

Edgar Filing: GABELLI DIVIDEND & INCOME TRUST - Form N-CSRS

GABELLI DIVIDEND & INCOME TRUST  
Form N-CSRS  
September 06, 2006

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 811-21423  
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The Gabelli Dividend & Income Trust  
-----  
(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  
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Date of fiscal year end: December 31  
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Date of reporting period: June 30, 2006  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Report to Shareholders is attached herewith.

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[LOGO]  
THE GABELLI  
DIVIDEND &  
INCOME TRUST

## THE GABELLI DIVIDEND & INCOME TRUST

Semi-Annual Report  
June 30, 2006

TO OUR SHAREHOLDERS,

The Gabelli Dividend & Income Trust's (the "Fund") total return during the second quarter was 2.4% on a net asset value ("NAV") basis, compared to a 1.4% decline for the Standard & Poor's ("S&P") 500 Index. Year to date through June 30, 2006, the Fund's total return was 9.2% on an NAV basis versus a 2.7% gain for the S&P 500 Index. The Fund's market price rose 2.5% during the second quarter and 8.8% for the first half of 2006. The Fund's market price on June 30, 2006 was \$18.56, which equates to a 15.3% discount to its NAV of \$21.90.

Enclosed are the financial statements and the investment portfolio as of June 30, 2006.

### COMPARATIVE RESULTS

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#### AVERAGE ANNUAL RETURNS THROUGH JUNE 30, 2006 (a)

	QUARTER	YEAR TO DATE	1 YEAR	SINCE INCEPTION (11/28/03)
	-----	----	-----	-----
GABELLI DIVIDEND & INCOME TRUST				
NAV RETURN (b) .....	2.38%	9.22%	13.42%	11.84%
INVESTMENT RETURN (c) .....	2.53	8.81	6.64	3.50
S&P 500 Index .....	(1.44)	2.71	8.62	9.26
Dow Jones Industrial Average .....	0.93	5.25	11.07	7.64
Nasdaq Composite Index .....	(7.17)	(1.51)	5.60	4.05

(a) RETURNS REPRESENT PAST PERFORMANCE AND DO NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURNS AND THE PRINCIPAL VALUE OF AN INVESTMENT WILL FLUCTUATE. WHEN SHARES ARE SOLD, THEY MAY BE WORTH MORE OR LESS THAN THEIR ORIGINAL COST. CURRENT PERFORMANCE MAY BE LOWER OR HIGHER THAN THE PERFORMANCE DATA PRESENTED. VISIT [WWW.GABELLI.COM](http://WWW.GABELLI.COM) FOR PERFORMANCE INFORMATION AS OF THE MOST RECENT MONTH END. PERFORMANCE RETURNS FOR PERIODS LESS THAN ONE YEAR ARE NOT ANNUALIZED. INVESTORS SHOULD CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS, CHARGES, AND EXPENSES OF THE FUND BEFORE INVESTING. THE DOW JONES INDUSTRIAL AVERAGE IS AN UNMANAGED INDEX OF 30 LARGE CAPITALIZATION STOCKS. THE S&P 500 AND THE NASDAQ COMPOSITE INDICES ARE UNMANAGED INDICATORS OF STOCK MARKET PERFORMANCE. DIVIDENDS ARE CONSIDERED REINVESTED EXCEPT FOR THE NASDAQ COMPOSITE INDEX.

(b) TOTAL RETURNS AND AVERAGE ANNUAL RETURNS REFLECT CHANGES IN NAV AND REINVESTMENT OF DISTRIBUTIONS AT NAV ON THE EX-DIVIDEND DATE, AND ARE NET OF EXPENSES. SINCE INCEPTION RETURN BASED ON AN INITIAL NAV OF \$19.06.

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(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 \$20.00.

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We have separated the portfolio manager's commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio manager's commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com/funds](http://www.gabelli.com/funds).

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### THE GABELLI DIVIDEND & INCOME TRUST SUMMARY OF PORTFOLIO HOLDINGS (UNAUDITED)

The following table presents portfolio holdings as a percent of total investments as of June 30, 2006:

#### LONG POSITIONS

Energy and Utilities: Oil .....	14.7%
Repurchase Agreements .....	14.1%
Financial Services .....	13.8%
Energy and Utilities: Integrated .....	11.2%
Telecommunications .....	5.7%
Energy and Utilities: Electric .....	5.2%
U.S. Government Obligations .....	5.0%
Energy and Utilities: Natural Gas .....	4.0%
Food and Beverage .....	3.7%
Diversified Industrial .....	3.2%
Health Care .....	2.5%
Consumer Products .....	2.2%
Equipment and Supplies .....	1.5%
Cable and Satellite .....	1.3%
Entertainment .....	1.3%
Transportation .....	1.0%
Specialty Chemicals .....	0.9%
Aerospace .....	0.9%
Automotive: Parts and Accessories .....	0.8%
Metals and Mining .....	0.8%
Broadcasting .....	0.6%
Agriculture .....	0.6%
Hotels and Gaming .....	0.6%
Retail .....	0.6%
Communications Equipment .....	0.5%
Real Estate .....	0.5%
Business Services .....	0.4%
Energy and Utilities .....	0.4%
Publishing .....	0.4%
Wireless Communications .....	0.3%
Energy and Utilities: Water .....	0.3%
Machinery .....	0.2%
Environmental Services .....	0.2%
Automotive .....	0.2%
Aviation: Parts and Services .....	0.2%
Paper and Forest Products .....	0.1%
Energy and Utilities: Services .....	0.1%
Real Estate Investment Trusts .....	0.0%

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Manufactured Housing and Recreational Vehicles .....	0.0%
Building and Construction .....	0.0%
	-----
	100.0%
	=====

SHORT POSITIONS

Equipment and Supplies .....	(0.0)%
	=====

THE GABELLI DIVIDEND & INCOME TRUST (THE "FUND") FILES 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 MARCH 31, 2006. SHAREHOLDERS MAY OBTAIN THIS INFORMATION AT WWW.GABELLI.COM OR BY CALLING THE FUND AT 800-GABELLI (800-422-3554). THE FUND'S FORM N-Q IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.SEC.GOV AND MAY ALSO BE REVIEWED AND COPIED AT THE COMMISSION'S PUBLIC REFERENCE ROOM IN WASHINGTON, DC. INFORMATION ON THE OPERATION OF THE PUBLIC REFERENCE ROOM MAY BE OBTAINED BY CALLING 1-800-SEC-0330.

PROXY VOTING

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

SHAREHOLDER MEETING - MAY 15, 2006 - FINAL RESULTS

The Annual Meeting of Shareholders was held on May 15, 2006 at the Greenwich Library in Greenwich, Connecticut. At that meeting, common and preferred shareholders voting together as a single class elected Salvatore M. Salibello and Edward T. Tokar as Trustees of the Fund. There were 84,684,266 votes and 84,686,945 votes cast in favor of each Trustee and 1,567,833 votes and 1,565,155 votes were withheld, respectively. In addition, preferred shareholders voting as a single class elected James P. Conn as Trustee. There were 5,214,905 votes cast in favor of Mr. Conn and 115,405 votes withheld.

Mario J. Gabelli, Anthony J. Colavita, Mario d'Urso, Frank J. Fahrenkopf, Jr., Michael J. Melarkey, Anthonie C. van Ekris, and Salvatore J. Zizza continue to serve in their capacities as Trustees.

We thank you for your participation and appreciate your continued support.

THE GABELLI DIVIDEND & INCOME TRUST  
 SCHEDULE OF INVESTMENTS  
 JUNE 30, 2006 (UNAUDITED)

SHARES	COST	MARKET VALUE
-----	-----	-----

COMMON STOCKS -- 77.1%

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	AEROSPACE -- 0.7%		
10,000	Goodrich Corp. ....	\$ 281,823	\$ 402,900
30,000	Kaman Corp. ....	515,942	546,000
2,000,000	Rolls-Royce Group plc+ .....	14,847,047	15,311,500
107,600,000	Rolls-Royce Group plc, Cl. B .....	110,290	203,950
		-----	-----
		15,755,102	16,464,350
		-----	-----
	AGRICULTURE -- 0.6%		
360,000	Archer-Daniels-Midland Co. ....	6,003,461	14,860,800
		-----	-----
	AUTOMOTIVE -- 0.2%		
100,000	General Motors Corp. ....	2,825,660	2,979,000
30,000	Navistar International Corp.+ .....	723,021	738,300
		-----	-----
		3,548,681	3,717,300
		-----	-----
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.8%		
300,000	Dana Corp. ....	2,867,483	792,000
455,000	Genuine Parts Co. ....	15,537,978	18,955,300
		-----	-----
		18,405,461	19,747,300
		-----	-----
	AVIATION: PARTS AND SERVICES -- 0.2%		
50,000	Sequa Corp., Cl. A+ .....	3,632,221	4,075,000
		-----	-----
	BROADCASTING -- 0.1%		
100,000	Univision Communications Inc., Cl. A+ .....	3,418,960	3,350,000
		-----	-----
	BUSINESS SERVICES -- 0.4%		
500,000	BAA plc .....	8,864,609	8,626,588
		-----	-----
	CABLE AND SATELLITE -- 1.3%		
50,000	Cablevision Systems Corp., Cl. A+ .....	747,292	1,072,500
14,200	Cogeco Inc. ....	276,997	254,412
115,000	DIRECTV Group Inc.+ .....	1,956,083	1,897,500
330,000	EchoStar Communications Corp., Cl. A+ .....	9,966,819	10,167,300
81,734	Liberty Global Inc., Cl. A+ .....	1,686,985	1,757,281
73,680	Liberty Global Inc., Cl. C+ .....	1,482,714	1,515,597
279,800	PanAmSat Holding Corp. ....	6,913,030	6,989,404
195,000	Rogers Communications Inc., Cl. B .....	4,550,823	7,878,000
		-----	-----
		27,580,743	31,531,994
		-----	-----
	COMMUNICATIONS EQUIPMENT -- 0.0%		
20,000	Thomas & Betts Corp.+ .....	629,282	1,026,000
		-----	-----
	CONSUMER PRODUCTS -- 2.2%		
329,000	Alberto-Culver Co. ....	15,124,233	16,028,880
10,000	Altria Group Inc. ....	491,463	734,300
115,000	Avon Products Inc. ....	3,434,698	3,565,000
400,000	Body Shop International plc .....	2,094,367	2,215,359

SHARES

COST

MARKET  
VALUE

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33,000	Eastman Kodak Co. ....	\$ 837,383	\$ 784,740
135,000	Gallaher Group plc, ADR .....	6,687,853	8,442,900
1,000	Kimberly-Clark Corp. ....	53,184	61,700
180,000	Mattel Inc. ....	3,029,526	2,971,800
100,000	Procter & Gamble Co. ....	5,296,457	5,560,000
700,000	Swedish Match AB .....	7,085,845	11,282,871
		-----	-----
		44,135,009	51,647,550
		-----	-----
	DIVERSIFIED INDUSTRIAL -- 2.9%		
150,000	BOC Group plc .....	4,097,763	4,385,414
180,000	Bouygues SA .....	6,242,882	9,255,209
140,000	Cooper Industries Ltd., Cl. A .....	9,009,200	13,008,800
500,000	General Electric Co. ....	16,320,036	16,480,000
240,000	Honeywell International Inc. ....	8,075,152	9,672,000
80,000	ITT Industries Inc. ....	3,501,872	3,960,000
116,000	Sonoco Products Co. ....	2,882,932	3,671,400
1,000	Textron Inc. ....	51,500	92,180
1,051,000	Tomkins plc .....	5,080,148	5,592,493
3,193	United States Steel Corp. ....	88,510	223,879
120,000	WHX Corp.+ .....	1,191,265	1,104,000
		-----	-----
		56,541,260	67,445,375
		-----	-----
	ENERGY AND UTILITIES: ELECTRIC -- 5.2%		
30,000	Allegheny Energy Inc.+ .....	438,040	1,112,100
120,000	ALLETE Inc. ....	3,983,448	5,682,000
310,000	American Electric Power Co. Inc. ....	9,600,039	10,617,500
410,000	DPL Inc. ....	8,135,720	10,988,000
17,500	DTE Energy Co. ....	667,957	712,950
270,000	Duquesne Light Holdings Inc. ....	4,812,167	4,438,800
280,000	Electric Power Development Co. Ltd. ....	6,816,389	10,667,599
230,000	FPL Group Inc. ....	7,915,075	9,517,400
600,000	Great Plains Energy Inc. ....	18,388,421	16,716,000
600,000	Pepco Holdings Inc. ....	11,391,942	14,148,000
240,000	Pinnacle West Capital Corp. ....	9,369,027	9,578,400
490,000	Southern Co. ....	14,616,327	15,704,500
390,000	Unisource Energy Corp. ....	10,038,586	12,148,500
		-----	-----
		106,173,138	122,031,749
		-----	-----
	ENERGY AND UTILITIES: INTEGRATED -- 11.2%		
12,000	Alliant Energy Corp. ....	305,115	411,600
400,000	Ameren Corp. ....	18,188,356	20,200,000
50,000	Avista Corp. ....	926,534	1,141,500
11,000	Black Hills Corp. ....	335,198	377,630
33,000	CH Energy Group Inc. ....	1,524,587	1,584,000
108,000	Chubu Electric Power Co. Inc. ....	2,458,019	2,916,113

See accompanying notes to financial statements.

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THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
JUNE 30, 2006 (UNAUDITED)

SHARES -----		COST -----	MARKET VALUE -----
	COMMON STOCKS (CONTINUED)		
	ENERGY AND UTILITIES: INTEGRATED (CONTINUED)		
121,500	Chugoku Electric Power Co. Inc. ....	\$ 2,194,052	\$ 2,569,294
278,000	CONSOL Energy Inc. ....	3,210,102	12,988,160
200,000	Consolidated Edison Inc. ....	8,201,972	8,888,000
20,000	Dominion Resources Inc. ....	1,455,866	1,495,800
695,000	Duke Energy Corp. ....	16,551,069	20,412,150
430,000	Edison SpA ....	1,002,090	863,487
200,000	El Paso Corp. ....	2,048,265	3,000,000
20,000	Empire District Electric Co. ....	443,360	411,000
385,000	Endesa SA ....	9,834,687	13,389,292
75,000	Endesa SA, ADR ....	2,469,172	2,409,000
300,000	Enel SpA ....	2,324,318	2,586,240
47,000	Enel SpA, ADR ....	1,839,336	2,021,940
139,500	Energy East Corp. ....	3,166,127	3,338,235
220,000	FirstEnergy Corp. ....	7,886,725	11,926,200
130,000	Hawaiian Electric Industries Inc. ....	3,060,314	3,628,300
250,000	Hera SpA ....	552,073	831,383
121,500	Hokkaido Electric Power Co. Inc. ....	2,282,208	2,882,493
121,500	Hokuriku Electric Power Co. ....	2,131,359	2,813,483
121,500	Kansai Electric Power Co. Inc. ....	2,333,021	2,717,931
80,500	Korea Electric Power Corp., ADR ....	1,181,180	1,526,280
121,500	Kyushu Electric Power Co. Inc. ....	2,374,466	2,824,100
24,500	Maine & Maritimes Corp. ....	715,926	382,200
10,000	MGE Energy Inc. ....	354,894	311,500
35,102	National Grid plc, ADR ....	1,588,562	1,897,614
255,000	NiSource Inc. ....	5,329,541	5,569,200
620,000	NSTAR ....	14,807,368	17,732,000
500,000	OGE Energy Corp. ....	12,037,779	17,515,000
40,000	Ormat Technologies Inc. ....	600,000	1,526,000
330,000	Progress Energy Inc. ....	14,816,426	14,147,100
300,000	Public Service Enterprise Group Inc. ....	18,762,100	19,836,000
174,603	Scottish Power plc, ADR ....	6,417,653	7,532,373
121,500	Shikoku Electric Power Co. Inc. ....	2,264,565	2,723,239
15,000	TECO Energy Inc. ....	255,758	224,100
121,500	Tohoku Electric Power Co. Inc. ....	2,112,763	2,664,846
108,000	Tokyo Electric Power Co. Inc. ....	2,545,172	2,982,174
2,000	TXU Corp. ....	28,289	119,580
71,000	Vectren Corp. ....	1,798,052	1,934,750

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470,000	Westar Energy Inc. ....	9,309,271	9,893,500
SHARES		COST	MARKET VALUE
-----		-----	-----
90,000	Wisconsin Energy Corp. ....	\$ 2,844,518	\$ 3,627,000
150,000	WPS Resources Corp. ....	6,859,066	7,440,000
720,000	Xcel Energy Inc. ....	12,423,264	13,809,600
		-----	-----
		216,150,538	262,021,387
		-----	-----
	ENERGY AND UTILITIES: NATURAL GAS -- 4.0%		
8,500	AGL Resources Inc. ....	231,031	324,020
102,000	Atmos Energy Corp. ....	2,539,709	2,846,820
14,800	Delta Natural Gas Co. Inc. ....	374,076	362,748
6,000	Energen Corp. ....	124,550	230,460
500,000	KeySpan Corp. ....	18,605,417	20,200,000
20,000	Kinder Morgan Energy Partners LP ....	824,553	919,200
50,000	Kinder Morgan Inc. ....	4,975,950	4,994,500
60,000	Laclede Group Inc. ....	1,690,312	2,061,600
300,000	National Fuel Gas Co. ....	7,226,378	10,542,000
215,000	Nicor Inc. ....	7,320,919	8,922,500
220,000	ONEOK Inc. ....	5,480,182	7,488,800
270,000	Peoples Energy Corp. ....	11,217,023	9,695,700
300,000	SEMCO Energy Inc.+ ....	1,686,087	1,668,000
200,000	Sempra Energy ....	5,955,980	9,096,000
30,000	South Jersey Industries Inc. ....	657,687	821,700
70,000	Southern Union Co. ....	1,656,784	1,894,200
180,000	Southwest Gas Corp. ....	4,320,420	5,641,200
100,000	Western Gas Resources Inc. ....	5,969,750	5,985,000
		-----	-----
		80,856,808	93,694,448
		-----	-----
	ENERGY AND UTILITIES: OIL -- 14.7%		
14,000	Anadarko Petroleum Corp. ....	391,850	667,660
40,000	Apache Corp. ....	1,905,219	2,730,000
20,000	Baker Hughes Inc. ....	759,763	1,637,000
46,900	BG Group plc, ADR ....	1,893,244	3,136,672
160,000	BP plc, ADR ....	7,479,063	11,137,600
40,000	Cameron International Corp.+ ....	1,103,787	1,910,800
141,817	Chesapeake Energy Corp. ....	2,453,634	4,289,964
319,888	Chevron Corp. ....	18,621,240	19,852,250
1,000	Cimarex Energy Co. ....	28,300	43,000
420,996	ConocoPhillips ....	21,244,394	27,587,868
75,000	Devon Energy Corp. ....	3,238,390	4,530,750
290,000	Diamond Offshore Drilling Inc. ....	16,562,002	24,339,700
187,500	Eni SpA, ADR ....	6,854,713	11,015,625
225,000	Exxon Mobil Corp. ....	10,427,149	13,803,750
270,000	Halliburton Co. ....	14,616,168	20,036,700
30,000	Hess Corp. ....	830,468	1,585,500
460,000	Kerr-McGee Corp. ....	23,676,852	31,901,000
297,000	Marathon Oil Corp. ....	14,194,073	24,740,100
190,000	Murphy Oil Corp. ....	9,634,839	10,613,400
4,000	Nabors Industries Ltd.+ ....	97,350	135,160
1,000	Niko Resources Ltd. ....	57,455	56,472



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See accompanying notes to financial statements.

4

THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
JUNE 30, 2006 (UNAUDITED)

SHARES -----		COST -----	MARKET VALUE -----
COMMON STOCKS (CONTINUED)			
ENERGY AND UTILITIES: OIL (CONTINUED)			
5,000	Noble Corp. ....	\$ 254,820	\$ 372,100
190,000	Occidental Petroleum Corp. ....	13,423,052	19,484,500
14,000	Oceaneering International Inc.+ ....	390,875	641,900
30,000	PetroChina Co. Ltd., ADR ....	2,256,659	3,239,100
335,000	Remington Oil & Gas Corp.+ ....	14,908,639	14,729,950
280,000	Repsol YPF SA, ADR ....	5,930,532	7,856,800
200,000	Royal Dutch Shell plc, Cl. A, ADR ....	9,567,840	13,396,000
120,000	Schlumberger Ltd. ....	3,977,835	7,813,200
1,000	Seitel Inc.+ ....	1,285	3,560
940,000	Statoil ASA, ADR ....	13,338,307	26,808,800
200,000	Sunoco Inc. ....	8,156,500	13,858,000
200,000	Total SA, ADR ....	8,718,885	13,104,000
80,000	Transocean Inc.+ ....	4,506,519	6,425,600
		-----	-----
		241,501,701	343,484,481
		-----	-----
ENERGY AND UTILITIES: SERVICES -- 0.1%			
135,000	ABB Ltd., ADR ....	1,474,605	1,749,600
		-----	-----
ENERGY AND UTILITIES: WATER -- 0.3%			
11,000	American States Water Co. ....	273,608	392,150
53,333	Aqua America Inc. ....	873,085	1,215,459
4,000	Artesian Resources Corp., Cl. A ....	113,635	115,440
3,000	California Water Service Group ....	94,710	107,220
6,000	Connecticut Water Service Inc. ....	152,821	140,520
6,000	Middlesex Water Co. ....	111,082	113,520
21,466	Pennichuck Corp. ....	417,620	438,765
90,000	SJW Corp. ....	1,507,781	2,290,500
16,800	Southwest Water Co. ....	192,169	201,096
5,000	Suez SA ....	156,718	205,287
168,000	Suez SA, Strips+ ....	0	2,149
36,000	United Utilities plc, ADR ....	774,333	853,560
6,000	York Water Co. ....	115,031	143,340
		-----	-----
		4,782,593	6,219,006
		-----	-----
ENTERTAINMENT -- 1.1%			
8,000	Grupo Televisa SA, ADR ....	79,516	154,480



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21,000	NewAlliance Bancshares Inc. ....	308,926	300,510
40,000	North Fork Bancorporation Inc. ....	1,022,376	1,206,800
210,000	PNC Financial Services Group Inc. ....	11,239,980	14,735,700

See accompanying notes to financial statements.

5

THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
JUNE 30, 2006 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		-----	-----
COMMON STOCKS (CONTINUED)			
FINANCIAL SERVICES (CONTINUED)			
345,000	Popular Inc. ....	\$ 7,680,899	\$ 6,624,000
4,000	Progressive Corp. ....	89,520	102,840
323,621	Sovereign Bancorp Inc. ....	6,825,051	6,572,732
290,000	St. Paul Travelers Companies Inc. ....	10,913,064	12,928,200
20,750	Sterling Bancorp ....	438,751	404,625
100,000	T. Rowe Price Group Inc. ....	3,368,235	3,781,000
60,000	The Allstate Corp. ....	3,220,720	3,283,800
5,000	Unitrin Inc. ....	187,486	217,950
15,214	Valley National Bancorp ....	378,568	391,152
260,000	Wachovia Corp. ....	12,388,303	14,060,800
350,000	Waddell & Reed Financial Inc., Cl. A ....	7,779,892	7,196,000
32,000	Washington Mutual Inc. ....	1,266,593	1,458,560
3,500	Webster Financial Corp. ....	155,536	166,040
225,000	Wells Fargo & Co. ....	13,331,455	15,093,000
85,200	Wilmington Trust Corp. ....	3,043,530	3,593,736
157,000	Zions Bancorporation ....	10,917,297	12,236,580
		-----	-----
		279,132,064	307,231,815
		-----	-----
FOOD AND BEVERAGE -- 3.6%			
165,000	Anheuser-Busch Companies Inc. ....	7,558,315	7,522,350
50,000	Campbell Soup Co. ....	1,495,352	1,855,500
260,000	Coca-Cola Co. ....	11,432,684	11,185,200
175,000	ConAgra Foods Inc. ....	4,459,103	3,869,250
220,000	General Mills Inc. ....	10,213,247	11,365,200
210,000	Groupe Danone ....	21,836,787	26,685,469
180,000	H.J. Heinz Co. ....	6,477,710	7,419,600
1,000	Kellogg Co. ....	35,550	48,430
50,000	Kraft Foods Inc., Cl. A ....	1,563,386	1,545,000
339,450	Parmalat SpA, GDR+ (a) ....	981,615	1,060,136
320,000	Sara Lee Corp. ....	6,809,297	5,126,400
50,000	The Hershey Co. ....	2,660,455	2,753,500
62,000	Wm. Wrigley Jr. Co. ....	2,976,799	2,812,320

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3,000	Wm. Wrigley Jr. Co., Cl. B .....	167,630	135,900
		-----	-----
		78,667,930	83,384,255
		-----	-----
	HEALTH CARE -- 2.5%		
145,000	Bristol-Myers Squibb Co. ....	3,552,525	3,749,700
150,000	Diagnostic Products Corp. ....	8,677,050	8,725,500
200,000	Eli Lilly & Co. ....	11,682,338	11,054,000
90,000	IMS Health Inc. ....	2,266,881	2,416,500
220,000	Merck & Co. Inc. ....	8,376,601	8,014,600
1,000	NeuTec Pharma plc+ .....	20,854	19,287
60,000	Owens & Minor Inc. ....	1,517,872	1,716,000
680,000	Pfizer Inc. ....	20,157,094	15,959,600
9,500	Schering AG .....	1,068,138	1,081,559
70,000	Wyeth .....	3,093,990	3,108,700
30,000	Zimmer Holdings Inc.+ .....	1,896,568	1,701,600
		-----	-----
		62,309,911	57,547,046
		-----	-----

SHARES		COST	MARKET VALUE
-----		-----	-----
	HOTELS AND GAMING -- 0.6%		
40,000	Aztar Corp.+ .....	\$ 1,564,788	\$ 2,078,400
100,000	GTECH Holdings Corp. ....	3,364,659	3,478,000
100,000	Hilton Hotels Corp. ....	1,701,949	2,828,000
9,600	Kerzner International Ltd.+ .....	765,984	761,088
705,882	Ladbrokes plc .....	9,246,474	5,319,210
		-----	-----
		16,643,854	14,464,698
		-----	-----
	MACHINERY -- 0.2%		
150,000	CNH Global NV .....	2,953,366	3,588,000
10,000	Deere & Co. ....	622,074	834,900
		-----	-----
		3,575,440	4,422,900
		-----	-----
	MANUFACTURED HOUSING AND RECREATIONAL VEHICLES -- 0.0%		
1,100	Skyline Corp. ....	42,889	47,058
		-----	-----
	METALS AND MINING -- 0.7%		
40,000	Alcoa Inc. ....	1,238,527	1,294,400
10,000	Alliance Holdings GP LP+ .....	230,523	216,800
20,000	Arch Coal Inc. ....	314,774	847,400
8,000	BHP Billiton Ltd., ADR .....	217,549	344,560
50,000	Falconbridge Ltd. ....	2,622,196	2,633,701
3,000	Fording Canadian Coal Trust .....	32,950	95,100
120,000	Freeport-McMoRan Copper & Gold Inc., Cl. B .....	4,389,476	6,649,200
24,000	Inco Ltd. ....	911,698	1,581,600
10,000	Massey Energy Co. ....	235,475	360,000
25,000	Peabody Energy Corp. ....	353,789	1,393,750
24,000	Phelps Dodge Corp. ....	967,520	1,971,840
1,000	Rio Tinto plc, ADR .....	127,360	209,710
3,000	Westmoreland Coal Co.+ .....	52,605	71,160
		-----	-----
		11,694,442	17,669,221
		-----	-----

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	PAPER AND FOREST PRODUCTS -- 0.1%		
100,000	International Paper Co. ....	3,489,980	3,230,000
		-----	-----
	PUBLISHING -- 0.4%		
135,000	Dow Jones & Co. Inc. ....	5,111,401	4,726,350
280,000	Reader's Digest Association Inc. ....	4,114,706	3,908,800
		-----	-----
		9,226,107	8,635,150
		-----	-----
	REAL ESTATE -- 0.5%		
12,000	Brookfield Asset Management Inc., Cl. A ....	186,195	487,440
1,000	Inmobiliaria Colonial SA ....	79,018	79,429
350,000	Trizec Properties Inc. ....	10,057,900	10,024,000
		-----	-----
		10,323,113	10,590,869
		-----	-----
	RETAIL -- 0.8%		
155,000	Ingles Markets Inc., Cl. A ....	1,758,049	2,635,000
430,000	Safeway Inc. ....	9,102,128	11,180,000

See accompanying notes to financial statements.

6

THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
JUNE 30, 2006 (UNAUDITED)

SHARES		COST	MARKET VALUE
-----		-----	-----
	COMMON STOCKS (CONTINUED)		
	RETAIL (CONTINUED)		
22,000	Saks Inc. ....	\$ 395,507	\$ 355,740
114,660	SUPERVALU Inc. ....	3,411,135	3,520,062
		-----	-----
		14,666,819	17,690,802
		-----	-----
	SPECIALTY CHEMICALS -- 0.9%		
5,000	Arkema, ADR+ ....	269,656	195,059
75,000	Ashland Inc. ....	3,123,758	5,002,500
165,200	Dow Chemical Co. ....	6,665,971	6,447,756
95,000	E.I. du Pont de Nemours & Co. ....	4,109,121	3,952,000
214,200	Ferro Corp. ....	4,192,841	3,418,632
115,000	Olin Corp. ....	2,093,768	2,061,950
18,146	Tronox Inc., Cl. B ....	186,196	238,983
		-----	-----
		20,641,311	21,316,880
		-----	-----
	TELECOMMUNICATIONS -- 5.1%		
690,000	AT&T Inc. ....	17,030,119	19,244,100
650,000	BCE Inc. ....	14,200,754	15,372,500
200,000	BellSouth Corp. ....	5,331,371	7,240,000



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	AUTOMOTIVE -- 0.0%		
16,000	General Motors Corp., 4.500% Cv. Pfd., Ser. A .....	415,435	390,560
	BROADCASTING -- 0.0%		
20,460	Emmis Communications Corp., 6.250% Cv. Pfd., Ser. A .....	960,081	925,815
	BUILDING AND CONSTRUCTION -- 0.0%		
200	Fleetwood Capital Trust, 6.000% Cv. Pfd. ....	6,210	6,850
	DIVERSIFIED INDUSTRIAL -- 0.3%		
179,400	Owens-Illinois Inc., 4.750% Cv. Pfd. ....	5,956,159	6,279,000
80,502	Smurfit-Stone Container Corp., 7.000% Cv. Pfd., Ser. A .....	2,008,346	1,791,169
		7,964,505	8,070,169
	ENERGY AND UTILITIES -- 0.4%		
5,000	Chesapeake Energy Corp., 5.000% Cv. Pfd. (a) .....	512,500	660,325
20,000	CMS Energy Corp., 4.500% Cv. Pfd., Ser. B .....	1,069,063	1,415,000
130,000	El Paso Corp. Capital Trust I, 4.750% Cv. Pfd., Ser. C .....	4,680,219	4,709,900
40,000	Hanover Compressor Capital Trust, 7.250% Cv. Pfd. ....	1,999,452	2,250,000
		8,261,234	9,035,225

See accompanying notes to financial statements.

7

THE GABELLI DIVIDEND & INCOME TRUST  
SCHEDULE OF INVESTMENTS (CONTINUED)  
JUNE 30, 2006 (UNAUDITED)

SHARES		COST	MARKET VALUE
	CONVERTIBLE PREFERRED STOCKS (CONTINUED)		
	ENTERTAINMENT -- 0.1%		
130,000	Six Flags Inc., 7.250% Cv. Pfd., Ser. B .....	\$ 3,021,346	\$ 2,808,000
	FINANCIAL SERVICES -- 0.7%		
2,400	Doral Financial Corp., 4.750% Cv. Pfd. ....	389,670	302,400
210,000	National Australia Bank Ltd., 7.875% Cv. Pfd. ....	7,994,364	8,922,900
138,900	Newell Financial Trust I,		

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	5.250% Cv. Pfd. ....	6,516,450	6,146,325
		-----	-----
		14,900,484	15,371,625
		-----	-----
	HEALTH CARE -- 0.0%		
10,000	Omnicare Inc., 4.000% Cv. Pfd., Ser. B .....	605,400	630,600
		-----	-----
	REAL ESTATE INVESTMENT TRUSTS -- 0.0%		
2,100	Equity Office Properties Trust, 5.250% Cv. Pfd., Ser. B .....	104,120	112,980
		-----	-----
	TELECOMMUNICATIONS -- 0.4%		
50,000	Cincinnati Bell Inc., 6.750% Cv. Pfd., Ser. B .....	2,118,418	2,150,000
121,000	Crown Castle International Corp., 6.250% Cv. Pfd. ....	5,568,000	6,866,750
		-----	-----
		7,686,418	9,016,750
		-----	-----
	TRANSPORTATION -- 0.1%		
1,500	GATX Corp., \$2.50 Cv. Pfd. ....	199,475	315,000
982	Kansas City Southern, 4.250% Cv. Pfd. ....	551,884	931,168
		-----	-----
		751,359	1,246,168
		-----	-----
	TOTAL CONVERTIBLE PREFERRED STOCKS .....	45,674,147	48,666,590
		-----	-----
	PRINCIPAL AMOUNT -----		
	CONVERTIBLE CORPORATE BONDS -- 1.7%		
	AEROSPACE -- 0.1%		
\$ 1,000,000	GenCorp Inc., Sub. Deb. Cv., 5.750%, 04/15/07 .....	996,109	1,063,750
		-----	-----
	AUTOMOTIVE: PARTS AND ACCESSORIES -- 0.0%		
500,000	Standard Motor Products Inc., Sub. Deb. Cv., 6.750%, 07/15/09 .....	483,209	443,750
		-----	-----
	PRINCIPAL AMOUNT -----		
		COST	MARKET VALUE
		-----	-----
	BROADCASTING -- 0.5%		
\$ 100,000	Lin Television Corp., Sub. Deb. Cv., 2.500%, 05/15/33 .....	\$ 91,507	\$ 91,000
13,240,000	Sinclair Broadcast Group Inc., Sub. Deb. Cv., 6.000%, 09/15/12 .....	10,974,525	11,518,800
		-----	-----
		11,066,032	11,609,800
		-----	-----



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	BUSINESS SERVICES -- 0.0%		
910,000	Trans-Lux Corp., Sub. Deb. Cv., 8.250%, 03/01/12 .....	908,196	861,087
	COMMUNICATIONS EQUIPMENT -- 0.5%		
10,000,000	Agere Systems Inc., Sub. Deb. Cv., 6.500%, 12/15/09 .....	10,065,724	9,937,500
2,000,000	TriQuint Semiconductor Inc., Sub. Deb. Cv., 4.000%, 03/01/07 .....	1,979,776	1,975,000
		12,045,500	11,912,500
	ENTERTAINMENT -- 0.1%		
1,500,000	The Walt Disney Co., Cv., 2.125%, 04/15/23 .....	1,518,211	1,659,375
	EQUIPMENT AND SUPPLIES -- 0.1%		
1,000,000	Robbins & Myers Inc., Sub. Deb. Cv., 8.000%, 01/31/08 .....	1,006,680	1,172,500
	FINANCIAL SERVICES -- 0.0%		
250,000	AON Corp., Deb. Cv., 3.500%, 11/15/12 .....	269,206	408,438
	METALS AND MINING -- 0.0%		
400,000	Inco Ltd., Cv., Zero Coupon, 03/29/21 .....	406,225	702,000
	REAL ESTATE -- 0.0%		
100,000	Palm Harbor Homes Inc., Cv., 3.250%, 05/15/24 .....	84,293	85,500
1,000,000	3.250%, 05/15/24 (a) .....	973,114	855,000
		1,057,407	940,500
	TELECOMMUNICATIONS -- 0.2%		
6,000,000	Nortel Networks Corp., Cv., 4.250%, 09/01/08 .....	5,778,713	5,685,000
	TRANSPORTATION -- 0.2%		
3,000,000	GATX Corp., Cv., 7.500%, 02/01/07 .....	3,147,426	3,795,000
	TOTAL CONVERTIBLE CORPORATE BONDS .....	38,682,914	40,253,700

See accompanying notes to financial statements.



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	EQUIPMENT AND SUPPLIES -- (0.0)%			
(19,100)	Robbins & Myers Inc. ....	\$	(495,805)	\$ (499,274)
			=====	=====

-----  
(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 June 30, 2006, the market value of Rule 144A securities amounted to \$2,575,461 or 0.11% of total investments. Except as noted in (b), these securities are liquid.

(b) At June 30, 2006, the Fund held an investment in a restricted and illiquid security amounting to \$0 or 0.00% of total investments, which was valued under methods approved by the Board, as follows:

ACQUISITION SHARES	ISSUER	ACQUISITION DATE	ACQUISITION COST	06 CARRY PE
-----	-----	----	----	---
650	Parmalat SpA, GDR warrants expire 12/31/15 .....	11/09/05	\$0.00	\$0

(c) Collateralized by U.S. Treasury Note, 4.875%, due 04/30/08, market value \$183,600,000.

(d) Collateralized by U.S. Treasury Bond, 8.125%, due 08/15/21, market value \$153,000,000.

(e) At June 30, 2006, \$505,000 of the principal amount was pledged as collateral for securities sold short.

+ Non-income producing security.

++ Represents annualized yield at date of purchase.

ADR American Depository Receipt

GDR Global Depository Receipt

	% OF MARKET VALUE	MARKET VALUE
	-----	-----
GEOGRAPHIC DIVERSIFICATION		
LONG POSITIONS		
North America .....	84.4%	\$1,977,910,712
Europe .....	11.2	261,180,060
Latin America .....	2.1	49,555,311
Japan .....	1.5	35,761,272
Asia/Pacific .....	0.8	17,790,920
	-----	-----
Total Investments .....	100.0%	\$2,342,198,275
	=====	=====
SHORT POSITION		
North America .....	(0.0)%	\$ (499,274)
	=====	=====

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See accompanying notes to financial statements.

9

## THE GABELLI DIVIDEND & INCOME TRUST

### STATEMENT OF ASSETS AND LIABILITIES

JUNE 30, 2006 (UNAUDITED)

#### ASSETS:

Investments, at value (cost \$1,733,268,606) .....	\$2,012,198,275
Repurchase agreements, at value (cost \$330,000,000) .....	330,000,000
Foreign currency, at value (cost \$6,183,486) .....	6,269,112
Segregated cash .....	2,196,698
Cash .....	1,403
Unrealized appreciation on swap contracts .....	5,617,614
Dividends and interest receivable .....	3,718,470
Receivable for investments sold .....	495,805
Other assets .....	36,161

TOTAL ASSETS .....	2,360,533,538
--------------------	---------------

#### LIABILITIES:

Securities sold short (proceeds \$495,805) .....	499,274
Payable for investments purchased .....	12,246,634
Payable for investment advisory fees .....	4,089,157
Dividends payable .....	369,178
Payable for offering expenses .....	151,935
Payable for payroll expenses .....	9,029
Payable for Trustees' fees .....	4,449
Other accrued expenses .....	414,190

TOTAL LIABILITIES .....	17,783,846
-------------------------	------------

#### PREFERRED STOCK:

Series A Cumulative Preferred Stock (5.875%, \$25 liquidation value, \$0.001 par value, 3,200,000 shares authorized with 3,200,000 shares issued and outstanding) .....	80,000,000
Series B Cumulative Preferred Stock (Auction Market, \$25,000 liquidation value, \$0.001 par value, 4,000 shares authorized with 4,000 shares issued and outstanding) .....	100,000,000
Series C Cumulative Preferred Stock (Auction Market, \$25,000 liquidation value, \$0.001 par value, 4,800 shares authorized with 4,800 shares issued and outstanding) .....	120,000,000
Series D Cumulative Preferred Stock (6.00%, \$25 liquidation value, \$0.001 par value, 2,600,000 shares authorized with 2,600,000 shares issued and outstanding) .....	65,000,000
Series E Cumulative Preferred Stock (Auction Rate, \$25,000 liquidation value, \$0.001 par value, 5,400 shares authorized with 5,400 shares issued and outstanding) .....	135,000,000

TOTAL PREFERRED STOCK .....	500,000,000
-----------------------------	-------------

NET ASSETS ATTRIBUTABLE TO

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COMMON SHAREHOLDERS .....	\$1,842,749,692
	=====
NET ASSETS ATTRIBUTABLE TO COMMON	
SHAREHOLDERS CONSIST OF:	
Shares of beneficial interest, at \$0.001 par value .....	\$ 84,128
Additional paid-in capital .....	1,547,165,204
Accumulated net realized gain on investments, options, futures contracts, securities sold short, and foreign currency transactions .....	10,865,487
Net unrealized appreciation on investments and swap contracts .....	284,547,283
Net unrealized depreciation on securities sold short .....	(3,469)
Net unrealized appreciation on foreign currency translations .....	91,059
	-----
NET ASSETS .....	\$1,842,749,692
	=====
NET ASSET VALUE PER COMMON SHARE	
(\$1,842,749,692 / 84,128,005 shares outstanding; unlimited number of shares authorized) .....	
	\$ 21.90
	=====

### STATEMENT OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)

INVESTMENT INCOME:	
Dividends (net of foreign taxes of \$771,386) .....	\$ 38,859,941
Interest .....	11,251,879
	-----
TOTAL INVESTMENT INCOME .....	50,111,820
	-----
EXPENSES:	
Investment advisory fees .....	11,633,985
Auction agent fees .....	450,376
Shareholder communications expenses .....	286,861
Payroll expenses .....	106,714
Trustees' fees .....	88,449
Custodian fees .....	115,425
Legal and audit fees .....	49,058
Shareholder services fees .....	19,150
Interest expense .....	4,225
Miscellaneous expense .....	201,844
	-----
TOTAL EXPENSES .....	12,956,087
Less: Custodian fee credits .....	(46,316)
	-----
TOTAL NET EXPENSES .....	12,909,771
	-----
NET INVESTMENT INCOME .....	37,202,049
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS, FUTURES CONTRACTS, SWAP CONTRACTS, SECURITIES SOLD SHORT, AND FOREIGN CURRENCY:	
Net realized gain on investments .....	35,351,947
Net realized loss on option contracts written .....	(5,070)
Net realized gain on futures contracts .....	1,538,828
Net realized gain on swap contracts .....	308,308
Net realized loss on foreign currency transactions .....	(369,267)
	-----
Net realized gain on investments, options, futures contracts, swap contracts, securities sold short,	

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and foreign currency transactions .....	36,824,746
Net change in unrealized appreciation/depreciation on investments, options, futures contracts, swap contracts, securities sold short, and foreign currency translations .....	97,117,540
	-----
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, OPTIONS, FUTURES CONTRACTS, SWAP CONTRACTS, SECURITIES SOLD SHORT, AND FOREIGN CURRENCY .....	133,942,286
	-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	171,144,335
Total Distributions to Preferred Stock Shareholders .....	(12,613,316)
	-----
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS .....	\$ 158,531,019
	=====

See accompanying notes to financial statements.

10

THE GABELLI DIVIDEND & INCOME TRUST

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS

OPERATIONS:

Net investment income .....	\$
Net realized gain on investments, options, futures contracts, swap contracts, and foreign currency transactions .....	
Net change in unrealized appreciation on investments, options, futures contracts, swap contracts, securities sold short, and foreign currency translations .....	
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS .....	

DISTRIBUTIONS TO PREFERRED SHAREHOLDERS:

Net investment income .....	
Net realized short-term gain on investments, options, and foreign currency transactions ...	
Net realized long-term gains on investments, options, and foreign currency transactions ...	
TOTAL DISTRIBUTIONS TO PREFERRED SHAREHOLDERS .....	

NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS  
RESULTING FROM OPERATIONS .....

DISTRIBUTIONS TO COMMON SHAREHOLDERS:

Net investment income .....	
Net realized short-term gain on investments, options, and foreign currency transactions ...	
Net realized long-term gains on investments, options, and foreign currency transactions ...	

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TOTAL DISTRIBUTIONS TO COMMON SHAREHOLDERS .....	
FUND SHARE TRANSACTIONS:	
Net decrease from repurchase of common shares .....	
Offering costs for preferred shares charged to paid-in capital .....	
NET DECREASE IN NET ASSETS FROM FUND SHARE TRANSACTIONS .....	
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS .....	
NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS:	
Beginning of period .....	
End of period (including undistributed net investment income of \$0 and \$132,784, respectively) .....	

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 \* Based on fiscal year to date book income. Amounts are subject to change and recharacterization at fiscal year end.

See accompanying notes to financial statements.

11

### THE GABELLI DIVIDEND & INCOME TRUST NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. ORGANIZATION. The Gabelli Dividend & Income Trust (the "Fund") is a non-diversified closed-end management investment company organized as a Delaware statutory trust on November 18, 2003 and registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Investment operations commenced on November 28, 2003.

The Fund's investment objective is to provide a high level of total return on its assets with an emphasis on dividends and income. The Fund will attempt to achieve its investment objective by investing, under normal market conditions, at least 80% of its assets in dividend paying securities (such as common and preferred stock) or other income producing securities (such as fixed income debt securities and securities that are convertible into equity securities).

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

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

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securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the "Adviser").

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

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

12

### THE GABELLI DIVIDEND & INCOME TRUST NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

**REPURCHASE AGREEMENTS.** The Fund may enter into repurchase agreements with primary government securities dealers recognized by the Federal Reserve Board, with member banks of the Federal Reserve System, or with other brokers or dealers that meet credit guidelines established by the Adviser and reviewed by the Board. Under the terms of a typical repurchase agreement, the Fund takes possession of an underlying debt obligation subject to an obligation of the seller to repurchase, and the Fund to resell, the obligation at an agreed-upon price and time, thereby determining the yield during the Fund's holding period. The Fund will always receive and maintain securities as collateral whose market value, including accrued interest, will be at least equal to 102% of the dollar amount invested by the Fund in each agreement. The Fund will make payment for such securities only upon physical delivery or upon evidence of book entry transfer of the collateral to the account of the custodian. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to maintain the adequacy of the collateral. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited. At June 30, 2006, the Fund had investments of \$330,000,000 in repurchase agreements.

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



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instrument increases between those dates.

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

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

SWAP AGREEMENTS. The Fund may enter into interest rate swap or cap transactions. The use of swaps and caps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio transactions. Swap agreements may involve, to varying degrees, elements of market and counterparty risk, and exposure to loss in excess of the related amounts reflected in the Statement of Assets and Liabilities. In an interest rate swap, the Fund would agree to pay to the other party to the interest rate swap (which is known as the counterparty) periodically a fixed rate payment in exchange for the counterparty agreeing to pay to the Fund periodically a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on Series B Preferred Stock. In an

13

### THE GABELLI DIVIDEND & INCOME TRUST NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

interest rate cap, the Fund would pay a premium to the counterparty and, to the extent that a specified variable rate index exceeds a predetermined fixed rate, would receive from that counterparty payments of the difference based on the notional amount of such cap. Interest rate swap and cap transactions introduce additional risk because the Fund would remain obligated to pay preferred stock dividends when due in accordance with the Articles Supplementary even if the counterparty defaulted. If there is a default by the counterparty to a swap contract, the Fund will be limited to contractual remedies pursuant to the agreements related to the transaction. There is no assurance that the swap contract counterparties will be able to meet their obligations pursuant to a swap contract or that, in the event of default, the Fund will succeed in pursuing contractual remedies. The Fund thus assumes the risk that it may be delayed in or prevented from obtaining payments owed to it pursuant to a swap contract. The creditworthiness of the swap contract counterparties is closely monitored in order to minimize this risk. Depending on the general state of

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

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

The Fund has entered into an interest rate swap agreement with Citibank N.A. Under the agreement the Fund receives a floating rate of interest and pays a respective fixed rate of interest on the nominal value of the swap. Details of the swap at June 30, 2006 are as follows:

NOTIONAL AMOUNT	FIXED RATE	FLOATING RATE* (RATE RESET MONTHLY)	TERMINATION DATE	UNREALIZED APPRECIATION
-----	-----	-----	-----	-----
\$100,000,000	4.01%	5.11063%	June 2, 2010	\$5,617,614

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

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

There are several risks in connection with the use of futures contracts as a hedging instrument. The change in value of futures contracts primarily 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. At June 30, 2006, there were no open futures contracts.

**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

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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. Securities sold short at June 30, 2006 are reported within the Schedule of Investments.

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

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Fund could be exposed to risks if the counterparties to the contracts are unable to meet the terms of their contracts. At June 30, 2006, there were no open forward foreign exchange contracts.

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

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

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

THE GABELLI DIVIDEND & INCOME TRUST  
NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

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

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

CUSTODIAN FEE CREDITS. 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 common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with Federal income tax regulations, which may differ from income and capital gains as determined under U.S. generally accepted accounting principles. These differences are primarily due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. These reclassifications have no impact on the net asset value ("NAV") of the Fund. For the fiscal year ended December 31, 2005, reclassifications were made to decrease accumulated net investment income by \$1,001,343 and to decrease accumulated distributions in excess of net realized gain on investments, swap contracts, options, and foreign currency transactions by \$1,001,343.

Distributions to shareholders of the Fund's 5.875% Series A Cumulative Preferred Stock, Series B Auction Market Cumulative Preferred Stock, Series C Auction Market Cumulative Preferred Stock, 6.00% Series D Cumulative Preferred Stock, and Series E Auction Rate Cumulative Preferred Stock ("Cumulative Preferred Stock") are recorded on a daily basis and are determined as described

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in Note 5.

16

THE GABELLI DIVIDEND & INCOME TRUST  
NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

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

	COMMON -----	PREFERRED -----
DISTRIBUTIONS PAID FROM:		
Ordinary income		
(inclusive of short-term capital gains) .....	\$ 50,900,518	\$ 6,746,970
Net long-term capital gains .....	50,796,878	6,733,232
	-----	-----
Total distributions paid .....	\$101,697,396	\$13,480,202
	=====	=====

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, 2005, the components of accumulated earnings/(losses) on a tax basis were as follows:

Net unrealized appreciation on investments .....	\$184,448,3
Net unrealized appreciation on foreign currency and swap contracts .....	2,911,3
Net unrealized depreciation on short sales .....	(6,1
Dividend payable .....	(251,2
Undistributed ordinary income .....	406,8
	-----
Total .....	\$187,509,2
	=====

The following summarizes the tax cost of investments, swap contracts, and the related unrealized appreciation/depreciation at June 30, 2006:

	COST/PROCEEDS -----	GROSS UNREALIZED APPRECIATION -----	GROSS UNREALIZED DEPRECIATION -----	NET UNREAL APPRECIATI (DEPRECIAT -----
Investments .....	\$2,064,783,272	\$311,275,290	\$(33,860,287)	\$277,415,
Swap contracts .....	--	5,617,614	--	5,617,
Short sales .....	(495,805)	--	(3,469)	(3,
		-----	-----	-----

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\$316,892,904      \$(33,863,756)      \$283,029,  
 =====                      =====                      =====

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

The Fund's total return on the NAV of the common shares is monitored on a monthly basis to assess whether the total return on the NAV of the common shares exceeds the stated dividend rate or corresponding swap rate of each particular series of Cumulative Preferred Stock for the period. For the six months ended June 30, 2006, the Fund's total return on the NAV of the common shares exceeded the stated dividend rate or corresponding swap rate of all outstanding Preferred Stock. Thus, management fees were accrued on these assets.

17

THE GABELLI DIVIDEND & INCOME TRUST  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

During the six months ended June 30, 2006, the Fund paid brokerage commissions of \$335,306 to Gabelli & Company, Inc. ("Gabelli & Company"), an affiliate of the Adviser.

The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement between the Fund and the Adviser. During the six months ended June 30, 2006, the Fund paid or accrued \$22,500 to the Adviser in connection with the cost of computing the Fund's NAV, which is included in miscellaneous expenses in the Statement of Operations.

The Fund is assuming its portion of the allocated cost of the Gabelli Funds' Chief Compliance Officer in the amount of \$19,230 for the six months ended June 30, 2006, which is included in payroll expenses in the Statement of Operations.

4. PORTFOLIO SECURITIES. Purchases and proceeds from the sales of securities for the six months ended June 30, 2006, other than short-term securities, aggregated \$402,168,477 and \$240,568,646, respectively.

Option contracts written by the Fund during the six months ended June 30, 2006 were as follows:

	NUMBER OF CONTRACTS	PREMIUMS
	-----	-----
Options outstanding at December 31, 2005 ....	--	--
Options written .....	3,700	\$ 242,592
Options exercised .....	(300)	(19,079)
Options closed .....	(3,400)	(223,513)

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Options outstanding at June 30, 2006 .....	--	--
	=====	=====

5. CAPITAL. The Fund is authorized to issue an unlimited number of common 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 at a discount of 7.5% or more (or such other percentage as the Board may determine from time to time) from the NAV of the shares. During the six months ended June 30, 2006, the Fund repurchased 185,400 shares of beneficial interest in the open market at a cost of \$3,396,622 and an average discount of approximately 14.06% from its NAV. All shares of beneficial interest repurchased have been retired.

Transactions in shares of beneficial interest were as follows:

	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	
	SHARES	AMOUNT
Net decrease from repurchase of common shares.....	(185,400)	\$(3,396,622)

18

### THE GABELLI DIVIDEND & INCOME TRUST NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

The Fund's Declaration of Trust, as amended, authorizes the issuance of an unlimited number of shares of \$0.001 par value Cumulative Preferred Stock. The Cumulative Preferred Stock 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 shares of the Cumulative Preferred Stock 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 Cumulative Preferred Stock. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the 5.875% Series A, Series B Auction Market, Series C Auction Market, 6.00% Series D, and Series E Auction Rate Cumulative Preferred Stock at redemption prices of \$25, \$25,000, \$25,000, \$25, and \$25,000, respectively, per share plus an amount equal to the accumulated and unpaid dividends whether or not declared on such shares in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to common shareholders and could lead to sales of portfolio securities at inopportune times. The income received on the Fund's assets may vary in a manner unrelated to the fixed and variable rates, which could have either a beneficial or detrimental impact on net investment income and gains available to common shareholders.

On October 12, 2004, the Fund received net proceeds of \$77,280,971 (after underwriting discounts of \$2,520,000 and offering expenses of \$199,029) from the public offering of 3,200,000 shares of 5.875% Series A Cumulative Preferred Stock. Commencing October 12, 2009 and thereafter, the Fund, at its option, may redeem the 5.875% Series A Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the six months ended June 30, 2006, the

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Fund did not repurchase any shares of 5.875% Series A Cumulative Preferred Stock. At June 30, 2006, 3,200,000 shares of 5.875% Series A Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$91,389.

On October 12, 2004, the Fund received net proceeds of \$217,488,958 (after underwriting discounts of \$2,200,000 and offering expenses of \$311,042) from the public offering of 4,000 shares of Series B and 4,800 shares of Series C Auction Market Cumulative Preferred Stock, respectively. The dividend rate, as set by the auction process, which is generally held every 7 days, is expected to vary with short-term interest rates. The dividend rates of Series B Auction Market Cumulative Preferred Stock ranged from 4.14% to 5.26% for the six months ended June 30, 2006. The dividend rates of Series C Auction Market Cumulative Preferred Stock ranged from 4.10% to 5.36% for the six months ended June 30, 2006. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Series B and C Auction Market Cumulative Preferred Stock shareholders may also trade shares in the secondary market. The Fund, at its option, may redeem the Series B and C Auction Market Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the six months ended June 30, 2006, the Fund did not redeem any shares of Series B and C Auction Market Cumulative Preferred Stock. At June 30, 2006, 4,000 and 4,800 shares of the Series B and C Auction Market Cumulative Preferred Stock were outstanding with an annualized dividend rate of 5.26% and 5.36% per share and accrued dividends amounted to \$73,056 and \$53,600, respectively.

On November 3, 2005, the Fund received net proceeds of \$62,727,500 (after underwriting discounts of \$2,047,500 and estimated offering expenses of \$225,000) from the public offering of 2,600,000 shares of 6.00% Series D Cumulative Preferred Stock. Commencing November 3, 2010 and thereafter, the Fund, at its option, may redeem the 6.00% Series D Cumulative Preferred Stock in whole or in part at the redemption price at any time. During the six months ended June 30, 2006, the Fund did not repurchase any shares of 6.00% Series D Cumulative Preferred Stock. At June 30, 2006, 2,600,000 shares of 6.00% Series D Cumulative Preferred Stock were outstanding and accrued dividends amounted to \$75,833.

19

### THE GABELLI DIVIDEND & INCOME TRUST NOTES TO FINANCIAL STATEMENTS (CONTINUED) (UNAUDITED)

On November 3, 2005, the Fund received net proceeds of \$133,400,000 (after underwriting discounts of \$1,350,000 and estimated offering expenses of \$250,000) from the public offering of 5,400 shares of Series E Auction Rate Cumulative Preferred Stock. The dividend rate, as set by the auction process, which is generally held every 7 days, is expected to vary with short-term interest rates. The dividend rates of Series E Auction Rate Cumulative Preferred Stock ranged from 4.22% to 5.20% for the six months ended June 30, 2006. Existing shareholders may submit an order to hold, bid, or sell such shares on each auction date. Series E Auction Rate Preferred Stock shareholders may also trade shares in the secondary market. The Fund, at its option, may redeem the Series E Auction Rate Preferred Stock in whole or in part at the redemption price at any time. During the six months ended June 30, 2006, the Fund did not redeem any shares of Series E Auction Rate Preferred Stock. At June 30, 2006, 5,400 shares of Series E Auction Rate Preferred Stock were outstanding with an annualized dividend rate of 5.02% per share and accrued dividends amounted to \$75,300.

The holders of Cumulative Preferred Stock generally are entitled to one vote per share held on each matter submitted to a vote of shareholders of the Fund and will vote together with holders of common shares as a single class. The



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

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

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

20

### THE GABELLI DIVIDEND & INCOME TRUST FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A SHARE OF BENEFICIAL INTEREST OUTSTANDING THROUGHOUT EACH PERIOD:	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	YEAR ----- 20
OPERATING PERFORMANCE:		
Net asset value, beginning of period .....	\$ 20.62	\$ 2
Net investment income .....	0.44	
Net realized and unrealized gain on investments .....	1.58	
Total from investment operations .....	2.02	

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DISTRIBUTIONS TO PREFERRED SHAREHOLDERS: (a)		
Net investment income .....	(0.09) (d)	(
Net realized gain on investments .....	(0.06) (d)	(
Total distributions to preferred shareholders .....	(0.15)	(
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS RESULTING FROM OPERATIONS .....	1.87	
DISTRIBUTIONS TO COMMON SHAREHOLDERS:		
Net investment income .....	(0.35) (d)	(
Net realized gain on investments .....	(0.25) (d)	(
Return of capital .....	--	
Total distributions to common shareholders .....	(0.60)	(
FUND SHARE TRANSACTIONS:		
Decrease in net asset value from common share transactions .....	--	
Increase in net asset value from repurchase of common shares .....	0.01	
Offering costs for common shares charged to paid-in capital .....	--	
Offering costs for preferred shares charged to paid-in capital .....	--	(
Total from capital share transactions .....	0.01	(
NET ASSET VALUE ATTRIBUTABLE TO COMMON SHAREHOLDERS, END OF PERIOD .....	\$ 21.90	\$ 2
Net asset value total return + .....	9.22%	
Market value, end of period .....	\$ 18.56	\$ 1
Total investment return ++ .....	8.81%	

See accompanying notes to financial statements.

21

THE GABELLI DIVIDEND & INCOME TRUST  
FINANCIAL HIGHLIGHTS (CONTINUED)

SELECTED DATA FOR A SHARE OF BENEFICIAL INTEREST OUTSTANDING THROUGHOUT EACH PERIOD:	SIX MONTHS ENDED JUNE 30, 2006 (UNAUDITED)	YEAR END 2005
RATIOS AND SUPPLEMENTAL DATA:		
Net assets including liquidation value of preferred shares, end of period (in 000's) .....	\$2,342,750	\$2,238,15
Net assets attributable to common shares, end of period (in 000's) .....	\$1,842,750	\$1,738,15
Ratio of net investment income to average net assets attributable to common shares .....	4.08% (e)	2.7
Ratio of operating expenses to average net assets attributable to common shares net of fee reduction .....	1.42% (e) (f)	1.3
Ratio of operating expenses to average net assets including		

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liquidation value of preferred shares net of fee reduction ..	1.11% (e) (f)	1.1
Portfolio turnover rate .....	12.7%	25.
5.875% CUMULATIVE PREFERRED STOCK		
Liquidation value, end of period (in 000's) .....	\$ 80,000	\$ 80,00
Total shares outstanding (in 000's) .....	3,200	3,20
Liquidation preference per share .....	\$ 25.00	\$ 25.0
Average market value (b) .....	\$ 23.73	\$ 24.8
Asset coverage per share .....	\$ 117.14	\$ 111.9
AUCTION RATE SERIES B CUMULATIVE PREFERRED STOCK		
Liquidation value, end of period (in 000's) .....	\$ 100,000	\$ 100,00
Total shares outstanding (in 000's) .....	4	
Liquidation preference per share .....	\$ 25,000	\$ 25,00
Average market value (b) .....	\$ 25,000	\$ 25,00
Asset coverage per share .....	\$ 117,137	\$ 111,90
AUCTION RATE SERIES C CUMULATIVE PREFERRED STOCK		
Liquidation value, end of period (in 000's) .....	\$ 120,000	\$ 120,00
Total shares outstanding (in 000's) .....	5	
Liquidation preference per share .....	\$ 25,000	\$ 25,00
Average market value (b) .....	\$ 25,000	\$ 25,00
Asset coverage per share .....	\$ 117,137	\$ 111,90
6.00% CUMULATIVE PREFERRED STOCK		
Liquidation value, end of period (in 000's) .....	\$ 65,000	\$ 65,00
Total shares outstanding (in 000's) .....	2,600	2,60
Liquidation preference per share .....	\$ 25.00	\$ 25.0
Average market value (b) .....	\$ 24.14	\$ 24.7
Asset coverage per share .....	\$ 117.14	\$ 111.9
AUCTION RATE SERIES E CUMULATIVE PREFERRED STOCK		
Liquidation value, end of period (in 000's) .....	\$ 135,000	\$ 135,00
Total shares outstanding (in 000's) .....	5	
Liquidation preference per share .....	\$ 25,000	\$ 25,00
Average market value (b) .....	\$ 25,000	\$ 25,00
Asset coverage per share .....	\$ 117,137	\$ 111,90
ASSET COVERAGE (c) .....	469%	44

- 
- (a) Calculated based upon average common shares outstanding on the record dates throughout the year.
- (b) Based on weekly prices.
- (c) Asset coverage is calculated by combining all series of preferred stock.
- (d) Based on fiscal year to date book income. Amounts are subject to change and recharacterization at fiscal year end.
- (e) Annualized.
- (f) For the six months ended June 30, 2006 and the year ended December 31, 2005, the effect of the custodian fee credits was minimal.
- (g) The Gabelli Dividend & Income Trust commenced investment operations on November 28, 2003.
- (h) The beginning NAV includes a \$0.04 reduction for costs associated with the initial public offering.
- \* Based on net asset value per share at commencement of operations of \$19.06 per share.
- \*\* Based on market value per share at initial public offering of \$20.00 per share.

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- + Based on net asset value per share, adjusted for reinvestment of distributions at prices dependent upon the relationship of the net asset value per share and the market value per share on the ex-dividend dates. Total return for periods of less than one year are not annualized.
- ++ Based on market value per share, adjusted for reinvestment of distributions. Total return for periods of less than one year are not annualized.

See accompanying notes to financial statements.

22

TRUSTEES AND OFFICERS  
THE GABELLI DIVIDEND & INCOME TRUST  
ONE CORPORATE CENTER, RYE, NY 10580-1422

### TRUSTEES

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

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

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

Mario d'Urso  
CHAIRMAN, MITTEL CAPITAL MARKETS SPA

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

Michael J. Melarkey  
ATTORNEY-AT-LAW,  
AVANSINO, MELARKEY, KNOBEL & MULLIGAN

Salvatore M. Salibello  
CERTIFIED PUBLIC ACCOUNTANT,  
SALIBELLO & BRODER, LLP

Edward T. Tokar  
SENIOR MANAGING DIRECTOR, BEACON TRUST COMPANY

Anthonie C. van Ekris  
CHAIRMAN, BALMAC INTERNATIONAL, INC.

Salvatore J. Zizza  
CHAIRMAN, HALLMARK ELECTRICAL SUPPLIES CORP.

### OFFICERS

Bruce N. Alpert  
PRESIDENT

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Carter W. Austin  
VICE PRESIDENT

Peter D. Goldstein  
CHIEF COMPLIANCE OFFICER

James E. McKee  
SECRETARY

Agnes Mullady  
TREASURER

INVESTMENT ADVISER

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

CUSTODIAN

State Street Bank and Trust Company

COUNSEL

Skadden, Arps, Slate, Meagher & Flom, LLP

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.

STOCK EXCHANGE LISTING

	COMMON	5.875% PREFERRED	6.00% PREFERRED
	-----	-----	-----
NYSE-Symbol:	GDV	GDV PrA	GDV PrD
Shares Outstanding:	84,128,005	3,200,000	2,600,000

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

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

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For general information about the Gabelli Funds, call 800-GABELLI (800-422-3554), fax us at 914-921-5118, visit Gabelli Funds' Internet homepage at: WWW.GABELLI.COM or e-mail us at: closedend@gabelli.com  
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Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may, from time to time, purchase its common shares in the open market when the Fund's shares are trading at a discount of 7.5% or more from the net asset value of the shares. The Fund may also, from time to time, purchase its Series A and Series D Cumulative Preferred Shares in the open market when the shares are trading at a discount to the Liquidation Value of \$25.00.  
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THE GABELLI DIVIDEND & INCOME TRUST  
ONE CORPORATE CENTER  
RYE, NY 10580-1422  
(914) 921-5070  
WWW.GABELLI.COM

SEMI-ANNUAL  
JUNE 30, 2006

GDV SA 2006

ITEM 2. CODE OF ETHICS.

Not applicable.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

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

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

Not applicable.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

There has been no change, as of the date of this filing, in any of the portfolio managers identified in response to paragraph (a)(1) of this Item in the registrant's most recently filed annual report on Form N-CSR.

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

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COMPANY AND AFFILIATED PURCHASERS.

## REGISTRANT PURCHASES OF EQUITY SECURITIES

PERIOD	(A) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED	(B) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(C) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(D) APPROXIMATE NUMBER OF SHARES BEING PURCHASED
Month #1 01/01/06 through 01/31/06	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common Preferred Preferred
Month #2 02/01/06 through 02/28/06	Common - 98,800 Preferred Series A - N/A Preferred Series D - N/A	Common - \$18.3511 Preferred Series A - N/A Preferred Series D - N/A	Common - 98,800 Preferred Series A - N/A Preferred Series D - N/A	Common 98,800 Preferred Preferred
Month #3 03/01/06 through 03/31/06	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common Preferred Preferred
Month #4 04/01/06 through 04/30/06	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common Preferred Preferred
Month #5 05/01/06 through 05/31/06	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common - N/A Preferred Series A - N/A Preferred Series D - N/A	Common Preferred Preferred
Month #6 06/01/06 through 06/30/06	Common - 86,600 Preferred Series A - N/A Preferred Series D - N/A	Common - \$18.2856 Preferred Series A - N/A Preferred Series D - N/A	Common - 86,600 Preferred Series A - N/A Preferred Series D - N/A	Common 86,600 Preferred Preferred
Total	Common - 205,400 Preferred Series A - N/A Preferred Series D - N/A	Common - \$18.3143 Preferred Series A - N/A Preferred Series D - N/A	Common - 205,400 Preferred Series A - N/A Preferred Series D - N/A	N/A

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

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- a. The date each plan or program was announced - The notice of the potential repurchase of common and preferred shares occurs quarterly in the Fund's quarterly report in accordance with Section 23(c) of the Investment Company Act of 1940, as amended.
- b. The dollar amount (or share or unit amount) approved - Any or all common shares outstanding may be repurchased when the Fund's common shares are trading at a discount of 7.5% or more from the net asset value of the shares.  
Any or all preferred shares outstanding may be repurchased when the Fund's preferred shares are trading at a discount to the liquidation value of \$25.00.
- c. The expiration date (if any) of each plan or program - The Fund's repurchase plans are ongoing.
- d. Each plan or program that has expired during the period covered by the table - The Fund's repurchase plans are ongoing.
- e. Each plan or program the registrant has determined to terminate prior to expiration, or under which the registrant does not intend to make further purchases. - The Fund's repurchase plans are ongoing.

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

There have been no material changes to the procedures by which the shareholders may recommend nominees to the registrant's Board of Trustees, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 7(d)(2)(ii)(G) of Schedule 14A (17 CFR 240.14a-101), or this Item.

### ITEM 11. CONTROLS AND PROCEDURES.

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

### ITEM 12. EXHIBITS.

- (a) (1) Not applicable.
- (a) (2) Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (a) (3) Not applicable.
- (b) Certifications pursuant to Rule 30a-2(b) under the 1940 Act and



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Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

SIGNATURES

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

(registrant)            The Gabelli Dividend & Income Trust  
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By (Signature and Title)\*    /s/ Bruce N. Alpert  
-----

Bruce N. Alpert, Principal Executive Officer

Date            September 1, 2006  
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Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

Bruce N. Alpert, Principal Executive Officer

Date            September 1, 2006  
-----

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

Agnes Mullady,  
Principal Financial Officer and Treasurer

Date            September 1, 2006  
-----

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