

GDL FUND
Form N-CSR
March 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT

INVESTMENT COMPANIES

Investment Company Act file number 811-21969

The GDL Fund

(Exact name of registrant as specified in charter)

One Corporate Center

Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)

Bruce N. Alpert

Gabelli Funds, LLC

One Corporate Center

Rye, New York 10580-1422

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: December 31, 2015

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct

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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 GDL Fund
Annual Report December 31, 2015**Mario J. Gabelli, CFA****Portfolio Manager****To Our Shareholders,**

For the year ended December 31, 2015, the net asset value (NAV) total return of The GDL Fund was 4.0%, compared with a total return of 0.05% for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. The total return for the Fund's publicly traded shares was 4.1%. The Fund's NAV per share was \$11.93, while the price of the publicly traded shares closed at \$10.01 on the New York Stock Exchange (NYSE). See below for additional performance information.

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

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

	1 Year	3 Year	5 Year	Since Inception (01/31/07)
GDL Fund				
NAV Total Return (b)	3.95%	3.71%	3.36%	2.78%
Investment Total Return (c)	4.12	3.90	3.32	1.33
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.05	0.05	0.07	0.81

- (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. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.* The Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into the outstanding Treasury Bill that matures closest to, but not beyond three months from the re-balancing date. To qualify for selection, an issue must have settled on or before the re-balancing (month end) date. Dividends are not reinvested for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. 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 \$19.06.
- (c) Total returns and average annual returns reflect changes in closing market values on the NYSE and reinvestment of distributions. Since inception return is based on an initial offering price of \$20.00.

Summary of Portfolio Holdings (Unaudited)

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

The GDL Fund**Long Positions**

U.S. Government Obligations	35.9%
Financial Services	9.7%
Energy and Utilities	5.2%
Semiconductors	5.2%
Food and Beverage	4.5%
Health Care	4.4%
Diversified Industrial	4.4%
Cable and Satellite	4.2%
Real Estate Investments Trusts	3.2%
Specialty Chemicals	3.1%
Computer Software and Services	2.9%
Telecommunications	2.8%
Business Services	2.7%
Transportation	2.2%
Building and Construction	1.7%
Automotive: Parts and Accessories	1.5%
Electronics	1.3%
Retail	1.0%
Wireless Communications	0.7%
Paper and Forest Products	0.6%
Entertainment	0.6%
Metals and Mining	0.5%
Publishing	0.5%
Machinery	0.4%
Consumer Products and Services	0.3%
Computer Hardware	0.2%
Hotels and Gaming	0.1%
Aerospace and Defense	0.1%
Equipment and Supplies	0.1%
Real Estate	0.0%*
Educational Services	0.0%*

100.0%

Short Positions

Semiconductors	(0.9)%
Financial Services	(0.6)%
Cable and Satellite	(0.2)%
Energy and Utilities	(0.2)%

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Real Estate Investment Trusts	(0.1)%
Consumer Products and Services	(0.1)%
Computer Hardware	(0.0)%*
Retail	(0.0)%*
Electronics	(0.0)%*
	(2.1)%

* Amount represents less than 0.05%.

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

Proxy Voting

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

The GDL Fund

Schedule of Investments December 31, 2015

Shares		Cost	Market Value
COMMON STOCKS 63.5%			
Aerospace and Defense 0.1%			
14,000	Breeze-Eastern Corp.	\$ 273,613	\$ 277,200
4,000	Kratos Defense & Security Solutions Inc.	34,776	16,400
		308,389	293,600
Automotive: Parts and Accessories 1.5%			
14,200	Montupet	1,142,221	1,101,840
245,000	The Pep Boys - Manny, Moe & Jack	3,109,546	4,510,450
		4,251,767	5,612,290
Building and Construction 1.7%			
100,000	Delclima	500,530	489,909
23,000	Fortune Brands Home & Security Inc.	282,741	1,276,500
400,000	Italcementi SpA	4,435,599	4,455,698
2,800	Norbord Inc.	59,575	54,535
		5,278,445	6,276,642
Business Services 2.7%			
27,108	Blackhawk Network Holdings Inc.	632,159	1,198,445
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	80,735	515,051
3,000	Funespana SA	27,182	23,474
190,000	GrainCorp Ltd., Cl. A	2,172,257	1,194,847
21,853	R. R. Donnelley & Sons Co.	425,041	321,676
20,000	Towers Watson & Co., Cl. A	2,672,424	2,569,200
217,200	USG People NV	4,077,117	4,055,225
		10,086,915	9,877,918
Cable and Satellite 4.2%			
9,000	AMC Networks Inc., Cl. A	371,666	672,120
115,000	Cablevision Systems Corp., Cl. A	3,308,539	3,668,500
27,628	Liberty Global plc, Cl. A	1,115,684	1,170,322
60,000	Liberty Global plc, Cl. C	2,349,988	2,446,200
1,381	Liberty Global plc LiLAC, Cl. A	46,474	57,132

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3,000	Liberty Global plc LiLAC, Cl. C	123,684	129,000
200,000	Sky plc	2,223,582	3,278,640
20,000	Time Warner Cable Inc.	3,225,426	3,711,800
4,000	Time Warner Inc.	302,738	258,680
		13,067,781	15,392,394

Computer Hardware 0.2%

500	Data Modul AG	15,606	20,048
17,000	Hutchinson Technology Inc.	60,605	61,030
10,000	SanDisk Corp	774,990	759,900
		851,201	840,978

Computer Software and Services 2.9%

28,000	Constant Contact Inc.	888,499	818,720
15,000	EMC Corp.	418,626	385,200

Shares		Cost	Market Value
200	InterXion Holding NV	\$ 6,505	\$ 6,030
500	Qihoo 360 Technology Co Ltd., ADR	36,498	36,405
2,500	Rocket Fuel Inc.	20,556	8,725
75,000	SolarWinds Inc.	4,373,908	4,417,500
69,000	Solera Holdings Inc.	3,761,397	3,783,270
40,000	Yahoo! Inc.	588,909	1,330,400
		10,094,898	10,786,250

Consumer Products and Services 0.3%

100,000	Avon Products Inc.(a)	1,275,510	405,000
1,000	Bang & Olufsen A/S	10,516	12,014
10,000	Jarden Corp.	560,762	571,200
1,799	Sequential Brands Group Inc.	17,019	14,230
		1,863,807	1,002,444

Diversified Industrial 4.4%

300,000	Blount International Inc.	2,959,390	2,943,000
15,000	ITT Corp.	329,299	544,800
45,000	Myers Industries Inc.	499,454	599,400
52,000	Precision Castparts Corp.	11,998,171	12,064,520
		15,786,314	16,151,720

Educational Services 0.0%

44,000	Corinthian Colleges Inc.	51,384	42
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Electronics 1.3%

190,000	Alliance Semiconductor Corp.	934,838	136,800
85,900	Axis Communications AB	3,441,368	3,494,430
76,000	Bel Fuse Inc., Cl. A	1,999,055	1,106,560

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100	Hubbell Inc.	10,010	10,104
		6,385,271	4,747,894
	Energy and Utilities 5.2%		
10,000	AGL Resources Inc.	624,439	638,100
170,000	Alvopetro Energy Ltd.	152,166	31,943
10,000	APR Energy plc	26,802	25,651
7,000	Avangrid Inc.	274,025	268,800
4,500	Baker Hughes Inc.	275,256	207,675
51,700	BG Group plc	944,404	750,733
10,000	Cameron International Corp.	643,645	632,000
200,000	Cleco Corp.	10,755,357	10,442,000
72,000	Endesa SA	1,799,401	1,449,515
460,000	Gulf Coast Ultra Deep Royalty Trust	805,000	69,046
6,000	Hawaiian Electric Industries Inc.	178,094	173,700
80,000	Noble Energy Inc.	3,239,092	2,634,400
10,000	NRG Energy Inc.	229,472	117,700
50,000	Pepeco Holdings Inc.	1,338,180	1,300,500
5,000	Piedmont Natural Gas Co. Inc.	285,922	285,100
2,000	TECO Energy Inc.	51,480	53,300
50,000	WesternZagros Resources Ltd.	120,491	3,433

See accompanying notes to financial statements.

The GDL Fund

Schedule of Investments (Continued) December 31, 2015

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Energy and Utilities (Continued)			
33,000	Whiting Petroleum Corp.	\$ 1,009,086	\$ 311,520
		22,752,312	19,395,116
Entertainment 0.6%			
500	King Digital Entertainment plc	8,921	8,940
140,254	Media General Inc.	2,444,057	2,265,102
2,000	SFX Entertainment Inc.	1,881	380
3,000	Youku Tudou Inc., ADR	79,890	81,390
		2,534,749	2,355,812
Equipment and Supplies 0.1%			
2,500	The Middleby Corp.	19,758	269,675
Financial Services 9.7%			
138,600	Allenex AB	40,693	40,719
20,000	Astoria Financial Corp.	333,473	317,000
8,000	BB&T Corp.	321,527	302,480
51,000	First Niagara Financial Group Inc.	709,941	553,350
10,000	Hilltop Holdings Inc.	215,837	192,200
109,449	National Interstate Corp.	3,260,600	2,922,288
200	National Penn Bancshares Inc.	2,521	2,466
60,000	Navient Corp.	645,152	687,000
81,761	PartnerRe Ltd.	11,249,849	11,425,282
60,000	SLM Corp.	378,899	391,200
100,000	StanCorp. Financial Group Inc.	11,417,007	11,388,000
235,000	Symetra Financial Corp.	7,447,526	7,465,950
1,000	The Phoenix Companies Inc.	34,385	37,040
		36,057,410	35,724,975
Food and Beverage 4.5%			
550,000	Boulder Brands Inc.	6,032,169	6,039,000
3,000	Diamond Foods Inc.	110,828	115,650
65,000	Keurig Green Mountain Inc.	5,816,799	5,848,700

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1,310,000	Parmalat SpA	4,593,967	3,402,524
8,000	SABMiller plc	486,204	479,943
3,000,000	Yashili International Holdings Ltd.	1,355,354	747,092
		18,395,321	16,632,909

Health Care 4.2%

5,000	Alere Inc.	199,060	195,450
2,000	Allergan plc	609,459	625,000
550,000	ArthroCare Corp. Stub	0	192,500
68,000	AstraZeneca plc, ADR	2,689,557	2,308,600
5,000	Cigna Corp.	711,260	731,650
217,402	Dyax Corp.	7,953,337	8,178,663
2,800	Humana Inc.	507,922	499,828
1,000	ICU Medical Inc.	58,368	112,780
4,000	Illumina Inc.	186,866	767,780
1,000	Laboratory Corp. of America Holdings	115,790	123,640
138,600	Liberator Medical Holdings Inc.	461,538	462,924

Shares		Cost	Market Value
6,000	Mylan NV	\$ 303,180	\$ 324,420
12,000	Ocata Therapeutics Inc.	100,944	101,040
18,000	Rhoen Klinikum AG	400,481	541,465
15,000	Smith & Nephew plc	154,293	267,127
7,500	Smith & Nephew plc, ADR	275,034	267,000
		14,727,089	15,699,867

Hotels and Gaming 0.1%

28,000	Belmond Ltd., Cl. A	310,473	266,000
1,000	MGM Resorts International	2,620	22,720
500	Starwood Hotels & Resorts Worldwide Inc.	36,472	34,640
		349,565	323,360

Machinery 0.4%

6,000	CNH Industrial NV	50,741	41,340
42,000	Xylem Inc.	1,202,465	1,533,000
		1,253,206	1,574,340

Metals and Mining 0.5%

75,001	Alamos Gold Inc., Cl. A	1,125,584	246,753
35,504	AuRico Metals Inc.	18,895	15,395
3,000	Osisko Gold Royalties Ltd	41,106	29,638
16,000	Vulcan Materials Co.	619,286	1,519,520
		1,804,871	1,811,306

Paper and Forest Products 0.6%

237,314	Wausau Paper Corp.	2,427,508	2,427,722
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Publishing 0.5%			
60,000	Journal Media Group Inc.	709,800	721,200
10,000	Meredith Corp.	489,997	432,500
136,000	SCMP Group Ltd.	48,079	33,079
27,000	The E.W. Scripps Co., Cl. A	566,288	513,000
		1,814,164	1,699,779
Real Estate 0.0%			
3,000	Conwert Immobilien Invest SE	38,874	45,774
Real Estate Investment Trusts 3.2%			
475,000	BioMed Realty Trust Inc.	11,193,184	11,252,750
10,000	Plum Creek Timber Co. Inc.	463,583	477,200
		11,656,767	11,729,950
Retail 0.9%			
12,000	Office Depot Inc.	114,093	67,680
415,000	Rite Aid Corp.	3,316,688	3,253,600
		3,430,781	3,321,280
Semiconductors 5.2%			
45,000	Atmel Corp.	371,199	387,450
76,000	Broadcom Corp., Cl. A	4,072,271	4,394,320
170,000	EZchip Semiconductor Ltd.	4,275,146	4,202,400
193,000	Fairchild Semiconductor International Inc.	3,753,109	3,997,030
3,000	KLA-Tencor Corp.	195,441	208,050

See accompanying notes to financial statements.

The GDL Fund

Schedule of Investments (Continued) December 31, 2015

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Semiconductors (Continued)			
2,000	Mattson Technology Inc.	\$ 7,270	\$ 7,060
18,500	Micronas Semiconductor Holding AG	136,308	136,312
513,000	PMC-Sierra Inc.	5,499,422	5,961,060
		18,310,166	19,293,682
Specialty Chemicals 3.1%			
80,000	Airgas Inc.	11,061,153	11,065,600
2,000	Ashland Inc.	18,071	205,400
7,200	SGL Carbon SE	187,149	101,212
		11,266,373	11,372,212
Telecommunications 2.8%			
690,000	Asia Satellite Telecommunications Holdings Ltd.	1,533,382	866,278
67,000	COM DEV International Ltd.	303,137	292,947
200,000	Koninklijke KPN NV	613,090	758,990
1,000	Loral Space & Communications Inc.	73,215	40,710
58,000	Sprint Corp.	333,222	209,960
150,000	Telenet Group Holding NV	6,810,999	8,113,175
		9,667,045	10,282,060
Transportation 2.2%			
2,000	Norbert Dentressangle SA	484,562	449,482
852,050	TNT Express NV	8,210,129	7,213,308
51,200	UTi Worldwide Inc.	357,120	359,936
		9,051,811	8,022,726
Wireless Communications 0.4%			
120,000	TeleCommunication Systems Inc., Cl. A	592,908	596,400
25,000	T-Mobile US Inc.	406,250	978,000
		999,158	1,574,400

TOTAL COMMON STOCKS		234,583,100	234,539,117
RIGHTS 0.6%			
Energy and Utilities 0.0%			
1,000,000	Fortune Oil plc, CVR	0	0
Health Care 0.2%			
187,200	Adolor Corp., CPR, expire 07/01/19	0	97,344
79,391	Ambit Biosciences Corp., CVR	0	47,635
201,600	American Medical Alert Corp.	0	2,016
18,000	Chelsea Therapeutics International Ltd., CVR	1,980	1,980
270,000	Durata Therapeutics Inc., CVR, expire 12/31/20	0	43,200
100	Omthera Pharmaceuticals Inc., expire 12/31/20	0	60
217,620	Prosensa Holding, CVR	215,674	215,444
Shares		Cost	Market Value
206,000	Synergetics USA Inc., CVR	\$ 20,600	\$ 20,600
346,322	Teva Pharmaceutical Industries Ltd., CCCP, expire 02/20/23	164,073	183,551
186,000	Trius Therapeutics, CVR	0	24,180
		402,327	636,010
Retail 0.1%			
400,000	Safeway Casa Ley, CVR, expire 01/30/19	70,942	180,000
400,000	Safeway PDC, CVR, expire 01/30/17	3,407	19,520
		74,349	199,520
Wireless Communications 0.3%			
470,000	Leap Wireless International Inc., CVR, expire 03/14/16	1,102,230	1,184,400
TOTAL RIGHTS		1,578,906	2,019,930
WARRANTS 0.0%			
Energy and Utilities 0.0%			
35,000	Kinder Morgan Inc., expire 05/25/17	66,675	2,104
Metals and Mining 0.0%			
850	HudBay Minerals Inc., expire 07/20/18	962	184
TOTAL WARRANTS		67,637	2,288
Principal Amount	U.S. GOVERNMENT OBLIGATIONS 35.9%		
\$132,707,000		132,611,113	132,627,084

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U.S. Treasury Bills, 0.000% to 0.280% ,
01/07/16 to 06/30/16(b)

TOTAL INVESTMENTS	100.0%	\$ 368,840,756	369,188,419
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		Settlement Date	Unrealized Appreciation/ Depreciation
FORWARD FOREIGN EXCHANGE CONTRACTS(C)			
11,200,000(d)	Deliver British Pounds in exchange for United States Dollars 16,669,379	01/29/16	156,875
29,370,000(e)	Deliver Euros in exchange for United States Dollars 32,096,948	01/29/16	156,202
29,000,000(f)	Deliver Swedish Kronor in exchange for United States Dollars 3,413,582	01/29/16	(24,815)
TOTAL FORWARD FOREIGN EXCHANGE CONTRACTS			288,262

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) December 31, 2015**

Notional Amount		Termination Date	Unrealized Appreciation/ Depreciation
EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS(G)			
\$ 17,501 (70,000 Shares)	Gulf Keystone Petroleum Ltd	06/28/16	\$ (1,248)
2,489,401 (250,000 Shares)	Amlin plc	09/12/16	(44,058)
3,449,027 (243,300 Shares)	BG Group plc	12/16/16	83,921
2,909,354 (131,392 Shares)	Royal Dutch Shell plc, Cl. B	12/16/16	(79,425)
7,148,514 (118,000 Shares)	SABMiller plc	10/14/16	(69,349)
14,402 (5,000 Shares)	XChanging plc	10/18/16	(176)
TOTAL EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS			(110,335)
			Market Value
SECURITIES SOLD SHORT (2.1)% (Proceeds received \$7,952,291)			(7,912,650)
Other Assets and Liabilities (Net)			2,706,510
PREFERRED STOCK (2,624,025 preferred shares outstanding)			(131,201,250)
NET ASSETS COMMON STOCK (19,521,992 common shares outstanding)			\$ 232,958,956
NET ASSET VALUE PER COMMON SHARE ($\$232,958,956 \div 19,521,992$ shares outstanding)			\$ 11.93

Shares		Proceeds	Market Value
SECURITIES SOLD SHORT (2.1)%			
Cable and Satellite (0.2)%			
4,562	Charter Communications Inc., Cl. A	\$ 816,614	\$ 835,302
Computer Hardware (0.0)%			
652	Western Digital Corp.	47,527	39,153
Consumer Products and Services (0.1)%			
6,637	Newell Rubbermaid Inc.	288,012	292,559
Electronics (0.0)%			
100	Hubbell Inc.	9,700	10,104
Energy and Utilities (0.2)%			
1,000	Halliburton Co.	52,369	34,040
482	NextEra Energy Inc.	52,281	50,075
7,160	Schlumberger Ltd.	537,095	499,410
		641,745	583,525
Financial Services (0.6)%			
49,006	Willis Group Holdings plc	2,291,670	2,380,221
Real Estate Investment Trusts (0.1)%			
16,000	Weyerhaeuser Co.	469,556	479,680
Retail (0.0)%			
2,625	Staples Inc.	45,571	24,859
Semiconductors (0.9)%			
15,200	Avago Technologies Ltd.	2,201,711	2,206,280
32,555	Microsemi Corp.	1,140,185	1,060,967
		3,341,896	3,267,247
TOTAL SECURITIES SOLD SHORT		\$ 7,952,291	\$ 7,912,650

- (a) At December 31, 2015, securities, or a portion thereof, with a value of \$149,850 were reserved and/or pledged for collateral with the custodian for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
- (b) At December 31, 2015, \$67,700,000 of the principal amount was pledged as collateral for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
- (c) At December 31, 2015, the Fund had entered into forward foreign exchange contracts with State Street Bank and Trust Co.
- (d) Principal amount denoted in British Pounds.

- (e) Principal amount denoted in Euros.
- (f) Principal amount denoted in Swedish Kronor.
- (g) At December 31, 2015, the Fund had entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc.
Non-income producing security.
Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CCCPContingent Cash Consideration Payment

CVR Contingent Value Right

CPR Contingent Payment Right

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) December 31, 2015**

	% of Market Value	Market Value
Geographic Diversification		
Long Positions		
North America	81.8%	\$ 301,884,518
Europe	14.2	52,293,592
Latin America	3.7	13,815,462
Asia/Pacific	0.3	1,194,847
Total Investments	100.0%	\$ 369,188,419
Short Positions		
North America	(0.8)%	\$ (2,826,739)
Europe	(0.6)	(2,380,221)
Asia/Pacific	(0.6)	(2,206,280)
Latin America	(0.1)	(499,410)
Total Investments	(2.1)%	\$ (7,912,650)

See accompanying notes to financial statements.

The GDL Fund
Statement of Assets and Liabilities**December 31, 2015****Assets:**

Investments, at value (cost \$368,840,756)	\$ 369,188,419
Foreign currency, at value (cost \$1,640,529)	1,625,522
Cash	164,303
Deposit at brokers (including proceeds from securities sold short \$7,952,291)	7,848,605
Unrealized appreciation on forward foreign exchange contracts	313,077
Deferred offering expense	199,664
Unrealized appreciation on swap contracts	83,921
Dividends receivable	258,530
Prepaid expenses	5,207

Total Assets	379,687,248
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Liabilities:

Securities sold short, at value	7,912,650
Distributions payable	43,734
Payable for Fund shares redeemed	132,857
Payable for investments purchased	3,238,105
Payable for investment advisory fees	3,810,563
Payable for payroll expenses	58,186
Payable for accounting fees	7,500
Unrealized depreciation on swap contracts	194,256
Dividends payable on securities sold short	27,534
Unrealized depreciation on forward foreign exchange contracts	24,815
Series B Cumulative Preferred Shares, callable and mandatory redemption 03/26/18 (See Notes 2 and 5)	131,201,250
Other accrued expenses	76,842

Total Liabilities	146,728,292
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Net Assets Attributable to Common Shareholders	\$ 232,958,956
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Net Assets Attributable to Common Shareholders Consist of:

Paid-in capital	\$ 234,944,985
Accumulated net investment loss	(698,882)
Accumulated net realized loss on investments, securities sold short, swap contracts, and foreign currency transactions	(1,797,311)
Net unrealized appreciation on investments	347,663

Net unrealized appreciation on securities sold short	39,641
Net unrealized depreciation on swap contracts	(110,335)
Net unrealized appreciation on foreign currency translations	233,195

Net Assets \$ 232,958,956

Net Asset Value per Common Share:

(\$232,958,956 ÷ 19,521,992 shares outstanding at \$0.001 par value; unlimited number of shares authorized) \$11.93

Statement of Operations

For the Year Ended December 31, 2015

Investment Income:

Dividends (net of foreign withholding taxes of \$48,589)	\$ 3,995,566
Interest	105,660

Total Investment Income 4,101,226

Expenses:

Investment advisory fees	5,532,433
Interest expense on preferred shares	3,949,387
Dividend expense on securities sold short	485,555
Payroll expenses	165,574
Trustees fees	143,500
Shareholder communications expenses	104,422
Offering expense for issuance of preferred shares	100,501
Custodian fees	53,426
Service fees for securities sold short	52,969
Accounting fees	45,000
Shareholder services fees	38,321
Legal and audit fees	37,145
Interest expense	8,053
Miscellaneous expenses	77,347

Total Expenses 10,793,633

Less:

Expenses paid indirectly by broker (See Note 3)	(4,678)
Advisory fee reduction on unsupervised assets (See Note 3)	(7,095)
Custodian fee credits	(356)

Total Credits (12,129)

Net Expenses 10,781,504

Net Investment Loss	(6,680,278)
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency:	
Net realized gain on investments	14,717,334
Net realized loss on securities sold short	(1,005,752)
Net realized loss on swap contracts	(97,136)
Net realized gain on foreign currency transactions	6,721,741
Net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	20,336,187
Net change in unrealized appreciation/depreciation:	
on investments	(4,758,451)
on securities sold short	563,877
on swap contracts	(113,329)
on foreign currency translations	(1,201,169)
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	(5,509,072)
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency	14,827,115
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	\$ 8,146,837

See accompanying notes to financial statements.

The GDL Fund**Statement of Changes in Net Assets Attributable to Common Shareholders**

	Year Ended December 31, 2015	Year Ended December 31, 2014
Operations:		
Net investment loss	\$ (6,680,278)	\$ (3,524,713)
Net realized gain on investments, securities sold short, swap contracts, written options, and foreign currency transactions	20,336,187	13,277,489
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations	(5,509,072)	(8,401,780)
Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations	8,146,837	1,350,996
Distributions to Common Shareholders:		
Net investment income		(1,209,552)
Net realized short term gain	(3,623,632)	(6,589,932)
Net realized long term gain	(7,510,804)	(4,419,204)
Return of capital	(1,625,757)	(4,233,112)
Total Distributions to Common Shareholders	(12,760,193)	(16,451,800)
Fund Share Transactions:		
Decrease from repurchase of common shares	(7,321,259)	(8,757,103)
Decrease in Net Assets from Fund Share Transactions	(7,321,259)	(8,757,103)
Net Decrease in Net Assets Attributable to Common Shareholders	(11,934,615)	(23,857,907)
Net Assets Attributable to Common Shareholders:		
Beginning of year	244,893,571	268,751,478
End of year (including undistributed net investment income of \$0 and \$0, respectively)	\$ 232,958,956	\$ 244,893,571

See accompanying notes to financial statements.

The GDL Fund**STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2015**

Net increase in net assets attributable to common shareholders resulting from operations	\$ 8,146,837
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Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to Net**Cash from Operating Activities:**

Purchase of investment securities	(820,320,474)
Proceeds from sales of investment securities	957,017,533
Proceeds from short sales of investment securities	79,010,067
Purchase of securities to cover short sales	(95,813,581)
Net purchases of short term investment securities	(113,253,744)
Net realized gain on investments	(14,717,334)
Net realized loss on securities sold short	1,005,752
Net change in unrealized appreciation/depreciation on investments and swap contracts	4,871,780
Net amortization of discount	(92,355)
Net decrease in unrealized appreciation on forward foreign exchange contracts	1,250,137
Net increase in unrealized appreciation on securities sold short	(563,877)
Decrease in receivable for investments sold	11,605,817
Decrease in payable for investments purchased	(18,287,862)
Decrease in deposit at broker	17,685,920
Decrease in payable for dividends payable on securities sold short	(19,367)
Decrease in dividends receivable	45,612
Decrease in deferred offering expense	100,502
Decrease in prepaid expense	2,990
Increase in payable for investment advisory fees	2,840,986
Increase in payable for payroll expenses	2,267
Decrease in payable for accounting fees	(3,750)
Decrease in distributions payable	(24,382)
Decrease in other accrued expenses	(6,366)
Decrease in payable to custodian	(3,291)
Net cash provided by operating activities:	20,479,817

Net decrease in net assets resulting from financing activities:

Liquidation of Series B 3.00% Cumulative Preferred Shares, callable and mandatory redemption 03/26/18	(5,030,800)
Distributions to Common Shareholders	(12,760,193)
Increase in payable for Fund shares redeemed	132,857
Decrease from repurchase of common shares	(7,321,259)

Net cash used in financing activities	(24,979,395)
Net decrease in cash	(4,499,578)
Cash (including foreign currency):	
Beginning of year	6,289,403
End of year	\$ 1,789,825
Supplemental disclosure of cash flow information:	
Interest paid on preferred shares	\$ 3,957,440

See accompanying notes to financial statements.

The GDL Fund**Financial Highlights****Selected data for a common share of beneficial interest outstanding throughout each year:**

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Operating Performance:					
Net asset value, beginning of year	\$ 12.10	\$ 12.78	\$ 13.26	\$ 13.94	\$ 15.02
Net investment loss	(0.44)	(0.26)	(0.33)	(0.46)	(0.55)
Net realized and unrealized gain/(loss) on investments, securities sold short, swap contracts, written options, and foreign currency transactions	0.85	0.33	1.13	1.06	0.74
Total from investment operations	0.41	0.07	0.80	0.60	0.19
Distributions to Common Shareholders:					
Net investment income		(0.06)		(0.08)	(0.02)
Net realized gain	(0.56)	(0.53)	(0.28)		(0.39)
Return of capital	(0.08)	(0.21)	(1.00)	(1.20)	(0.87)
Total distributions to common shareholders	(0.64)	(0.80)	(1.28)	(1.28)	(1.28)
Common Share Transactions:					
Increase in net asset value from repurchase of common shares	0.06	0.05	0.00(a)	0.00(a)	0.01
Net Asset Value, End of Year	\$ 11.93	\$ 12.10	\$ 12.78	\$ 13.26	\$ 13.94
NAV total return *	3.95%	0.94%	6.31%	4.44%	1.26%
Market value, end of year	\$ 10.01	\$ 10.23	\$ 11.02	\$ 11.42	\$ 11.80
Investment total return	4.12%	(0.07)%	7.79%	7.67%	(2.51)%
Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of year (in 000 s)	\$ 364,160	\$ 381,126	\$ 404,984	\$ 422,956	\$ 437,755

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Net assets attributable to common shares, end of year (in 000 s)	\$ 232,959	\$ 244,894	\$ 268,751	\$ 278,968	\$ 293,767
Ratio of net investment income to average net assets attributable to common shares including interest and offering costs(b)	(2.75)%	(1.38)%	(2.50)%	(3.33)%	(3.71)%
Ratio of operating expenses excluding the effect of dividends on securities sold short to average net assets attributable to common shares(c)(d)	4.23%(e)	2.99%	4.76%	4.58%	4.87%
Portfolio turnover rate	268%	315%	319%	335%	336%

See accompanying notes to financial statements.

The GDL Fund**Financial Highlights (Continued)****Selected data for a common share of beneficial interest outstanding throughout each year:**

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Series B Cumulative Preferred Shares (f)					
Liquidation value, end of year (in 000 s)	\$ 131,201	\$ 136,232	\$ 136,232	\$ 143,988	\$ 143,988
Total shares outstanding (in 000 s)	2,624	2,725	2,725	2,880	2,880
Liquidation preference per share	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Average market value(g)	\$ 50.30	\$ 50.36	\$ 50.41	\$ 50.63	\$ 52.46
Asset coverage per share	\$ 138.78	\$ 139.88	\$ 148.64	\$ 146.87	\$ 152.01
Asset coverage	278%	280%	297%	294%	304%

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

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

(a) Amount represents less than \$0.005 per share.

(b) The Fund incurred interest expense during all periods presented. Interest expense on Preferred Shares and offering costs include amounts relating to the 8.50% Series A Preferred Shares from its issuance in 2009 to its repayment in 2011 and to the Series B Preferred Shares from its issuance in 2011 through December 31, 2015 (see Footnotes 2 and 5).

(c) Ratio of operating expenses including interest, dividends on securities sold short, and offering costs to average net assets attributable to common shares for the years ended December 31, 2015, 2014, 2013, 2012, and 2011 would have been 4.43%, 3.07%, 4.80%, 4.66%, and 4.89%, respectively.

(d) Ratio of operating expenses excluding interest, dividends on securities sold short, and offering costs to average net assets attributable to common shares for the years ended December 31, 2015, 2014, 2013, 2012, and 2011, would have been 2.87%, 1.35%, 3.22%, 2.58%, and 1.56%, respectively.

(e) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the year ended December 31, 2015, there was no impact on the expense ratios.

(f) Series B Cumulative Preferred Shares were first issued on April 15, 2011.

(g) Based on weekly prices.

See accompanying notes to financial statements.

The GDL Fund

Notes to Financial Statements

1. Organization. The GDL Fund currently operates as a diversified closed-end management investment company organized as a Delaware statutory trust on October 17, 2006 and registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Investment operations commenced on January 31, 2007.

The Fund's primary investment objective is to achieve absolute returns in various market conditions without excessive risk of capital. The Fund will seek to achieve its objective by investing primarily in merger arbitrage transactions and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs, and liquidations. The Fund will invest at least 80% of its assets, under normal market conditions, in securities or hedging arrangements relating to companies involved in corporate transactions or reorganizations, giving rise to the possibility of realizing gains upon or within relatively short periods of time after the completion of such transactions or reorganizations.

The Fund may invest a high percentage of its assets in specific sectors of the market in order to achieve a potentially greater investment return. As a result, the Fund may be more susceptible to economic, political, and regulatory developments in a 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. As an investment company, the Fund follows the investment company accounting and reporting guidance, which is part of U.S. generally accepted accounting principles ("GAAP") that may require the use of management estimates and assumptions in the preparation of its financial statements. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

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

The GDL Fund**Notes to Financial Statements (Continued)**

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

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

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

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

	Valuation Inputs			
	Level 2 Other Significant			
	Level 1	Observable	Level 3 Significant	Total Market Value
	Quoted Prices	Inputs	Unobservable Inputs	at 12/31/15
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Educational Services			\$ 42	\$ 42
Health Care	\$ 15,507,367		192,500	15,699,867
Publishing	1,666,700		33,079	1,699,779
Other Industries (a)	217,139,429			217,139,429
Total Common Stocks	234,313,496		225,621	234,539,117
Rights (a)			2,019,930	2,019,930
Warrants (a)	2,104	\$ 184		2,288
U.S. Government Obligations		132,627,084		132,627,084
	\$ 234,315,600	\$ 132,627,268	\$ 2,245,551	\$ 369,188,419

**TOTAL INVESTMENTS IN
SECURITIES ASSETS**

LIABILITIES (Market Value):

Common Stocks Sold Short (a)	\$ (7,912,650)	\$ (7,912,650)
TOTAL INVESTMENTS IN SECURITIES - LIABILITIES	\$ (7,912,650)	\$ (7,912,650)

The GDL Fund**Notes to Financial Statements (Continued)**

	Level 1 Quoted Prices	Valuation Inputs Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Market Value at 12/31/15
OTHER FINANCIAL INSTRUMENTS:*				
ASSETS (Unrealized Appreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts		\$ 313,077		\$ 313,077
EQUITY CONTRACT				
Contract for Difference Swap Agreements		83,921		\$ 83,921
LIABILITIES (Unrealized Depreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts		(24,815)		(24,815)
EQUITY CONTRACT				
Contract for Difference Swap Agreements		(194,256)		(194,256)
TOTAL OTHER FINANCIAL INSTRUMENTS:		\$ 177,927		\$ 177,927

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

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

The Fund did not have material transfers among Level 1, Level 2, and Level 3 during the year ended December 31, 2015. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

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

	Balance as of 12/31/14	Accrued discounts/ (premiums)	Realized gain/ (loss)	Change in unrealized appreciation/ depreciation	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Balance as of 12/31/15	Balance as of 12/31/14
INVESTMENTS IN SECURITIES:										
Equity Securities (Market)										
Common Stocks:										
Computer Software	\$ 11,230		\$ 0	\$(11,230)		\$ 0				
Professional Services				(2,743)			\$ 2,785		\$ 42	\$
Health Care	192,500								192,500	
Technology	33,059			20					33,079	
	7,991,697		1,357,933	(29,789)		(9,319,841)				
Common	8,228,486		1,357,933	(43,742)		(9,319,841)	2,785		225,621	

The GDL Fund

Notes to Financial Statements (Continued)

	Balance as of 12/31/14	Accrued discounts/ (premiums)	Realized gain/ (loss)	Change in unrealized appreciation/ depreciation	Purchases	Sales	Transfers into Level 3	Transfers out of Level 3	Balance as of 12/31/15	Balance as of 12/31/14
and										
s						\$ 0			\$ 0	\$
Care	707,092		271,058	(270,414)	236,274	(308,000)			636,010	4
				125,171	74,349				199,520	12
SS										
unications	1,184,400								1,184,400	
ights	1,891,492		271,058	(145,243)	310,623	(308,000)			2,019,930	16
INVESTMENTS										
SECURITIES	\$ 10,119,978		\$ 1,628,991	\$ (188,985)	\$ 310,623	\$ (9,627,841)	\$ 2,785		\$ 2,245,551	\$ 16

Net change in unrealized appreciation/depreciation on investments is included in the related amounts in the Statement of Operations.

The Fund's policy is to recognize transfers into and out of Level 3 as of the beginning of the reporting period. The following tables summarize the valuation techniques used and unobservable inputs utilized to determine the value of certain of the Fund's Level 3 investments as of December 31, 2015:

Description	Balance at 12/31/15	Valuation Technique	Unobservable Input	Range
INVESTMENTS IN SECURITIES:				

ASSETS (Market Value):

Common Stocks (a)	\$ 225,621	Merger/Acquisition price	Discount Range	0%
Rights (a)	2,019,930	Last available closing price	Discount Range	0%
	\$ 2,245,551			

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

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

Additional Information to Evaluate Qualitative Information.

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

Fair Valuation. Fair valued securities may be common and preferred equities, warrants, options, rights, and fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are

The GDL Fund**Notes to Financial Statements (Continued)**

not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. Among the factors to be considered to fair value a security are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. A significant change in the unobservable inputs could result in a lower or higher value in Level 3 securities. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

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

Merger Arbitrage Risk. The principal risk associated with the Fund's investment strategy is that certain of the proposed reorganizations in which the Fund invests may involve a longer time frame than originally contemplated or be renegotiated or terminated, in which case losses may be realized. The Fund invests all or a portion of its assets to seek short term capital appreciation. This can be expected to increase the portfolio turnover rate and cause increased brokerage commission costs.

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

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

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

counterparty. The enforceability of the right to offset may vary by jurisdiction.

The GDL Fund

Notes to Financial Statements (Continued)

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

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

Unrealized gains related to swaps are reported as an asset and unrealized losses are reported as a liability in the Statement of Assets and Liabilities. The change in value of swaps, including the accrual of periodic amounts of interest to be paid or received on swaps, is reported as unrealized gain or loss 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 equity contract for difference swap agreement with The Goldman Sachs Group, Inc. Details of the swap at December 31, 2015 are reflected within the Schedule of Investments and further details are as follows:

Notional Amount	Equity Security Received	Interest Rate/Equity Security Paid	Termination Date	Net Unrealized Appreciation/Depreciation
	Market Value	One Month LIBOR plus 90 bps plus		
	Appreciation on:	Market Value	Depreciation on:	
\$17,501 (70,000 Shares)	Gulf Keystone Petroleum Ltd.	Gulf Keystone Petroleum Ltd.	6/28/16	\$ (1,248)
\$2,489,401 (250,000 Shares)	Amlin plc	Amlin plc	9/12/16	(44,058)
\$3,449,027 (243,300 Shares)	BG Group plc	BG Group plc	12/16/16	83,921
\$2,909,354 (131,392 Shares)	Royal Dutch Shell plc, Cl. B	Royal Dutch Shell plc, Cl. B	12/16/16	(79,425)
\$7,148,514 (118,000 Shares)	SABMiller plc	SABMiller plc	10/14/16	(69,349)
\$14,402 (5,000 Shares)	XChanging plc	XChanging plc	10/18/16	(176)

\$ (110,335)

The Fund's volume of activity in equity contract for difference swap agreements during the year ended December 31, 2015 had an average monthly notional amount of approximately \$2,888,419.

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

The GDL Fund**Notes to Financial Statements (Continued)**

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 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. Forward foreign exchange contracts at December 31, 2015 are reflected within the Schedule of Investments. The Fund's volume of activity in forward foreign exchange contracts during the year ended December 31, 2015 had an average monthly notional amount of approximately \$111,658,615.

At December 31, 2015, the value of forward foreign exchange contracts can be found in the Statement of Assets and Liabilities under Assets, Unrealized appreciation on forward foreign exchange contracts, and under Liabilities, Unrealized depreciation on forward foreign exchange contracts. For the year ended December 31, 2015, the effect of forward foreign exchange contracts can be found in the Statement of Operations under Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, and Foreign Currency, within Net realized gain on foreign currency transactions and Net change in unrealized appreciation/depreciation on foreign currency translations.

Options. The Fund may purchase or write call or put options on securities or indices for the purpose of increasing the income of the Fund. 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.

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.

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. In the case of call options, the 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

The GDL Fund**Notes to Financial Statements (Continued)**

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. At December 31, 2015, the Fund did not hold any written options contracts.

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

	Gross Amounts of Recognized Assets Presented in the Statement of Assets and Liabilities	Gross Amounts Available for Offset in the Statement of Assets and Liabilities	Net Amounts of Assets Presented in the Statement of Assets and Liabilities
Assets			
Equity Contract for Difference			
Swap Agreements	\$ 83,921	\$ (83,921)	
Forward Foreign Exchange			
Contracts	313,077	(24,815)	\$ 288,262
Total	\$ 396,998	\$ (108,736)	\$ 288,262
	Gross Amounts of Recognized Liabilities Presented in the Statement of Assets and Liabilities	Gross Amounts Available for Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities
Liabilities			
Equity Contract for Difference			
Swap Agreements	\$ 194,256	\$ (83,921)	\$ 110,335
Forward Foreign Exchange			
Contracts	24,815	(24,815)	

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Total	\$	219,071	\$	(108,736)	\$	110,335
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The GDL Fund**Notes to Financial Statements (Continued)**

The following tables present the Fund's derivative assets and liabilities by counterparty net of the related collateral segregated by the Fund for the benefit of the counterparty as of December 31, 2015:

Counterparty	Gross Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount
	Gross Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments	Cash Collateral Received	
State Street Bank and Trust Co.	\$288,262	\$(288,262)		

Counterparty	Gross Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount
	Gross Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments	Cash Collateral Pledged	
The Goldman Sachs Group, Inc.	\$110,335	\$(110,335)		