

Gabelli Healthcare & WellnessRx Trust
Form N-CSR
March 04, 2011

**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 811-22021
The Gabelli Healthcare & Wellness^{Rx} Trust**

(Exact name of registrant as specified in charter)
One Corporate Center
Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)
Agnes Mullady
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, 2010

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 Healthcare & Wellness^{Rx} Trust

Annual Report December 31, 2010

Mario J. Gabelli, CFA

Kevin V. Dreyer

Jeffrey J. Jonas, CFA

To Our Shareholders,

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

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

Enclosed are the audited financial statements including the investment portfolio as of December 31, 2010.

Investment Performance

For the year ended December 31, 2010, The Gabelli Healthcare & Wellness^{Rx} Trust's (the Fund) net asset value (NAV) total return was 9.2% and the total return for the Fund's publicly traded shares was 5.7%, compared with gains of 2.9% and 14.1% for the S&P 500 Health Care Index and the S&P 500 Consumer Staples Index, respectively.

On December 31, 2010, the Fund's NAV per share was \$8.47, while the price of the Fund's publicly traded shares closed at \$7.08 on the New York Stock Exchange (NYSE).

Sincerely yours,

Agnes Mullady

President

February 25, 2011

Comparative Results

Average Annual Returns through December 31, 2010 (a) (Unaudited)

| | Quarter | 1 Year | 2 Year | Since Inception (06/28/07) |
|---|---------|--------|--------|----------------------------|
| Gabelli Healthcare & Wellness^{Rx} Trust | | | | |
| NAV Total Return (b) | 9.43% | 9.15% | 16.79% | 2.06% |
| Investment Total Return (c) | 10.62 | 5.67 | 18.88 | (2.95) |
| S&P 500 Index | 10.76 | 15.08 | 20.64 | (2.83)(d) |
| S&P 500 Health Care Index | 3.64 | 2.90 | 10.98 | (1.26) |
| S&P 500 Consumer Staples Index | 6.11 | 14.11 | 14.50 | 5.48 |

(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 for performance information as of the most recent month end. Performance returns for periods of less than one year are not annualized. **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 S&P 500 Health Care Index is an unmanaged indicator of health care equipment and services,

pharmaceuticals, biotechnology, and life sciences stock performance. The S&P 500 Consumer Staples Index is an unmanaged indicator of food and staples retailing, food, beverage and tobacco, and household and personal products stock performance. Dividends are considered reinvested. You cannot invest directly in an index.

- (b) Total returns and average annual returns reflect changes in the NAV per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of \$8.00.*
 - (c) Total returns and average annual returns reflect changes in closing market values on the New York Stock Exchange and reinvestment of distributions. Since inception return is based on an initial offering price of \$8.00.*
 - (d) From June 30, 2007, the date closest to the Fund's inception for which data is available.*
-

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments as of December 31, 2010:

| | |
|------------------------------------|--------|
| Food | 25.9% |
| Health Care Equipment and Supplies | 15.8% |
| Pharmaceuticals | 15.5% |
| Health Care Providers and Services | 12.2% |
| Food and Staples Retailing | 9.5% |
| Beverages | 7.1% |
| U.S. Government Obligations | 6.1% |
| Biotechnology | 2.7% |
| Computer Software and Services | 2.7% |
| Consumer Services and Supplies | 0.9% |
| Capital Goods | 0.8% |
| Household and Personal Products | 0.8% |
| | 100.0% |

The Fund will file a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, the last of which was filed for the quarter ended September 30, 2010. Shareholders may obtain this information at www.gabelli.com or by calling the Fund at 800-GABELLI (800-422-3554). The Fund's Form N-Q is available on the SEC's website at www.sec.gov and may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Proxy Voting

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

Update to the By-Laws of The Gabelli Healthcare & Wellness^{Rx} Trust

On December 3, 2010, the Board of Trustees of the Fund approved and adopted the Amended and Restated By-Laws of the Fund (the December 2010 Amendments). The December 2010 Amendments were effective as of December 3, 2010. The December 2010 Amendments set out the processes and procedures that shareholders of the Fund must follow, and specifies additional information that shareholders of the Fund must provide, and additional trustee qualifications that must be met, when proposing trustee nominations at any annual or special meeting of shareholders or other business to be considered at an annual meeting of shareholders. On February 16, 2011, the Board of Trustees of the Fund approved and adopted the Third Amended and Restated Declaration of Trust of the Fund and Second Amended and Restated By-Laws of the Fund (the February 2011 Amendments). The February 2011 Amendments were effective as of February 16, 2011. The February 2011 Amendments clarify certain provisions of the governing documents.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
SCHEDULE OF INVESTMENTS
December 31, 2010

| Shares | | Cost | Market Value |
|---------------|--|-------------|---------------------|
| | COMMON STOCKS 93.9% | | |
| | Beverages 7.1% | | |
| 35,000 | Dr Pepper Snapple Group Inc. | \$ 914,769 | \$ 1,230,600 |
| 12,000 | Hansen Natural Corp. | 412,587 | 627,360 |
| 46,000 | ITO EN Ltd. | 888,494 | 764,873 |
| 15,000 | Morinaga Milk Industry Co. Ltd. | 48,287 | 63,555 |
| 350,000 | Parmalat SpA | 944,922 | 958,802 |
| 22,000 | Peet's Coffee & Tea Inc. | 847,156 | 918,280 |
| 10,000 | PepsiCo Inc. | 648,904 | 653,300 |
| 25,000 | The Coca-Cola Co. | 1,347,432 | 1,644,250 |
| 400,000 | Vitasoy International Holdings Ltd. | 234,646 | 333,471 |
| | | 6,287,197 | 7,194,491 |
| | Biotechnology 2.7% | | |
| 10,000 | Acorda Therapeutics Inc. | 300,606 | 272,600 |
| 8,000 | Biogen Idec Inc. | 374,546 | 536,400 |
| 7,000 | Cephalon Inc. | 492,219 | 432,040 |
| 8,000 | Crucell NV | 268,389 | 252,295 |
| 22,000 | Crucell NV, ADR | 675,974 | 688,380 |
| 17,000 | Gilead Sciences Inc. | 711,161 | 616,080 |
| | | 2,822,895 | 2,797,795 |
| | Capital Goods 0.8% | | |
| 6,000 | Baldor Electric Co. | 379,800 | 378,240 |
| 5,000 | Bucyrus International Inc. | 446,647 | 447,000 |
| | | 826,447 | 825,240 |
| | Computer Software and Services 2.7% | | |
| 60,000 | McAfee Inc. | 2,836,910 | 2,778,600 |
| | Consumer Services and Supplies 0.9% | | |
| 25,000 | Weight Watchers International Inc. | 840,614 | 937,250 |
| | Food 25.9% | | |
| 30,000 | Campbell Soup Co. | 1,051,407 | 1,042,500 |

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| | | | |
|---------|---------------------------------------|-----------|-----------|
| 30,000 | Danone | 1,863,689 | 1,884,997 |
| 52,000 | Dean Foods Co. | 873,021 | 459,680 |
| 50,000 | Del Monte Foods Co. | 503,345 | 940,000 |
| 80,000 | Dole Food Co. Inc. | 866,552 | 1,080,800 |
| 30,000 | Flowers Foods Inc. | 657,458 | 807,300 |
| 45,000 | General Mills Inc. | 1,315,478 | 1,601,550 |
| 20,000 | H.J. Heinz Co. | 855,165 | 989,200 |
| 24,100 | Inventure Foods Inc. | 97,879 | 104,353 |
| 25,000 | Kellogg Co. | 1,263,183 | 1,277,000 |
| 16,000 | Kerry Group plc, Cl. A | 419,845 | 532,813 |
| 110,000 | Kikkoman Corp. | 1,292,882 | 1,232,910 |
| 40,000 | Kraft Foods Inc., Cl. A | 1,163,767 | 1,260,400 |
| 74,000 | Lifeway Foods Inc. | 750,596 | 706,700 |
| 10,000 | MEIJI Holdings Co. Ltd. | 433,330 | 452,026 |
| 42,000 | Nestlé SA | 1,758,030 | 2,459,358 |
| 6,000 | Rock Field Co. Ltd. | 81,896 | 94,223 |
| 120,000 | Sara Lee Corp. | 1,661,383 | 2,101,200 |
| 200,000 | Smart Balance Inc. | 1,186,517 | 866,000 |
| 62,000 | The Hain Celestial Group Inc. | 1,444,927 | 1,677,720 |
| 24,000 | The J.M. Smucker Co. | 1,307,314 | 1,575,600 |
| 110,000 | Tingyi (Cayman Islands) Holding Corp. | 176,608 | 281,623 |
| 44,000 | Wimm-Bill-Dann Foods OJSC, ADR | 397,009 | 1,450,680 |
| 56,000 | YAKULT HONSHA Co. Ltd. | 1,454,640 | 1,613,302 |

22,875,921 26,491,935

Food and Staples Retailing 9.5%

| | | | |
|--------|----------------------------|-----------|-----------|
| 62,000 | CVS Caremark Corp. | 2,085,588 | 2,155,740 |
| 25,000 | Ingles Markets Inc., Cl. A | 374,303 | 480,000 |
| 55,000 | Safeway Inc. | 1,120,632 | 1,236,950 |
| 50,000 | SUPERVALU Inc. | 948,511 | 481,500 |
| 40,000 | The Kroger Co. | 852,218 | 894,400 |
| 40,000 | United Natural Foods Inc. | 1,339,920 | 1,467,200 |
| 21,000 | Walgreen Co. | 709,267 | 818,160 |
| 43,000 | Whole Foods Market Inc. | 1,102,154 | 2,175,370 |

8,532,593 9,709,320

Health Care Equipment and Supplies 15.8%

| | | | |
|--------|--|-----------|-----------|
| 30,000 | American Medical Systems Holdings Inc. | 559,210 | 565,800 |
| 18,000 | Baxter International Inc. | 952,520 | 911,160 |
| 19,000 | Beckman Coulter Inc. | 1,114,126 | 1,429,370 |
| 8,000 | Becton, Dickinson and Co. | 530,993 | 676,160 |
| 45,000 | Boston Scientific Corp. | 412,984 | 340,650 |
| 36,000 | Covidien plc | 1,418,568 | 1,643,760 |
| 33,000 | Cutera Inc. | 362,481 | 273,570 |
| 4,000 | Exactech Inc. | 75,462 | 75,280 |
| 30,000 | Greatbatch Inc. | 719,309 | 724,500 |
| 9,400 | Henry Schein Inc. | 418,608 | 577,066 |

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| | | | |
|---------|--------------------------------|------------|------------|
| 35,000 | Hologic Inc. | 603,664 | 658,700 |
| 11,000 | ICU Medical Inc. | 401,687 | 401,500 |
| 30,000 | Immucor Inc. | 576,767 | 594,900 |
| 12,000 | IRIS International Inc. | 111,243 | 122,760 |
| 16,000 | Kinetic Concepts Inc. | 839,863 | 670,080 |
| 5,000 | Medical Action Industries Inc. | 89,640 | 47,900 |
| 12,000 | Medtronic Inc. | 604,076 | 445,080 |
| 550,000 | Northstar Neuroscience Inc. | 0 | 16,500 |
| 35,000 | Orthofix International NV | 1,028,943 | 1,015,000 |
| 45,000 | Q-Med AB | 493,726 | 510,174 |
| 22,000 | Rochester Medical Corp. | 220,200 | 240,240 |
| 35,000 | St. Jude Medical Inc. | 1,380,891 | 1,496,250 |
| 4,000 | Stryker Corp. | 197,260 | 214,800 |
| 25,000 | Thermo Fisher Scientific Inc. | 1,164,522 | 1,384,000 |
| 46,200 | Vascular Solutions Inc. | 400,583 | 541,464 |
| 10,000 | Zimmer Holdings Inc. | 560,785 | 536,800 |
| | | 15,238,111 | 16,113,464 |

Health Care Providers and Services 12.2%

| | | | |
|---------|-------------------------------|------------|------------|
| 20,000 | Aetna Inc. | 877,801 | 610,200 |
| 19,000 | Alere Inc. | 416,343 | 695,400 |
| 10,000 | Amedisys Inc. | 368,946 | 335,000 |
| 32,000 | AmerisourceBergen Corp. | 809,091 | 1,091,840 |
| 6,000 | Chemed Corp. | 290,940 | 381,060 |
| 20,000 | CIGNA Corp. | 620,145 | 733,200 |
| 5,000 | Community Health Systems Inc. | 149,493 | 186,850 |
| 310,000 | Continucare Corp. | 910,875 | 1,450,800 |
| 14,000 | Express Scripts Inc. | 366,996 | 756,700 |
| 38,000 | Genoptix Inc. | 1,119,104 | 722,760 |
| 30,000 | Healthways Inc. | 681,813 | 334,800 |
| 23,000 | McKesson Corp. | 1,314,652 | 1,618,740 |
| 30,000 | Medco Health Solutions Inc. | 1,362,389 | 1,838,100 |
| 20,250 | Owens & Minor Inc. | 501,559 | 595,957 |
| 14,000 | PSS World Medical Inc. | 219,891 | 316,400 |
| 22,000 | UnitedHealth Group Inc. | 759,712 | 794,420 |
| | | 10,769,750 | 12,462,227 |

Household and Personal Products 0.8%

| | | | |
|--------|--------------------|---------|---------|
| 14,000 | Alberto-Culver Co. | 521,350 | 518,560 |
| 10,000 | Avon Products Inc. | 291,651 | 290,600 |
| | | 813,001 | 809,160 |

See accompanying notes to financial statements.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
SCHEDULE OF INVESTMENTS (Continued)
December 31, 2010

| Shares | | Cost | Market Value |
|--|---|----------------------|---------------------|
| COMMON STOCKS (Continued) | | | |
| Pharmaceuticals 15.5% | | | |
| 28,000 | Abbott Laboratories | \$ 1,466,069 | \$ 1,341,480 |
| 1,000 | Allergan Inc. | 70,890 | 68,670 |
| 30,000 | Bristol-Myers Squibb Co. | 774,373 | 794,400 |
| 183,976 | Cypress Bioscience Inc. | 1,121,295 | 1,192,164 |
| 25,000 | Inspire Pharmaceuticals Inc. | 101,275 | 210,000 |
| 36,500 | Johnson & Johnson | 2,147,509 | 2,257,525 |
| 170,000 | King Pharmaceuticals Inc. | 2,359,936 | 2,388,500 |
| 37,000 | Mead Johnson Nutrition Co. | 1,481,758 | 2,303,250 |
| 37,000 | Merck & Co. Inc. | 1,188,303 | 1,333,480 |
| 50,000 | Mylan Inc. | 714,413 | 1,056,500 |
| 35,000 | Pain Therapeutics Inc. | 225,922 | 236,250 |
| 30,000 | Pfizer Inc. | 527,385 | 525,300 |
| 20,000 | Teva Pharmaceutical Industries Ltd., ADR | 924,841 | 1,042,600 |
| 20,000 | Watson Pharmaceuticals Inc. | 741,806 | 1,033,000 |
| | | 13,845,775 | 15,783,119 |
| | TOTAL COMMON STOCKS | 85,689,214 | 95,902,601 |
| WARRANTS 0.0% | | | |
| Health Care Equipment and Supplies 0.0% | | | |
| 80,907 | Radiant Pharmaceutical Corp., expire 03/05/11 (a) | 148,405 | 21,045 |
| Principal Amount | U.S. GOVERNMENT OBLIGATIONS 6.1% | | |
| \$ 6,270,000 | U.S. Treasury Bill, 0.170% , 04/21/11 | 6,266,802 | 6,267,649 |
| TOTAL INVESTMENTS 100.0% | | \$ 92,104,421 | 102,191,295 |
| Other Assets and Liabilities (Net) | | | (751,475) |
| PREFERRED STOCK | | | |
| (1,200,000 preferred shares outstanding) | | | (30,000,000) |

NET ASSETS COMMON SHARES

(8,431,401 common shares outstanding) \$ 71,439,820

NET ASSET VALUE PER COMMON SHARE

(\$71,439,820 ÷ 8,431,401 shares outstanding) \$ 8.47

- (a) Security fair valued under procedures established by the Board of Trustees. The procedures may include reviewing available financial information about the company and reviewing the valuation of comparable securities and other factors on a regular basis. At December 31, 2010, the market value of the fair valued security amounted to \$21,045 or 0.02% of total investments.

Non-income producing security.

Represents annualized yield at date of purchase.

ADR American Depositary Receipt

OJSC Open Joint Stock Company

| Geographic Diversification | % of Market Value | Market Value |
|-----------------------------------|----------------------------------|-------------------------|
| North America | 83.1% | \$ 84,916,453 |
| Europe | 11.2 | 11,423,859 |
| Japan | 4.1 | 4,220,889 |
| Latin America | 1.0 | 1,015,000 |
| Asia/Pacific | 0.6 | 615,094 |
| Total Investments | 100.0% | \$ 102,191,295 |

See accompanying notes to financial statements.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
STATEMENT OF ASSETS AND LIABILITIES
December 31, 2010

Assets:

| | |
|---|----------------|
| Investments, at value (cost \$92,104,421) | \$ 102,191,295 |
| Cash | 689 |
| Receivable for investments sold | 2,483 |
| Dividends and interest receivable | 123,478 |
| Deferred offering expense | 121,590 |
| Prepaid expense | 3,319 |

| | |
|---------------------|--------------------|
| Total Assets | 102,442,854 |
|---------------------|--------------------|

Liabilities:

| | |
|---|---------|
| Payable for investments purchased | 668,702 |
| Payable for Fund shares repurchased | 58,058 |
| Distributions payable | 24,000 |
| Payable for investment advisory fees | 85,632 |
| Payable for payroll expenses | 25,609 |
| Payable for accounting fees | 7,500 |
| Payable for shareholder communications expenses | 100,932 |
| Other accrued expenses | 32,601 |

| | |
|--------------------------|------------------|
| Total Liabilities | 1,003,034 |
|--------------------------|------------------|

Preferred Shares:

| | |
|--|------------|
| Series A Cumulative Preferred Shares (5.760%, \$25 liquidation value, \$0.001 par value 1,200,000 shares authorized with 1,200,000 shares issued and outstanding) | 30,000,000 |
|--|------------|

| | |
|---|----------------------|
| Net Assets Attributable to Common Shareholders | \$ 71,439,820 |
|---|----------------------|

Net Assets Attributable to Common Shareholders Consist of:

| | |
|--|---------------|
| Paid-in capital | \$ 64,114,277 |
| Accumulated net realized loss on investments and foreign currency transactions | (2,765,825) |
| Net unrealized appreciation on investments | 10,086,874 |
| Net unrealized appreciation on foreign currency translations | 4,494 |

| | |
|-------------------|----------------------|
| Net Assets | \$ 71,439,820 |
|-------------------|----------------------|

Net Asset Value per Common Share:

| | |
|---|---------|
| (\$71,439,820 ÷ 8,431,401 shares outstanding at \$0.001 par value; unlimited number of shares authorized) | \$ 8.47 |
|---|---------|

STATEMENT OF OPERATIONS
For the Year Ended December 31, 2010

Investment Income:

| | |
|--|------------|
| Dividends (net of foreign withholding taxes of \$11,357) | \$ 956,586 |
| Interest | 12,152 |

| | |
|--------------------------------|---------|
| Total Investment Income | 968,738 |
|--------------------------------|---------|

Expenses:

| | |
|-------------------------------------|---------|
| Investment advisory fees | 774,825 |
| Shareholder communications expenses | 210,200 |
| Payroll expenses | 104,594 |
| Legal and audit fees | 86,437 |
| Trustees' fees | 66,204 |
| Shareholder services fees | 59,348 |
| Accounting fees | 45,000 |
| Custodian fees | 8,153 |
| Miscellaneous expenses | 49,777 |

| | |
|-----------------------|-----------|
| Total Expenses | 1,404,538 |
|-----------------------|-----------|

| | |
|----------------------------|-----------|
| Net Investment Loss | (435,800) |
|----------------------------|-----------|

Net Realized and Unrealized Gain/(Loss) on Investments and Foreign Currency:

| | |
|--|-----------|
| Net realized gain on investments | 1,568,735 |
| Net realized loss on foreign currency transactions | (1,184) |

| | |
|--|-----------|
| Net realized gain on investments and foreign currency transactions | 1,567,551 |
|--|-----------|

| | |
|--|-----------|
| Net change in unrealized appreciation: | |
| on investments | 6,808,290 |
| on foreign currency translations | 3,949 |

| | |
|--|-----------|
| Net change in unrealized appreciation on investments and foreign currency translations | 6,812,239 |
|--|-----------|

| | |
|---|-----------|
| Net Realized and Unrealized Gain/(Loss) on Investments, and Foreign Currency | 8,379,790 |
|---|-----------|

| | |
|---|-----------|
| Net Increase in Net Assets Resulting from Operations | 7,943,990 |
|---|-----------|

| | |
|---|-----------|
| Total Distributions to Preferred Shareholders | (633,600) |
|---|-----------|

| | |
|---|--------------|
| Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations | \$ 7,310,390 |
|---|--------------|

See accompanying notes to financial statements.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

| | Year Ended December 31, 2010 | Year Ended December 31, 2009 |
|---|------------------------------------|------------------------------------|
| Operations: | | |
| Net investment loss | \$ (435,800) | \$ (409,073) |
| Net realized gain/(loss) on investments and foreign currency transactions | 1,567,551 | (2,117,813) |
| Net change in unrealized appreciation on investments and foreign currency translations | 6,812,239 | 15,655,171 |
| Net Increase in Net Assets Resulting from Operations | 7,943,990 | 13,128,285 |
| Distributions to Preferred Shareholders: | | |
| Net investment income | (633,600) | |
| Total Distributions to Preferred Shareholders | (633,600) | |
| Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations | 7,310,390 | 13,128,285 |
| Fund Share Transactions: | | |
| Net decrease from repurchase of common shares | (293,456) | |
| Offering costs for preferred shares charged to paid-in capital | (1,326,936) | |
| Net Decrease in Net Assets from Fund Share Transactions | (1,620,392) | |
| Net Increase in Net Assets Attributable to Common Shareholders | 5,689,998 | 13,128,285 |
| Net Assets Attributable to Common Shareholders: | | |
| Beginning of period | 65,749,822 | 52,621,537 |
| End of period (including undistributed net investment income of \$0 and \$0, respectively) | \$ 71,439,820 | \$ 65,749,822 |

See accompanying notes to financial statements.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
FINANCIAL HIGHLIGHTS

Selected data for a share of beneficial interest outstanding throughout the period:

| | Year Ended December 31, | | | Period Ended December 31, 2007 (c) |
|--|-------------------------|---------|----------|--|
| | 2010 | 2009 | 2008 | |
| Operating Performance: | | | | |
| Net asset value, beginning of period | \$ 7.76 | \$ 6.21 | \$ 8.03 | \$ 8.00 |
| Net investment income/(loss) | (0.05) | (0.05) | (0.07) | 0.02 |
| Net realized and unrealized gain/(loss) on investments and foreign currency transactions | 0.98 | 1.60 | (1.70) | 0.06 |
| Total from investment operations | 0.93 | 1.55 | (1.77) | 0.08 |
| Distributions to Preferred Shareholders: | | | | |
| (a) | | | | |
| Net investment income | (0.07) | | | |
| Total distributions to preferred shareholders | (0.07) | | | |
| Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations | | | | |
| | 0.86 | 1.55 | (1.77) | 0.08 |
| Distributions to Common Shareholders: | | | | |
| Net investment income | | | (0.01) | (0.01) |
| Net realized short-term gain | | | (0.04) | (0.04) |
| Total distributions to common shareholders | | | (0.05) | (0.05) |
| Fund Share Transactions: | | | | |
| Increase in net asset value from common share transactions | 0.01 | | | |
| Offering costs for preferred shares charged to paid-in capital | (0.16) | | | |
| Total fund share transactions | (0.15) | | | |
| Net Asset Value Attributable to Common Shareholders, End of Period | | | | |
| | \$ 8.47 | \$ 7.76 | \$ 6.21 | \$ 8.03 |
| NAV total return | 9.15% | 24.96% | (22.03)% | 1.00% |

| | | | | |
|-----------------------------|---------|---------|----------|----------|
| Market value, end of period | \$ 7.08 | \$ 6.70 | \$ 5.01 | \$ 7.09 |
| Investment total return | 5.67% | 33.73% | (28.63)% | (10.75)% |

Ratios to Average Net Assets and Supplemental Data:

| | | | | |
|---|------------|-----------|-----------|-----------|
| Net assets including liquidation value of preferred shares, end of period (in 000 s) | \$ 101,440 | | | |
| Net assets attributable to common shares, end of period (in 000 s) | \$ 71,440 | \$ 65,750 | \$ 52,622 | \$ 68,069 |
| Ratio of net investment income/(loss) to average net assets attributable to common shares | (0.65)% | (0.72)% | (0.94)% | 0.56%(d) |
| Ratio of operating expenses to average net assets attributable to common shares | 2.11% | 2.04% | 2.41% | 1.97%(d) |
| Ratio of operating expenses to average net assets including liquidation value of preferred shares | 1.82% | | | |
| Portfolio turnover rate | 45.2% | 55.7% | 122.0% | 26.7% |

Preferred Shares:

5.760% Series A Cumulative Preferred Shares

| | |
|---|-------------|
| Liquidation value, end of period (in 000 s) | \$ 30,000 |
| Total shares outstanding (in 000 s) | 1,200 |
| Liquidation preference per share | \$ 25.00 |
| Average market value (b) | \$ 25.35 |
| Asset coverage per share | \$ 84.53 |
| Asset coverage | 338% |

Based on net asset value per share at commencement of operations of \$8.00 per share, adjusted for reinvestment of distributions at the net asset value per share on the ex-dividend dates. Total return for a period of less than one year is not annualized.

Based on market value per share at initial public offering of \$8.00 per share, adjusted for reinvestment of distributions at prices determined under the Fund's dividend reinvestment plan. Total return for a period of less than one year is not annualized.

Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the period ended December 31, 2007 would have been 60.6%.

- (a) Calculated based upon average common shares outstanding on the record dates throughout the periods.
- (b) Based on weekly prices.
- (c) The Gabelli Healthcare & Wellness^{Rx} Trust commenced investment operations on June 28, 2007.
- (d) Annualized.

See accompanying notes to financial statements.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS

1. Organization. The Gabelli Healthcare & Wellness^{Rx} Trust (the Fund) is a non-diversified closed-end management investment company organized as a Delaware statutory trust on February 20, 2007 and registered under the Investment Company Act of 1940 as amended (the 1940 Act). Investment operations commenced on June 28, 2007.

The Fund's investment objective is long-term growth of capital. Under normal market conditions, the Fund will invest at least 80% of its assets in equity securities and income producing securities of domestic and foreign companies in the healthcare and wellness industries.

The Fund will invest a significant portion of its assets in companies in the healthcare and wellness industries. As a result, the Fund may be more susceptible to economic, political, and regulatory developments in this particular sector of the market, positive or negative, and may experience increased volatility to the Fund's NAV and a magnified effect in its total return.

2. Significant Accounting Policies. The Fund's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), which may require the use of management estimates and assumptions. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

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

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

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

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 Fund's determinations as to the fair value of investments).

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THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in 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 by inputs used to value the Fund's investments as of December 31, 2010 is as follows:

| Valuation Inputs | Investments in Securities (Market Value) |
|--|---|
| | Assets |
| Level 1 - Quoted Prices* | \$ 95,902,601 |
| Level 2 - Other Significant Observable Inputs* | 6,288,694 |
| Total | \$ 102,191,295 |

* Portfolio holdings designated in Level 1 and Level 2 are disclosed individually in the Schedule of Investments (SOI). Level 2 consists of U.S. Government Obligations and Warrants. Please refer to the SOI for the industry classifications of these portfolio holdings.

The Fund did not have significant transfers between Level 1 and Level 2 during the year ended December 31, 2010.

There were no Level 3 investments held at December 31, 2010 or December 31, 2009.

In January 2010, the Financial Accounting Standards Board (FASB) issued amended guidance to improve disclosure about fair value measurements which requires additional disclosures about transfers between Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). FASB also clarified existing disclosure requirements relating to the levels of disaggregation of fair value measurement and inputs and valuation techniques used to measure fair value. The amended guidance is effective for financial statements for fiscal years beginning after December 15, 2009 and interim periods within those fiscal years. Management has adopted the amended guidance and determined that there was no material impact to the Fund's financial statements except for additional disclosures made in the notes. Disclosures about purchases, sales, issuances, and settlements in the rollforward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Management is currently evaluating the impact of the additional disclosure requirements on the Fund's financial statements.

Derivative Financial Instruments.

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

The Fund's derivative contracts held at December 31, 2010, if any, are not accounted for as hedging instruments under GAAP.

Options. The Fund may purchase or write call or put options on securities or indices for the purpose of achieving additional return or for hedging the value of the fund's portfolio. As a writer of put options, the Fund receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instrument underlying the option. The Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a written put option is exercised, the premium reduces the cost basis of the security.

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

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

In the case of call options, these exercise prices are referred to as in-the-money , at-the-money , and out-of-the-money , respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline during the option period, (b) at-the-money call options when the Adviser expects that the price of the underlying security will remain stable, decline, or advance moderately during the option period, and (c) out-of-the-money call options when the Adviser expects that the premiums received from writing the call option will be greater than the appreciation in the price of the underlying security above the exercise price. By writing a call option, the Fund limits its opportunity to profit from any increase in the market value of the underlying security above the exercise price of the option. Out-of-the-money, at-the-money, and in-the-money put options (the reverse of call options as to the relation of exercise price to market price) may be utilized in the same market environments that such call options are used in equivalent transactions. During the year ended December 31, 2010, the Fund held no investments in options.

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

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily corresponds with the value of their underlying instruments, which may not correlate with the change in value of the hedged investments. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market. During the year ended December 31, 2010, the Fund held no investments in futures contracts.

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

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. During the year ended December 31, 2010, the Fund held no investments in forward foreign exchange contracts.

Repurchase Agreements. The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. It is the policy of the Fund to receive and maintain securities as collateral whose market value is not less than their repurchase price. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the

Fund may be delayed or limited. At December 31, 2010, the Fund held no investments in repurchase agreements.

Investments in other Investment Companies. The Fund may invest, from time to time, in shares of other investment companies (or entities that would be considered investment companies but are excluded from the definition pursuant to certain exceptions under the 1940 Act) (the "Acquired Funds") in accordance with the 1940 Act and related rules. Shareholders in the Fund bear the pro rata portion of the periodic expenses of the Acquired Funds in addition to the Fund's expenses. During the year ended December 31, 2010, the Fund did not hold any investments in Acquired Funds.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

Restricted and Illiquid Securities. The Fund may invest without limit in illiquid securities. Illiquid securities include securities the disposition of which is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. The Fund held no restricted or illiquid securities at December 31, 2010.

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

Custodian Fee Credits and Interest Expense. When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as

Custodian fee credits. When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 110% of the 90 day Treasury Bill rate on outstanding balances. This amount, if any, would be included in interest expense in the Statement of Operations. There were neither custodian fee credits earned nor such interest expense incurred during the year ended December 31, 2010.

Distributions to Shareholders. Distributions to common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund.

Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to the tax treatment of currency gains and losses, a write-off of the current year net operating loss, and recharacterization of distributions. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2010, reclassifications were made to decrease accumulated distributions in excess of net investment income by \$1,069,400 and decrease accumulated net realized loss on investments and foreign currency transactions by \$1,184, with an offsetting adjustment to paid-in capital.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

The tax character of distributions paid during the year ended December 31, 2010 was as follows:

| | Year Ended December 31, 2010 Preferred |
|--|---|
| Distributions paid from: | |
| Ordinary income | \$ 633,600 |
| No distributions were made during the year ended December 31, 2009. | |
| <i>Provision for Income Taxes.</i> 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, 2010, the components of accumulated earnings/losses on a tax basis were as follows: | |
| Accumulated capital loss carryforwards | \$ (2,159,475) |
| Net unrealized appreciation on investments and foreign currency translations | 9,485,018 |
| Total | \$ (7,325,543) |

At December 31, 2010, the Fund had net capital loss carryforwards for federal income tax purposes of \$2,159,475 which are available to reduce future required distributions of net capital gains to shareholders. \$199,277 of the loss carryforward is available through 2016; and \$1,960,198 is available through 2017.

During the year ended December 31, 2010, the Fund utilized capital loss carryforwards of \$1,341,598.

At December 31, 2010, the temporary difference between book basis and tax basis net unrealized appreciation on investments was primarily due to deferral of losses on wash sales for tax purposes.

The following summarizes the tax cost of investments and the related net unrealized appreciation at December 31, 2010:

| | Cost | Gross Unrealized Appreciation | Gross Unrealized Depreciation | Net Unrealized Appreciation |
|-------------|--------------|--|--|--|
| Investments | \$92,710,771 | \$13,699,791 | \$(4,219,267) | \$9,480,524 |

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, 2010, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2010, 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. Tax years ended December 31, 2007 through December 31, 2010 remain subject to examination by the Internal Revenue Service and state taxing authorities. On an ongoing basis, the Adviser will monitor the Fund's tax positions to determine if adjustments to this conclusion are necessary.

3. Agreements and Transactions with Affiliates. The Fund has entered into an investment advisory agreement (the "Advisory Agreement") with the Adviser which provides that the Fund will pay the Adviser a fee, computed weekly and paid monthly, equal on an annual basis to 1.00% of the value of the Fund's average weekly net assets. 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.

During the year ended December 31, 2010, the Fund paid brokerage commissions on security trades of \$58,753 to Gabelli & Company, Inc. (Gabelli & Co.), an affiliate of the Adviser.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the year ended December 31, 2010, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

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) and pays its allocated portion of the cost of the Fund's Chief Compliance Officer. For the year ended December 31, 2010, the Fund accrued \$104,594 in payroll expenses in the Statement of Operations.

The Fund pays each Trustee who is not considered an affiliated person an annual retainer of \$3,000 plus \$1,000 for each Board meeting attended. Each Trustee is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. In addition, 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 Trustee receives an annual fee of \$1,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees 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 for the year ended December 31, 2010, other than short-term securities and U.S. Government obligations, aggregated \$56,015,579 and \$31,275,652, respectively.

5. Capital. The Fund is authorized to issue an unlimited number of shares of beneficial interest (par value \$0.001). The Board has authorized the repurchase of its shares on the open market when the shares are trading on the NYSE at a discount of 10% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the year ended December 31, 2010, the Fund repurchased and retired 43,058 shares of its common stock on the open market at a cost of \$293,456 and an average discount of approximately 17.27% from its NAV.

Transactions in shares of beneficial interest were as follows:

| | Year Ended December 31, 2010 | |
|---|---|---------------|
| | Shares | Amount |
| Net decrease from repurchase of common shares | (43,058) | \$(293,456) |

During the year ended December 31, 2009, the Fund did not have any transactions in shares of beneficial interest.

The Fund's Declaration of Trust, as amended, authorizes the issuance of an unlimited number of shares of \$0.001 par value Cumulative Preferred Shares (Preferred Shares). The Preferred Shares is senior to the common shares and results in the financial leveraging of the common shares. Such leveraging tends to magnify both the risks and opportunities to common shareholders. Dividends on 5.760% Series A Preferred Shares are cumulative. The Fund is required by the 1940 Act and by the Statements of Preferences to meet certain asset coverage tests with respect to the Preferred Shares. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Preferred Shares at redemption prices of \$25 per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Fund's assets may vary in a manner unrelated to the fixed rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

The Fund filed a \$100 million shelf offering with the SEC that went effective June 21, 2010. The shelf offering gave the Fund the ability to offer additional common and preferred shares.

On August 20, 2010, the Fund received net proceeds of \$28,725,173 (after underwriting discounts of \$945,000 and offering expenses of \$329,827) from the public offering of 1,200,000 shares of 5.760% Series A Cumulative Preferred Shares. Commencing August 20, 2015 and at any time thereafter, the Fund, at its option, may redeem the Preferred Shares in whole or in part at the redemption price. The Board has authorized the repurchase of the Preferred Shares in the open market at prices less than the \$25 liquidation value per share. During the year ended December 31, 2010 the Fund did not repurchase any of the Preferred Shares. At December 31, 2010, 1,200,000 Preferred Shares were outstanding and accrued dividends amounted to \$24,000.

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

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
NOTES TO FINANCIAL STATEMENTS (Continued)

7. Other Matters. On April 24, 2008, the Adviser entered into a settlement with the SEC to resolve an inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the "Global Growth Fund") by one investor who was banned from the Global Growth Fund in August 2002. In the administrative settlement order, the SEC found that the Adviser had willfully violated Section 206(2) of the 1940 Act, Section 17(d) of the 1940 Act and Rule 17d-1 thereunder, and had willfully aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC's findings and allegations, paid \$16 million (which included a \$5 million civil monetary penalty), approximately \$12.8 million of which is in the process of being paid to shareholders of the Global Growth Fund in accordance with a plan developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and acceptable to the staff of the SEC, and agreed to cease and desist from future violations of the above referenced federal securities laws and rule. The SEC order also noted the cooperation that the Adviser had given the staff of the SEC during its inquiry. The settlement did not have a material adverse impact on the Adviser or its ability to fulfill its obligations under the Advisory Agreement. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Fund, the Global Growth Fund, and other funds in the Gabelli/GAMCO fund complex. The officer denied the allegations and is continuing in his positions with the Adviser and the funds. The court dismissed certain claims and found that the SEC was not entitled to pursue various remedies against the officer while leaving one remedy in the event the SEC were able to prove violations of law. The court subsequently dismissed without prejudice the remaining remedy against the officer, which would allow the SEC to appeal the court's rulings. On October 29, 2010 the SEC filed its appeal with the U.S. Court of Appeals for the Second Circuit regarding the lower court's orders. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Fund or the Adviser or its ability to fulfill its obligations under the Advisory Agreement.

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

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of

The Gabelli Healthcare & Wellness^{Rx} Trust:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of The Gabelli Healthcare & Wellness^{Rx} Trust (hereafter referred to as the Trust) at December 31, 2010, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and the financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America. The 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2010 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

New York, New York

February 28, 2011

THE GABELLI HEALTHCARE & WELLNESS^{Rx} TRUST
ADDITIONAL FUND INFORMATION (Unaudited)

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

| Name, Position(s) | Term of Office and Length of Time Served² | Number of Funds in Fund Complex Overseen by Trustee | Principal Occupation(s) During Past Five Years | Other Directorships Held by Trustee⁴ |
|---|---|--|--|---|
| INTERESTED TRUSTEES³: | | | | |
| Mario J. Gabelli Trustee and Chief Investment Officer Age: 68 | Since 2007* | 26 | Chairman and Chief Executive Officer of GAMCO Investors, Inc. and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Funds complex; Chief Executive Officer of GGCP, Inc. | Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications) |

INDEPENDENT TRUSTEES⁵:

| | | | | |
|--|---------------|----|--|--|
| Thomas E. Bratter Trustee Age: 71 | Since 2007*** | 3 | Director, President, and Founder of The John Dewey Academy (residential college preparatory therapeutic high school) | |
| Anthony J. Colavita Trustee Age: 75 | Since 2007** | 34 | President of the law firm of Anthony J. Colavita, P.C. | |
| James P. Conn Trustee Age: 72 | Since 2007*** | 18 | Former Managing Director and Chief Investment Officer of Financial Security | Director of First Republic Bank (banking) through January 2008 and LaQuinta Corp. (hotels) |

Assurance Holdings Ltd. through January 2006
(insurance holding company)
(1992-1998)