

GDL FUND  
Form N-CSR  
March 09, 2015

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, 2014

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.

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**The GDL Fund**
**Annual Report December 31, 2014****Mario J. Gabelli, CFA****Portfolio Manager****To Our Shareholders,**

For the year ended December 31, 2014, the net asset value ( NAV ) total return of The GDL Fund was 0.9%, compared with a total return of 0.03% 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 (0.1)%. The Fund's NAV per share was \$12.10, while the price of the publicly traded shares closed at \$10.23 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, 2014

Sincerely yours,

Bruce N. Alpert

President

**Comparative Results****Average Annual Returns through December 31, 2014 (a) (Unaudited)**

|  | 1 Year | 3 Year | 5 Year | Since<br>Inception<br>(01/31/07) |
|--|--------|--------|--------|----------------------------------|
| <b>GDL Fund</b>  |        |        |        |                                  |
| <b>NAV Total Return (b)</b>                                    | 0.94%  | 3.87%  | 3.19%  | 2.63%                            |
| <b>Investment Total Return (c)</b>                             | (0.07) | 5.07   | 2.84   | 0.98                             |
| Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index | 0.03   | 0.07   | 0.09   | 0.91                             |

(a) *Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.* The 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

The following table presents portfolio holdings as a percent of total investments as of December 31, 2014:

### The GDL Fund

#### Long Positions

|                                  |        |
|----------------------------------|--------|
| Health Care                      | 19.5%  |
| Energy and Utilities             | 14.9%  |
| Retail                           | 9.7%   |
| Financial Services               | 7.6%   |
| Automotive:Parts and Accessories | 5.7%   |
| Food and Beverage                | 5.2%   |
| Telecommunications               | 5.0%   |
| U.S. Government Obligations      | 5.0%   |
| Computer Software and Services   | 4.9%   |
| Cable and Satellite              | 3.6%   |
| Hotels and Gaming                | 3.5%   |
| Specialty Chemicals              | 3.0%   |
| Semiconductors                   | 2.2%   |
| Electronics                      | 1.8%   |
| Communications Equipment         | 1.8%   |
| Metals and Mining                | 1.0%   |
| Business Services                | 1.0%   |
| Consumer Products and Services   | 0.8%   |
| Transportation                   | 0.7%   |
| Entertainment                    | 0.6%   |
| Wireless Communications          | 0.5%   |
| Diversified Industrial           | 0.5%   |
| Machinery                        | 0.4%   |
| Real Estate                      | 0.4%   |
| Building and Construction        | 0.4%   |
| Aerospace and Defense            | 0.1%   |
| Computer Hardware                | 0.1%   |
| Equipment and Supplies           | 0.1%   |
| Paper and Forest Products        | 0.0%*  |
| Publishing                       | 0.0%*  |
| Educational Services             | 0.0%*  |
|                                  | 100.0% |

#### Short Positions

|                                |        |
|--------------------------------|--------|
| Energy and Utilities           | (3.5)% |
| Health Care                    | (1.7)% |
| Specialty Chemicals            | (0.8)% |
| Consumer Products and Services | (0.2)% |

|                    |        |
|--------------------|--------|
| Semiconductors     | (0.1)% |
| Telecommunications | (0.1)% |
|                    | (6.4)% |

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

### Proxy Voting

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

## The GDL Fund

## Schedule of Investments December 31, 2014

| <u>Shares</u>                                 |  | <u>Cost</u> | <u>Market Value</u> |
|---|--|-------------|---------------------|
| <b>COMMON STOCKS 94.5%</b>                    |  |             |                     |
| <b>Aerospace and Defense 0.1%</b>             |  |             |                     |
| 28,000  | Exelis Inc.                                | \$ 335,882  | \$ 490,840          |
| 5,000   | Kratos Defense & Security Solutions Inc.   | 46,842      | 25,100              |
|   |  | 382,724     | 515,940             |
| <b>Automotive: Parts and Accessories 5.7%</b> |  |             |                     |
| 75,000  | Cooper Tire & Rubber Co.                   | 1,816,556   | 2,598,750           |
| 200,000                                       | The Pep Boys - Manny, Moe & Jack           | 2,440,110   | 1,964,000           |
| 166,000                                       | TRW Automotive Holdings Corp. (a)          | 17,123,713  | 17,073,100          |
|   |  | 21,380,379  | 21,635,850          |
| <b>Building and Construction 0.4%</b>         |  |             |                     |
| 500   | Balfour Beatty plc                         | 2,078       | 1,652               |
| 2,000   | Brookfield Residential Properties Inc.     | 48,258      | 48,120              |
| 23,000  | Fortune Brands Home & Security Inc.        | 282,741     | 1,041,210           |
| 2,000   | Sanitec Oyj                                | 26,352      | 24,822              |
| 20,000  | Vicwest Inc.                               | 224,658     | 215,872             |
|   |  | 584,087     | 1,331,676           |
| <b>Business Services 1.0%</b>                 |  |             |                     |
| 4,000   | Acxiom Corp.                               | 44,044      | 81,080              |
| 27,108  | Blackhawk Network Holdings Inc., Cl. B     | 632,159     | 1,021,701           |
| 92,138  | Clear Channel Outdoor Holdings Inc., Cl. A | 109,624     | 975,741             |
| 3,000   | Funespana SA                               | 27,182      | 22,652              |
| 200,000                                       | GrainCorp Ltd., Cl. A                      | 2,362,087   | 1,347,060           |
| 1,000   | PubliGroupe AG                             | 228,003     | 212,030             |
|   |  | 3,403,099   | 3,660,264           |
| <b>Cable and Satellite 3.6%</b>               |  |             |                     |
| 9,000   | AMC Networks Inc.,                         | 371,666     | 573,930             |



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|               |  |             |               |
|---------------|--|-------------|---------------|
|               | Cl. A                                      |             |               |
| 10,000        | Cablevision Systems Corp., Cl. A           | 128,250     | 206,400       |
| 10,000        | DIRECTV                                    | 873,600     | 867,000       |
| 27,628        | Liberty Global plc,<br>Cl. A               | 1,162,171   | 1,387,064     |
| 60,000        | Liberty Global plc,<br>Cl. C               | 2,473,672   | 2,898,600     |
| 374,000       | Sky Deutschland AG                         | 3,257,442   | 3,041,202     |
| 200,000       | Sky plc                                    | 2,223,582   | 2,802,368     |
| 9,000         | Time Warner Cable Inc.                     | 1,244,495   | 1,368,540     |
| 8,000         | Time Warner Inc.                           | 631,547     | 683,360       |
|               |  | 12,366,425  | 13,828,464    |
|               | <b>Communications Equipment 1.8%</b>       |             |               |
| 335,000       | Riverbed Technology Inc.                   | 6,818,684   | 6,837,350     |
|               | <b>Computer Hardware 0.1%</b>              |             |               |
| 10,000        | Spansion Inc., Cl. A                       | 281,890     | 342,200       |
|               |  |             | <b>Market</b> |
| <b>Shares</b> |  | <b>Cost</b> | <b>Value</b>  |
|               | <b>Computer Software and Services 4.9%</b> |             |               |
| 16,000        | Actuate Corp.                              | \$ 105,144  | \$ 105,600    |
| 60,000        | Advanced Computer Software Group plc       | 130,903     | 129,754       |
| 224,600       | BMC Software Stub                          | 0           | 11,230        |
| 26,648        | Covisint Corp.                             | 68,707      | 70,617        |
| 57,000        | Digital River Inc.                         | 1,429,436   | 1,409,610     |
| 2,000         | Ebix Inc.                                  | 31,827      | 33,980        |
| 600,000       | Sapient Corp. (a)                          | 14,795,747  | 14,928,000    |
| 40,000        | Yahoo! Inc.                                | 588,909     | 2,020,400     |
|               |  | 17,150,673  | 18,709,191    |
|               | <b>Consumer Products and Services 0.8%</b> |             |               |
| 80,000        | Avon Products Inc.(a)                      | 1,192,162   | 751,200       |
| 8,000         | Blyth Inc.                                 | 84,802      | 73,200        |
| 37,000        | Lorillard Inc.                             | 2,269,896   | 2,328,780     |
|               |  | 3,546,860   | 3,153,180     |
|               | <b>Diversified Industrial 0.5%</b>         |             |               |
| 268,500       | Eltek ASA                                  | 416,419     | 417,899       |
| 15,000        | ITT Corp.                                  | 329,299     | 606,900       |
| 46,000        | Myers Industries Inc.                      | 521,564     | 809,600       |
| 10,000        | United Envirotech Ltd.                     | 12,513      | 12,154        |
|               |  | 1,279,795   | 1,846,553     |

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|                                   |                                     |            |            |
|-----------------------------------|-------------------------------------|------------|------------|
| <b>Educational Services 0.0%</b>  |                                     |            |            |
| 44,000                            | Corinthian Colleges Inc.            | 51,384     | 2,785      |
| <b>Electronics 1.8%</b>           |                                     |            |            |
| 211,700                           | Alliance Semiconductor Corp.        | 1,035,247  | 169,360    |
| 76,500                            | Bel Fuse Inc., Cl. A                | 2,016,841  | 1,854,360  |
| 410,000                           | Laird plc                           | 1,296,304  | 1,987,375  |
| 68,700                            | Vacon Oyj                           | 2,925,772  | 2,826,442  |
| 3,000                             | Viasystems Group Inc.               | 48,213     | 48,840     |
|                                   |                                     | 7,322,377  | 6,886,377  |
| <b>Energy and Utilities 14.9%</b> |                                     |            |            |
| 152,000                           | Alvopetro Energy Ltd.               | 146,649    | 55,603     |
| 2,492                             | AMEC Foster Wheeler plc, ADR        | 43,096     | 32,246     |
| 200                               | Apco Oil and Gas International Inc. | 2,886      | 2,806      |
| 3,000                             | Baker Hughes Inc.                   | 199,878    | 168,210    |
| 78,260                            | Cleco Corp.                         | 4,161,601  | 4,268,300  |
| 255,000                           | Dragon Oil plc                      | 1,563,951  | 2,136,260  |
| 232,000                           | Dresser-Rand Group Inc.             | 18,987,280 | 18,977,600 |
| 72,000                            | Endesa SA                           | 1,799,401  | 1,441,899  |
| 460,000                           | Gulf Coast Ultra Deep Royalty Trust | 805,000    | 584,200    |
| 2,000                             | Hawaiian Electric Industries Inc.   | 64,862     | 66,960     |
| 238,000                           | Integrays Energy Group Inc.         | 18,450,661 | 18,528,300 |
| 10,000                            | NRG Energy Inc.                     | 229,472    | 269,500    |
| 1,000                             | Origin Energy Ltd.                  | 15,738     | 9,527      |
| 92,000                            | Pepco Holdings Inc.                 | 2,462,251  | 2,477,560  |
| 1,000                             | REC Solar ASA                       | 15,430     | 13,686     |

See accompanying notes to financial statements.

## The GDL Fund

## Schedule of Investments (Continued) December 31, 2014

| Shares                                  |   | Cost       | Market Value |
|---|---|------------|--------------|
| <b>COMMON STOCKS (Continued)</b>        |   |            |              |
| <b>Energy and Utilities (Continued)</b> |   |            |              |
| 2,000                                   | Silverwillow Energy Corp.                             | \$ 2,261   | \$ 112       |
| 1,000,000                               | Talisman Energy Inc.                                  | 7,567,603  | 7,830,000    |
| 100,000                                 | WesternZagros Resources Ltd.                          | 303,795    | 37,442       |
|   |   | 56,821,815 | 56,900,211   |
| <b>Entertainment 0.6%</b>               |   |            |              |
| 140,254                                 | Media General Inc.                                    | 2,444,060  | 2,346,453    |
| <b>Equipment and Supplies 0.1%</b>      |   |            |              |
| 2,500                                   | The Middleby Corp.                                    | 19,758     | 247,750      |
| <b>Financial Services 7.6%</b>          |   |            |              |
| 900                                     | Aspen Insurance Holdings Ltd.                         | 40,691     | 39,393       |
| 55,000                                  | First Niagara Financial Group Inc.                    | 766,121    | 463,650      |
| 1,000,000                               | Fortune Oil plc                                       | 149,590    | 148,847      |
| 110,000                                 | Hudson City Bancorp Inc.                              | 1,031,595  | 1,113,200    |
| 112,149                                 | National Interstate Corp.                             | 3,344,634  | 3,342,040    |
| 60,000                                  | Navient Corp.   | 645,152    | 1,296,600    |
| 20,000                                  | Platinum Underwriters Holdings Ltd.                   | 1,486,234  | 1,468,400    |
| 280,000                                 | Protective Life Corp.(a)                              | 19,471,024 | 19,502,000   |
| 4,000                                   | Schweizerische National-Versicherungs-Gesellschaft AG | 334,440    | 333,937      |
| 60,000                                  | SLM Corp.   | 378,899    | 611,400      |
| 50,000                                  | SWS Group Inc.  | 366,876    | 345,500      |
| 10,000                                  | The Bank of Kentucky Financial Corp.                  | 469,476    | 482,700      |
|   |   | 28,484,732 | 29,147,667   |
| <b>Food and Beverage 5.2%</b>           |   |            |              |
| 210,000                                 | China Huiyuan Juice Group Ltd.                        | 183,873    | 78,534       |
| 500,000                                 | Chiquita Brands International Inc.                    | 7,224,757  | 7,230,000    |
| 139,700                                 | Nutreco NV  | 7,533,411  | 7,519,941    |
| 1,310,000                               | Parmalat SpA  | 4,593,967  | 3,788,555    |
| 5,000                                   | Pinnacle Foods Inc.                                   | 171,344    | 176,500      |
| 9,000                                   | Post Holdings Inc.                                    | 221,658    | 377,010      |

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|                               |  |               |                     |
|-------------------------------|--|---------------|---------------------|
| 1,000                         | Warmnambool Cheese & Butter Factory Co. Holding Ltd. | 6,834         | 6,458               |
| 3,200,000                     | Yashili International Holdings Ltd.                  | 1,445,711     | 903,716             |
|                               |  | 21,381,555    | 20,080,714          |
| <b>Health Care 19.3%</b>      |  |               |                     |
| 10,000                        | Alere Inc.   | 398,298       | 380,000             |
| 550,000                       | ArthroCare Corp. Stub                                | 0             | 192,500             |
| 40,000                        | AstraZeneca plc, ADR                                 | 3,151,267     | 2,815,200           |
| 27,129                        | Auxilium Pharmaceuticals Inc.                        | 897,207       | 932,831             |
| 506,489                       | Avanir Pharmaceuticals Inc. (a)                      | 8,566,675     | 8,584,989           |
| 68,000                        | CareFusion Corp.                                     | 3,880,760     | 4,035,120           |
| 58,000                        | Covance Inc. .                                       | 5,827,816     | 6,022,720           |
| 101,500                       | Covidien plc.  | 9,462,980     | 10,381,420          |
|                               |  |               | <b>Market Value</b> |
| <b>Shares</b>                 |  | <b>Cost</b>   |                     |
| 115,000                       | Cubist Pharmaceuticals Inc.                          | \$ 11,537,983 | \$ 11,574,750       |
| 1,000                         | Gentiva Health Services Inc.                         | 14,582        | 19,050              |
| 2,400                         | ICU Medical Inc.                                     | 150,445       | 196,560             |
| 6,200                         | Illumina Inc.  | 279,965       | 1,144,396           |
| 117,500                       | Prosensa Holding NV                                  | 2,203,765     | 2,203,125           |
| 3,000                         | QLT Inc.   | 17,239        | 12,030              |
| 20,000                        | Rhoen Klinikum AG                                    | 448,345       | 561,344             |
| 21,500                        | Shire plc, ADR                                       | 5,456,532     | 4,569,610           |
| 90,000                        | Sigma-Aldrich Corp.                                  | 12,306,300    | 12,354,300          |
| 30,000                        | Smith & Nephew plc                                   | 315,411       | 555,486             |
| 7,500                         | Smith & Nephew plc, ADR                              | 275,034       | 275,550             |
| 1,000                         | Synageva BioPharma Corp.                             | 17,875        | 92,790              |
| 400                           | Taro Pharmaceuticals Industries Ltd.                 | 15,772        | 59,276              |
| 350,000                       | Volcano Corp.  | 6,242,250     | 6,258,000           |
| 1,241                         | Wright Medical Group Inc.                            | 28,903        | 33,346              |
| 13,000                        | WuXi PharmaTech Cayman Inc., ADR                     | 211,948       | 437,710             |
|                               |  | 71,707,352    | 73,692,103          |
| <b>Hotels and Gaming 3.5%</b> |  |               |                     |
| 28,000                        | Belmond Ltd., Cl. A                                  | 310,473       | 346,360             |
| 22,635                        | Eldorado Resorts Inc.                                | 111,352       | 91,672              |
| 750,000                       | International Game Technology(a)                     | 12,529,792    | 12,937,500          |
| 1,000                         | MGM Resorts International                            | 2,620         | 21,380              |
|                               |  | 12,954,237    | 13,396,912          |
| <b>Machinery 0.4%</b>         |  |               |                     |
| 3,000                         | CNH Industrial NV                                    | 34,740        | 24,322              |
| 42,000                        | Xylem Inc.   | 1,202,465     | 1,598,940           |
|                               |  | 1,237,205     | 1,623,262           |

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|                                       |   |           |           |
|---------------------------------------|---|-----------|-----------|
| <b>Metals and Mining 1.0%</b>         |   |           |           |
| 175,000                               | AuRico Gold Inc.                              | 1,396,587 | 574,000   |
| 11                                    | Jaguar Mining Inc.                            | 733       | 3         |
| 3,000                                 | Osisko Gold Royalties Ltd.                    | 41,106    | 42,296    |
| 4,000                                 | Pan American Silver Corp.                     | 71,126    | 36,908    |
| 16,500                                | Vulcan Materials Co.                          | 638,862   | 1,084,545 |
| 68,700                                | Whiting Petroleum Corp.                       | 4,676,955 | 2,267,100 |
|                                       |   | 6,825,369 | 4,004,852 |
| <b>Paper and Forest Products 0.0%</b> |   |           |           |
| 25,000                                | Ainsworth Lumber Co. Ltd.                     | 73,446    | 71,656    |
| <b>Publishing 0.0%</b>                |   |           |           |
| 136,000                               | SCMP Group Ltd.                               | 48,079    | 33,059    |
| <b>Real Estate 0.4%</b>               |   |           |           |
| 32,100                                | American Realty Capital Healthcare Trust Inc. | 349,559   | 381,990   |
| 1,000                                 | GAGFAH SA                                     | 21,803    | 22,386    |
| 70,000                                | Glimcher Realty Trust                         | 966,728   | 961,800   |
|                                       |   | 1,338,090 | 1,366,176 |

See accompanying notes to financial statements.

**The GDL Fund****Schedule of Investments (Continued) December 31, 2014**

| <u>Shares</u>                    |   | <u>Cost</u>  | <u>Market Value</u> |
|----------------------------------|---|--------------|---------------------|
| <b>COMMON STOCKS (Continued)</b> |   |              |                     |
| <b>Retail 9.7%</b>               |   |              |                     |
| 13,000                           | Family Dollar Stores Inc.                       | \$ 1,038,749 | \$ 1,029,730        |
| 95,000                           | PetSmart Inc.                                   | 7,692,860    | 7,723,025           |
| 400,000                          | Safeway Inc.(a)                                 | 14,498,619   | 14,048,000          |
| 3,600                            | SpartanNash Co.                                 | 73,554       | 94,104              |
| 165,000                          | The Pantry Inc.                                 | 6,011,887    | 6,114,900           |
| 380,557                          | Zale Corp.                                      | 7,961,908    | 7,991,697           |
|                                  |   | 37,277,577   | 37,001,456          |
| <b>Semiconductors 2.2%</b>       |   |              |                     |
| 210,000                          | International Rectifier Corp.                   | 8,257,101    | 8,379,000           |
| 300                              | OmniVision Technologies Inc.                    | 8,366        | 7,800               |
| 2,500                            | Xcerra Corp.                                    | 18,894       | 22,900              |
|                                  |   | 8,284,361    | 8,409,700           |
| <b>Specialty Chemicals 3.0%</b>  |   |              |                     |
| 3,000                            | Ashland Inc.                                    | 27,107       | 359,280             |
| 10,000                           | Auriga Industries A/S, Cl. B                    | 537,835      | 499,638             |
| 20,300                           | Penford Corp.                                   | 384,127      | 379,407             |
| 130,000                          | Rockwood Holdings Inc.(a)                       | 10,292,395   | 10,244,000          |
| 7,200                            | SGL Carbon SE                                   | 187,149      | 119,534             |
|                                  |   | 11,428,613   | 11,601,859          |
| <b>Telecommunications 5.0%</b>   |   |              |                     |
| 690,000                          | Asia Satellite Telecommunications Holdings Ltd. | 1,533,382    | 2,420,225           |
| 400,000                          | Jazztel plc                                     | 6,431,544    | 6,074,467           |
| 200,000                          | Koninklijke KPN NV                              | 613,090      | 636,004             |
| 6,650                            | Level 3 Communications Inc.                     | 311,951      | 328,377             |
| 500                              | Loral Space & Communications Inc.               | 38,858       | 39,355              |
| 58,926                           | Sprint Corp.                                    | 338,472      | 244,543             |
| 170,000                          | Telenet Group Holding NV                        | 7,717,402    | 9,552,099           |
|                                  |   | 16,984,699   | 19,295,070          |

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| <b>Transportation 0.7%</b>          |                  |             |             |
|-------------------------------------|------------------|-------------|-------------|
| 425,681                             | TNT Express NV   | 4,706,130   | 2,854,150   |
| <b>Wireless Communications 0.2%</b> |                  |             |             |
| 5,000                               | GLENTEL Inc.     | 107,476     | 108,409     |
| 25,000                              | T-Mobile US Inc. | 406,250     | 673,500     |
|                                     |                  | 513,726     | 781,909     |
| <b>TOTAL COMMON STOCKS</b>          |                  | 357,099,181 | 361,604,789 |

| <b>RIGHTS 0.5%</b>      |  |       |        |
|-------------------------|--|-------|--------|
| <b>Health Care 0.2%</b> |  |       |        |
| 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  |

|               |  | <b>Market</b> |              |
|---------------|--|---------------|--------------|
| <b>Shares</b> |  | <b>Cost</b>   | <b>Value</b> |
| 31,000        | Cubist Pharmaceuticals Inc., CVR                             | \$ 68,897     | \$ 1,240     |
| 270,000       | Durata Therapeutics Inc., CVR                                | 0             | 313,200      |
| 3,800         | Furiex Pharmaceuticals Inc., CVR                             | 36,942        | 37,126       |
| 100           | Omthera Pharmaceuticals Inc.,<br>expire 12/31/20             | 0             | 60           |
| 346,322       | Teva Pharmaceutical Industries Ltd.,<br>CPR, expire 02/20/23 | 164,073       | 183,551      |
| 186,000       | Trius Therapeutics, CVR                                      | 0             | 24,180       |
|               |  | 271,892       | 708,332      |

| <b>Wireless Communications 0.3%</b> |   |           |           |
|-------------------------------------|---|-----------|-----------|
| 470,000                             | Leap Wireless International Inc.,<br>CVR, expire 03/14/16 | 1,102,230 | 1,184,400 |
| <b>TOTAL RIGHTS</b>                 |   | 1,374,122 | 1,892,732 |

| <b>WARRANTS 0.0%</b>             |  |        |         |
|----------------------------------|--|--------|---------|
| <b>Energy and Utilities 0.0%</b> |  |        |         |
| 35,000                           | Kinder Morgan Inc., expire 05/25/17      | 66,675 | 149,100 |
| <b>Metals and Mining 0.0%</b>    |  |        |         |
| 850                              | HudBay Minerals Inc., expire<br>07/20/18 | 962    | 761     |
| <b>TOTAL WARRANTS</b>            |  | 67,637 | 149,861 |

**Principal  
Amount**

|                          |  |             |                      |
|--------------------------|--|-------------|----------------------|
|                          | <b>U.S. GOVERNMENT OBLIGATIONS</b>                                 | <b>5.0%</b> |                      |
| \$19,250,000             | U.S. Treasury Bills, 0.010% to<br>0.130% , 01/02/15 to 07/02/15(b) |             | 19,245,297           |
| <b>TOTAL INVESTMENTS</b> | <b>100.0%</b>  |             | <b>\$377,786,565</b> |
|                          |  |             | <b>382,892,679</b>   |

|                |   | <b>Settlement<br/>Date</b> | <b>Unrealized<br/>Appreciation</b> |
|----------------|---|----------------------------|------------------------------------|
|                | <b>FORWARD FOREIGN EXCHANGE CONTRACTS</b>                                       |                            |                                    |
| 3,800,000(c)   | Deliver British pounds in exchange<br>for United States Dollars<br>5,921,594(d) | 01/23/15                   | 62,323                             |
| 39,300,000(e)  | Deliver Euros in exchange for<br>United States Dollars 47,567,002(d)            | 01/23/15                   | 1,348,002                          |
| 700,000,000(f) | Deliver Japanese Yen in exchange<br>for United States Dollars<br>5,845,218(d)   | 01/23/15                   | 128,074                            |
|                | <b>TOTAL FORWARD FOREIGN EXCHANGE<br/>CONTRACTS</b>                             |                            | <b>1,538,399</b>                   |

See accompanying notes to financial statements.



**The GDL Fund****Schedule of Investments (Continued) December 31, 2014**

| <u>Notional Amount</u>   |                                 | <u>Termination Date</u> | <u>Unrealized Appreciation</u> |
|--|---------------------------------|-------------------------|--------------------------------|
| <b>EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS</b>  |                                 |                         |                                |
| \$ 92,384  | Gulf Keystone Petroleum Ltd.(g) | 06/29/15                | \$ 2,994                       |
| (90,000 Shares)  |                                 |                         | <b>Market Value</b>            |
| <b>SECURITIES SOLD SHORT (6.4)%</b><br>(Proceeds received \$24,062,236)                          |                                 |                         | (24,586,472)                   |
| <b>Other Assets and Liabilities (Net)</b>  |                                 |                         | 21,278,021                     |
| <b>PREFERRED STOCK</b><br>(2,724,641 preferred shares outstanding)                               |                                 |                         | (136,232,050)                  |
| <b>NET ASSETS COMMON STOCK</b><br>(20,243,135 common shares outstanding)                         |                                 |                         | \$ 244,893,571                 |
| <b>NET ASSET VALUE PER COMMON SHARE</b><br>( $\$244,893,571 \div 20,243,135$ shares outstanding) |                                 |                         | \$ 12.10                       |
|  |                                 |                         | <b>Market Value</b>            |
| <u>Shares</u>  |                                 | <u>Proceeds</u>         | <u>Value</u>                   |
| <b>SECURITIES SOLD SHORT (6.4)%</b>  |                                 |                         |                                |
| <b>Consumer Products and Services (0.2)%</b>   |                                 |                         |                                |
| 9,250  | Reynolds American Inc           | \$ 552,078              | \$ 594,497                     |
| <b>Energy and Utilities (3.5)%</b>   |                                 |                         |                                |
| 1,000  | Halliburton Co.                 | 52,369                  | 39,330                         |
| 255,400  | Wisconsin Energy Corp.          | 13,519,744              | 13,469,796                     |
|  |                                 |                         | 13,572,113                     |
| <b>Health Care (1.7)%</b>  |                                 |                         |                                |
| 5,283  | Becton Dickinson and Co.        | 668,590                 | 735,182                        |
| 4,648  | Endo International plc          | 323,072                 | 335,214                        |
| 76,958   | Medtronic Inc.                  | 5,146,551               | 5,556,368                      |

|                                    |                             |                      |                      |
|------------------------------------|-----------------------------|----------------------|----------------------|
|                                    |                             | 6,138,213            | 6,626,764            |
| <b>Semiconductors (0.1)%</b>       |                             |                      |                      |
| 24,570                             | Cypress Semiconductor Corp. | 295,809              | 350,860              |
| <b>Specialty Chemicals (0.8)%</b>  |                             |                      |                      |
| 52,833                             | Albemarle Corp.             | 3,191,838            | 3,176,848            |
| <b>Telecommunications (0.1)%</b>   |                             |                      |                      |
| 6,650                              | Level 3 Communications Inc. | 312,185              | 328,377              |
| <b>TOTAL SECURITIES SOLD SHORT</b> |                             | <b>\$ 24,062,236</b> | <b>\$ 24,586,472</b> |

(a) At December 31, 2014, securities, or a portion there of, with a value of \$67,131,560 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, 2014, \$18,970,000 of the principal amount was pledged as collateral for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.

(c) Principal amount denoted in British Pounds.

(d) At December 31, 2014, the Fund had entered into forward foreign exchange contracts with State Street Bank and Trust Co.

(e) Principal amount denoted in Euros. (f) Principal amount denoted in Japanese Yen.

(g) At December 31, 2014, the Fund had entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc.

Non-income producing security.

Represents annualized yield at date of purchase.

ADR American Depositary Receipt

CVR Contingent Value Right

CPR Contingent Payment Right

| <b><u>Geographic Diversification</u></b> | <b><u>% of Market Value</u></b> | <b><u>Market Value</u></b> |
|--|---------------------------------|----------------------------|
| <b>Long Positions</b>                    |                                 |                            |
| North America                            | 79.2%                           | \$ 303,416,435             |
| Europe                                   | 18.3                            | 70,072,050                 |
| Asia/Pacific                             | 1.4                             | 5,410,975                  |
| Africa/Middle East                       | 0.6                             | 2,136,260                  |
| Latin America                            | 0.5                             | 1,856,959                  |
| <b>Total Investments</b>                 | <b>100.0%</b>                   | <b>\$ 382,892,679</b>      |
| <b>Short Positions</b>                   |                                 |                            |
| North America                            | (6.3)%                          | \$ (24,251,258)            |
| Europe                                   | (0.1)                           | (335,214)                  |

|                   |        |                 |
|-------------------|--------|-----------------|
| Total Investments | (6.4)% | \$ (24,586,472) |
|-------------------|--------|-----------------|

See accompanying notes to financial statements.

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**The GDL Fund**
**Statement of Assets and Liabilities****December 31, 2014****Assets:**

|   |                |
|---|----------------|
| Investments, at value (cost \$377,786,565)                                      | \$ 382,892,679 |
| Foreign currency, at value (cost \$6,249,264)                                   | 6,289,403      |
| Deposit at brokers (including proceeds from securities sold short \$24,062,236) | 25,534,525     |
| Receivable for investments sold   | 11,605,817     |
| Unrealized appreciation on forward foreign exchange contracts                   | 1,538,399      |
| Deferred offering expense   | 300,166        |
| Prepaid expenses  | 8,197          |
| Dividends receivable  | 304,142        |
| Unrealized appreciation on swap contracts                                       | 2,994          |

|                     |                    |
|---------------------|--------------------|
| <b>Total Assets</b> | <b>428,476,322</b> |
|---------------------|--------------------|

**Liabilities:**

|  |             |
|--|-------------|
| Securities sold short, at value  | 24,586,472  |
| Payable to custodian   | 3,291       |
| Distributions payable  | 68,116      |
| Payable for investments purchased  | 21,525,967  |
| Payable for investment advisory fees   | 969,577     |
| Payable for payroll expenses   | 55,919      |
| Payable for accounting fees  | 11,250      |
| Dividends payable on securities sold short   | 46,901      |
| Series B Cumulative Preferred Shares, callable and mandatory redemption 03/26/18 (See Notes 2 and 5) | 136,232,050 |
| Other accrued expenses   | 83,208      |

|                          |                    |
|--------------------------|--------------------|
| <b>Total Liabilities</b> | <b>183,582,751</b> |
|--------------------------|--------------------|

|   |                       |
|---|-----------------------|
| <b>Net Assets Attributable to Common Shareholders</b> | <b>\$ 244,893,571</b> |
|---|-----------------------|

**Net Assets Attributable to Common Shareholders Consist of:**

|  |                |
|--|----------------|
| Paid-in capital  | \$ 243,832,140 |
| Accumulated net investment loss  | (2,139,097)    |
| Accumulated net realized loss on investments, securities sold short, swap contracts, and foreign currency transactions | (2,818,708)    |
| Net unrealized appreciation on investments   | 5,106,114      |

|  |           |
|--|-----------|
| Net unrealized depreciation on securities sold short         | (524,236) |
| Net unrealized appreciation on swap contracts                | 2,994     |
| Net unrealized appreciation on foreign currency translations | 1,434,364 |

|                   |                       |
|-------------------|-----------------------|
| <b>Net Assets</b> | <b>\$ 244,893,571</b> |
|-------------------|-----------------------|

**Net Asset Value per Common Share:**

|   |          |
|---|----------|
| (\$244,893,571 ÷ 20,243,135 shares outstanding at \$0.001 par value; unlimited number of shares authorized) | \$ 12.10 |
|---|----------|

**Statement of Operations****For the Year Ended December 31, 2014****Investment Income:**

|   |              |
|---|--------------|
| Dividends (net of foreign withholding taxes of \$160,104) | \$ 4,245,750 |
| Interest  | 79,950       |

|                                |                  |
|--------------------------------|------------------|
| <b>Total Investment Income</b> | <b>4,325,700</b> |
|--------------------------------|------------------|

**Expenses:**

|   |           |
|---|-----------|
| Investment advisory fees                          | 2,766,778 |
| Interest expense on preferred shares              | 4,087,796 |
| Dividend expense on securities sold short         | 210,390   |
| Trustees fees                                     | 150,417   |
| Payroll expenses                                  | 134,586   |
| Shareholder communications expenses               | 104,323   |
| Offering expense for issuance of preferred shares | 92,845    |
| Custodian fees                                    | 56,948    |
| Service fees for securities sold short            | 68,909    |
| Accounting fees                                   | 45,000    |
| Legal and audit fees                              | 34,322    |
| Shareholder services fees                         | 16,755    |
| Miscellaneous expenses                            | 87,683    |

|                       |                  |
|-----------------------|------------------|
| <b>Total Expenses</b> | <b>7,856,752</b> |
|-----------------------|------------------|

Less:

|  |         |
|--|---------|
| Advisory fee reduction on unsupervised assets (Note 3) | (6,339) |
|--|---------|

|                     |                  |
|---------------------|------------------|
| <b>Net Expenses</b> | <b>7,850,413</b> |
|---------------------|------------------|

|                            |                    |
|----------------------------|--------------------|
| <b>Net Investment Loss</b> | <b>(3,524,713)</b> |
|----------------------------|--------------------|

**Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, Written Options, and Foreign Currency:**

|  |             |
|--|-------------|
| Net realized gain on investments           | 11,351,322  |
| Net realized loss on securities sold short | (1,757,859) |
| Net realized gain on swap contracts        | 178,523     |

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|   |                     |
|---|---------------------|
| Net realized loss on written options  | (9,612)             |
| Net realized gain on foreign currency transactions  | 3,515,115           |
| Net realized gain on investments, securities sold short, swap contracts, written options, and foreign currency transactions                 | 13,277,489          |
| <b>Net change in unrealized appreciation/depreciation:</b>  |                     |
| on investments  | (9,615,524)         |
| on securities sold short  | (524,236)           |
| on swap contracts   | (340,697)           |
| on foreign currency translations  | 2,078,677           |
| Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations | (8,401,780)         |
| <b>Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, Written Options, and Foreign Currency</b> | <b>4,875,709</b>    |
| <b>Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations</b>   | <b>\$ 1,350,996</b> |

See accompanying notes to financial statements.

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

|   | <b>Year Ended<br/>December 31, 2014</b> | <b>Year Ended<br/>December 31, 2013</b> |
|---|---|---|
| <b>Operations:</b>  |   |   |
| Net investment loss   | \$ (3,524,713)                          | \$ (6,918,124)                          |
| Net realized gain on investments, securities sold short, swap contracts, written options, and foreign currency transactions                 | 13,277,489                              | 11,895,349                              |
| Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, and foreign currency translations | (8,401,780)                             | 11,852,778                              |
| <b>Net Increase in Net Assets Attributable to Common Shareholders Resulting from Operations</b>   | <b>1,350,996</b>                        | <b>16,830,003</b>                       |
| <b>Distributions to Common Shareholders:</b>  |   |   |
| Net investment income   | (1,209,552)                             |   |
| Net realized short term gain  | (6,589,932)                             | (3,157,706)                             |
| Net realized long term gain   | (4,419,204)                             | (2,802,682)                             |
| Return of capital   | (4,233,112)                             | (20,965,921)                            |
| <b>Total Distributions to Common Shareholders</b>   | <b>(16,451,800)</b>                     | <b>(26,926,309)</b>                     |
| <b>Fund Share Transactions:</b>   |   |   |
| Decrease from repurchase of common shares   | (8,757,103)                             | (120,151)                               |
| <b>Decrease in Net Assets from Fund Share Transactions</b>  | <b>(8,757,103)</b>                      | <b>(120,151)</b>                        |
| <b>Net Decrease in Net Assets Attributable to Common Shareholders</b>   | <b>(23,857,907)</b>                     | <b>(10,216,457)</b>                     |
| <b>Net Assets Attributable to Common Shareholders:</b>  |   |   |
| Beginning of year   | 268,751,478                             | 278,967,935                             |
| End of year (including undistributed net investment income of \$0 and \$0, respectively)  | \$ 244,893,571                          | \$ 268,751,478                          |

See accompanying notes to financial statements.

**The GDL Fund****STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2014**

|   |                     |
|---|---------------------|
| Net increase in net assets resulting from operations  | \$ 1,350,996        |
| <b>Adjustments to Reconcile Net Increase in Net Assets Resulting from Operations to Net Cash from Operating Activities:</b> |                     |
| Purchase of investment securities   | (966,419,949)       |
| Proceeds from sales of investment securities  | 810,570,366         |
| Proceeds from short sales of investment securities  | 72,232,430          |
| Purchase of securities to cover short sales   | (50,240,003)        |
| Purchases of short term investment securities   | (710,600,167)       |
| Proceeds from sales of short term investment securities   | 902,528,492         |
| Net realized gain on investments  | (11,351,322)        |
| Net realized loss on securities sold short  | 1,757,859           |
| Net change in unrealized appreciation/depreciation on investments and swap contracts  | 9,956,221           |
| Net amortization of discount  | (79,818)            |
| Net increase in unrealized appreciation on forward foreign exchange contracts   | (2,192,896)         |
| Net increase in unrealized depreciation on securities sold short  | 524,236             |
| Increase in receivable for investments sold   | (11,355,678)        |
| Increase in payable for investments purchased   | 15,335,721          |
| Increase in deposit at broker   | (25,534,525)        |
| Increase in payable for short sale dividends  | 46,901              |
| Decrease in dividends and interest receivable   | 1,217               |
| Decrease in deferred offering expense   | 92,845              |
| Increase in prepaid expense   | (2,834)             |
| Decrease in payable for investment advisory fees  | (5,415,170)         |
| Increase in payable for payroll expenses  | 1,431               |
| Increase in payable for accounting fees   | 7,500               |
| Increase in other accrued expenses  | 6,016               |
| Increase in payable to custodian  | 3,291               |
| <b>Net cash provided by operating activities</b>  | <b>31,223,160</b>   |
| Net increase in net assets resulting from financing activities:   |                     |
| Distributions paid to Common Shareholders   | (16,451,800)        |
| Decrease from repurchase of common shares   | (8,757,103)         |
| <b>Net cash used in financing activities</b>  | <b>(25,208,903)</b> |
| Net increase in cash  | 6,014,257           |
| <b>Cash (including foreign currency):</b>   |                     |



|                   |              |
|-------------------|--------------|
| Beginning of year | 275,146      |
| End of year       | \$ 6,289,403 |

Supplemental disclosure of cash flow information:

|                                   |              |
|-----------------------------------|--------------|
| Interest paid on preferred shares | \$ 4,087,796 |
|-----------------------------------|--------------|

See accompanying notes to financial statements.

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

|   | <b>Year Ended December 31,</b> |                 |                 |                 |                 |
|---|--------------------------------|-----------------|-----------------|-----------------|-----------------|
|   | <b>2014</b>                    | <b>2013</b>     | <b>2012</b>     | <b>2011</b>     | <b>2010</b>     |
| <b>Operating Performance:</b>   |                                |                 |                 |                 |                 |
| Net asset value, beginning of year  | \$ 12.78                       | \$ 13.26        | \$ 13.94        | \$ 15.02        | \$ 15.84        |
| Net investment loss   | (0.26)                         | (0.33)          | (0.46)          | (0.55)          | (0.56)          |
| Net realized and unrealized gain/(loss) on investments, securities sold short, swap contracts, written options, and foreign currency transactions | 0.33                           | 1.13            | 1.06            | 0.74            | 1.02            |
| Total from investment operations  | 0.07                           | 0.80            | 0.60            | 0.19            | 0.46            |
| <b>Distributions to Common Shareholders:</b>  |                                |                 |                 |                 |                 |
| Net investment income   | (0.06)                         |                 | (0.08)          | (0.02)          |                 |
| Net realized gain   | (0.53)                         | (0.28)          |                 | (0.39)          | (0.03)          |
| Return of capital   | (0.21)                         | (1.00)          | (1.20)          | (0.87)          | (1.25)          |
| Total distributions to common shareholders  | (0.80)                         | (1.28)          | (1.28)          | (1.28)          | (1.28)          |
| <b>Common Share Transactions:</b>   |                                |                 |                 |                 |                 |
| Increase/(decrease) in net asset value from repurchase of common shares   | 0.05                           | 0.00(a)         | 0.00(a)         | 0.01            | (0.00)(a)       |
| Recapture of gain on sale of Fund shares by an affiliate  |                                |                 |                 |                 | 0.00(a)         |
| Total Fund share transactions   | 0.05                           | 0.00(a)         | 0.00(a)         | 0.01            | 0.00(a)         |
| <b>Net Asset Value, End of Year</b>   | <b>\$ 12.10</b>                | <b>\$ 12.78</b> | <b>\$ 13.26</b> | <b>\$ 13.94</b> | <b>\$ 15.02</b> |
| NAV total return  | 0.94%                          | 6.31%           | 4.44%           | 1.26%           | 3.07%           |
| Market value, end of year   | \$ 10.23                       | \$ 11.02        | \$ 11.42        | \$ 11.80        | \$ 13.37        |
| Investment total return   | (0.07)%                        | 7.79%           | 7.67%           | (2.51)%         | 1.72%           |
| <b>Ratios to Average Net Assets and Supplemental Data:</b>  |                                |                 |                 |                 |                 |
|   | \$ 381,126                     | \$ 404,984      | \$ 422,956      | \$ 437,755      | \$ 413,993      |

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|  |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
| Net assets including liquidation value of preferred shares, end of year (in 000 s)   |            |            |            |            |            |
| Net assets attributable to common shares, end of year (in 000 s)   | \$ 244,894 | \$ 268,751 | \$ 278,968 | \$ 293,767 | \$ 317,981 |
| Ratio of net investment income to average net assets attributable to common shares including interest and offering costs(b)                      | (1.38)%    | (2.50)%    | (3.33)%    | (3.71)%    | (3.60)%    |
| Ratio of operating expenses excluding the effect of dividends on securities sold short to average net assets attributable to common shares(c)(d) | 2.99%      | 4.76%      | 4.58%      | 4.87%      | 4.39%      |
| Portfolio turnover rate  | 315%       | 319%       | 335%       | 336%       | 365%       |

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, |            |            |            |           |
|--|-------------------------|------------|------------|------------|-----------|
|  | 2014                    | 2013       | 2012       | 2011       | 2010      |
| <b>Preferred Stock:</b>                                |                         |            |            |            |           |
| <b>8.500% Series A Cumulative Preferred Shares (e)</b> |                         |            |            |            |           |
| Liquidation value, end of year (in 000 s)              |                         |            |            |            | \$ 96,012 |
| Total shares outstanding (in 000 s)                    |                         |            |            |            | 1,920     |
| Liquidation preference per share                       |                         |            |            |            | \$ 50.00  |
| Average market value(f)                                |                         |            |            |            | \$ 53.05  |
| Asset coverage per share                               |                         |            |            |            | \$ 215.59 |
| <b>Asset coverage</b>                                  |                         |            |            |            | 431%      |
| <b>Series B Cumulative Preferred Shares (g)</b>        |                         |            |            |            |           |
| Liquidation value, end of year (in 000 s)              | \$ 136,232              | \$ 136,232 | \$ 143,988 | \$ 143,988 |           |
| Total shares outstanding (in 000 s)                    | 2,725                   | 2,725      | 2,880      | 2,880      |           |
| Liquidation preference per share                       | \$ 50.00                | \$ 50.00   | \$ 50.00   | \$ 50.00   |           |
| Average market value(f)                                | \$ 50.36                | \$ 50.41   | \$ 50.63   | \$ 52.46   |           |
| Asset coverage per share                               | \$ 139.88               | \$ 148.64  | \$ 146.87  | \$ 152.01  |           |
| <b>Asset coverage</b>                                  | 280%                    | 297%       | 294%       | 304%       |           |

Based on net asset value per share, adjusted for reinvestment of distributions at the net asset value per share on the ex-dividend dates.

Based on market value per share, adjusted for reinvestment of distributions at prices determined 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, 2014 (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, 2014, 2013, 2012, 2011, and 2010 would have been 3.07%, 4.80%, 4.66%, 4.89%, and 4.39%, 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, 2014, 2013, 2012, 2011, and 2010, would have been 1.35%, 3.22%, 2.58%, 1.56%, and 1.89%, respectively.
- (e) Series A Cumulative Preferred Shares were first issued on February 6, 2009 and were redeemed on May 31, 2011.
- (f) Based on weekly prices.
- (g) Series B Cumulative Preferred Shares were first issued on April 15, 2011.

See accompanying notes to financial statements.



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## 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, 2014 is as follows:

|  | Valuation Inputs         |   |  | Total Market Value<br>at 12/31/14 |
|--|--------------------------|---|--|-----------------------------------|
|  | Level 1<br>Quoted Prices | Level 2 Other Significant<br>Observable<br>Inputs | Level 3 Significant<br>Unobservable Inputs |                                   |
| <b>INVESTMENTS IN<br/>SECURITIES:<br/>ASSETS (Market Value):</b> |                          |   |  |                                   |
| Common Stocks:   |                          |   |  |                                   |
| Computer Software and<br>Services                                | \$ 18,697,961            |   | \$ 11,230                                  | \$ 18,709,191                     |
| Health Care  | 73,499,603               |   | 192,500                                    | 73,692,103                        |
| Publishing   |                          |   | 33,059                                     | 33,059                            |
| Retail   | 29,009,759               |   | 7,991,697                                  | 37,001,456                        |
| Other Industries (a)   | 232,168,980              |   |  | 232,168,980                       |
| <b>Total Common Stocks</b>                                       | <b>353,376,303</b>       |   | <b>8,228,486</b>                           | <b>361,604,789</b>                |
| Rights (a)   | 1,240                    |   | 1,891,492                                  | 1,892,732                         |
| Warrants (a)   | 149,861                  |   |  | 149,861                           |
| U.S. Government Obligations                                      |                          | \$ 19,245,297                                     |  | 19,245,297                        |
|  | <b>\$ 353,527,404</b>    | <b>\$ 19,245,297</b>                              | <b>\$ 10,119,978</b>                       | <b>\$ 382,892,679</b>             |



|  |                 |                 |
|--|-----------------|-----------------|
| <b>TOTAL INVESTMENTS IN SECURITIES ASSETS</b>        |                 |                 |
| <b>LIABILITIES (Market Value):</b>                   |                 |                 |
| Common Stocks Sold Short (a)                         | \$ (24,586,472) | \$ (24,586,472) |
| <b>TOTAL INVESTMENTS IN SECURITIES - LIABILITIES</b> |                 |                 |
|  | \$ (24,586,472) | \$ (24,586,472) |
| <b>OTHER FINANCIAL INSTRUMENTS:</b>                  |                 |                 |
| <b>ASSETS (Unrealized Appreciation):*</b>            |                 |                 |
| <b>FORWARD CURRENCY EXCHANGE CONTRACTS</b>           |                 |                 |
| Forward Foreign Exchange Contracts                   | \$ 1,538,399    | \$ 1,538,399    |
| <b>EQUITY CONTRACT</b>                               |                 |                 |
| Contract for Difference Swap Agreements              | 2,994           | 2,994           |
| <b>TOTAL OTHER FINANCIAL INSTRUMENTS:</b>            |                 |                 |
|  | \$ 1,541,393    | \$ 1,541,393    |

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

(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 transfers among Level 1, Level 2, and Level 3 during the year ended December 31, 2014. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

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

|  | Balance<br>as of<br>12/31/13 | Accrued<br>discount/<br>premium | Realized<br>gain/<br>(loss) | Change in<br>unrealized<br>appreciation/<br>depreciation | Purchases  | Sales   | Transfers<br>into<br>Level 3 | Transfers<br>out<br>of<br>Level 3 | Balance<br>as of<br>12/31/14 | Net change<br>in<br>unrealized<br>appreciation/<br>depreciation<br>during the<br>period on<br>Level 3<br>investments<br>still held at<br>12/31/14 |
|--|------------------------------|---------------------------------|-----------------------------|--|------------|---------|------------------------------|-----------------------------------|------------------------------|---|
| <b>INVESTMENTS<br/>IN<br/>SECURITIES:<br/>ASSETS (Market<br/>Value):</b> |                              |                                 |                             |  |            |         |                              |                                   |                              |   |
| <b>Common Stocks:</b>  |                              |                                 |                             |  |            |         |                              |                                   |                              |   |
| Aerospace and<br>Defense   | \$ 8,360                     | \$ 7,600                        | \$ (8,360)                  | \$ 0   | \$ (7,600) | \$      | \$                           | \$                                | \$                           | \$  |
| Computer<br>Software and<br>Services                                     | 785,064                      | 41,933                          | (46,323)                    | 0  | (769,444)  |         |                              |                                   | 11,230                       |   |
| Health Care  | 5,535                        | 15,489                          | (133,285)                   | 0  | (17,159)   | 321,920 |                              |                                   | 192,500                      | (129,420)   |
| Publishing   |                              |                                 | (1)                         |  |            |         | 33,060                       |                                   | 33,059                       | (1)   |
| Retail   |                              |                                 | 29,789                      | 7,961,908  |            |         |                              |                                   | 7,991,697                    | 29,789  |
| Total Common<br>Stocks   | 798,959                      | 65,022                          | (158,180)                   | 7,961,908  | (794,203)  | 354,980 |                              |                                   | 8,228,486                    | (99,632)  |
| <b>Rights:</b>   |                              |                                 |                             |  |            |         |                              |                                   |                              |   |
| Health Care  | 209,290                      |                                 | 294,807                     | 202,995  |            |         |                              |                                   | 707,092                      | 380,497   |

|  |              |           |            |              |              |            |               |            |
|--|--------------|-----------|------------|--------------|--------------|------------|---------------|------------|
| Wireless Communications                |              |           | 82,170     | 1,102,230    |              |            | 1,184,400     | 82,170     |
| <b>TOTAL INVESTMENTS IN SECURITIES</b> | \$ 1,008,249 | \$ 65,022 | \$ 218,797 | \$ 9,267,133 | \$ (794,203) | \$ 354,980 | \$ 10,119,978 | \$ 363,035 |

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 transfers out of Level 3 as of the beginning of the reporting period.

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

The following tables summarize the valuation techniques used and unobservable inputs utilized to determine the value of certain of the Fund's Level 3 investments as of December 31, 2014:

| Description                       | Balance at 12/31/14 | Valuation Technique          | Unobservable Input | Range    |
|-----------------------------------|---------------------|------------------------------|--------------------|----------|
| <b>INVESTMENTS IN SECURITIES:</b> |                     |                              |                    |          |
| <b>ASSETS (Market Value):</b>     |                     |                              |                    |          |
| Retail                            | \$ 7,991,697        | Acquisition price            | Discount           | Range 0% |
| Other Industries (a)              | 236,789             | Last available closing price | Discount           | Range 0% |
| Rights (a)                        | 1,891,492           | Last available closing price | Discount           | Range 0% |
|                                   | \$ 10,119,978       |                              |                    |          |

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

securities are frequently monitored to determine if fair valuation measures continue to apply.

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

***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.

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

**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 Fund's derivative contracts held at December 31, 2014, 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 GDL Fund**

**Notes to Financial Statements (Continued)**

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, 2014 are reflected within the Schedule of Investments and further details are as follows:

| <u>Notional Amount</u> | <u>Equity Security Received</u> | <u>Interest Rate/Equity Security Paid</u> | <u>Termination Date</u> | <u>Net Unrealized Appreciation</u> |
|------------------------|---------------------------------|---|-------------------------|------------------------------------|
|                        | Market Value                    | One Month LIBOR plus 90 bps plus          |                         |                                    |
|                        | Appreciation on:                | Market Value Depreciation on:             |                         |                                    |
| \$92,384               |                                 |   |                         |                                    |
| (90,000 Shares)        | Gulf Keystone Petroleum Ltd.    | Gulf Keystone Petroleum Ltd.              | 6/29/15                 | \$ 2,994                           |

The Fund's volume of activity in equity contract for difference swap agreements during the year ended December 31, 2014 had an average monthly notional amount of approximately \$2,445,730.

At December 31, 2014, 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. For the year ended December 31, 2014, 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, Written Options, and Foreign Currency, Net realized gain on swap contracts and Net change in unrealized appreciation/depreciation on swap contracts.

**Forward Foreign Exchange Contracts.** The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on 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, 2014 are reflected within the Schedule of Investments.

The Fund's volume of activity in forward foreign exchange contracts during the year ended December 31, 2014 had an average monthly notional amount of approximately \$113,061,154.

At December 31, 2014, 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. For the year ended



December 31, 2014, 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, Written Options, 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

## The GDL Fund

### Notes to Financial Statements (Continued)

Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates. If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a written put option is exercised, the premium reduces the cost basis of the security.

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

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 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, 2014, the Fund did not hold any written options contracts.

The Fund's volume of activity in equity options contracts while outstanding until December 23, 2014, had an average monthly market value of approximately \$808. Please refer to Note 4 for option activity during the year ended December 31, 2014.

At December 31, 2014, the Fund's derivative assets (by type) are as follows:

|               | Gross Amounts of<br>Recognized Assets<br>Presented in the<br>Statement of<br>Assets and Liabilities | Gross Amounts<br>Available<br>for<br>Offset in the<br>Statement of Assets<br>and<br>Liabilities | Net Amounts of<br>Assets<br>Presented<br>in the<br>Statement of<br>Assets and<br>Liabilities |
|---------------|---|---|--|
| <b>Assets</b> | \$ 2,994  | \$  | \$ 2,994   |

Equity Contract for Difference Swap  
Agreement

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Forward Foreign Exchange Contracts | 1,538,399 | 1,538,399 |
|------------------------------------|-----------|-----------|

|       |              |              |
|-------|--------------|--------------|
| Total | \$ 1,541,393 | \$ 1,541,393 |
|-------|--------------|--------------|

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

The following table presents the Fund's derivative assets by counterparty net of the related collateral segregated by the Fund for the benefit of the counterparty as of December 31, 2014:

| Counterparty                    | Gross Amounts Not Offset in the Statement of |                       |                        |      |
|---------------------------------|--|-----------------------|------------------------|------|
|                                 | Assets and Liabilities                       |                       | Assets and Liabilities |      |
|                                 | Gross Amounts of                             |                       | Cash Collateral        |      |
|                                 | Assets Presented in                          |                       | Received               |      |
|                                 | the  |                       | Net Amount             |      |
|                                 | Statement of                                 |                       |                        |      |
|                                 | Assets and Liabilities                       | Financial Instruments |                        |      |
| The Goldman Sachs Group, Inc.   | \$ 2,994                                     | \$ (2,994)            | \$ -                   | \$ - |
| State Street Bank and Trust Co. | 1,538,399                                    | (1,538,399)           | -                      | -    |
| Total                           | \$ 1,541,393                                 | \$ (1,541,393)        | \$ -                   | \$ - |

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

impact on the ability of the Adviser to manage the Fund, and on the Fund's performance.

***Securities Sold Short.*** The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination.

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

The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of the open positions, which is adjusted periodically as the value of the position fluctuates. Securities sold short at December 31, 2014 are reflected within the Schedule of Investments.

**Series B Cumulative Preferred Shares.** For financial reporting purposes only, the liquidation value of preferred shares that have a mandatory call date is classified as a liability within the Statement of Assets and Liabilities and the dividends paid on these preferred shares are included as a component of Interest expense on preferred shares within the Statement of Operations. Offering costs are amortized over the life of the preferred shares.

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

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

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

**Restricted Securities.** The Fund may invest up to 15% of its net assets in securities for which the markets are restricted. Restricted securities include securities whose disposition is subject to substantial legal or contractual restrictions. The sale of illiquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale. Securities freely saleable among qualified institutional investors under special rules adopted by the SEC may be treated as liquid if they satisfy liquidity standards established by the Board. The continued liquidity of such securities is not as well assured as that of publicly traded securities, and accordingly the Board will monitor their liquidity. At December 31, 2014, the Fund held no investments in restricted securities.



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

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

**Custodian Fee Credits and Interest Expense.** When cash balances are maintained in the custody account, the Fund receives credits which are used to offset custodian fees. The gross expenses paid under the custody arrangement are included in custodian fees in the Statement of Operations with the corresponding expense offset, if any, shown as Custodian fee credits. When cash balances are overdrawn, the Fund is charged an overdraft fee equal to 110% of the 90 day Treasury Bill rate on outstanding balances. This amount, if any, would be included in the Statement of Operations.

**Distributions to Shareholders.** Distributions to shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. See Series B Cumulative Preferred Shares above for discussion of GAAP treatment. The distributions on these Preferred Shares are treated as dividends for tax purposes. These differences are also due to differing treatments of income and gains on various investment securities and foreign currency transactions held by the Fund, timing differences, and differing characterizations of distributions made by the Fund. Distributions from net investment income for federal income tax purposes include net realized gains on foreign currency transactions. These book/tax differences are either temporary or permanent in nature. To the extent these differences are permanent, adjustments are made to the appropriate capital accounts in the period when the differences arise. Permanent differences were primarily due to tax treatment of foreign currency gains and losses, and basis adjustments on partnerships. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2014, reclassifications were made to decrease accumulated net investment loss by \$3,528,040 and decrease accumulated net realized loss on investments, securities sold short, swap contracts, and foreign currency transactions by \$3,898,656, with an offsetting adjustment to paid-in capital.

The Fund declared and paid quarterly distributions from net investment income, capital gains, and paid-in capital. The actual sources of the distribution are determined after the end of the year. To the extent such distributions were made from current earnings and profits, they are considered ordinary income or long term capital gains. Distributions during the year may be made in excess of required distributions. This may restrict the Fund's ability to pass through to shareholders all of its net realized long term capital gains as a Capital Gain Distribution, subject to the maximum federal income tax rate, and may cause such gains to be treated as ordinary income subject to a maximum federal income tax rate. That portion of a distribution that is paid-in capital (and is not sourced from net investment income or realized gains) should not be considered as the yield or total return on an investment in the Fund.



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

The tax character of distributions paid during the years ended December 31, 2014 and 2013 was as follows:

|   | Year Ended<br>December 31, 2014 |                     | Year Ended<br>December 31, 2013 |                     |
|---|---------------------------------|---------------------|---------------------------------|---------------------|
|   | Common                          | Preferred           | Common                          | Preferred           |
| <b>Distributions paid from:</b>                         |                                 |                     |                                 |                     |
| Ordinary income (inclusive of short term capital gains) | \$ 7,799,484                    | \$ 4,087,796        | \$ 3,157,706                    | \$ 4,141,258        |
| Long term capital gain                                  | 4,419,204                       |                     | 2,802,682                       |                     |
| Return of capital                                       | 4,233,112                       |                     | 20,965,921                      |                     |
| <b>Total distributions paid</b>                         | <b>\$ 16,451,800</b>            | <b>\$ 4,087,796</b> | <b>\$ 26,926,309</b>            | <b>\$ 4,141,258</b> |

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

As of December 31, 2014, the components of accumulated earnings/losses on a tax basis were as follows:

|   |                     |
|---|---------------------|
| Net unrealized appreciation on investments, swap contracts, and foreign currency translations | \$ 2,945,744        |
| Qualified late year loss deferral*  | (1,816,197)         |
| Other temporary differences**   | (68,116)            |
| <b>Total</b>  | <b>\$ 1,061,431</b> |

\* Under the current law, qualified late year losses realized after October 31 and prior to the Fund's year end may be elected as occurring on the first day of the following year. For the year ended December 31, 2014, the Fund elected to defer \$1,816,197 of late year short term capital losses.

\*\* Other temporary differences are due to preferred share class distribution payables.

Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward for an unlimited period capital losses incurred. As a result of the rule, post-enactment capital losses that are carried forward

will retain their character as either short term or long term capital losses rather than being considered all short term as under previous law.

As of December 31, 2014, the differences between book basis and tax basis appreciation/depreciation were primarily due to deferral of wash sales for tax purposes, mark-to-market adjustments on currency gains and losses, swap contracts, and passive foreign investment companies.

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

The following summarizes the tax cost of investments and the related net unrealized appreciation/depreciation at December 31, 2014:

|                       | <b>Cost/<br/>(Proceeds)</b> | <b>Gross<br/>Unrealized<br/>Appreciation</b> | <b>Gross<br/>Unrealized<br/>Depreciation</b> | <b>Net Unrealized<br/>Appreciation/<br/>Depreciation</b> |
|-----------------------|-----------------------------|--|--|--|
| Investments           | \$ 379,320,822              | \$ 19,026,780                                | \$ (15,454,923)                              | \$ 3,571,857   |
| Securities sold short | (24,062,236)                | 77,976                                       | (602,212)                                    | (524,236)  |
|                       |                             | \$ 19,104,756                                | \$ (16,057,135)                              | \$ 3,047,621   |

The Fund is required to evaluate tax positions taken or expected to be taken in the course of preparing the Fund's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Income tax and related interest and penalties would be recognized by the Fund as tax expense in the Statement of Operations if the tax positions were deemed not to meet the more-likely-than-not threshold. For the year ended December 31, 2014, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2014, the Adviser has reviewed all open tax years and concluded that there was no impact to the Fund's net assets or results of operations. The Fund's federal and state tax returns for the prior three fiscal years remain open, subject to examination. On an ongoing basis, the Adviser will monitor the Fund's tax positions to determine if adjustments to this conclusion are necessary.

**3. Agreements and Transactions with Affiliates.** The Fund has entered into an investment advisory agreement (the Advisory Agreement) with the Adviser which provides that the Fund will pay the Adviser a base fee, computed weekly and paid monthly, equal on an annual basis to 0.50% of the value of the Fund's average weekly managed assets. Managed assets consist of all of the assets of the Fund without deduction for borrowings, repurchase transactions, and other leveraging techniques, the liquidation value of any outstanding preferred shares, or other liabilities except for certain ordinary course expenses. In addition, the Fund may pay the Adviser an annual performance fee at a calendar year end if the Fund's total return on its managed assets during the year exceeds the total return of the 3 Month U.S. Treasury Bill Index (the T-Bill Index) during the same period. For every four basis points that the Fund's total return exceeds the T-Bill Index, the Fund will accrue weekly and pay annually a one basis point performance fee up to a maximum performance fee of 150 basis points. Under the performance fee arrangement, the annual rate of the total fees paid to the Adviser can range from 0.50% to 2.00% of the average weekly managed assets. For the year ended December 31, 2014, the Fund accrued a performance fee of \$808,978 to the Adviser. In accordance with the Advisory Agreement, the Adviser provides a continuous investment program for the Fund's portfolio and oversees the administration of all aspects of the Fund's business and affairs.

During the year ended December 31, 2014, the Fund paid brokerage commissions on security trades of \$261,189 to G.research, Inc., an affiliate of the Adviser.

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The cost of calculating the Fund's NAV per share is a Fund expense pursuant to the Advisory Agreement. During the year ended December 31, 2014, the Fund paid or accrued \$45,000 to the Adviser in connection with the cost of computing the Fund's NAV.

As per the approval of the Board, the Fund compensates officers of the Fund, who are employed by the Fund and are not employed by the Adviser (although the officers may receive incentive based variable compensation

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

from affiliates of the Adviser). For the year ended December 31, 2014, the Fund paid or accrued \$134,586 in payroll expenses in the Statement of Operations.

There was a reduction in the advisory fee paid to the Adviser relating to certain portfolio holdings, i.e., unsupervised assets, of the Fund with respect to which the Adviser transferred dispositive and voting control to the Fund's Proxy Voting Committee. During the year ended December 31, 2014, the Fund's Proxy Voting Committee exercised control and discretion over all rights to vote or consent with respect to such securities, and the Adviser reduced its fee with respect to such securities by \$6,339.

The Fund pays each Trustee who is not considered an affiliated person an annual retainer of \$9,000 plus \$2,000 for each Board meeting attended. Each Trustee is reimbursed by the Fund for any out of pocket expenses incurred in attending meetings. All Board committee members receive \$1,000 per meeting attended, the Audit Committee Chairman receives an annual fee of \$3,000, the Nominating Committee Chairman and the Lead Trustee each receive an annual fee of \$2,000. A Trustee may receive a single meeting fee, allocated among the participating funds, for participation in certain meetings held on behalf of multiple funds. Trustees who are directors or employees of the Adviser or an affiliated company receive no compensation or expense reimbursement from the Fund.

**4. Portfolio Securities.** Purchases and sales of securities during the year ended December 31, 2014, other than short term securities and U.S. Government obligations, aggregated \$966,419,949 and \$810,570,366, respectively. Purchases and sales of U.S. Government Obligations for the year ended December 31, 2014, aggregated \$710,600,167 and \$902,528,492, respectively.

Written options activity for the Fund for the year ended December 31, 2014 was as follows:

|  | <b>Number of<br/>Contracts</b> | <b>Premiums</b> |
|--|--------------------------------|-----------------|
| Options outstanding at December 31, 2013 |                                |                 |
| Options written                          | 8                              | \$ 192          |
| Options repurchased                      | (8)                            | (192)           |
| Options outstanding at December 31, 2014 |                                | \$              |

**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 the Fund's common shares on the open market when its 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 per share. During the year ended December 31, 2014, the Fund repurchased and retired 793,044 shares in the open market at a cost of \$8,757,103 and an average discount of approximately 12.67% from its NAV.

Transactions in common shares of beneficial interest for the years ended December 31, 2014 and 2013 were as follows:

|                    | <b>Year Ended<br/>December 31, 2014</b> |               | <b>Year Ended<br/>December 31, 2013</b> |               |
|--------------------|---|---------------|---|---------------|
|                    | <b>Shares</b>                           | <b>Amount</b> | <b>Shares</b>                           | <b>Amount</b> |
| Shares repurchased | 793,044                                 | \$ 8,757,103  | 10,000                                  | \$ 120,151    |

The Fund's Declaration of Trust, as amended, authorizes the issuance of an unlimited number of shares of \$0.001 par value Preferred Shares. The Preferred Shares are senior to the common shares and result in the

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

financial leveraging of the common shares. Such leveraging tends to magnify both the risks and opportunities to common shareholders.

The Series B Preferred pay quarterly distributions in March, June, September, and December of each year. On January 24, 2013, the Board reset the annual dividend rate to 3.00% on the Series B Preferred for dividend periods through March 26, 2015. The annual dividend rate thereafter will be reset by the Board and publicly announced in notices at least sixty days prior to March 26, 2015 for all remaining dividend periods prior to the mandatory redemption date of March 26, 2018. The Series B Preferred may be put back to the Fund during a period after the announcement of a new rate, and may be redeemed by the Fund at any time. Each reset date will take into account interest rates for debt securities with similar timeframes to put or maturity, but annual dividend rates may not be lower than 3.00%. Prior to the interest rate reset for March 26, 2013, 155,117 Series B Preferred were put back to the Fund at the liquidation value of \$7,755,850. At December 31, 2014, there were 2,724,641 Series B Preferred outstanding and accrued dividends amounted to \$68,116.

Dividends on the Preferred Shares are cumulative. The Fund is required by the 1940 Act and by the Statement of Preferences to meet certain asset coverage tests with respect to the Preferred Shares. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Series B Preferred at the redemption price of \$50 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.

The holders of Preferred Shares 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 stock as a single class. The holders of Preferred Shares 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 shares, voting as a single class, will be required to approve any plan of reorganization adversely affecting the preferred shares, 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 shares 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. Management has reviewed the Fund's existing contracts and expects the risk of loss to be remote.

**7. Subsequent Events.** Management has evaluated the impact on the Fund of subsequent events occurring through the date the financial statements were issued and has determined that there were no subsequent events requiring

recognition or disclosure in the financial statements.



**The GDL Fund**

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Trustees of

The GDL Fund

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The GDL Fund (the Fund ), as of December 31, 2014, and the related statement of operations and cash flows for the year then ended, the statements of changes in net assets attributable to common shareholders for each of the two years in the period then ended, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2014, by correspondence with the Fund's custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund at December 31, 2014, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and its financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

New York, New York

February 25, 2015

**The GDL Fund****Additional Fund Information (Unaudited)**

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

| <b>Name, Position(s)<br/>Address<sup>1</sup><br/>and Age</b>                           | <b>Term of Office<br/>and Length of<br/>Time Served<sup>2</sup></b> | <b>Number of Funds<br/>in Fund Complex<br/>Overseen by Trustee</b> | <b>Principal Occupation(s)<br/>During Past Five Years</b>  | <b>Other Directorships<br/>Held by Trustee<sup>4</sup></b>   |
|--|---|--|--|--|
| <b><u>INTERESTED TRUSTEES<sup>3</sup>:</u></b>   |   |  |  |  |
| <b>Mario J. Gabelli, CFA</b> Trustee<br>and<br>Chief Investment Officer<br><br>Age: 72 | Since 2006*   | 28   | Chairman, Chief Executive Officer, and Chief Investment Officer Value Portfolios of GAMCO Investors, Inc., and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc.; Director/Trustee or Chief Investment Officer of other registered investment companies in the Gabelli/GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc. | Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group, Inc. (communications); Director of RLJ Acquisition Inc. (blank check company) (2011-2012) |
| <b>Edward T. Tokar</b><br>Trustee<br><br>Age: 67                                       | Since 2006**  | 2  | Senior Managing Director of Beacon Trust Company (trust services); Chief Executive Officer of Allied Capital   | Director of CH Energy Group (energy services) (2009-2013); Director, Teton Advisors, Inc.  |

Management LLC (financial services)  
(1977-2004); Vice President of Honeywell International Inc. (1977-2004)  
(2008-2010)

**INDEPENDENT TRUSTEES<sup>5</sup>:**

|                            |               |    |   |  |
|----------------------------|---------------|----|---|--|
| <b>Anthony J. Colavita</b> | Since 2006**  | 37 |   |  |
| Trustee                    |               |    | President of the law firm of Anthony J. Colavita, P.C.  |  |
| Age: 79                    |               |    |   |  |
| <b>James P. Conn</b>       | Since 2006*** | 21 | Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (1992-1998)   | Director of First Republic Bank (banking) through January 2008   |
| Trustee                    |               |    |   |  |
| Age: 76                    |               |    |   |  |
| <b>Clarence A. Davis</b>   | Since 2006*** | 2  | Former Chief Executive Officer of Nestor, Inc. (2007-2009); Former Chief Operating Officer (2000- 2005) and Chief Financial Officer (1999-2000) of the American Institute of Certified Public Accountants | Director of Telephone & Data Systems, Inc. (telephone services); Director of Pennichuck Corp. (water supply) (2009-2012) |
| Trustee                    |               |    |   |  |
| Age: 73                    |               |    |   |  |
| <b>Mario d Urso</b>        | Since 2006*   | 5  | Chairman of Mittel Capital Markets S.p.A.(2001- 2008); Senator in the Italian Parliament (1996- 2001)   |  |
| Trustee                    |               |    |   |  |
| Age: 74                    |               |    |   |  |
| <b>Arthur V. Ferrara</b>   | Since 2006*** | 8  | Former Chairman of the Board and Chief Executive Officer of The Guardian Life Insurance Company of America (1993 1995)  |  |
| Trustee                    |               |    |   |  |
| Age: 84                    |               |    |   |  |
| <b>Michael J. Melarkey</b> | Since 2006*   | 5  | Partner in the law firm of Avansino, Melarkey, Knobel, Mulligan & McKenzie; Owner in Pioneer Crossing Casino Group  | Director of Southwest Gas Corporation (natural gas utility)  |
| Trustee                    |               |    |   |  |
| Age: 65                    |               |    |   |  |
| <b>Salvatore J. Zizza</b>  | Since 2006**  | 31 | Chairman of Zizza & Associates Corp. (financial consulting); Chairman of  | Director and Vice Chairman of Trans-Lux Corporation (business services);   |
| Trustee                    |               |    |   |  |

Age: 69

|  |  |
|--|--|
| Metropolitan Paper Recycling, Inc. (recycling) (since 2005); Chairman of Harbor Diversified, Inc. (pharmaceuticals) (since 1999); Chairman of BAM (semiconductor and aerospace manufacturing) (since 2000); Chairman of Bergen Cove Realty Inc. (since 2002) | Director and Chairman of Harbor Diversified, Inc. (pharmaceuticals); Chairman of Bion Environmental Technologies (technology) (2005-2007); Director, Chairman, and CEO of General Employment Enterprises (staffing services) (2009-2012) |
|--|--|

**The GDL Fund****Additional Fund Information (Continued) (Unaudited)**

| <b>Name, Position(s)</b>                               | <b>Address<sup>1</sup><br/>and Age</b> | <b>Term of Office<br/>and Length of<br/>Time Served<sup>2</sup></b> | <b>Principal Occupation(s)<br/>During Past Five Years</b>  |
|--|--|---|--|
| <b><u>OFFICERS:</u></b>                                |  |   |  |
| <b>Bruce N. Alpert</b><br>President                    | Age: 63                                | Since 2006  | Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; and an Officer of registered investment companies in the Gabelli/GAMCO Fund Complex; Director of Teton Advisors, Inc. 1998-2012; Chairman of Teton Advisors, Inc. 2008-2010; President of Teton Advisors, Inc. 1998-2008; Senior Vice President of GAMCO Investors, Inc. since 2008 |
| <b>Andrea R. Mango</b><br>Vice President and Secretary | Age: 42                                | Since November 2013   | Counsel of Gabelli Funds, LLC; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company 2011-2013; Vice President and Counsel of Deutsche Bank 2006-2011   |
| <b>Agnes Mullady</b><br>Treasurer                      | Age: 56                                | Since 2006  | President and Chief Operating Officer of the Open-End Fund Division of Gabelli Funds, LLC since September 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Officer of all of the registered investment companies in the Gabelli/GAMCO Fund Complex  |
| <b>Richard J. Walz</b><br>Chief Compliance Officer     | Age: 55                                | Since November 2013   | Chief Compliance Officer of the Gabelli/GAMCO Fund Complex; Chief Compliance Officer of AEGON USA Investment Management LLC 2011-2013; Chief Compliance Officer of Cutwater Asset Management 2004-2011   |
| <b>Carter W. Austin</b><br>Vice President              | Age: 48                                | Since 2006  | Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Senior Vice President of Gabelli Funds, LLC since 2015  |
| <b>David I. Schachter</b><br>Vice President            | Age: 61                                | Since 2006  | Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Senior Vice President of Gabelli Funds, LLC since 2015  |
| <b>Frank M. Yodice</b>                                 |  | Since 2014  | Fordham University, graduated 2012   |

Assistant Vice President and

Ombudsman

Age: 25

<sup>1</sup> Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

<sup>2</sup> The Fund's Board of Trustees is divided into three classes, each class having a term of three years. Each year the term of office of one class expires and the successor or successors elected to such class serve for a three year term. The three year term for each class expires as follows:

\* - Term expires at the Fund's 2015 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

\*\* - Term expires at the Fund's 2016 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

\*\*\* - Term expires at the Fund's 2017 Annual Meeting of Shareholders or until their successors are duly elected and qualified. Each officer will hold office for an indefinite term until the date he or she resigns or retires or until his or her successor is elected and qualified.

<sup>3</sup> Interested person of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an interested person because of his affiliation with the Investment Adviser and with G.research, Inc., which was a principal underwriter for the Fund's common shares and is expected to execute portfolio transactions for the Fund. Mr. Tokar is considered an interested person of the Fund as a result of a family member's affiliation with the Adviser.

<sup>4</sup> This column includes only directorships of companies required to report to the SEC under the Securities Exchange Act of 1934, as amended, i.e., public companies, or other investment companies registered under the 1940 Act.

<sup>5</sup> Trustees who are not interested persons are considered Independent Trustees.

**THE GDL FUND****INCOME TAX INFORMATION (Unaudited)****December 31, 2014****Cash Dividends and Distributions**

|   | <b>Payable Date</b> | <b>Record Date</b> | <b>Total Amount Paid Per Share (a)</b> | <b>Ordinary Investment Income (a)</b> | <b>Long Term Capital Gains (a)</b> | <b>Return of Capital (b)</b> | <b>Dividend Reinvestment Price</b> |
|---|---------------------|--------------------|--|---------------------------------------|------------------------------------|------------------------------|------------------------------------|
| <b>Common Shares</b>                        |                     |                    |  |                                       |                                    |                              |                                    |
|   | 03/24/14            | 03/17/14           | \$ 0.32000                             | \$ 0.22950                            | \$                                 | \$ 0.09050                   | \$ 11.06510                        |
|   | 06/23/14            | 06/16/14           | 0.16000                                | 0.11480                               |                                    | 0.04520                      | 10.88820                           |
|   | 09/23/14            | 09/16/14           | 0.16000                                | 0.02710                               | 0.08770                            | 0.04520                      | 10.50730                           |
|   | 12/19/14            | 12/12/14           | 0.16000                                | 0.02710                               | 0.08770                            | 0.04520                      | 10.23370                           |
|   |                     |                    | \$ 0.80000                             | \$ 0.39850                            | \$ 0.17540                         | \$ 0.22610                   |                                    |
| <b>Series B Cumulative Preferred Shares</b> |                     |                    |  |                                       |                                    |                              |                                    |
|   | 03/26/14            | 03/19/14           | \$ 0.37500                             | \$ 0.37500                            | \$                                 |                              |                                    |
|   | 06/26/14            | 06/19/14           | 0.37500                                | 0.37500                               |                                    |                              |                                    |
|   | 09/26/14            | 09/19/14           | 0.37500                                | 0.37500                               |                                    |                              |                                    |
|   | 12/26/14            | 12/18/14           | 0.37500                                | 0.05160                               | 0.32340                            |                              |                                    |
|   |                     |                    | \$ 1.50000                             | \$ 1.17660                            | \$ 0.32340                         |                              |                                    |

A Form 1099-DIV has been mailed to all shareholders of record for the distributions mentioned above, setting forth specific amounts to be included in the 2014 tax returns. Ordinary distributions include net investment income and realize net short term capital gains. Ordinary income is reported in box 1a of Form 1099-DIV. The long term gain distributions for the year ended December 31, 2014 were \$4,419,204 or the maximum amount.

**Corporate Dividends Received Deduction, Qualified Dividend Income, and U.S. Government Securities Income**

The Fund paid to common shareholders ordinary income dividends of \$0.3985 per share in 2014. For the year ended December 31, 2014, 26.36% of the ordinary dividend qualified for the dividend received deduction available to corporations, and 33.15% of the ordinary income distribution was qualified dividend income, and 0.30% of ordinary income distribution was qualified interest income, and 100% of ordinary income distribution was qualified short term capital gain. The percentage of U.S. Government securities held as of December 31, 2014 was 5.05%.

**Historical Distribution Summary**

|                              | <b>Short Term Capital Gains (c)</b> | <b>Long Term Capital Gains</b> | <b>Return of Capital (b)</b> | <b>Total Distributions (a)</b> | <b>Adjustment to Cost Basis</b> |
|------------------------------|-------------------------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|
| <b>Investment Income (c)</b> |                                     |                                |                              |                                |                                 |

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| <b>Common Shares</b>                        |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|
| 2014  | \$ 0.16930 | \$ 0.22920 | \$ 0.17540 | \$ 0.22610 | \$ 0.80000 | \$ 0.22160 |
| 2013  |            | 0.17300    | 0.11540    | 0.99160    | 1.28000    | 0.99160    |
| 2012  |            | 0.08840    |            | 1.19160    | 1.28000    | 1.19160    |
| 2011  | 0.00667    | 0.39930    | 0.00102    | 0.87302    | 1.28000    | 0.87302    |
| 2010  |            | 0.02364    |            | 1.25636    | 1.28000    | 1.25636    |
| 2009  |            |            |            | 1.28000    | 1.28000    | 1.28000    |
| 2008  | 0.25080    | 0.42760    |            | 0.92160    | 1.60000    | 0.92160    |
| 2007  | 0.29820    | 0.90180    |            |            | 1.20000    |            |
| <b>Series B Cumulative Preferred Shares</b> |            |            |            |            |            |            |
| 2014  | \$ 0.49980 | \$ 0.67680 | \$ 0.32340 |            | \$ 1.50000 |            |
| 2013  |            | 1.36280    | 0.13720    |            | 1.50000    |            |
| 2012  |            | 2.00000    |            |            | 2.00000    |            |

- (a) Total amounts may differ due to rounding.
- (b) Non-taxable.
- (c) Taxable as ordinary income for Federal tax purposes.

All designations are based on financial information available as of the date of this annual report and, accordingly, are subject to change. For each item, it is the intention of the Fund to designate the maximum amount permitted under the Internal Revenue Code and the regulations thereunder.



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## The GDL Fund

### Annual Approval of Continuance of Investment Advisory Agreement (Unaudited)

During the six months ended December 31, 2014, the Board of Trustees of the Trust approved the continuation of the investment advisory agreement with the Adviser for the Trust on the basis of the recommendation by the trustees (the Independent Board Members ) who are not interested persons of the Trust. The following paragraphs summarize the material information and factors considered by the Independent Board Members as well as their conclusions relative to such factors.

**1. Nature, Extent, and Quality of Services.** The Independent Board Members considered information regarding the portfolio manager, the depth of the analyst pool available to the Adviser, the scope of services provided by the Adviser, and the absence of significant service problems reported to the Board. The Independent Board Members noted the experience, length of service, and reputation of the portfolio manager in the merger arbitrage area.

**2. Investment Performance of the Fund and Adviser.** The Independent Board Members noted that the Fund has been consistently outperforming the three month treasury bill index by 3% over the one, three, and five year periods. The Independent Board Members also reviewed information regarding the investment performance of the Fund over one, three, and five year periods in comparison with a group of specialized closed-end funds and a group of open-end funds employing nonconventional portfolio strategies. The Independent Board Members noted that the strategies pursued by other funds in this group bore little correlation to the merger arbitrage strategies pursued by the Fund and that accordingly, the usefulness of this comparison was limited. The Fund's performance in comparison with this closed-end fund group was poor. The Independent Board Members noted that the Fund's performance over the same periods in comparison with an open-end fund peer group that did contain some arbitrage funds was below average in comparison with the non-arbitrage funds and above average in comparison with the other arbitrage funds.

### **3. Costs of Services and Profits Realized by the Adviser.**

**(a) Costs of Services to Fund: Fees and Expenses.** The Independent Board Members reviewed the Fund's expense ratios and found them to be above average within the closed-end peer group. The Independent Board Members were presented with, but did not consider to be material to their decision, various information comparing the advisory fee with the fee for other types of accounts managed by the Adviser.

**(b) Profitability and Costs of Services to Adviser.** The Independent Board Members reviewed summary data regarding the profitability of the Fund to the Adviser and also noted that the fulcrum fee was designed so that the Adviser would likely experience higher than average profitability if the Fund substantially outperformed the T-Bill Index and that the performance to date has resulted in fee rates that have varied from the lowest fee under the formula to the highest.

**4. Extent of Economies of Scale as Company Grows.** The Independent Board Members noted that meaningful economies of scale could not occur in the absence of secondary offerings.

**5. Whether Fee Levels Reflect Economies of Scale.** The Independent Board Members noted that the investment management fee for the Fund did not take into account any potential economies of scale that might develop.

**Conclusions** The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and satisfactory performance. The Independent Board Members determined that the reference index chosen for the fulcrum fee structure was appropriate inasmuch as arbitrage performance is often measured against risk free returns, that the rate of profit sharing built into the formula



**The GDL Fund**

**Annual Approval of Continuance of Investment Advisory Agreement (Unaudited) (Continued)**

was fair, that the maximum fee was not unreasonable (particularly in light of the requirement of earning the higher returns necessary for higher fee levels net of the higher fees) and that the one year measuring period was sufficient and consistent with the short term nature of the Fund's investment program. The Independent Board Members also concluded that the fee was structured in a favorable manner to investors in relation to the performance of the Fund and in relation to other arbitrage funds of which they were aware. The Independent Board Members concluded that the profitability of the Fund to the Adviser was reasonable in view of the performance necessary to achieve any particular level of profitability, and potential economies of scale and potential additional profit to the Adviser and its affiliates from portfolio execution services were not a significant factor in their thinking. On the basis of the foregoing and without assigning particular weight to any single conclusion, the Independent Board Members determined to recommend approval of the Advisory Agreement to the full Board of Trustees.

**AUTOMATIC DIVIDEND REINVESTMENT  
AND VOLUNTARY CASH PURCHASE PLANS**

**Enrollment in the Plan**

It is the policy of The GDL Fund to automatically reinvest dividends payable to common shareholders. As a registered shareholder you automatically become a participant in the Fund's Automatic Dividend Reinvestment Plan (the Plan). The Plan authorizes the Fund to credit common shares to participants upon an income dividend or a capital gains distribution regardless of whether the shares are trading at a discount or a premium to net asset value. All distributions to shareholders whose shares are registered in their own names will be automatically reinvested pursuant to the Plan in additional shares of the Fund. Plan participants may send their share certificates to American Stock Transfer (AST) to be held in their dividend reinvestment account. Registered shareholders wishing to receive their distributions in cash must submit this request in writing to:

The GDL Fund  
  
c/o American Stock Transfer  
  
6201 15th Avenue Brooklyn,  
  
NY 11219

Shareholders requesting this cash election must include the shareholder's name and address as they appear on the share certificate. Shareholders with additional questions regarding the Plan or requesting a copy of the terms of the Plan, may contact AST at (888) 422-3262.

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

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

The automatic reinvestment of dividends and capital gains distributions will not relieve participants of any income tax which may be payable on such distributions. A participant in the Plan will be treated for federal income tax purposes

as having received, on a dividend payment date, a dividend or distribution in an amount equal to the cash the participant could have received instead of shares.

### **Voluntary Cash Purchase Plan**

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

Participants in the Voluntary Cash Purchase Plan have the option of making additional cash payments to AST for investments in the Fund's common shares at the then current market price. Shareholders may send an amount from \$250 to \$10,000. AST will use these funds to purchase shares in the open market on or about the 1st and 15th of each month. AST will charge each shareholder who participates a pro rata share of the brokerage commissions. Brokerage charges for such purchases are expected to be less than the usual brokerage charge for such transactions. It is suggested that any voluntary cash payments be sent to American Stock Transfer, 6201 15th Avenue, Brooklyn, NY 11219 such that AST receives such payments approximately 10 days before the investment date. Funds not received at least five days before the investment date shall be held for investment until the next purchase date. A payment may be withdrawn without charge if notice is received by AST at least 48 hours before such payment is to be invested.

*Shareholders wishing to liquidate shares held at AST* must do so in writing or by telephone. Please submit your request to the above mentioned address or telephone number. Include in your request your name, address, and account number. The cost to liquidate shares is \$1.00 per transaction as well as the brokerage commission incurred. Brokerage charges are expected to be less than the usual brokerage charge for such transactions.

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

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

**THE GDL FUND**  
**AND YOUR PERSONAL PRIVACY**

**Who are we?**

The GDL Fund is a closed-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC, which is affiliated with GAMCO Investors, Inc. GAMCO Investors, Inc. is a publicly held company that has subsidiaries that provide investment advisory or brokerage services for a variety of clients.

**What kind of non-public information do we collect about you if you become a Fund shareholder?**

When you purchase shares of the Fund on the New York Stock Exchange, you have the option of registering directly with our transfer agent in order, for example, to participate in our dividend reinvestment plan.

*Information you give us on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.

*Information about your transactions with us.* This would include information about the shares that you buy or sell; it may also include information about whether you sell or exercise rights that we have issued from time to time. If we hire someone else to provide services like a transfer agent we will also have information about the transactions that you conduct through them.

**What information do we disclose and to whom do we disclose it?**

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

**What do we do to protect your personal information?**

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



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**THE GDL FUND**

**One Corporate Center**

**Rye, NY 10580-1422**

**Portfolio Manager Biography**

**Mario J. Gabelli, CFA**, is Chairman and Chief Executive Officer of GAMCO Investors, Inc. that he founded in 1977 and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

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. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com](http://www.gabelli.com).

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

The Net Asset Value per share may be obtained each day by calling (914) 921-5070 or visiting [www.gabelli.com](http://www.gabelli.com).

The NASDAQ symbol for the Net Asset Value is XGDLX.

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 preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

## THE GDL FUND

One Corporate Center

Rye, NY 10580-1422

t 800-GABELLI (800-422-3554)

f 914-921-5118

e info@gabelli.com

GABELLI.COM

## TRUSTEES

Mario J. Gabelli, CFA  
Chairman &  
Chief Executive Officer,  
GAMCO Investors, Inc.

Anthony J. Colavita  
President,  
Anthony J. Colavita, P.C.

James P. Conn  
Former Managing Director &  
Chief Investment Officer,  
Financial Security Assurance  
Holdings Ltd.

Clarence A. Davis  
Former Chief Executive Officer,  
Nestor, Inc.

Mario d Urso  
Former Italian Senator

Arthur V. Ferrara  
Former Chairman &  
Chief Executive Officer,  
Guardian Life Insurance  
Company of America

## OFFICERS

Bruce N. Alpert  
President

Andrea R. Mango  
Secretary & Vice President

Agnes Mullady  
Treasurer

Richard J. Walz  
Chief Compliance Officer  
Frank M. Yodice  
Assistant Vice President  
and Ombudsman

Carter W. Austin  
Vice President

David I. Schachter  
Vice President

## INVESTMENT ADVISER

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

**CUSTODIAN**

The Bank of New York Mellon

**COUNSEL**

Skadden, Arps, Slate, Meagher & Flom LLP

**TRANSFER AGENT AND REGISTRAR**

American Stock Transfer and Trust Company

Michael J. Melarkey  
Partner,  
Avansino, Melarkey, Knobel,  
Mulligan & McKenzie

Edward T. Tokar  
  
Senior Managing Director,  
  
Beacon Trust Company

Salvatore J. Zizza  
  
Chairman,  
  
Zizza & Associates Corp.

GDL Q4/2014

**Item 2. Code of Ethics.**

- (a) The registrant, as of the end of the period covered by this report, has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party.
- (c) There have been no amendments, during the period covered by this report, to a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, and that relates to any element of the code of ethics description.
- (d) The registrant has not granted any waivers, including an implicit waiver, from a provision of the code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the registrant or a third party, that relates to one or more of the items set forth in paragraph (b) of this item's instructions.

**Item 3. Audit Committee Financial Expert.**

As of the end of the period covered by the report, the registrant's Board of Directors has determined that Salvatore J. Zizza is qualified to serve as an audit committee financial expert serving on its audit committee and that he is independent, as defined by Item 3 of Form N-CSR.

**Item 4. Principal Accountant Fees and Services.**

Audit Fees

- (a) The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years are \$22,050 for 2013 and \$22,700 for 2014.

Audit-Related Fees

- (b) The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit of the registrant's financial statements and are not reported under paragraph (a) of this Item are \$0 for 2013 and \$0 for 2014.

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Tax Fees

- (c) The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning are \$5,000 for 2013 and \$5,524 for 2014. Tax fees represent tax compliance services provided in connection with the review of the Registrant's tax returns and fees relate to Passive Foreign Investment Company identification database subscription fees, billed on an annual basis.

All Other Fees

- (d) The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported in paragraphs (a) through (c) of this Item are \$0 for 2013 and \$0 for 2014.

- (e)(1) Disclose the audit committee's pre-approval policies and procedures described in paragraph (c)(7) of Rule 2-01 of Regulation S-X.

Pre-Approval Policies and Procedures. The Audit Committee ( Committee ) of the registrant is responsible for pre-approving (i) all audit and permissible non-audit services to be provided by the independent auditors to the registrant and (ii) all permissible non-audit services to be provided by the independent auditors to the Adviser, Gabelli Funds, LLC, and any affiliate of Gabelli Funds, LLC ( Gabelli ) that provides services to the registrant ( a Covered Services Provider ) if the independent auditors' engagement related directly to the operations and financial reporting of the registrant. The Committee may delegate its responsibility to pre-approve any such audit and permissible non-audit services to the Chairperson of the Committee, and the Chairperson must report to the Committee, at its next regularly scheduled meeting after the Chairperson's pre-approval of such services, his or her decision(s). The Committee may also establish detailed pre-approval policies and procedures for pre-approval of such services in accordance with applicable laws, including the delegation of some or all of the Committee's pre-approval responsibilities to the other persons (other than Gabelli or the registrant's officers). Pre-approval by the Committee of any permissible non-audit services is not required so long as: (i) the permissible non-audit services were not recognized by the registrant at the time of the engagement to be non-audit services; and (ii) such services are promptly brought to the attention of the Committee and approved by the Committee or Chairperson prior to the completion of the audit.

- (e)(2) The percentage of services described in each of paragraphs (b) through (d) of this Item that were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X are as follows:

(b) N/A

(c) 100%

(d) N/A

- (f) The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.

- (g) The aggregate non-audit fees billed by the registrant's accountant for services rendered to the registrant, and rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the adviser that provides ongoing services to the registrant for each of the last two fiscal years of the registrant was \$33,520 for 2013 and \$37,645 for 2014.
  
- (h) The registrant's audit committee of the board of directors has considered whether the provision of non-audit services that were rendered to the registrant's investment adviser (not including any sub-adviser whose role is primarily portfolio management and is subcontracted with or overseen by another investment adviser), and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to paragraph (c)(7)(ii) of Rule 2-01 of Regulation S-X is compatible with maintaining the principal accountant's independence.

**Item 5. Audit Committee of Listed registrants.**

The registrant has a separately designated audit committee consisting of the following members: Salvatore J. Zizza.

**Item 6. Investments.**

- (a) 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.
  
- (b) Not applicable.

**Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.**

The Proxy Voting Policies are attached herewith.

### **The Voting of Proxies on Behalf of Clients**

Rules 204(4)-2 and 204-2 under the Investment Advisers Act of 1940 and Rule 30b1-4 under the Investment Company Act of 1940 require investment advisers to adopt written policies and procedures governing the voting of proxies on behalf of their clients.

These procedures will be used by GAMCO Asset Management Inc., Gabelli Funds, LLC, Gabelli Securities, Inc., and Teton Advisors, Inc. (collectively, the Advisers) to determine how to vote proxies relating to portfolio securities held by their clients, including the procedures that the Advisers use when a vote presents a conflict between the interests of the shareholders of an investment company managed by one of the Advisers, on the one hand, and those of the Advisers; the principal underwriter; or any affiliated person of the investment company, the Advisers, or the principal underwriter. These procedures will not apply where the Advisers do not have voting discretion or where the Advisers have agreed to with a client to vote the client's proxies in accordance with specific guidelines or procedures supplied by the client (to the extent permitted by ERISA).

#### **I. Proxy Voting Committee**

The Proxy Voting Committee was originally formed in April 1989 for the purpose of formulating guidelines and reviewing proxy statements within the parameters set by the substantive proxy voting guidelines originally published in 1988 and updated periodically, a copy of which are appended as Exhibit A. The Committee will include representatives of Research, Administration, Legal, and the Advisers. Additional or replacement members of the Committee will be nominated by the Chairman and voted upon by the entire Committee.

Meetings are held as needed basis to form views on the manner in which the Advisers should vote proxies on behalf of their clients.

In general, the Director of Proxy Voting Services, using the Proxy Guidelines, recommendations of Institutional Shareholder Corporate Governance Service (ISS), other third-party services and the analysts of Gabelli & Company, Inc., will determine how to vote on each issue. For non-controversial matters, the Director of Proxy Voting Services may vote the proxy if the vote is (1) consistent with the recommendations of the issuer's Board of Directors and not contrary to the Proxy Guidelines; (2) consistent with the recommendations of the issuer's Board of Directors and is a non-controversial issue not covered by the Proxy Guidelines; or (3) the vote is contrary to the recommendations of the Board of Directors but is consistent with the Proxy Guidelines. In those instances, the Director of Proxy Voting Services or the Chairman of the Committee may sign and date the proxy statement indicating how each issue will be voted.

All matters identified by the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department as controversial, taking into account the recommendations of ISS or other third party services and the analysts of Gabelli & Company, Inc., will be presented to the Proxy Voting Committee. If the Chairman of the Committee, the Director of Proxy Voting Services or the Legal Department has identified the matter as one that (1) is controversial; (2) would benefit from deliberation by the Proxy Voting Committee; or (3) may give rise to a conflict of interest between the Advisers and their clients, the Chairman of the Committee will initially determine what vote to recommend that the Advisers should cast and the matter will go before the Committee.

**A. Conflicts of Interest.**

The Advisers have implemented these proxy voting procedures in order to prevent conflicts of interest from influencing their proxy voting decisions. By following the Proxy Guidelines, as well as the recommendations of ISS, other third-party services and the analysts of Gabelli & Company, the Advisers are able to avoid, wherever possible, the influence of potential conflicts of interest. Nevertheless, circumstances may arise in which one or more of the Advisers are faced with a conflict of interest or the appearance of a conflict of interest in connection with its vote. In general, a conflict of interest may arise when an Adviser knowingly does business with an issuer, and may appear to have a material conflict between its own interests and the interests of the shareholders of an investment company managed by one of the Advisers regarding how the proxy is to be voted. A conflict also may exist when an Adviser has actual knowledge of a material business arrangement between an issuer and an affiliate of the Adviser.

In practical terms, a conflict of interest may arise, for example, when a proxy is voted for a company that is a client of one of the Advisers, such as GAMCO Asset Management Inc. A conflict also may arise when a client of one of the Advisers has made a shareholder proposal in a proxy to be voted upon by one or more of the Advisers. The Director of Proxy Voting Services, together with the Legal Department, will scrutinize all proxies for these or other situations that may give rise to a conflict of interest with respect to the voting of proxies.

**B. Operation of Proxy Voting Committee**

For matters submitted to the Committee, each member of the Committee will receive, prior to the meeting, a copy of the proxy statement, any relevant third party research, a summary of any views provided by the Chief Investment Officer and any recommendations by Gabelli & Company, Inc. analysts. The Chief Investment Officer or the Gabelli & Company, Inc. analysts may be invited to present their viewpoints. If the Director of Proxy Voting Services or the Legal Department believe that the matter before the committee is one with respect to which a conflict of interest may exist between the Advisers and their clients, counsel will



provide an opinion to the Committee concerning the conflict. If the matter is one in which the interests of the clients of one or more of Advisers may diverge, counsel will so advise and the Committee may make different recommendations as to different clients. For any matters where the recommendation may trigger appraisal rights, counsel will provide an opinion concerning the likely risks and merits of such an appraisal action.

Each matter submitted to the Committee will be determined by the vote of a majority of the members present at the meeting. Should the vote concerning one or more recommendations be tied in a vote of the Committee, the Chairman of the Committee will cast the deciding vote. The Committee will notify the proxy department of its decisions and the proxies will be voted accordingly.

Although the Proxy Guidelines express the normal preferences for the voting of any shares not covered by a contrary investment guideline provided by the client, the Committee is not bound by the preferences set forth in the Proxy Guidelines and will review each matter on its own merits. Written minutes of all Proxy Voting Committee meetings will be maintained. The Advisers subscribe to ISS, which supplies current information on companies, matters being voted on, regulations, trends in proxy voting and information on corporate governance issues.

If the vote cast either by the analyst or as a result of the deliberations of the Proxy Voting Committee runs contrary to the recommendation of the Board of Directors of the issuer, the matter will be referred to legal counsel to determine whether an amendment to the most recently filed Schedule 13D is appropriate.

## **II. Social Issues and Other Client Guidelines**

If a client has provided special instructions relating to the voting of proxies, they should be noted in the client's account file and forwarded to the proxy department. This is the responsibility of the investment professional or sales assistant for the client. In accordance with Department of Labor guidelines, the Advisers' policy is to vote on behalf of ERISA accounts in the best interest of the plan participants with regard to social issues that carry an economic impact. Where an account is not governed by ERISA, the Advisers will vote shares held on behalf of the client in a manner consistent with any individual investment/voting guidelines provided by the client. Otherwise the Advisers will abstain with respect to those shares.

## **III. Client Retention of Voting Rights**

If a client chooses to retain the right to vote proxies or if there is any change in voting authority, the following should be notified by the investment professional or sales assistant for the client.

- Operations

- Legal Department

- Proxy Department

- Investment professional assigned to the account

In the event that the Board of Directors (or a Committee thereof) of one or more of the investment companies managed by one of the Advisers has retained direct voting control over any security, the Proxy Voting Department will provide each Board Member (or Committee member) with a copy of the proxy statement together with any other relevant information including recommendations of ISS or other third-party services.

#### **IV. Voting Records**

The Proxy Voting Department will retain a record of matters voted upon by the Advisers for their clients. The Advisers will supply information on how an account voted its proxies upon request.

A letter is sent to the custodians for all clients for which the Advisers have voting responsibility instructing them to forward all proxy materials to:

[Adviser name]

Attn: Proxy Voting Department

One Corporate Center

Rye, New York 10580-1433

The sales assistant sends the letters to the custodians along with the trading/DTC instructions. Proxy voting records will be retained in compliance with Rule 204-2 under the Investment Advisers Act.

#### **V. Voting Procedures**

1. Custodian banks, outside brokerage firms and clearing firms are responsible for forwarding proxies directly to the Advisers.

Proxies are received in one of two forms:

Shareholder Vote Authorization Forms ( VAFs ) - Issued by Broadridge Financial Solutions, Inc. ( Broadridge )  
VAFs must be voted through the issuing institution causing a time lag. Broadridge is an outside service contracted by the various institutions to issue proxy materials.  
Proxy cards which may be voted directly.

2. Upon receipt of the proxy, the number of shares each form represents is logged into the proxy system according to security.

3. In the case of a discrepancy such as an incorrect number of shares, an improperly signed or dated card, wrong class of security, etc., the issuing custodian is notified by phone. A corrected proxy is requested. Any arrangements are made to insure that a

proper proxy is received in time to be voted (overnight delivery, fax, etc.). When securities are out on loan on record date, the custodian is requested to supply written verification.

4. Upon receipt of instructions from the proxy committee (see Administrative), the votes are cast and recorded for each account on an individual basis.

Records have been maintained on the Proxy Edge system. The system is backed up regularly.

Proxy Edge records include:

Security Name and Cusip Number

Date and Type of Meeting (Annual, Special, Contest)

Client Name

Adviser or Fund Account Number

Directors Recommendation

How GAMCO voted for the client on each issue

5. VAFs are kept alphabetically by security. Records for the current proxy season are located in the Proxy Voting Department office. In preparation for the upcoming season, files are transferred to an offsite storage facility during January/February.

6. Shareholder Vote Authorization Forms issued by Broadridge are always sent directly to a specific individual at Broadridge.

7. If a proxy card or VAF is received too late to be voted in the conventional matter, every attempt is made to vote on one of the following manners:

VAFs can be faxed to Broadridge up until the time of the meeting. This is followed up by mailing the original form.

When a solicitor has been retained, the solicitor is called. At the solicitor's direction, the proxy is faxed.

8. In the case of a proxy contest, records are maintained for each opposing entity.

9. Voting in Person

a) At times it may be necessary to vote the shares in person. In this case, a legal proxy is obtained in the following manner:

Banks and brokerage firms using the services at Broadridge:

Edgar Filing: GDL FUND - Form N-CSR

The back of the VAF is stamped indicating that we wish to vote in person. The forms are then sent overnight to Broadridge. Broadridge issues individual legal proxies and

sends them back via overnight (or the Adviser can pay messenger charges). A lead-time of at least two weeks prior to the meeting is needed to do this. Alternatively, the procedures detailed below for banks not using Broadridge may be implemented.

Banks and brokerage firms issuing proxies directly:  
The bank is called and/or faxed and a legal proxy is requested.

All legal proxies should appoint:

**Representative of [Adviser name] with full power of substitution.**

b) The legal proxies are given to the person attending the meeting along with the following supplemental material:

A limited Power of Attorney appointing the attendee an Adviser representative.

A list of all shares being voted by custodian only. Client names and account numbers are not included. This list must be presented, along with the proxies, to the Inspectors of Elections and/or tabulator at least one-half hour prior to the scheduled start of the meeting. The tabulator must qualify the votes (i.e. determine if the vote have previously been cast, if the votes have been rescinded, etc. vote have previously been cast, etc.).

A sample ERISA and Individual contract.

A sample of the annual authorization to vote proxies form.

A copy of our most recent Schedule 13D filing (if applicable).

**Appendix A**

**Proxy Guidelines**

**PROXY VOTING GUIDELINES**

***GENERAL POLICY STATEMENT***

It is the policy of **GAMCO Investors, Inc.** to vote in the best economic interests of our clients. As we state in our Magna Carta of Shareholders Rights, established in May 1988, we are neither *for* nor *against* management. We are for shareholders.

At our first proxy committee meeting in 1989, it was decided that each proxy statement should be evaluated on its own merits within the framework first established by our Magna Carta of Shareholders Rights. The attached guidelines serve to enhance that broad framework.

We do not consider any issue routine. We take into consideration all of our research on the company, its directors, and their short and long-term goals for the company. In cases where issues that we generally do not approve of are combined with other issues, the negative aspects of the issues will be factored into the evaluation of the overall proposals but will not necessitate a vote in opposition to the overall proposals.

### ***BOARD OF DIRECTORS***

The advisers do not consider the election of the Board of Directors a routine issue. Each slate of directors is evaluated on a case-by-case basis.

Factors taken into consideration include:

Historical responsiveness to shareholders  
This may include such areas as:

-Paying greenmail

-Failure to adopt shareholder resolutions receiving a majority of shareholder votes

Qualifications

Nominating committee in place

Number of outside directors on the board

Attendance at meetings

Overall performance

### ***SELECTION OF AUDITORS***

In general, we support the Board of Directors' recommendation for auditors.

### ***BLANK CHECK PREFERRED STOCK***

We oppose the issuance of blank check preferred stock.

Blank check preferred stock allows the company to issue stock and establish dividends, voting rights, etc. without further shareholder approval.

### ***CLASSIFIED BOARD***

A classified board is one where the directors are divided into classes with overlapping terms. A different class is elected at each annual meeting.

While a classified board promotes continuity of directors facilitating long range planning, we feel directors should be accountable to shareholders on an annual basis. We will look at this proposal on a case-by-case basis taking into consideration the board's historical responsiveness to the rights of shareholders.

Where a classified board is in place we will generally not support attempts to change to an annually elected board.

When an annually elected board is in place, we generally will not support attempts to classify the board.

***INCREASE AUTHORIZED COMMON STOCK***

The request to increase the amount of outstanding shares is considered on a case-by-case basis.

Factors taken into consideration include:

- Future use of additional shares
- Stock split
- Stock option or other executive compensation plan
- Finance growth of company/strengthen balance sheet
- Aid in restructuring
- Improve credit rating
- Implement a poison pill or other takeover defense

Amount of stock currently authorized but not yet issued or reserved for stock option plans

Amount of additional stock to be authorized and its dilutive effect

We will support this proposal if a detailed and verifiable plan for the use of the additional shares is contained in the proxy statement.

***CONFIDENTIAL BALLOT***

We support the idea that a shareholder's identity and vote should be treated with confidentiality.

However, we look at this issue on a case-by-case basis.

In order to promote confidentiality in the voting process, we endorse the use of independent Inspectors of Election.



### ***CUMULATIVE VOTING***

In general, we support cumulative voting.

Cumulative voting is a process by which a shareholder may multiply the number of directors being elected by the number of shares held on record date and cast the total number for one candidate or allocate the voting among two or more candidates.

Where cumulative voting is in place, we will vote against any proposal to rescind this shareholder right.

Cumulative voting may result in a minority block of stock gaining representation on the board. When a proposal is made to institute cumulative voting, the proposal will be reviewed on a case-by-case basis. While we feel that each board member should represent all shareholders, cumulative voting provides minority shareholders an opportunity to have their views represented.

### ***DIRECTOR LIABILITY AND INDEMNIFICATION***

We support efforts to attract the best possible directors by limiting the liability and increasing the indemnification of directors, except in the case of insider dealing.

### ***EQUAL ACCESS TO THE PROXY***

The SEC's rules provide for shareholder resolutions. However, the resolutions are limited in scope and there is a 500 word limit on proponents' written arguments. Management has no such limitations. While we support equal access to the proxy, we would look at such variables as length of time required to respond, percentage of ownership, etc.

### ***FAIR PRICE PROVISIONS***

Charter provisions requiring a bidder to pay all shareholders a fair price are intended to prevent two-tier tender offers that may be abusive. Typically, these provisions do not apply to board-approved transactions.

We support fair price provisions because we feel all shareholders should be entitled to receive the same benefits.

Reviewed on a case-by-case basis.

### ***GOLDEN PARACHUTES***

Golden parachutes are severance payments to top executives who are terminated or demoted after a takeover.

We support any proposal that would assure management of its own welfare so that they may continue to make decisions in the best interest of the company and shareholders even if the decision results in them losing their job. We do not, however, support excessive golden parachutes. Therefore, each proposal will be decided on a case-by-case basis.

*Note: Congress has imposed a tax on any parachute that is more than three times the executive's average annual compensation.*

### ***ANTI-GREENMAIL PROPOSALS***

We do not support greenmail. An offer extended to one shareholder should be extended to all shareholders equally across the board.

### ***LIMIT SHAREHOLDERS' RIGHTS TO CALL SPECIAL MEETINGS***

We support the right of shareholders to call a special meeting.

### ***CONSIDERATION OF NONFINANCIAL EFFECTS OF A MERGER***

This proposal releases the directors from only looking at the financial effects of a merger and allows them the opportunity to consider the merger's effects on employees, the community, and consumers.

As a fiduciary, we are obligated to vote in the best economic interests of our clients. In general, this proposal does not allow us to do that. Therefore, we generally cannot support this proposal.

Reviewed on a case-by-case basis.

***MERGERS, BUYOUTS, SPIN-OFFS, RESTRUCTURINGS***

Each of the above is considered on a case-by-case basis. According to the Department of Labor, we are not required to vote for a proposal simply because the offering price is at a premium to the current market price. We may take into consideration the long term interests of the shareholders.

***MILITARY ISSUES***

Shareholder proposals regarding military production must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to the client's direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

***NORTHERN IRELAND***

Shareholder proposals requesting the signing of the MacBride principles for the purpose of countering the discrimination of Catholics in hiring practices must be evaluated on a purely economic set of criteria for our **ERISA** clients. As such, decisions will be made on a case-by-case basis.

In voting on this proposal for our non-**ERISA** clients, we will vote according to client direction when applicable. Where no direction has been given, we will vote in the best economic interests of our clients. It is not our duty to impose our social judgment on others.

***OPT OUT OF STATE ANTI-TAKEOVER LAW***

This shareholder proposal requests that a company opt out of the coverage of the state's takeover statutes. Example: Delaware law requires that a buyer must acquire at least 85% of the company's stock before the buyer can exercise control unless the board approves.

We consider this on a case-by-case basis. Our decision will be based on the following:

- State of Incorporation
- Management history of responsiveness to shareholders
- Other mitigating factors

***POISON PILL***

In general, we do not endorse poison pills.

In certain cases where management has a history of being responsive to the needs of shareholders and the stock is very liquid, we will reconsider this position.

***REINCORPORATION***

Generally, we support reincorporation for well-defined business reasons. We oppose reincorporation if proposed solely for the purpose of reincorporating in a state with more stringent anti-takeover statutes that may negatively impact the value of the stock.

***STOCK OPTION PLANS***

Stock option plans are an excellent way to attract, hold and motivate directors and employees. However, each stock option plan must be evaluated on its own merits, taking into consideration the following:

- Dilution of voting power or earnings per share by more than 10%
- Kind of stock to be awarded, to whom, when and how much
- Method of payment
- Amount of stock already authorized but not yet issued under existing stock option plans

***SUPERMAJORITY VOTE REQUIREMENTS***

Supermajority vote requirements in a company's charter or bylaws require a level of voting approval in excess of a simple majority of the outstanding shares. In general, we oppose supermajority-voting requirements. Supermajority requirements often exceed the average level of shareholder participation. We support proposals' approvals by a simple majority of the shares voting.

***LIMIT SHAREHOLDERS RIGHT TO ACT BY WRITTEN CONSENT***

Written consent allows shareholders to initiate and carry on a shareholder action without having to wait until the next annual meeting or to call a special meeting. It permits action to be taken by the written consent of the same percentage of the shares that would be required to effect proposed action at a shareholder meeting.

Reviewed on a case-by-case basis.

**Item 8. Portfolio Managers of Closed-End Management Investment Companies.****PORTFOLIO MANAGER**

Mario J. Gabelli, CFA, is Chairman and Chief Executive Officer of GAMCO Investors, Inc. that he founded in 1977 and Chief Investment Officer Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. Mr. Gabelli is a summa cum laude graduate of Fordham University and holds an MBA degree from Columbia Business School and Honorary Doctorates from Fordham University and Roger Williams University.

**MANAGEMENT OF OTHER ACCOUNTS**

The table below shows the number of other accounts managed by Mario J. Gabelli and the total assets in each of the following categories: registered investment companies, other paid investment vehicles and other accounts as of December 31, 2014. For each category, the table also shows the number of accounts and the total assets in the accounts with respect to which the advisory fee is based on account performance.

| Name of Portfolio   | Type of         | Total           | Total         | No. of             | Total Assets       |
|---------------------|-----------------|-----------------|---------------|--------------------|--------------------|
| <u>Manager</u>      | <u>Accounts</u> | No. of Accounts | <u>Assets</u> | Accounts           | in Accounts        |
|                     |                 | <u>Managed</u>  |               | where              | where              |
|                     |                 |                 |               | Advisory Fee       | Advisory Fee       |
|                     |                 |                 |               | is Based on        | is Based on        |
|                     |                 |                 |               | <u>Performance</u> | <u>Performance</u> |
| 1. Mario J. Gabelli | Registered      | 26              | 26.2B         | 5                  | 4.9B               |
|                     | Investment      |                 |               |                    |                    |
|                     | Companies:      |                 |               |                    |                    |
|                     | Other Pooled    | 15              | 634.6M        | 13                 | 626.7M             |
|                     | Investment      |                 |               |                    |                    |
|                     | Vehicles:       |                 |               |                    |                    |
|                     | Other Accounts: | 1,658           | 18.7B         | 23                 | 2.4B               |

**POTENTIAL CONFLICTS OF INTEREST**

As reflected above, Mr. Gabelli manages accounts in addition to the Fund. Actual or apparent conflicts of interest may arise when a Portfolio Manager also has day-to-day management responsibilities with respect to one or more other accounts. These potential conflicts include:

**ALLOCATION OF LIMITED TIME AND ATTENTION.** As indicated above, Mr. Gabelli manages multiple accounts. As a result, he will not be able to devote all of his time to management of the Fund. Mr. Gabelli, therefore, may not be able to formulate as complete a strategy or identify equally attractive investment opportunities for each of those accounts as might be the case if he were to devote all of his attention to the management of only the Fund.

**ALLOCATION OF LIMITED INVESTMENT OPPORTUNITIES.** As indicated above, Mr. Gabelli manages managed accounts with investment strategies and/or policies that are similar to the Fund. In these cases, if the he identifies an investment opportunity that may be suitable for multiple accounts, a Fund may not be able to take full advantage of that opportunity because the opportunity may be allocated among all or many of these accounts or other accounts managed primarily by other Portfolio Managers of the Adviser, and their affiliates. In addition, in the event Mr. Gabelli determines to purchase a security for more than one account in an aggregate amount that may influence the market price of the security, accounts that purchased or sold the security first may receive a more favorable price than accounts that made subsequent transactions.

**SELECTION OF BROKER/DEALERS.** Because of Mr. Gabelli's indirect majority ownership interest in G.research, Inc., he may have an incentive to use G.research to execute portfolio transactions for a Fund.

**PURSUIT OF DIFFERING STRATEGIES.** At times, Mr. Gabelli may determine that an investment opportunity may be appropriate for only some of the accounts for which he exercises investment responsibility, or may decide that certain of the funds or accounts should take differing positions with respect to a particular security. In these cases, he may execute differing or opposite transactions for one or more accounts which may affect the market price of the security or the execution of the transaction, or both, to the detriment of one or more other accounts.

**VARIATION IN COMPENSATION.** A conflict of interest may arise where the financial or other benefits available to Mr. Gabelli differ among the accounts that he manages. If the structure of the Adviser's management fee or the Portfolio Manager's compensation differs among accounts (such as where certain accounts pay higher

management fees or performance-based management fees), the Portfolio Manager may be motivated to favor certain accounts over others. The Portfolio Manager also may be motivated to favor accounts in which he has an investment interest, or in which the Adviser, or their affiliates have investment interests. Similarly, the desire to maintain assets under management or to enhance a Portfolio Manager's performance record or to derive other rewards, financial or otherwise, could influence the Portfolio Manager in affording preferential treatment to those accounts that could most significantly benefit the Portfolio Manager. For example, as reflected above, if Mr. Gabelli manages accounts which have performance fee arrangements, certain portions of his compensation will depend on the achievement of performance milestones on those accounts. Mr. Gabelli could be incented to afford preferential treatment to those accounts and thereby be subject to a potential conflict of interest.

The Adviser, and the Funds have adopted compliance policies and procedures that are designed to address the various conflicts of interest that may arise for the Adviser and their staff members. However, there is no guarantee that such policies and procedures will be able to detect and prevent every situation in which an actual or potential conflict may arise.

### **COMPENSATION STRUCTURE FOR MARIO J. GABELLI**

Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Adviser for managing the Fund. Net revenues are determined by deducting from gross investment management fees the firm's expenses (other than Mr. Gabelli's compensation) allocable to this Fund. Five closed-end registered investment companies managed by Mr. Gabelli have arrangements whereby the Adviser will only receive its investment advisory fee attributable to the liquidation value of outstanding preferred stock (and Mr. Gabelli would only receive his percentage of such advisory fee) if certain performance levels are met. Additionally, he receives similar incentive based variable compensation for managing other accounts within the firm and its affiliates. This method of compensation is based on the premise that superior long-term performance in managing a portfolio should be rewarded with higher compensation as a result of growth of assets through appreciation and net investment activity. The level of compensation is not determined with specific reference to the performance of any account against any specific benchmark. This Fund managed by Mr. Gabelli has a performance (fulcrum) fee arrangement for which his compensation is adjusted up or down based on the performance of the investment company relative to an index. Mr. Gabelli manages other accounts with performance fees. Compensation for managing these accounts has two components. One component is based on a percentage of net revenues to the investment adviser for managing the account. The second component is based on absolute performance of the account, with respect to which a percentage of such performance fee is paid to Mr. Gabelli. As an executive officer of the Adviser's parent company, GBL, Mr. Gabelli also receives ten percent of the net operating profits of the parent company. He receives no base salary, no annual bonus, and no stock options.

### **OWNERSHIP OF SHARES IN THE FUND**

Mario J. Gabelli owned over \$1,000,000 shares of the Fund as of December 31, 2014.

(b) Not applicable.

### **Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.**



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**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) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |                          |          |
|---|---|--------|--|-----------|---|--------|---|--------------------------|----------|
|   |   |        |  |           |   |        |   |                          |          |
| Month #1<br>07/01/14<br>through<br>07/31/14 | Common  | 26,800 | Common                                     | 10.8020   | Common  | 26,800 | Common  | 20,490,851<br>20,244,135 | 26,800 = |
|   | Preferred Series B<br>N/A                       |        | Preferred Series B<br>N/A                  |           | Preferred Series B<br>N/A   |        | Preferred Series B<br>2,879,758   |                          |          |
| Month #2<br>08/01/14<br>through<br>08/31/14 | Common  | N/A    | Common                                     | N/A       | Common  | N/A    | Common  | 20,244,135               |          |
|   | Preferred Series B<br>N/A                       |        | Preferred Series B<br>N/A                  |           | Preferred Series B<br>N/A   |        | Preferred Series B<br>2,879,758   |                          |          |
| Month #3<br>09/01/14<br>through<br>09/30/14 | Common  | 1,000  | Common                                     | \$10.6100 | Common  | 1,000  | Common  | 20,244,135<br>20,243,135 | 1,000 =  |
|   | Preferred Series B<br>N/A                       |        | Preferred Series B<br>N/A                  |           | Preferred Series B<br>N/A   |        | Preferred Series B<br>2,879,758   |                          |          |
| Month #4<br>10/01/14<br>through<br>10/31/14 | Common  | N/A    | Common                                     | N/A       | Common  | N/A    | Common  | 20,243,135               |          |
|   | Preferred Series B<br>N/A                       |        | Preferred Series B<br>N/A                  |           | Preferred Series B<br>N/A   |        | Preferred Series B<br>2,879,758   |                          |          |
| Month #5<br>11/01/14<br>through<br>11/30/14 | Common  | N/A    | Common                                     | N/A       | Common  | N/A    | Common  | 20,243,135               |          |
|   | Preferred Series B<br>N/A                       |        | Preferred Series B<br>N/A                  |           | Preferred Series B<br>N/A   |        | Preferred Series B<br>2,879,758   |                          |          |
| Month<br>12/01/14<br>through<br>12/31/14    | Common  | N/A    | Common                                     | N/A       | Common  | N/A    | Common  | 20,243,135               |          |
|   | Preferred Series B<br>N/A                       |        | Preferred Series B<br>N/A                  |           | Preferred Series B<br>N/A   |        | Preferred Series B<br>2,879,758   |                          |          |
| Total                                       | Common  | 27,800 | Common                                     | \$10.7951 | Common  | 27,800 | N/A   |                          |          |

Preferred Series B Preferred Series B N/A Preferred Series B 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:

- 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 \$50.00.
- 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 Directors, where those changes were implemented after the registrant last provided disclosure in response to the requirements of Item 407(c)(2)(iv) of Regulation S-K (17 CFR 229.407) (as required by Item 22(b)(15) 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) Code of ethics, or any amendment thereto, that is the subject of disclosure required by Item 2 is attached hereto.
- (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 Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.
- (12.other) Not applicable.

**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 GDL Fund

By (Signature and Title)\*   /s/ Bruce N. Alpert  
  Bruce N. Alpert, Principal Executive Officer

Date     3/09/2015

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     3/09/2015

By (Signature and Title)\*   /s/ Agnes Mullady  
  Agnes Mullady, Principal Financial Officer and Treasurer

Date     3/09/2015

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