.+ | 183,587 | 54,840 |
| | | ----- | ----- |
| | SATELLITE -- 0.7% | | |
| 40,000 | General Motors Corp., Cl. H+ | 859,107 | 618,000 |
| | | ----- | ----- |
| | TELECOMMUNICATIONS -- 7.5% | | |
| 1,000 | ALLTEL Corp. | 53,560 | 61,730 |
| 15,000 | AT&T Canada Inc., Cl. B+ | 450,053 | 452,850 |
| 10,000 | AT&T Corp. | 207,500 | 181,400 |
| 20,000 | BellSouth Corp. | 833,879 | 763,000 |
| 110,000 | Broadwing Inc.+ | 1,341,641 | 1,045,000 |
| 22,000 | BT Group plc, ADR+ | 915,541 | 808,500 |
| 52,000 | CenturyTel Inc. | 2,016,440 | 1,705,600 |
| 25,000 | Citizens Communications Co.+ | 276,186 | 266,500 |
| 4,000 | Commonwealth Telephone Enterprises Inc.+ | 130,004 | 182,000 |
| 13,700 | Conestoga Enterprises Inc. | 230,199 | 437,716 |
| 12,000 | Deutsche Telekom AG, ADR | 237,061 | 202,800 |
| 2,000 | France Telecom SA, ADR | 68,016 | 79,980 |
| | | ----- | ----- |
| | | 6,760,080 | 6,187,076 |
| | | ----- | ----- |
| | WIRELESS COMMUNICATIONS-- 1.0% | | |
| 20,000 | mm02 plc, ADR+ | 244,185 | 252,000 |
| 52,000 | Nextel Communications Inc., Cl. A+ | 841,333 | 569,920 |
| | | ----- | ----- |
| | | 1,085,518 | 821,920 |
| | | ----- | ----- |
| | TOTAL COMMON STOCKS | 59,403,777 | 62,995,052 |
| | | ----- | ----- |
| | PREFERRED STOCKS -- 0.8% | | |
| | TELECOMMUNICATIONS -- 0.8% | | |
| 15,000 | Citizens Communications Co., 5.00% | 741,191 | 667,500 |
| | | ----- | ----- |

THE GABELLI UTILITY TRUST
PORTFOLIO OF INVESTMENTS (CONTINUED)
DECEMBER 31, 2001

PRINCIPAL
AMOUNT

COST

MARKET
VALUE

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| | | |
|--------------|--|-------------------------|
| ----- | | |
| | CORPORATE BONDS -- 3.5% | |
| | ENERGY AND UTILITIES: INTEGRATED -- 0.9% | |
| \$ 1,000,000 | Mirant Corp., Sub. Deb. Cv. 2.500%, 06/15/21 | \$ 745,058 \$ 755,000 |
| ----- | | |
| | ENVIRONMENTAL SERVICES-- 2.5% | |
| 2,050,000 | Waste Management Inc., Sub. Deb. Cv. 4.000%, 02/01/02 | 2,046,628 2,047,438 |
| ----- | | |
| | TELECOMMUNICATIONS -- 0.1% | |
| 100,000 | Williams Communications Group Inc. 10.875%, 10/01/09 | 41,936 41,500 |
| ----- | | |
| | TOTAL CORPORATE BONDS | 2,833,622 2,843,938 |
| ----- | | |
| | U.S. GOVERNMENT OBLIGATIONS-- 19.2% | |
| 15,807,000 | U.S. Treasury Bills, 1.670% to 2.180%+, 01/03/02 to 02/14/02 | 15,776,656 15,777,694 |
| ----- | | |
| | TOTAL INVESTMENTS-- 100.1% | \$78,755,246 82,284,184 |
| ===== | | |
| | OTHER ASSETS AND LIABILITIES (NET)-- (0.1)% | (86,794) |
| ----- | | |
| | NET ASSETS-- 100.0% | \$82,197,390 |
| ===== | | |
| | NET ASSET VALUE (\$82,197,390 / 11,229,797 shares outstanding) .. | \$7.32 |
| ===== | | |

| | | |
|-------|-------------------------------------|--------------|
| ----- | | |
| | For Federal tax purposes: | |
| | Aggregate cost | \$77,107,553 |
| ===== | | |
| | Gross unrealized appreciation | \$ 9,764,329 |
| | Gross unrealized depreciation | (4,587,698) |
| ----- | | |
| | Net unrealized appreciation | \$ 5,176,631 |
| ===== | | |

+ Non-income producing security.
 ++ Represents annualized yield at date of purchase.
 ADR - American Depositary Receipt.

See accompanying notes to financial statements.

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THE GABELLI UTILITY TRUST
STATEMENT OF ASSETS AND LIABILITIES
DECEMBER 31, 2001

| | |
|--|--------------|
| ASSETS: | |
| Investments, at value (Cost \$78,755,246) | \$82,284,184 |
| Cash | 1,086 |
| Dividends and interest receivable | 267,711 |
| Receivable for investments sold | 14,570 |
| Other assets | 2,003 |
| | ----- |
| TOTAL ASSETS | 82,569,554 |
| | ----- |
| LIABILITIES: | |
| Payable for investments purchased | 98,320 |
| Payable for investment advisory fees | 66,863 |
| Payable for shareholder services fees | 50,000 |
| Payable for shareholder communications expenses | 82,596 |
| Other accrued expenses | 74,385 |
| | ----- |
| TOTAL LIABILITIES | 372,164 |
| | ----- |
| NET ASSETS applicable to 11,229,797 shares outstanding | \$82,197,390 |
| | ===== |
| NET ASSETS CONSIST OF: | |
| Shares of beneficial interest, at par value | \$ 11,230 |
| Additional paid-in capital | 76,934,156 |
| Accumulated net investment income | 26,387 |
| Accumulated net realized gain on investments | 1,696,679 |
| Net unrealized appreciation on investments | 3,528,938 |
| | ----- |
| TOTAL NET ASSETS | \$82,197,390 |
| | ===== |
| NET ASSET VALUE | |
| (\$82,197,390 / 11,229,797 shares outstanding; unlimited number of shares authorized of \$0.001 par value) | \$7.32 |
| | ===== |

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

| | |
|--|--------------|
| INVESTMENT INCOME: | |
| Dividends (net of foreign taxes \$626) | \$ 2,131,715 |
| Interest | 918,404 |
| | ----- |
| TOTAL INVESTMENT INCOME | 3,050,119 |
| | ----- |
| EXPENSES: | |
| Investment advisory fees | 855,435 |
| Shareholder services fees | 354,269 |
| Shareholder communications expenses | 224,083 |
| Payroll | 97,500 |
| Trustees' fees | 50,489 |
| Legal and audit fees | 30,777 |

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| | |
|---|----------------|
| Custodian fees | 20,069 |
| Miscellaneous expenses | 77,379 |
| | ----- |
| TOTAL EXPENSES | 1,710,001 |
| | ----- |
| LESS: CUSTODIAN FEE CREDIT | (1,425) |
| | ----- |
| NET EXPENSES | 1,708,576 |
| | ----- |
| NET INVESTMENT INCOME | 1,341,543 |
| | ----- |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS: | |
| Net realized gain on investments | 2,449,730 |
| Net change in unrealized appreciation/ depreciation on investments | (6,032,844) |
| | ----- |
| NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS | (3,583,114) |
| | ----- |
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS | \$ (2,241,571) |
| | ===== |

STATEMENT OF CHANGES IN NET ASSETS

| | YEAR ENDED DECEMBER 31, 2001 |
|--|---------------------------------|
| | ----- |
| OPERATIONS: | |
| Net investment income | \$ 1,341,543 |
| Net realized gain on investments | 2,449,730 |
| Net change in unrealized appreciation/depreciation on investments | (6,032,844) |
| | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | (2,241,571) |
| | ----- |
| DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS: | |
| Net investment income | (2,323,380) |
| Net realized short-term gain on investments | (3,688,951) |
| Net realized long-term gain on investments | (1,799,825) |
| | ----- |
| TOTAL DISTRIBUTIONS TO COMMON STOCK SHAREHOLDERS | (7,812,156) |
| | ----- |
| TRUST SHARE TRANSACTIONS: | |
| Net increase in net assets from Trust share transactions | 1,581,923 |
| | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS | (8,471,804) |
| NET ASSETS: | |
| Beginning of period | 90,669,194 |
| | ----- |
| End of period (including undistributed net investment income of \$26,387 and \$1,003,382, respectively) | \$82,197,390 |
| | ===== |

See accompanying notes to financial statements.

THE GABELLI UTILITY TRUST
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION. The Gabelli Utility Trust (the "Utility Trust") is a closed-end, non-diversified management investment company organized as a Delaware business trust on February 25, 1999 and registered under the Investment Company Act of 1940, as amended (the "1940 Act"), whose primary objective is long-term growth of capital and income. The Utility Trust had no operations prior to July 9, 1999, other than the sale of 10,000 shares of beneficial interest for \$100,000 to The Gabelli Equity Trust Inc. (the "Equity Trust") at \$10.00 per share. On July 9, 1999, the Utility Trust had a 4 for 3 stock split making the balance of Utility Trust shares held by the Equity Trust as 13,333. On July 9, 1999, the Equity Trust contributed \$79,487,260 in cash and securities in exchange for shares of the Utility Trust, and on the same date distributed such shares to Equity Trust shareholders of record on July 1, 1999 at the rate of one share of the Utility Trust for every ten shares of the Equity Trust. Investment operations commenced on July 9, 1999.

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

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

REPURCHASE AGREEMENTS. The Utility Trust may enter into repurchase

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agreements with primary government securities dealers recognized by the Federal Reserve Bank of New York, with member banks of the Federal Reserve System or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board of Trustees. Under the terms of a typical repurchase agreement, the Utility Trust takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Utility Trust to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Utility Trust's holding period. The Utility Trust will always receive and maintain securities as collateral whose market value, including accrued interest, will be at least equal to 100% of the dollar amount invested by the Utility Trust in each agreement. The Utility Trust will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Utility Trust may be delayed or limited.

SECURITIES SOLD SHORT. A short sale involves selling a security which the Utility Trust does not own. The proceeds received for short sales are recorded as liabilities and the Utility Trust records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of the open short position on the day of determination. The Utility Trust records a realized gain or loss when the short position is closed out. By entering into a short sale, the Utility Trust bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Utility Trust on the ex-dividend date and interest expense is recorded on the accrual basis.

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

THE GABELLI UTILITY TRUST NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS. Distributions to shareholders are recorded on the ex-dividend date. Income distributions and capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States.

For the year ended December 31, 2001, reclassifications were made to increase accumulated net investment income for \$4,842 and decrease accumulated net realized gain on investments for \$4,842.

For the fiscal year ended December 31, 2001, the tax character of distributions paid does not materially differ from accounting principles generally accepted in the United States.

PROVISION FOR INCOME TAXES. The Utility Trust intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended. As a result, a Federal income tax provision is not required.

As of December 31, 2001, the components of accumulated earnings/(losses) on a tax basis were as follows:

| | |
|---|--------------|
| Undistributed ordinary income | |
| (inclusive of short term capital gains) . | \$ 49,953 |
| Undistributed long term capital gains | 25,420 |
| Net unrealized appreciation | 5,176,631 |
| | ----- |
| Total accumulated earnings | \$ 5,252,004 |
| | ===== |

Dividends and interest from non-U.S. sources received by the Utility Trust are generally subject to non-U.S. withholding taxes at rates ranging up to 30%. Such withholding taxes may be reduced or eliminated under the terms of applicable U.S. income tax treaties, and the Utility Trust intends to undertake any procedural steps required to claim the benefits of such treaties.

3. AGREEMENTS AND TRANSACTIONS WITH AFFILIATES. The Utility Trust has entered into an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Utility Trust will pay the Adviser on the first business day of each month a fee for the previous month equal on an annual basis to 1.00% of the value of the Utility Trust's average daily net assets. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Utility Trust's portfolio and oversees the administration of all aspects of the Utility Trust's business and affairs.

During the year ended December 31, 2001, Gabelli & Company, Inc. and its affiliates received \$70,203 in brokerage commissions as a result of executing agency transactions in portfolio securities on behalf of the Utility Trust.

4. PORTFOLIO SECURITIES. Cost of purchases and proceeds from sales of securities, other than short-term securities, for the year ended December 31, 2001 aggregated \$34,805,014 and \$27,034,764, respectively.

5. CAPITAL. The Board of Trustees of the Utility Trust has authorized the repurchase of its shares on the open market when the shares are trading at a discount of 10% or more (or such other percentage as the Board of Trustees may determine from time to time) from the net asset value of the shares. During the year ended December 31, 2001, the Utility Trust did not repurchase any shares of beneficial interest in the open market.

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Transactions in shares of beneficial interest were as follows:

| | YEAR ENDED DECEMBER 31, 2001 | | YEAR ENDED DECEMBER 31, 2000 | |
|---|---------------------------------|-------------|---------------------------------|------------|
| | Shares | Amount | Shares | Amount |
| Shares issued upon reinvestment of dividends and distributions | 190,378 | \$1,581,923 | 103,573 | \$ 831,592 |
| Net increase | 190,378 | \$1,581,923 | 103,573 | \$ 831,592 |

6. INDUSTRY CONCENTRATION. Because the Utility Trust primarily invests in common stocks and other securities of foreign and domestic companies in the utility industry, its portfolio may be subject to greater risk and market fluctuations than a portfolio of securities representing a broad range of investments.

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THE GABELLI UTILITY TRUST FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A UTILITY TRUST SHARE OF BENEFICIAL INTEREST OUTSTANDING THROUGHOUT EACH PERIOD:

| | YEAR ENDED DECEMBER 31, 2001 ----- |
|---|---|
| OPERATING PERFORMANCE: | |
| Net asset value, beginning of period | \$ 8.21 |
| Net investment income | 0.61 |
| Net realized and unrealized gain (loss) on investments | (0.81) |
| Total from investment operations | (0.20) |
| Increase in net asset value from Trust share transactions | 0.01 |
| DISTRIBUTIONS TO SHAREHOLDERS: | |
| Net investment income | (0.21) |
| Net realized gain on investments | (0.49) |
| Total distributions | (0.70) |
| NET ASSET VALUE, END OF PERIOD | \$ 7.32 |
| Net asset value total return+ | (3.15)% |
| Market value, end of period | \$ 9.33 |

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| | |
|---|--------|
| Total investment return ⁺⁺ | 15.82% |
|---|--------|

RATIOS TO AVERAGE NET ASSETS AND SUPPLEMENTAL DATA:

| | |
|--|----------|
| Net assets, end of period (in 000's) | \$82,197 |
| Ratio of net investment income to average net assets (c) | 1.57% |
| Ratio of operating expenses to average net assets (c)(d) | 2.00% |
| Portfolio turnover rate | 41% |

-
- + Based on net asset value per share, adjusted for reinvestment of distributions. Total return for the period of less than one year is not annualized.
 - ++ Based on market value per share, adjusted for reinvestment of distributions. Total return for the period of less than one year is not annualized.
 - (a) The Gabelli Utility Trust commenced investment operations on July 9, 1999.
 - (b) Annualized.
 - (c) During the period ended December 31, 1999, the Utility Trust's administrator voluntarily reimbursed certain expenses. If such reimbursement had not occurred, the annualized ratios of net investment income and operating expenses to average net assets would have been 1.85% and 2.17%, respectively.
 - (d) The ratios do not include a reduction of expenses for custodian fee credits on cash balances maintained with the custodian. Including such custodian fee credits for the year ended December 31, 2001 and the year ended December 31, 2000, the expense ratios would be 2.00% and 1.93%, respectively.

See accompanying notes to financial statements.

THE GABELLI UTILITY TRUST REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees and Shareholders of
The Gabelli Utility Trust

In our opinion, the accompanying statement of assets and liabilities, including the portfolio of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Utility Trust (the "Trust") at December 31, 2001, 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 two years in the period then ended and for the period July 9, 1999 (commencement of investment operations) through December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates

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made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2001 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

/S/ Pricewaterhouse Cooper LLP

1177 Avenue of the Americas
 New York, NY 10036
 February 15, 2002

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THE GABELLI UTILITY TRUST

ADDITIONAL FUND INFORMATION (UNAUDITED)

The business and affairs of the Trust are managed under the direction of the Trust's Board of Trustees. Information pertaining to the Trustees and officers of the Trust is set forth below. The Fund's Statement of Additional Information includes additional information about The Gabelli Utility Trust Trustees and is available, without charge, upon request, by calling 1-800-GABELLI (1-800-422-3554) or by writing to The Gabelli Utility Trust at One Corporate Center, Rye, NY 10580.

| NAME, POSITION(S) ADDRESS1 AND AGE ----- | TERM OF OFFICE AND LENGTH OF TIME SERVED2 ----- | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE ----- | PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS ----- |
|---|--|--|--|
| INTERESTED DIRECTORS3: | | | |
| MARIO J. GABELLI Trustee, President and Chief Investment Officer Age: 59 | Since 1999*** | 21 | Chairman of the Board and Chief Executive Officer of Gabelli Asset Management Inc. and Chief Investment Officer of Gabelli Funds, LLC and GAMCO Investors, Inc.; Chairman and Chief Executive Officer of Lynch Interactive Corporation (multimedia and services) |
| JOHN D. GABELLI Trustee Age: 57 | Since 1999** | 9 | Senior Vice President of Gabelli & Company, Inc., Director of Gabelli Advisers, Inc. |
| KARL OTTO POHL Trustee Age: 72 | Since 1999** | 30 | Member of the Shareholder Committee of Sal Oppenheim Jr. & Cie (private investment bank); Former President of the Deutsche Bundesbank and Chairman of its Central Bank Council (1980-1991) |

NON-INTERESTED TRUSTEES:

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| | | | |
|---|---------------|----|--|
| THOMAS E. BRATTER Trustee Age: 62 | Since 1999*** | 3 | Director, President and Founder, The John Dewey Academy (residential college preparatory therapeutic high school) |
| ANTHONY J. COLAVITA Trustee Age: 66 | Since 1999* | 32 | President and Attorney at Law in the law firm of Anthony J. Colavita, P.C. |
| JAMES P. CONN Trustee Age: 64 | Since 1999** | 11 | Former Managing Director and Chief Investment Officer of Financial Security Assurance Holding Ltd. (1992-1998) |
| VINCENT D. ENRIGHT Trustee Age: 58 | Since 1999*** | 10 | Former Senior Vice President and Chief Financial Officer of KeySpan Energy Corporation |
| FRANK J. FAHRENKOPF JR. Trustee Age: 62 | Since 1999* | 3 | President and Chief Executive Officer of the American Gaming Association since June 1995; Partner of Hogan & Hartson (law firm); Chairman of International Trade Practice Group; Co-Chairman of the Commission on Presidential Debates; Former Chairman of the Republican National Committee |
| ROBERT J. MORRISSEY Trustee Age: 62 | Since 1999* | 8 | Partner in the law firm of Morrissey & Hawkins |
| ANTHONY R. PUSTORINO Trustee Age: 76 | Since 1999** | 16 | Certified Public Accountant; Professor Emeritus, Pace University |
| SALVATORE J. ZIZZA Director Age: 56 | Since 1999* | 8 | Chairman, Hallmark Electrical Supplies Corp.; Former Executive Vice President of FMG Group (OTC), a healthcare provider; Former President and Chief Executive Officer of the Lehigh Group Inc., an interior construction and company, through 1997 |

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THE GABELLI UTILITY TRUST
ADDITIONAL FUND INFORMATION (CONTINUED) (UNAUDITED)

| NAME, POSITION(S) ADDRESS1 AND AGE | TERM OF OFFICE AND LENGTH OF TIME SERVED2 | NUMBER OF FUNDS IN FUND COMPLEX OVERSEEN BY TRUSTEE | PRINCIPAL OCCUPATION(S) DURING PAST FIVE YEARS |
|--|---|---|---|
| ----- | ----- | ----- | ----- |
| INTERESTED DIRECTORS3: | | | |

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OFFICERS:

| | | | |
|---|------------|----|--|
| BRUCE N. ALPERT Vice President and Treasurer Age: 50 | Since 1999 | -- | Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988 and an officer of all mutual funds advised by Gabelli Funds, LLC and its affiliates Director and President of the Gabelli Adviso |
| DAVID I. SCHACHTER Vice President Age: 48 | Since 1999 | -- | Vice President of the Trust since 1999. Research Analyst of Gabelli & Company, Inc. since 1999. Prior to October 1999, Mr. Schach worked for Thomas J. Herzfeld Advisors, an investment advisor specializing in closed-end |
| JAMES E. MCKEE Secretary Age: 38 | Since 1999 | -- | Vice President, General Counsel and Secretary of Gabelli Asset Management Inc. since 1999 and GAMCO Investors, Inc. since 1993; Secreta of all mutual funds advised by Gabelli Advise Inc. and Gabelli Funds, LLC. |

- 1 Address: One Corporate Center, Rye, NY 10580, unless otherwise noted.
- 2 The Trust's Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:
 - * - Term expires at the Trust's 2002 Annual Meeting of Shareholders and until their successors are duly elected and qualified.
 - ** - Term expires at the Trust's 2003 Annual Meeting of Shareholders and until their successors are duly elected and qualified.
 - *** - Term expires at the Trust's 2004 Annual Meeting of Shareholders and until their successors are duly elected and qualified.
- 3 "Interested person" of the Trust as defined in the Investment Company Act of 1940. Messrs. M. Gabelli, J. Gabelli and Pohl are each considered an "interested person" because of their affiliation with Gabelli Funds LLC which acts as the Trust's investment adviser.

THE GABELLI UTILITY TRUST
AND YOUR PERSONAL PRIVACY

WHO ARE WE?

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

WHAT KIND OF NON-PUBLIC INFORMATION DO WE COLLECT ABOUT YOU IF YOU BECOME A GABELLI CUSTOMER?

When you purchase shares of the Trust on the New York Stock Exchange, you have the option of registering directly with our transfer agent in order,

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for example, to participate in our dividend reinvestment plan.

- o INFORMATION YOU GIVE US ON YOUR APPLICATION FORM. This could include your name, address, telephone number, social security number, bank account number, and other information.
- o INFORMATION ABOUT YOUR TRANSACTIONS WITH US. This would include information about the shares that you buy or sell, it may also include information about whether you sell or exercise rights that we have issued from time to time. If we hire someone else to provide services--like a transfer agent--we will also have information about the transactions that you conduct through them.

WHAT INFORMATION DO WE DISCLOSE AND TO WHOM DO WE DISCLOSE IT?

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

WHAT DO WE DO TO PROTECT YOUR PERSONAL INFORMATION?

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

See accompanying notes to financial statements.

THE GABELLI UTILITY TRUST
 INCOME TAX INFORMATION (UNAUDITED)
 DECEMBER 31, 2001

CASH DIVIDENDS AND DISTRIBUTIONS

| PAYABLE DATE | RECORD DATE | TOTAL AMOUNT PAID PER SHARE | ORDINARY INVESTMENT INCOME | LONG-TERM CAPITAL GAIN |
|--------------|-------------|-----------------------------|----------------------------|------------------------|
| 01/29/01 | 01/19/01 | \$0.05000 | \$0.04919 | |
| 02/26/01 | 02/15/01 | 0.05000 | 0.04919 | |
| 03/28/01 | 03/22/01 | 0.05000 | 0.04919 | |
| 04/30/01 | 04/20/01 | 0.05000 | 0.04919 | |
| 05/29/01 | 05/18/01 | 0.05000 | 0.04919 | |
| 06/29/01 | 06/21/01 | 0.05000 | 0.04919 | |
| 07/27/01 | 07/13/01 | 0.05000 | 0.03797 | |
| 08/29/01 | 08/15/01 | 0.05000 | 0.02953 | |

SHARES OF BENEFICIAL INTEREST

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| | | | |
|----------|----------|-----------|-----------|
| 09/26/01 | 09/12/01 | 0.05000 | 0.02953 |
| 10/29/01 | 10/15/01 | 0.06000 | 0.03540 |
| 11/28/01 | 11/13/01 | 0.06000 | 0.03540 |
| 12/27/01 | 12/12/01 | 0.13000 | 0.07680 |
| | | ----- | ----- |
| | | \$0.70000 | \$0.53977 |

A Form 1099-DIV has been mailed to all shareholders of record for the distributions mentioned above, setting forth specific amounts to be included in the 2001 tax returns. Ordinary income distributions include net investment income and realized net short-term capital gains. 100% of the long-term capital gains paid by the Utility Trust in 2001 was classified as "20% Rate Gains" subject to a maximum tax rate of 20% (or 10% depending on an individual's tax bracket). Capital gain distributions are reported in box 2a of Form 1099-DIV.

CORPORATE DIVIDENDS RECEIVED DEDUCTION AND U.S. GOVERNMENT SECURITIES INCOME

The Utility Trust paid to common shareholders an ordinary income dividend totalling \$0.53977 per share in 2001. The percentage of such dividends that qualifies for the dividends received deduction available to corporations is 59.29% for all such dividends paid in 2001. The percentage of the ordinary income dividends paid by the Utility Trust during 2001 derived from U.S. Government Securities was 9.18%. However, it should be noted that the Utility Trust did not hold more than 50% of its assets in U.S. Government Securities at the end of each calendar quarter during 2001.

HISTORICAL DISTRIBUTION SUMMARY - SHARES OF BENEFICIAL INTEREST

| | INVESTMENT INCOME | SHORT- TERM CAPITAL GAINS (A) | LONG- TERM CAPITAL GAINS | TOTAL DISTRIBUTIONS |
|------------|----------------------|--|-----------------------------------|------------------------|
| | ----- | ----- | ----- | ----- |
| 2001 | \$0.20835 | \$0.33142 | \$0.16023 | \$0.70000 |
| 2000 | 0.05620 | 0.14020 | 0.80360 | 1.00000 |
| 1999 | 0.08049 | 0.00090 | 0.06861 | 0.15000 |

(a) Taxable as ordinary income.

AUTOMATIC DIVIDEND REINVESTMENT
AND VOLUNTARY CASH PURCHASE PLAN

ENROLLMENT IN THE PLAN

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

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distribution in cash must submit this request in writing to:

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

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

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

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

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

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

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AND VOLUNTARY CASH PURCHASE PLAN (CONTINUED)

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

VOLUNTARY CASH PURCHASE PLAN

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

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

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

The Annual Meeting of the Utility Trust's stockholders will be held at 11:00 A.M. on Monday, May 20, 2002, at The Bruce Museum, One Museum Drive in Greenwich, Connecticut.

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TRUSTEES AND OFFICERS
THE GABELLI UTILITY TRUST
ONE CORPORATE CENTER, RYE, NY 10580-1422

TRUSTEES

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

Dr. Thomas E. Bratter
PRESIDENT, JOHN DEWEY ACADEMY

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

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

Vincent D. Enright
FORMER SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER,
KEYSPAN ENERGY CORP.

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

John D. Gabelli
SENIOR VICE PRESIDENT,
GABELLI & COMPANY, INC.

Robert J. Morrissey
ATTORNEY-AT-LAW
MORRISSEY, HAWKINS & LYNCH

Karl Otto Pohl
FORMER PRESIDENT, DEUTSCHE BUNDESBANK

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

Salvatore J. Zizza
CHAIRMAN, HALLMARK ELECTRICAL SUPPLIES CORP.

OFFICERS

Mario J. Gabelli, CFA
PRESIDENT & CHIEF INVESTMENT OFFICER

Bruce N. Alpert
VICE PRESIDENT & TREASURER

David I. Schachter
VICE PRESIDENT & OMBUDSMAN

James E. McKee
SECRETARY

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

CUSTODIAN
Boston Safe Deposit and Trust Company

COUNSEL
Skadden, Arps, Slate, Meagher & Flom, LLP

TRANSFER AGENT AND REGISTRAR
EquiServe Trust Company

STOCK EXCHANGE LISTING

COMMON

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NYSE-Symbol: GUT
Shares Outstanding: 11,229,797

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

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

For general information about the Gabelli Funds, call 1-800-GABELLI (1-800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: [HTTP://WWW.GABELLI.COM](http://WWW.GABELLI.COM) or e-mail us at: closedend@gabelli.com

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

THE GABELLI UTILITY TRUST
ONE CORPORATE CENTER, RYE, NY 10580-1422

PHONE: 1-800-GABELLI (1-800-422-3554)
FAX: 1-914-921-5118 INTERNET: WWW.GABELLI.COM
E-MAIL: CLOSEDEND@GABELLI.COM

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