

GABELLI CONVERTIBLE & INCOME SECURITIES FUND INC  
Form N-CSR  
March 09, 2016

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 811-05715

The Gabelli Convertible and Income Securities Fund Inc.

(Exact name of registrant as specified in charter)

One Corporate Center

Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)

Bruce N. Alpert

Gabelli Funds, LLC

One Corporate Center

Rye, New York 10580-1422

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2015

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. § 3507.

**Item 1. Reports to Stockholders.**

The Report to Shareholders is attached herewith.

**The Gabelli Convertible and Income  
Securities Fund Inc.**

**Annual Report December 31, 2015**

**Mario J. Gabelli,  
CFA Portfolio  
Manager**

**To Our Shareholders,**

For the year ended December 31, 2015, the net asset value ( NAV ) total return of The Gabelli Convertible and Income Securities Fund Inc. was (5.4)%, compared with a total return of 0.3% for the Barclays Government/Credit Bond Index. The total return for the Fund's publicly traded shares was (14.2)%. The Fund's NAV per share was \$5.30, while the price of the publicly traded shares closed at \$4.78 on the New York Stock Exchange ( NYSE ). See below for additional performance information.

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

**Comparative Results**

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

	1 Year	5 Year	10 Year	15 Year	Since Inception (07/03/89)
<b>Gabelli Convertible and Income Securities Fund</b>					
<b>NAV Total Return (b)</b>	(5.39)%	5.87%	4.92%	4.81%	6.49%
<b>Investment Total Return (c)</b>	(14.18)	3.46	2.77	4.50	5.06(d)
Standard & Poor's ( S&P ) 500 Index	1.38	12.57	7.31	5.00	9.61(e)
Barclays Government/Credit Bond Index	0.27	3.36	4.44	4.97	N/A(f)
Lipper Convertible Securities Fund Average	(3.90)	5.74	5.97	5.35	8.00(e)

- (a) *Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The S&P 500 Index is an unmanaged indicator of stock market performance. The Barclays Government/Credit Bond Index is a market value weighted index that tracks the performance of fixed rate, publicly placed, dollar denominated obligations. The Lipper Convertible Securities Fund Average reflects the average performance of open-end funds classified in this particular category. Dividends and interest income are considered reinvested. You cannot invest directly in an index.*
- (b) Total returns and average annual returns reflect changes in the NAV per share, reinvestment of distributions at NAV on the ex-dividend date, and adjustments for rights offerings and are net of expenses. Since inception return is based on an initial NAV of \$10.00.

- (c) Total returns and average annual returns reflect changes in closing market values on the NYSE, reinvestment of distributions, and adjustments for rights offerings. Since inception return is based on an initial offering price of \$11.25 on March 31, 1995.
- (d) The Fund converted to closed-end status on March 31, 1995 and had no operating history on the NYSE prior to that date.
- (e) From June 30, 1989, the date closest to the Fund's inception for which data is available.
- (f) The Barclays Government/Credit Bond Index inception date is January 29, 1999.

**Summary of Portfolio Holdings (Unaudited)**

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

**The Gabelli Convertible and Income Securities Fund Inc.****Long Positions**

Financial Services	23.1%
U.S. Government Obligations	15.0%
Health Care	11.9%
Energy and Utilities	11.8%
Food and Beverage	6.5%
Diversified Industrial	6.0%
Retail	4.9%
Aerospace	4.3%
Telecommunications	3.5%
Automotive: Parts and Accessories	1.9%
Specialty Chemicals	1.6%
Consumer Products	1.6%
Building and Construction	1.5%
Automotive	1.5%
Hotels and Gaming	1.0%
Computer Hardware	0.9%
Transportation	0.7%
Equipment and Supplies	0.6%
Wireless Communications	0.4%
Communications Equipment	0.4%
Cable and Satellite	0.3%
Publishing	0.2%
Electronics	0.2%
Computer Software and Services	0.1%
Metals and Mining	0.1%
Entertainment	0.0%*
	100.0%

**Short Positions**

Diversified Industrial	(1.9)%
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\* Amount represents less than 0.05%.

The Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (the SEC) for the first and third quarters of each fiscal year on Form N-Q. Shareholders may obtain this information at

www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

**Proxy Voting**

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

**The Gabelli Convertible and Income Securities Fund Inc.****Schedule of Investments December 31, 2015**

<b>Principal Amount</b>		<b>Cost</b>	<b>Market Value</b>
<b>Convertible Corporate Bonds 7.7%</b>			
<b>Aerospace 0.2%</b>			
\$ 100,000	Aerojet Rocketdyne Holdings Inc., Sub. Deb., 4.063%, 12/31/39	\$ 104,220	\$ 173,875
<b>Automotive 1.3%</b>			
	Navistar International Corp., Sub. Deb.,		
1,250,000	4.500%, 10/15/18	947,921	622,656
1,250,000	4.750%, 04/15/19	929,394	603,125
		1,877,315	1,225,781
<b>Building and Construction 1.5%</b>			
200,000	Ascent Capital Group Inc., 4.000%, 07/15/20	187,059	131,625
1,200,000	Layne Christensen Co., 4.250%, 11/15/18	1,200,000	858,000
200,000	Lennar Corp., 2.750%, 12/15/20(a)	196,238	440,750
		1,583,297	1,430,375
<b>Diversified Industrial 4.2%</b>			
2,000,000	Griffon Corp., Sub. Deb., 4.000%, 01/15/17(a)	1,992,455	2,600,000
550,000	Roper Technologies Inc., Sub. Deb. STEP, 0.000%, 01/15/34	370,367	1,325,500
100,000	Trinity Industries Inc., Sub. Deb., 3.875%, 06/01/36	73,709	120,188
		2,436,531	4,045,688
<b>Electronics 0.2%</b>			
100,000	Intel Corp., Sub. Deb., 3.250%, 08/01/39	105,977	166,501
<b>Entertainment 0.0%</b>			
100,000	THQ Inc., 5.000%, 08/15/16	54,690	13,875
<b>Health Care 0.1%</b>			
100,000	NuVasive Inc., 2.750%, 07/01/17	98,448	136,937



<b>Retail 0.2%</b>			
Shares		Cost	Market Value
60,000	Costco Wholesale Corp., Sub. Deb., Zero Coupon, 08/19/17	57,986	220,350
<b>TOTAL CONVERTIBLE CORPORATE BONDS</b>		6,318,464	7,413,382
<b>Convertible Preferred Stocks 2.2%</b>			
<b>Diversified Industrial 0.0%</b>			
1,100	Sevcon Inc., 4.000%, Ser. A	\$ 28,153	\$ 34,155
<b>Energy and Utilities 0.3%</b>			
6,000	AES Trust III, 6.750%	229,530	300,480
300	El Paso Energy Capital Trust I, 4.750%	11,460	12,356
		240,990	312,836
<b>Food and Beverage 1.2%</b>			
1,000	Post Holdings Inc., 2.500%, Series C	96,261	119,937
7,500	3.750%	750,000	1,035,525
		846,261	1,155,462
<b>Health Care 0.1%</b>			
100	Kindred Healthcare Inc., 7.500%	71,400	64,872
<b>Telecommunications 0.6%</b>			
12,000	Cincinnati Bell Inc., 6.750%, Ser. B	288,687	575,520
100	Iridium Communications Inc., 7.000%	8,902	10,616
		297,589	586,136
<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b>		1,484,393	2,153,461
<b>Common Stocks 74.8%</b>			
<b>Aerospace 4.1%</b>			
460,000	Rolls-Royce Holdings plc	4,982,733	3,899,282
33,835,500	Rolls-Royce Holdings plc, Cl. C	52,169	49,881
		5,034,902	3,949,163
<b>Automotive: Parts and Accessories 1.9%</b>			
21,000	Genuine Parts Co.	917,610	1,803,690
<b>Cable and Satellite 0.3%</b>			
500	Cable One Inc.	163,408	216,830
3,000	Rogers Communications Inc., Cl. B	68,313	103,380

		231,721	320,210
	<b>Communications Equipment 0.4%</b>		
20,000	Corning Inc.	298,894	365,600
	<b>Computer Hardware 0.9%</b>		
6,000	International Business Machines Corp.	508,551	825,720
	<b>Computer Software and Services 0.1%</b>		
4,000	Diebold Inc.	130,127	120,360
	<b>Consumer Products 1.6%</b>		
35,000	Swedish Match AB	695,784	1,244,691

See accompanying notes to financial statements.

**The Gabelli Convertible and Income Securities Fund Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Consumer Products (Continued)</b>			
3,500	The Procter & Gamble Co.	\$ 216,290	\$ 277,935
		912,074	1,522,626
<b>Diversified Industrial 1.8%</b>			
45,000	General Electric Co.	766,278	1,401,750
7,000	Greif Inc., Cl. A	261,770	215,670
2,075	Textron Inc.	51,917	87,171
		1,079,965	1,704,591
<b>Energy and Utilities 11.4%</b>			
5,000	Anadarko Petroleum Corp.	316,931	242,900
9,000	BP plc, ADR	363,043	281,340
4,000	Cameron International Corp.	210,498	252,800
5,000	Chevron Corp.	294,390	449,800
40,000	Cleco Corp.	2,166,300	2,088,400
4,000	ConocoPhillips	155,172	186,760
5,000	CONSOL Energy Inc.	99,085	39,500
8,000	Devon Energy Corp.	405,619	256,000
13,000	Exxon Mobil Corp.	768,630	1,013,350
27,000	Great Plains Energy Inc.	388,939	737,370
5,000	Halliburton Co.	147,980	170,200
15,000	Hess Corp.	838,101	727,200
20,000	National Fuel Gas Co.	809,007	855,000
2,500	National Oilwell Varco Inc.	110,813	83,725
13,000	NextEra Energy Inc.	845,069	1,350,570
10,000	Pepco Holdings Inc.	251,315	260,100
16,000	Royal Dutch Shell plc, Cl. A, ADR	1,014,367	732,640
28,000	Severn Trent plc	747,482	898,619
7,500	SJW Corp.	181,565	222,375
12,000	Weatherford International plc	123,410	100,680
		10,237,716	10,949,329

**Equipment and Supplies 0.6%**

3,500	Graco Inc.	241,895	252,245
9,500	Mueller Industries Inc.	243,832	257,450
2,000	The Timken Co.	68,853	57,180
		554,580	566,875

**Financial Services 23.1%**

45,000	AllianceBernstein Holding LP	816,464	1,073,250
28,000	American Express Co.	2,272,149	1,947,400
11,000	American International Group Inc.	456,473	681,670
10,000	Citigroup Inc.	551,600	517,500
5,000	Deutsche Bank AG	157,520	120,750
5,000	GAM Holding AG	57,403	83,367
3,000	HSBC Holdings plc, ADR	163,854	118,410
10,000	Janus Capital Group Inc.	159,950	140,900
10,000	JPMorgan Chase & Co.	387,710	660,300
9,000	Julius Baer Group Ltd.	269,080	437,240
16,000	Kinnevik Investment AB, Cl. A	418,589	499,440
10,000	Legg Mason Inc.	272,325	392,300
4,000	M&T Bank Corp.	349,734	484,720

**Market**

<b>Shares</b>		<b>Cost</b>	<b>Value</b>
7,000	Marsh & McLennan Companies Inc.	\$ 174,146	\$ 388,150
29,000	Morgan Stanley	730,399	922,490
18,000	Northern Trust Corp.	829,291	1,297,620
7,000	PartnerRe Ltd.	971,399	978,180
7,000	Royal Bank of Canada	357,904	375,060
5,000	StanCorp. Financial Group Inc.	569,097	569,400
13,000	State Street Corp.	601,481	862,680
8,000	T. Rowe Price Group Inc.	614,219	571,920
56,000	The Bank of New York Mellon Corp.	1,576,228	2,308,320
20,000	The Hartford Financial Services Group Inc.	746,331	869,200
20,000	The PNC Financial Services Group Inc.	1,146,669	1,906,200
2,000	W. R. Berkley Corp.	83,208	109,500
60,000	Wells Fargo & Co.(b)	1,863,506	3,261,600
322,000	Wright Investors Service Holdings Inc.	805,000	640,780
		17,401,729	22,218,347

**Food and Beverage 5.3%**

20,000	Boulder Brands Inc.	218,700	219,600
25,000	Davide Campari-Milano SpA	184,667	217,351
1,800	Diageo plc, ADR	222,184	196,326
3,200	Dr Pepper Snapple Group Inc.	227,073	298,240
3,000	General Mills Inc.	100,266	172,980
5,000	Kellogg Co.	255,405	361,350
5,000	Mondelēz International Inc., Cl. A	96,791	224,200

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501,300	Parmalat SpA	1,468,113	1,302,050
2,020	Pernod Ricard SA	170,831	230,940
2,500	Remy Cointreau SA	193,594	179,342
40,000	The Coca-Cola Co.	1,694,558	1,718,400
		4,832,182	5,120,779
<b>Health Care 11.7%</b>			
6,000	Becton, Dickinson and Co.	717,451	924,540
28,000	Eli Lilly & Co.	1,135,051	2,359,280
1,080,296	Elite Pharmaceuticals Inc.	126,144	441,841
20,000	Johnson & Johnson	1,460,478	2,054,400
9,000	Merck & Co. Inc.	299,129	475,380
65,000	Pfizer Inc.	1,956,070	2,098,200
48,000	Roche Holding AG, ADR	1,063,765	1,654,560
7,000	UnitedHealth Group Inc.	189,230	823,480
10,000	Zoetis Inc.	300,124	479,200
		7,247,442	11,310,881
<b>Hotels and Gaming 1.0%</b>			
2,000	MGM Resorts International	38,294	45,440
18,000	Ryman Hospitality Properties Inc.	707,977	929,520
		746,271	974,960

See accompanying notes to financial statements.

**The Gabelli Convertible and Income Securities Fund Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Metals and Mining 0.1%</b>			
4,000	Alcoa Inc.	\$ 42,600	\$ 39,480
6,000	TimkenSteel Corp.	67,220	50,280
		109,820	89,760
<b>Publishing 0.2%</b>			
400	Graham Holdings Co., Cl. B	212,795	193,988
<b>Retail 4.7%</b>			
33,000	CVS Health Corp.	2,508,747	3,226,410
29,000	Hertz Global Holdings Inc.	580,529	412,670
5,000	Walgreens Boots Alliance Inc.	244,840	425,775
7,000	Wal-Mart Stores Inc.	344,078	429,100
		3,678,194	4,493,955
<b>Specialty Chemicals 1.6%</b>			
6,000	Airgas Inc.	829,540	829,920
5,000	Chemtura Corp.	122,837	136,350
5,000	International Flavors & Fragrances Inc.	340,673	598,200
		1,293,050	1,564,470
<b>Telecommunications 2.9%</b>			
10,000	BCE Inc.	283,752	386,200
2,700	Philippine Long Distance Telephone Co., ADR	81,903	115,425
6,000	Proximus SA	180,654	195,616
2,400	Swisscom AG	899,561	1,205,272
20,000	Verizon Communications Inc.	818,170	924,400
		2,264,040	2,826,913
<b>Transportation 0.7%</b>			

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17,000	GATX Corp.	505,713	723,350
<b>Wireless Communications 0.4%</b>			
200,000	Cable & Wireless Communications plc	144,740	219,067
7,000	Turkcell Iletisim Hizmetleri A/S, ADR	98,600	59,430
2,500	United States Cellular Corp.	98,444	102,025
		341,784	380,522
<b>TOTAL COMMON STOCKS</b>		58,539,160	72,026,089

<b>RIGHTS 0.0%</b>			
<b>Retail 0.0%</b>			
40,000	Safeway Casa Ley, CVR, expire 01/30/19	6,797	18,000
40,000	Safeway PDC, CVR, expire 01/30/17	326	1,952
<b>TOTAL RIGHTS</b>		7,123	19,952

Principal Amount		Cost	Market Value
<b>CORPORATE BONDS 0.3%</b>			
<b>Automotive 0.2%</b>			
\$ 300,000	Navistar International Corp., 8.250%, 11/01/21	\$ 184,790	\$ 201,000
<b>Energy and Utilities 0.1%</b>			
1,000,000	Texas Competitive Electric Holdings Co. LLC, Ser. B, 10.250%, 11/01/15	878,156	70,000
<b>TOTAL CORPORATE BONDS</b>		1,062,946	271,000
<b>U.S. GOVERNMENT OBLIGATIONS 15.0%</b>			
14,452,000	U.S. Treasury Bills, 0.020% to 0.341% , 01/07/16 to 05/12/16(c)	14,444,279	14,444,009
<b>TOTAL INVESTMENTS 100.0%</b>		\$ 81,856,365	96,327,893

Notional Amount		Termination Date	Unrealized Depreciation
<b>EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS</b>			
\$ 421,860	Rolls-Royce Holdings plc(d)	06/28/16	(19,217)
(47,500 Shares)			
6,573	Rolls-Royce Holdings plc, Cl. C(d)	06/28/16	(81)
(4,403,250 Shares)			
<b>TOTAL EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS</b>			(19,298)

	<b>Market Value</b>
<b>SECURITIES SOLD SHORT (1.9)%</b>	
(Proceeds received \$1,759,894)	(1,844,960)
<b>Other Assets and Liabilities (Net)</b>	4,277,860
<b>PREFERRED STOCK</b>	
(965,548 preferred shares outstanding)	(24,138,700)
<b>NET ASSETS COMMON STOCK</b>	
(14,079,500 common shares outstanding)	\$ 74,602,795
<b>NET ASSET VALUE PER COMMON SHARE</b>	
(\$74,602,795 ÷ 14,079,500 shares outstanding)	\$ 5.30

See accompanying notes to financial statements.



**The Gabelli Convertible and Income Securities Fund Inc.****Schedule of Investments (Continued) December 31, 2015**

Shares		Proceeds	Market Value
	<b>SECURITIES SOLD SHORT (1.9)%</b>		
	<b>Diversified Industrial (1.9)%</b>		
61,000	Griffon Corp.	\$ 1,075,628	\$ 1,085,800
4,000	Roper Technologies Inc.	684,266	759,160
		1,759,894	1,844,960
	<b>TOTAL SECURITIES SOLD SHORT</b>	<b>\$ 1,759,894</b>	<b>\$ 1,844,960</b>

- (a) 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, 2015, the market value of Rule 144A securities amounted to \$3,040,750 or 3.16% of total investments.
- (b) Security, or a portion thereof, with a value of \$3,152,880 was reserved and/or pledged for collateral with the custodian for securities sold short and equity contract for difference swap agreements.
- (c) At December 31, 2015, \$200,000 of the principal amount was pledged as collateral for securities sold short and equity contract for difference swap agreements.
- (d) At December 31, 2015, the Fund had entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc.  
Non-income producing security.  
Represents annualized yield at date of purchase.
- ADR American Depositary Receipt  
CVR Contingent Value Right  
STEP Step coupon security. The rate disclosed is that in effect at December 31, 2015.

See accompanying notes to financial statements.

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**The Gabelli Convertible and Income Securities Fund Inc.**
**Statement of Assets and Liabilities****December 31, 2015****Assets:**

Investments, at value (cost \$81,856,365)	\$ 96,327,893
Cash	23,932
Deposit at brokers (including proceeds from securities sold short \$1,759,894)	4,158,898
Dividends and interest receivable	231,392
Deferred offering expense	72,000
Prepaid expenses	2,688

<b>Total Assets</b>	<b>100,816,803</b>
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**Liabilities:**

Securities sold short, at value	1,844,960
Distributions payable	16,092
Payable for investment advisory fees	64,262
Payable for payroll expenses	40,503
Payable for accounting fees	7,500
Unrealized depreciation on swap contracts	19,298
Other accrued expenses	82,693

<b>Total Liabilities</b>	<b>2,075,308</b>
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**Preferred Stock:**

Series B Cumulative Preferred Stock (6.000%, \$25 liquidation value, \$0.001 par value, 1,995,000 shares authorized with 965,548 shares issued and outstanding)	24,138,700
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<b>Net Assets Attributable to Common Shareholders</b>	<b>\$ 74,602,795</b>
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**Net Assets Attributable to Common Shareholders Consist of:**

Paid-in capital	\$ 61,522,567
Accumulated distributions in excess of net investment income	(68,178)
Accumulated distributions in excess of net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	(1,214,763)
Net unrealized appreciation on investments	14,471,528
Net unrealized depreciation on securities sold short	(85,066)
Net unrealized depreciation on swap contracts	(19,298)
Net unrealized depreciation on foreign currency translations	(3,995)

<b>Net Assets</b>	<b>\$ 74,602,795</b>
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**Net Asset Value per Common Share:**

(\$74,602,795 ÷ 14,079,500 shares outstanding at \$0.001 par value; 998,000,000 shares authorized) \$5.30

**Statement of Operations****For the Year Ended December 31, 2015****Investment Income:**

Dividends (net of foreign withholding taxes of \$47,033)	\$ 1,966,559
Interest	326,487

<b>Total Investment Income</b>	<b>2,293,046</b>
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**Expenses:**

Investment advisory fees	1,066,326
Payroll expenses	94,310
Shareholder communications expenses	79,646
Directors' fees	55,469
Legal and audit fees	48,485
Accounting fees	45,000
Shareholder services fees	42,728
Custodian fees	25,415
Dividends expense on securities sold short (See Note 2)	14,219
Service fees for securities sold short (See Note 2)	3,511
Interest expense	138
Miscellaneous expenses	79,148

<b>Total Expenses</b>	<b>1,554,395</b>
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**Less:**

Advisory fee reduction (See Note 3)	(241,386)
Expenses paid indirectly by broker (See Note 3)	(3,001)

<b>Total Reductions</b>	<b>(244,387)</b>
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<b>Net Expenses</b>	<b>1,310,008</b>
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<b>Net Investment Income</b>	<b>983,038</b>
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**Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency:**

Net realized gain on investments	3,859,824
Net realized gain on securities sold short	1,438,224
Net realized loss on swap contracts	(176,901)
Net realized gain on foreign currency transactions	3,312

Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	5,124,459
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Net change in unrealized appreciation/depreciation:

on investments	(8,994,847)
on securities sold short	(85,066)
on swap contracts	(16,923)
on foreign currency translations	975
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	(9,095,861)
<b>Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency</b>	<b>(3,971,402)</b>
<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>(2,988,364)</b>
Total Distributions to Preferred Stock Shareholders	(1,440,276)
<b>Net Decrease in Net Assets Attributable to Common Shareholders Resulting from Operations</b>	<b>\$ (4,428,640)</b>

See accompanying notes to financial statements.

**The Gabelli Convertible and Income Securities Fund Inc.****Statement of Changes in Net Assets Attributable to Common Shareholders**

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
<b>Operations:</b>		
Net investment income	\$ 983,038	\$ 922,731
Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	5,124,459	3,979,813
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	(9,095,861)	(1,845,649)
<b>Net Increase/(Decrease) in Net Assets Resulting from Operations</b>	<b>(2,988,364)</b>	<b>3,056,895</b>
<b>Distributions to Preferred Shareholders:</b>		
Net investment income	(213,054)	(423,982)
Net realized gain	(1,227,222)	(1,024,340)
<b>Total Distributions to Preferred Shareholders</b>	<b>(1,440,276)</b>	<b>(1,448,322)</b>
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations</b>	<b>(4,428,640)</b>	<b>1,608,573</b>
<b>Distributions to Common Shareholders:</b>		
Net investment income	(766,453)	(1,091,234)
Net realized gain	(4,414,867)	(2,636,370)
Return of capital	(1,557,731)	(3,330,887)
<b>Total Distributions to Common Shareholders</b>	<b>(6,739,051)</b>	<b>(7,058,491)</b>
<b>Fund Share Transactions:</b>		
Net increase in net assets from common shares issued upon reinvestment of distributions	690,860	873,738
<b>Net Increase in Net Assets from Fund Share Transactions</b>	<b>690,860</b>	<b>873,738</b>
<b>Net Decrease in Net Assets Attributable to Common Shareholders</b>	<b>(10,476,831)</b>	<b>(4,576,180)</b>
<b>Net Assets Attributable to Common Shareholders:</b>		
Beginning of year	85,079,626	89,655,806
End of year (including undistributed net investment income of \$0 and \$0, respectively)	\$ 74,602,795	\$ 85,079,626

See accompanying notes to financial statements.

**The Gabelli Convertible and Income Securities Fund Inc.****Financial Highlights****Selected data for a common share outstanding throughout each year:**

	<b>Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Operating Performance:</b>					
Net asset value, beginning of year	\$ 6.09	\$ 6.49	\$ 5.62	\$ 5.48	\$ 6.01
Net investment income	0.07	0.07	0.09	0.10	0.10
Net realized and unrealized gain/(loss) on investments, securities sold short, swap contracts, and foreign currency transactions	(0.28)	0.14	1.37	0.63	(0.05)
Total from investment operations	(0.21)	0.21	1.46	0.73	0.05
<b>Distributions to Preferred Shareholders: (a)</b>					
Net investment income	(0.01)	(0.03)	(0.03)	(0.06)	(0.07)
Net realized gain	(0.09)	(0.07)	(0.08)	(0.05)	(0.03)
Total distributions to preferred shareholders	(0.10)	(0.10)	(0.11)	(0.11)	(0.10)
<b>Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations</b>	(0.31)	0.11	1.35	0.62	(0.05)
<b>Distributions to Common Shareholders:</b>					
Net investment income	(0.05)	(0.08)	(0.09)	(0.05)	(0.04)
Net realized gain	(0.32)	(0.19)	(0.31)	(0.04)	(0.02)
Return of capital	(0.11)	(0.24)	(0.08)	(0.39)	(0.42)
Total distributions to common shareholders	(0.48)	(0.51)	(0.48)	(0.48)	(0.48)
<b>Fund Share Transactions:</b>					
Increase/(decrease) in net asset value from common share transactions	(0.00)(b)	(0.00)(b)	(0.00)(b)	0.00(b)	0.00(b)
<b>Net Asset Value Attributable to Common Shareholders, End of Year</b>	\$ 5.30	\$ 6.09	\$ 6.49	\$ 5.62	\$ 5.48

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NAV total return	(5.39)%	1.75%	24.83%	11.69%	(0.74)%
Market value, end of year	\$ 4.78	\$ 6.08	\$ 6.16	\$ 5.34	\$ 5.11
Investment total return	(14.18)%	7.07%	24.73%	13.81%	(9.11)%

See accompanying notes to financial statements.



**The Gabelli Convertible and Income Securities Fund Inc.****Financial Highlights (Continued)****Selected data for a common share outstanding throughout each year:**

	<b>Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Ratios to Average net assets and Supplemental Data:</b>					
Net assets including liquidation value of preferred shares, end of year (in 000 s)	\$ 98,742	\$ 109,219	\$ 113,795	\$ 101,064	\$ 98,177
Net assets attributable to common shares, end of year (in 000 s)	\$ 74,603	\$ 85,080	\$ 89,656	\$ 76,925	\$ 74,038
Ratio of net investment income to average net assets attributable to common shares before preferred share distributions	1.19%	1.05%	1.43%	1.77%	1.77%
Ratio of operating expenses to average net assets attributable to common shares before fees waived	1.88%(c)(d)	1.90%	1.80%	1.94%	2.00%
Ratio of operating expenses to average net assets attributable to common shares net of advisory fee reduction, if any	1.59%(c)(d)	1.62%	1.80%	1.94%	1.69%
Ratio of operating expenses to average net assets including liquidation value of preferred shares before fees waived	1.46%(c)(d)	1.49%	1.40%	1.47%	1.53%
Ratio of operating expenses to average net assets including liquidation value of preferred shares net of advisory fee reduction, if any	1.23%(c)(d)	1.27%	1.40%	1.47%	1.29%
Portfolio turnover rate	24%	22%	35%	18%	41%
<b>Preferred Stock:</b>					
<b>6.000% Series B Cumulative Preferred Stock</b>					
Liquidation value, end of year (in 000 s)	\$ 24,139	\$ 24,139	\$ 24,139	\$ 24,139	\$ 24,139
Total shares outstanding (in 000 s)	966	966	966	966	966
Liquidation preference per share	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
Average market value (e)	\$ 25.81	\$ 25.44	\$ 25.30	\$ 25.78	\$ 25.48
Asset coverage per share	\$ 102.26	\$ 113.12	\$ 117.85	\$ 104.67	\$ 101.68
<b>Asset Coverage</b>	<b>409%</b>	<b>452%</b>	<b>471%</b>	<b>419%</b>	<b>407%</b>

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

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

- (a) Calculated based upon average common shares outstanding on the record dates throughout the years.
- (b) Amount represents less than \$0.005 per share.
- (c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the year ended December 31, 2015, there was no impact on the expense ratios.
- (d) The Fund incurred dividend expenses on securities sold short. If this expense had not been incurred, the expense ratios for the year ended December 31, 2015 would have been 1.87% attributable to common shares before fees waived, 1.57% attributable to common shares net of advisory fee reduction, 1.44% including liquidation value of preferred shares before fees waived, and 1.22% including liquidation value of preferred shares net of advisory fee reduction.
- (e) Based on weekly prices.

See accompanying notes to financial statements.

## The Gabelli Convertible and Income Securities Fund Inc.

### Notes to Financial Statements

**1. Organization.** The Gabelli Convertible and Income Securities Fund Inc. is a diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act ), whose investment objective is to seek a high level of total return through a combination of current income and capital appreciation by investing in convertible securities. The Fund was incorporated in Maryland on December 19, 1988 as a diversified open-end management investment company and commenced investment operations on July 3, 1989 as The Gabelli Convertible Securities Fund, Inc. At a special meeting of shareholders held on February 17, 1995, the Board of Directors (the Board ) voted to approve the conversion of the Fund to closed-end status, effective March 31, 1995.

The Fund will invest at least 80% of its net assets, under normal market conditions, in a combination of convertible securities and income producing securities (the 80% Policy ). The Fund expects to continue its practice of focusing on convertible securities to the extent attractive opportunities are available. The 80% Policy may be changed without shareholder approval. However, the Fund has adopted a policy to provide shareholders with notice at least sixty days prior to the implementation of any change in the 80% Policy.

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

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

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



**The Gabelli Convertible and Income Securities Fund Inc.****Notes to Financial Statements (Continued)**

are valued principally using dealer quotations. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

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

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

- Level 1 quoted prices in active markets for identical securities;
- Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and
- Level 3 significant unobservable inputs (including the Board's determinations as to the fair value of investments).

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities and other financial instruments by inputs used to value the Fund's investments as of December 31, 2015 is as follows:

	<b>Valuation Inputs</b>			
	<b>Level 1</b>	<b>Level 2 Other Significant</b>	<b>Level 3 Significant</b>	<b>Total Market Value</b>
	<b>Quoted Prices</b>	<b>Observable Inputs</b>	<b>Unobservable Inputs</b>	<b>at 12/31/15</b>
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Convertible Corporate Bonds (a)		\$ 7,399,507	\$13,875	\$ 7,413,382
Convertible Preferred Stocks:				
Diversified Industrial		34,155		34,155
Energy and Utilities	\$ 300,480	12,356		312,836
Food and Beverage		1,155,462		1,155,462
Health Care			64,872	64,872
Other Industries (a)	586,136			586,136
Total Convertible Preferred Stocks	886,616	1,201,973	64,872	2,153,461
Common Stocks:				
Aerospace	3,899,282	49,881		3,949,163
Other Industries (a)	68,076,926			68,076,926
Total Common Stocks	71,976,208	49,881		72,026,089

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Rights (a)			19,952		19,952
Corporate Bonds (a)		271,000			271,000
U.S. Government Obligations		14,444,009			14,444,009
<b>TOTAL INVESTMENTS IN SECURITIES ASSETS</b>		\$72,862,824	\$23,366,370	\$98,699	\$96,327,893
<b>INVESTMENTS IN SECURITIES: LIABILITIES (Market Value):</b>					
Securities Sold Short (a)		\$ (1,844,960)			\$ (1,844,960)
<b>TOTAL INVESTMENTS IN SECURITIES LIABILITIES</b>		\$ (1,844,960)			\$ (1,844,960)

The Gabelli Convertible and Income Securities Fund Inc.

Notes to Financial Statements (Continued)

	Valuation Inputs			Total Market Value
	Level 1	Level 2 Other Significant	Level 3 Significant	at 12/31/15
	Quoted Prices	Observable Inputs	Unobservable Inputs	
<b>OTHER FINANCIAL INSTRUMENTS:*</b>				
<b>LIABILITIES (Unrealized Depreciation):</b>				
<b>EQUITY CONTRACT</b>				
Contract for Difference Swap Agreement		\$(19,298)		\$(19,298)
<b>TOTAL OTHER FINANCIAL INSTRUMENTS</b>		\$(19,298)		\$(19,298)

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

\* Other financial instruments are derivatives reflected in the SOI, such as options, futures, forwards, and swaps, which may be valued at the unrealized appreciation/depreciation of the instrument.

The beginning of period value of the securities that transferred from Level 1 to Level 2 during the period amounted to \$102,505 or 0.12% of net assets as of December 31, 2014. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

The following table reconciles Level 3 investments for which significant unobservable inputs were used to determine fair value:

Balance as of 12/31/14	Accretion/ discounts/ of (premiums)	Realized (loss) appreciation/ depreciation	Change in unrealized	Purchases	Sales	Transfer into Level 3	Transfers out of Level 3	Balance as of 12/31/15	Net change in unrealized appreciation/ depreciation during the period on
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Level 3

investments

still held at

12/31/15

<b>INVESTMENTS IN SECURITIES:</b>					
<b>ASSETS (Market Value):</b>					
Convertible Corporate Bonds			\$13,875	\$13,875	
Convertible Preferred Stocks:					
Health Care	\$ (6,528)	\$71,400		64,872	\$ (6,528)
Rights:					
Retail	12,829	7,123		19,952	12,829
<b>TOTAL INVESTMENTS IN SECURITIES</b>	<b>\$ 6,301</b>	<b>\$78,523</b>	<b>\$13,875</b>	<b>\$98,699</b>	<b>\$ 6,301</b>

The Fund's policy is to recognize transfers into and out of Level 3 as of the beginning of the reporting period. Net change in unrealized appreciation/depreciation on investments is included in the related amounts in the Statement of Operations.



**The Gabelli Convertible and Income Securities Fund Inc.****Notes to Financial Statements (Continued)**

The following tables summarize the valuation techniques used and unobservable inputs utilized to determine the value of certain of the Fund's Level 3 investments as of December 31, 2015:

Description	Balance at 12/31/15	Valuation Technique	Unobservable Input	Range
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Convertible Corporate Bonds	\$13,875	Last available closing price	Discount Range	0%
Convertible Preferred Stocks (a)	64,872	Last available closing price	Discount Range	0%
Rights (a)	<u>19,952</u>	Merger/Acquisition price	Discount Range	0%
	<u>\$98,699</u>			

(a) Includes fair value securities of immaterial investments developed using various valuation techniques and unobservable inputs.

Unobservable Input	Impact to Value if Input Increases	Impact to Value if Input Decreases
Discount Range	Decrease	Increase

**Additional Information to Evaluate Qualitative Information.**

**General.** The Fund uses recognized industry pricing services approved by the Board and unaffiliated with the Adviser to value most of its securities, and uses broker quotes provided by market makers of securities not valued by these and other recognized pricing sources. Several different pricing feeds are received to value domestic equity securities, international equity securities, preferred equity securities, and fixed income securities. The data within these feeds is ultimately sourced from major stock exchanges and trading systems where these securities trade. The prices supplied by external sources are checked by obtaining quotations or actual transaction prices from market participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

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

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

***Derivative Financial Instruments.*** The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purposes of increasing the income of the Fund, hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase, or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Investing in certain derivative financial instruments, including participation in the options, futures, or swap markets, entails certain execution, liquidity, hedging, tax, and securities, interest, credit, or

**The Gabelli Convertible and Income Securities Fund Inc.**

**Notes to Financial Statements (Continued)**

currency market risks. Losses may arise if the Adviser's prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate. Losses may also arise if the counterparty does not perform its duties under a contract, or that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

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

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

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

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

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 received or paid on swaps, is reported as unrealized gain or loss in the Statement of Operations. A realized gain or loss is recorded upon receipt or payment of a periodic payment or termination of swap agreements.

**The Gabelli Convertible and Income Securities Fund Inc.**

**Notes to Financial Statements (Continued)**

The Fund has entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc. Details of the swaps at December 31, 2015 are reflected within the Schedule of Investments and further details are as follows:

<u>Notional Amount</u>	<u>Equity Security Received</u>	<u>Interest Rate/Equity Security Paid</u>	<u>Termination Date</u>	<u>Net Unrealized Depreciation</u>
		One month LIBOR plus 90 bps plus		
	Market Value Appreciation on:	Market Value Depreciation on:		
\$421,860 (47,500 Shares)	Rolls-Royce Holdings plc	Rolls-Royce Holdings plc	6/28/16	\$(19,217)
6,573 (4,403,250 Shares)	Rolls-Royce Holdings plc, Cl. C	Rolls-Royce Holdings plc, Cl. C	6/28/16	(81)
				<u>\$(19,298)</u>

The Fund's volume of activity in equity contract for difference swap agreements during the year ended December 31, 2015 had an average monthly notional amount of approximately \$601,002.

At December 31, 2015, the Fund's derivative liabilities (by type) are as follow:

Gross Amount of			
Recognized Liabilities	Gross Amount	Net Amount of	
Presented in the	Available for Offset	Liabilities Presented in	
Statement of Assets	in the Statement of	the Statement of	
and Liabilities	Assets and Liabilities	Assets and Liabilities	

**Liabilities**

Equity Contract for Difference Swap Agreements	\$19,298	\$19,298
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The following table presents the Fund's derivative liabilities by counterparty net of the related collateral segregated by the Fund for the benefit of the counterparty as of December 31, 2015:

Gross Amount Not Offset in the Statement of			
Assets and Liabilities			
Net Amount of Liabilities	Financial Instruments	Cash Collateral	Net Amount

Presented in the

Received

Statement of Assets and

Liabilities

**Counterparty**

The Goldman  
Sachs Group,  
Inc.

\$19,298

\$(19,298)

As of December 31, 2015, the value of equity contract for difference swap agreements can be found in the Statement of Assets and Liabilities, under Liabilities, Unrealized depreciation on swap contracts. For the year ended December 31, 2015, the effect of equity contract for difference swap agreements can be found in the Statement of Operations, under Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency, Net realized loss on swap contracts and Net change in unrealized appreciation/depreciation on swap contracts.

***Limitations on the Purchase and Sale of Futures Contracts, Certain Options, and Swaps.*** Subject to the guidelines of the Board, the Fund may engage in commodity interest transactions (generally, transactions in futures, certain options, certain currency transactions, and certain types of swaps) only for bona fide hedging or other permissible transactions in accordance with the rules and regulations of the Commodity Futures Trading Commission ( CFTC ). Pursuant to amendments by the CFTC to Rule 4.5 under the Commodity Exchange

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**The Gabelli Convertible and Income Securities Fund Inc.****Notes to Financial Statements (Continued)**

Act (CEA), the Adviser has filed a notice of exemption from registration as a commodity pool operator with respect to the Fund. The Fund and the Adviser are therefore not subject to registration or regulation as a commodity pool operator under the CEA. In addition, certain trading restrictions are now applicable to the Fund as of January 1, 2013. These trading restrictions permit the Fund to engage in commodity interest transactions that include (i) bona fide hedging transactions, as that term is defined and interpreted by the CFTC and its staff, without regard to the percentage of the Fund's assets committed to margin and options premiums and (ii) non-bona fide hedging transactions, provided that the Fund does not enter into such non-bona fide hedging transactions if, immediately thereafter, either (a) the sum of the amount of initial margin deposits on the Fund's existing futures positions or swaps positions and option or swaption premiums would exceed 5% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions, or (b) the aggregate net notional value of the Fund's commodity interest transactions would not exceed 100% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions. Therefore, in order to claim the Rule 4.5 exemption, the Fund is limited in its ability to invest in commodity futures, options, and certain types of swaps (including securities futures, broad based stock index futures, and financial futures contracts). As a result, in the future, the Fund will be more limited in its ability to use these instruments than in the past, and these limitations may have a negative impact on the ability of the Adviser to manage the Fund, and on the Fund's performance.

**Securities Sold Short.** The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund 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 Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of the open positions, which is adjusted periodically as the value of the position fluctuates. Securities sold short and details of collateral at December 31, 2015 are reflected within the Schedule of Investments. For the year ended December 31, 2015, the Fund incurred \$3,511 in service fees related to its investment positions short and held by the broker. The amount is included in the Statement of Operations under Expenses Service fees for securities sold short.

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

**The Gabelli Convertible and Income Securities Fund Inc.**

**Notes to Financial Statements (Continued)**

received. The portion of foreign currency gains and losses related to fluctuation in exchange rates between the initial purchase trade date and subsequent sale trade date is included in realized gain/(loss) on investments.

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

**Foreign Taxes.** The Fund may be subject to foreign taxes on income, gains on investments, or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

**Restricted Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At December 31, 2015, the Fund did not hold restricted securities.

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

**Custodian Fee Credits.** 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.

**Distributions to Shareholders.** Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in





**The Gabelli Convertible and Income Securities Fund Inc.****Notes to Financial Statements (Continued)**

the period when the differences arise. Permanent differences were primarily due to tax treatment of currency gains and losses, recharacterization of distributions, and reclassifications of gains on investments in swaps. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2015, reclassifications were made to decrease accumulated distributions in excess of net investment income by \$53,516 and increase accumulated distributions in excess of net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions by \$118,484, with an offsetting adjustment to paid-in capital.

Distributions to shareholders of the Fund's 6.00% Series B Cumulative Preferred Stock (Series B Preferred) are recorded on a daily basis and are determined as described in Note 5.

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

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

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	Common	Preferred	Common	Preferred
<b>Distributions paid from:</b>				
Ordinary income (inclusive of short term capital gains)	\$ 2,388,080	\$ 663,826	\$ 1,091,234	\$ 423,982
Net long term capital gains	2,793,240	776,450	2,636,370	1,024,340
Return of capital	1,557,731		3,330,887	
<b>Total distributions paid</b>	<b>\$ 6,739,051</b>	<b>\$ 1,440,276</b>	<b>\$ 7,058,491</b>	<b>\$ 1,448,322</b>

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

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

Net unrealized appreciation on investments, securities sold short, swap contracts, and foreign currency translations	\$ 13,096,320
Other temporary differences*	(16,092)
<b>Total</b>	<b>\$ 13,080,228</b>

\* Other temporary differences were primarily due to adjustments for distributions payable. The Fund is permitted to carry capital losses forward for an unlimited period. Capital losses that are carried forward will retain their character as either short term or long term capital losses.

**The Gabelli Convertible and Income Securities Fund Inc.****Notes to Financial Statements (Continued)**

At December 31, 2015, the temporary differences between book basis and tax basis net unrealized appreciation on investments were primarily due to deferral of losses from wash sales for tax purposes, basis adjustments on investments in partnerships and defaulted securities, and qualified five year tax gains.

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

	<b>Cost/ Proceeds</b>	<b>Gross Unrealized Appreciation</b>	<b>Gross Unrealized Depreciation</b>	<b>Net Unrealized Appreciation/ (Depreciation)</b>
Investments	\$ 83,142,512	\$20,124,253	\$(6,938,872)	\$13,185,381
Securities sold short	(1,759,894)	<u>                    </u>	<u>(85,066)</u>	<u>(85,066)</u>
		<u>\$20,124,253</u>	<u>\$(7,023,938)</u>	<u>\$13,100,315</u>

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

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

The Adviser has agreed to reduce the management fee on the incremental assets attributable to the Series B Preferred 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 on the Series B Preferred for the year. The Fund's total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate of the Series B Preferred for the period. For the year ended December 31, 2015, the Fund's total return on the NAV of the common shares did not exceed the stated dividend rate of the Series B Preferred. Thus, advisory fees with respect to the liquidation value of the Preferred assets was reduced by \$241,386.

During the year ended December 31, 2015, the Fund paid brokerage commissions on security trades of \$16,227 to G.research, LLC, an affiliate of the Adviser.

During the year ended December 31, 2015, the Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. The amount of such expenses paid through this directed brokerage arrangement during this period was \$3,001.

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**The Gabelli Convertible and Income Securities Fund Inc.**
**Notes to Financial Statements (Continued)**

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

As per the approval of the Board, the Fund compensates officers of the Fund, who are employed by the Fund and are not employed by the Adviser (although the officers may receive incentive based variable compensation from affiliates of the Adviser). For the year ended December 31, 2015, the Fund paid or accrued \$94,310 in payroll expenses in the Statement of Operations.

The Fund pays each Director who is not considered an affiliated person an annual retainer of \$3,000 plus \$750 for each Board meeting attended. Each Director is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$500 per meeting attended, the Audit Committee Chairman receives an annual fee of \$3,000, the Nominating Committee Chairman receives an annual fee of \$2,000, and the Lead Director receives an annual fee of \$1,000. A Director may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Directors who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**4. Portfolio Securities.** Purchases and sales of securities during the year ended December 31, 2015, other than short term securities and U.S. Government obligations, aggregated \$20,456,986 and \$24,890,994, respectively.

**5. Capital.** The charter permits the Fund to issue 998,000,000 shares of common stock (par value \$0.001). The Board has authorized the repurchase of up to 500,000 common shares on the open market when the shares are trading at a discount of 10% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the years ended December 31, 2015 and 2014, the Fund did not repurchase any shares of its common stock in the open market.

Transactions in common stock were as follows:

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
<b>Shares</b>		