The GDL Fund
Annual Report — December 31, 2018

(Y)our Portfolio Management Team




Mario J. Gabelli, CFA
Chief Investment Officer

Ryan N. Kahn, CFA
Analyst
BS, Babson College

Gian Maria Magrini, CFA
Analyst
BS, Fordham University

Regina M. Pitaro,
Managing Director,
MBA, Columbia,
Business School

To Our Shareholders,

For the year ended December 31, 2018, the net asset value (NAV) total return of The GDL Fund was (1.8)%, compared with a total return of 1.9% for the ICE Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. The total return for the Fund's publicly traded shares was (1.6)%. The Fund's NAV per share was $10.99, while the price of the publicly traded shares closed at $9.17 on the New York Stock Exchange (NYSE). See page 2 for additional performance information.

Enclosed are the financial statements, including the schedule of investments, as of December 31, 2018.

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's annual and semiannual shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports. Instead, the reports will be made available on the Fund's website (www.gabelli.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report. If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. To elect to receive all future reports in paper free of charge, please contact your financial intermediary, or, if you invest directly with the Fund, you may call 800-422-3554 or send an email request to info@gabelli.com.

Comparative Results

Average Annual Returns through December 31, 2018 (a) (Unaudited)

	1 Year	3 Year	5 Year	10 Year	Since Inception (01/31/07)
GDL Fund					
NAV Total Return (b)	(1.76)%	1.90%	2.12%	3.14%	2.56%
Investment Total Return (c)	(1.62)	2.58	2.35	4.49	1.64
ICE Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	1.87	1.02	0.63	0.37	0.86

(a) *Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. The Fund's use of leverage may magnify the volatility of net asset value changes versus funds that do not employ leverage. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.* The ICE 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 ICE Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. You cannot invest directly in an index.

(b) Total returns and average annual returns reflect changes in the NAV per share and reinvestment of distributions at NAV on the ex-dividend date and are net of expenses. Since inception return is based on an initial NAV of $19.06.

(c) Total returns and average annual returns reflect changes in closing market values on the NYSE and reinvestment of distributions. Since inception return is based on an initial offering price of $20.00.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments before securities sold short as of December 31, 2018:

The GDL Fund

Long Positions

U.S. Government Obligations	29.1%
Health Care	16.0%
Computer Software and Services	12.0%
Financial Services	11.9%
Energy and Utilities	6.7%
Entertainment	4.6%
Aerospace	3.3%
Telecommunications	2.8%
Semiconductors	2.6%
Metals and Mining	2.0%
Hotels and Gaming	1.4%
Building and Construction	1.3%
Retail	1.2%
Cable and Satellite	0.8%
Automotive: Parts and Accessories	0.6%
Wireless Communications	0.6%
Food and Beverage	0.5%
Electronics	0.5%
Transportation	0.5%
Business Services	0.5%
Real Estate	0.5%
Paper and Forest Products	0.2%
Closed-End Funds	0.2%
Diversified Industrial	0.1%
Machinery	0.1%
Specialty Chemicals	0.0%*
Publishing	0.0%*
	100.0%

Short Positions

Health Care	(6.3)%
Metals and Mining	(1.8)%
Entertainment	(1.5)%
Aerospace	(0.9)%
Building and Construction	(0.4)%
	(10.9)%

* Amount represents less than 0.05%.

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

Proxy Voting

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

The GDL Fund
Schedule of Investments — December 31, 2018

Shares		Cost	Market Value
	COMMON STOCKS — 67.0%		
	Aerospace — 3.3%		
60,000	Esterline Technologies Corp.†	$ 7,202,714	$ 7,287,000
26,268	United Technologies Corp.	3,248,502	2,797,017
		10,451,216	10,084,017
	Automotive: Parts and Accessories — 0.6%		
18,000	Clarion Co. Ltd.	394,802	409,744
200,000	Haldex AB	2,651,766	1,557,044
		3,046,568	1,966,788
	Building and Construction — 1.3%		
100,000	Ahlsell AB	593,112	587,840
40,000	Lennar Corp., Cl. B	1,454,362	1,253,200
50,000	USG Corp.	2,151,650	2,133,000
		4,199,124	3,974,040
	Business Services — 0.5%		
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	368,406	478,196
87,000	exactEarth Ltd.†	249,767	15,294
26,029	Nice SpA	103,131	104,081
60,000	Travelport Worldwide Ltd.	931,532	937,200
		1,652,836	1,534,771
	Cable and Satellite — 0.8%		
27,628	Liberty Global plc, Cl. A†	970,645	589,582
60,000	Liberty Global plc, Cl. C†	2,044,490	1,238,400
14,000	Liberty Latin America Ltd., Cl. A†	387,636	202,720
31,000	Liberty Latin America Ltd., Cl. C†	857,192	451,670
		4,259,963	2,482,372
	Computer Software and Services — 12.0%		
240,000	Apptio Inc., Cl. A†	9,077,012	9,110,400
10,000	Business & Decision†	92,512	84,327
13,797	ConvergeOne Holdings Inc.	171,879	170,807
70,000	Gemalto NV†	4,098,575	4,063,062
260,000	Imperva Inc.†	14,399,131	14,479,400
100,000	MINDBODY Inc., Cl. A†	3,616,600	3,640,000
200,000	MYOB Group Ltd.	512,238	473,323
25,000	Red Hat Inc.†	4,324,756	4,391,000
3,300	Rockwell Automation Inc.	628,189	496,584
		36,920,892	36,908,903
	Diversified Industrial — 0.1%		
5,000	Arcam AB†(a)	210,197	194,630
	Electronics — 0.5%		
3,400	Alimco Financial Corp.†	167,690	27,200
73,000	Bel Fuse Inc., Cl. A	1,889,771	1,003,750
30,000	Sparton Corp.†	549,894	545,700
		2,607,355	1,576,650
	Energy and Utilities — 6.7%		
35,000	Alvopetro Energy Ltd.†	21,913	10,639
4,700	Avista Corp.	$ 240,781	$ 199,656
6,000	Connecticut Water Service Inc.	412,115	401,220
45,000	Endesa SA	1,123,130	1,037,879
460,000	Gulf Coast Ultra Deep Royalty Trust	30,398	13,110
100,000	InfraREIT Inc., REIT†	2,105,394	2,102,000
20,000	Noble Energy Inc.	774,534	375,200
5,000	NRG Energy Inc.	114,736	198,000
97,758	TransMontaigne Partners LP	3,981,107	3,967,020
295,000	Valero Energy Partners LP(b)	12,390,050	12,440,150
		21,194,158	20,744,874
	Entertainment — 4.6%		
40,000	International Speedway Corp., Cl. A	1,693,071	1,754,400
350,000	Pandora Media Inc.†	3,132,335	2,831,500
2,000	SFX Entertainment Inc.†(a)	1,881	0
40,000	Tribune Media Co., Cl. A	1,570,799	1,815,200
5,000	Twenty-First Century Fox Inc., Cl. A	244,069	240,600
155,000	Twenty-First Century Fox Inc., Cl. B	7,315,512	7,405,900
		13,957,667	14,047,600
	Financial Services — 11.9%		
110,000	Aspen Insurance Holdings Ltd.	4,604,406	4,618,900
70,000	Investment Technology Group Inc.	2,112,798	2,116,800
200,000	Jardine Lloyd Thompson Group plc	4,954,557	4,823,086
130,000	MoneyGram International Inc.†	784,940	260,000
5,000	Navient Corp.	71,850	44,050
2,500	SLM Corp.†	21,099	20,775
85,000	The Dun & Bradstreet Corp.	12,107,241	12,132,900
180,000	The Navigators Group Inc.	12,496,430	12,508,200
		37,153,321	36,524,711
	Food and Beverage — 0.5%		
20,000	Keurig Dr Pepper Inc.	923,047	512,800
4,800	Nutrisystem Inc.	211,897	210,624
1,400,000	Premier Foods plc†	942,080	588,865
1,500,000	Yashili International Holdings Ltd.†	677,677	268,182
		2,754,701	1,580,471
	Health Care — 12.3%		
120,000	Akorn Inc.†	1,326,484	406,800
50,000	AstraZeneca plc, ADR	1,894,006	1,899,000
76,910	athenahealth Inc.†	10,426,390	10,146,736
465,000	BTG plc†	4,894,552	4,919,318
100,000	Civitas Solutions Inc.†	1,755,472	1,751,000
35,000	Idorsia Ltd.†	360,323	577,577

See accompanying notes to financial statements.

Shares		Cost	Market Value
	COMMON STOCKS (Continued)		
	Health Care (Continued)		
210,000	Pacific Biosciences of California Inc.†	$ 1,603,714	$ 1,554,000
94,700	Shire plc, ADR	16,283,718	16,481,588
		38,544,659	37,736,019
	Hotels and Gaming — 1.4%		
160,000	Belmond Ltd., Cl. A†	2,997,651	4,004,800
18,000	Cherry AB, Cl. B†	170,911	175,878
5,000	Mr. Green & Co. AB	37,422	38,937
		3,205,984	4,219,615
	Machinery — 0.1%		
19,000	CNH Industrial NV	136,721	170,845
	Metals and Mining — 2.0%		
65,000	Alamos Gold Inc., Cl. A	962,468	234,000
53,000	Randgold Resources Ltd., ADR	4,526,306	4,393,170
419,000	Tahoe Resources Inc.†	1,348,761	1,529,350
		6,837,535	6,156,520
	Paper and Forest Products — 0.2%		
33,500	Papeles y Cartones de Europa SA	661,142	644,061
	Publishing — 0.0%		
10,000	Telegraaf Media Groep NV†(a)	63,717	68,745
	Real Estate — 0.5%		
100,000	Stendorren Fastigheter AB	1,111,938	1,128,293
8,000	Vastned Retail Belgium NV, REIT	553,412	374,890
		1,665,350	1,503,183
	Retail — 1.2%		
225,444	Bojangles' Inc.†	3,616,900	3,625,139
	Semiconductors — 2.6%		
75,000	Integrated Device Technology Inc.†	3,567,885	3,632,250
60,000	NXP Semiconductors NV	5,662,703	4,396,800
		9,230,588	8,029,050
	Specialty Chemicals — 0.0%		
6,000	SGL Carbon SE†	80,235	41,900
	Telecommunications — 2.8%		
47,000	ARRIS International plc†	1,445,326	1,436,790
550,000	Asia Satellite Telecommunications Holdings Ltd.	1,212,156	370,155
2,500	Finisar Corp.†	52,197	54,000
200,000	Koninklijke KPN NV	613,090	586,625
1,000	Loral Space & Communications Inc.†	31,009	37,250
21,000	Parrot SA†	76,152	76,874
58,000	Sprint Corp.†	333,221	337,560
119,600	Telenet Group Holding NV	$ 6,387,820	$ 5,563,492
		10,150,971	8,462,746
	Transportation — 0.5%		
40,000	Abertis Infraestructuras SA(a)	864,972	841,440
2,000	XPO Logistics Europe SA	484,562	714,949
		1,349,534	1,556,389
	Wireless Communications — 0.6%		
30,000	T-Mobile US Inc.†	1,977,537	1,908,300
	TOTAL COMMON STOCKS	215,928,871	205,742,339
	CLOSED-END FUNDS — 0.2%		
10,000	Altaba Inc.†	386,695	579,400
	PREFERRED STOCKS — 0.0%		
	Financial Services — 0.0%		
2,968	Steel Partners Holdings LP, Ser. A, 6.000%	51,566	62,981
	RIGHTS — 0.1%		
	Entertainment — 0.0%		
225,000	Media General Inc., CVR†(a)	0	0
	Health Care — 0.1%		
187,200	Adolor Corp., CPR, expire 07/01/19†(a)	0	0
79,391	Ambit Biosciences Corp., CVR†(a)	0	47,635
201,600	American Medical Alert Corp., CPR†(a)	0	2,016
30,000	Corium International CVR†(a)	15,000	5,400
300,000	Innocoll, CVR†(a)	180,000	180,000
23,000	Ocera Therapeutics, CVR†(a)	6,210	8,970
100	Omthera Pharmaceuticals Inc.†(a)	0	0
346,322	Teva Pharmaceutical Industries Ltd., CCCP, expire 02/20/23†(a)	164,073	0
11,000	Tobira Therapeutics Inc.†(a)	660	660
		365,943	244,681
	Specialty Chemicals — 0.0%		
25,772	A. Schulman Inc., CVR†(a)	51,544	51,544
	TOTAL RIGHTS	417,487	296,225

Principal Amount		Cost	Market Value
	CONVERTIBLE CORPORATE BONDS — 3.6%		
	Health Care — 3.6%		
$ 5,131,000	TESARO Inc. 3.000%, 10/01/21	11,005,007	11,187,319

See accompanying notes to financial statements.

Principal Amount		Cost	Market Value
	CORPORATE BONDS — 0.0%		
	Health Care — 0.0%		
$ 17,000	Constellation Health Promissory Note, PIK, 5.000%, 01/31/24(a)(c)	$ 7,310	$ 7,310
	U.S. GOVERNMENT OBLIGATIONS — 29.1%		
89,665,000	U.S. Treasury Bills, 0.000% to 2.460%††, 01/03/19 to 07/05/19(d)	89,366,776	89,370,509
	TOTAL INVESTMENTS BEFORE SECURITIES SOLD SHORT — 100.0%	$317,163,712	307,246,083
	SECURITIES SOLD SHORT — (10.9)%		
	(Proceeds received $35,447,828)		(33,438,085)
	Other Assets and Liabilities (Net)		40,824,718
	PREFERRED STOCK (2,624,025 preferred shares outstanding)		(131,201,250)
	NET ASSETS — COMMON STOCK (16,696,026 common shares outstanding)		$ 183,431,466
	NET ASSET VALUE PER COMMON SHARE ($183,431,466 ÷ 16,696,026 shares outstanding)		$ 10.99

Shares		Proceeds	Market Value
	SECURITIES SOLD SHORT — (10.9)%		
	Aerospace — (0.9)%		
26,268	United Technologies Corp.	$ 3,351,151	$ 2,797,017
	Building and Construction — (0.4)%		
32,500	Lennar Corp., Cl. A	1,586,856	1,272,375
	Entertainment — (1.5)%		
504,000	Sirius XM Holdings Inc.	3,113,059	2,877,840
15,500	The Walt Disney Co	1,769,799	1,699,575
		4,882,858	4,577,415
	Health Care — (6.3)%		
238,358	Takeda Pharmaceutical Co. Ltd.	9,069,888	8,057,264
151,155	TESARO Inc.	11,155,964	11,223,259
1,027	Tivity Health Inc.	25,531	25,480
		20,251,383	19,306,003
	Metals and Mining — (1.8)%		
324,784	Barrick Gold Corp.	4,409,866	4,397,575
74,500	Pan American Silver Corp.	965,714	1,087,700
		5,375,580	5,485,275
	TOTAL SECURITIES SOLD SHORT(e)	$ 35,447,828	$ 33,438,085

(a) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.
(b) Securities, or a portion thereof, with a value of $9,277,400 were pledged as collateral for equity contract for difference swap agreements, securities sold short, and forward foreign exchange contracts.
(c) Payment-in-kind (PIK) security. 5.00% PIK interest income will be paid as additional securities at the discretion of the issuer.
(d) At December 31, 2018, $54,320,000 of the principal amount was pledged as collateral for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
(e) At December 31, 2018, these proceeds were being held at Pershing LLC.
† Non-income producing security.
†† Represents annualized yields at dates of purchase.
ADR American Depositary Receipt
CCCP Contingent Cash Consideration Payment
CVR Contingent Value Right
CPR Contingent Payment Right
REIT Real Estate Investment Trust

See accompanying notes to financial statements.

Geographic Diversification	% of Total Investments*	Market Value
Long Positions		
North America	82.9%	$254,682,191
Europe	15.1	46,423,588
Latin America	1.5	4,618,900
Asia/Pacific	0.4	1,111,660
Japan	0.1	409,744
Total Investments — Long Positions	100.0%	$307,246,083
Short Positions		
North America	(8.3)%	$ (25,380,821)
Japan	(2.6)	(8,057,264)
Total Investments — Short Positions	(10.9)%	$ (33,438,085)

* Total investments exclude securities sold short.

As of December 31, 2018, forward foreign exchange contracts outstanding were as follows:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation/ (Depreciation)
USD	3,223,178	SEK	29,100,000	State Street Bank and Trust Co.	01/24/19	$ (66,731)
USD	13,986,739	EUR	12,200,000	State Street Bank and Trust Co.	01/24/19	(20,248)
USD	9,766,742	GBP	7,700,000	State Street Bank and Trust Co.	01/24/19	(59,701)
USD	3,440,458	AUD	4,800,000	State Street Bank and Trust Co.	01/24/19	57,865
AUD	4,800,000	USD	3,416,294	State Street Bank and Trust Co.	01/24/19	(33,702)
						$(122,517)

As of December 31, 2018, equity contract for difference swap agreements outstanding were as follows:

Market Value Appreciation Received	One Month LIBOR Plus 90 bps plus Market Value Depreciation Paid	Counterparty	Payment Frequency	Termination Date	Notional Amount	Value	Upfront Payments/ Receipts	Unrealized Appreciation
Premier Foods plc	Premier Foods plc	The Goldman Sachs Group, Inc.	1 month	04/02/2019	$137,541	$1,263	—	$1,263
								$1,263

See accompanying notes to financial statements.

The GDL Fund

Statement of Assets and Liabilities
December 31, 2018

Assets:	
Investments, at value (cost $317,163,712)	$307,246,083
Cash	16,109,194
Deposit at broker for securities sold short	40,287,995
Receivable for investments sold	3,859,245
Deferred offering expense	471,740
Dividends and interest receivable	259,227
Unrealized appreciation on forward foreign exchange contracts	57,865
Prepaid expenses	2,237
Unrealized appreciation on swap contracts	1,263
Total Assets	368,294,849
Liabilities:	
Securities sold short, at value (proceeds $35,447,828)	33,438,085
Foreign currency overdraft, at value (cost $9,102)	9,106
Distributions payable	72,890
Payable for Fund shares redeemed	95,122
Payable for investments purchased	19,423,754
Payable for investment advisory fees	133,521
Payable for payroll expenses	69,256
Payable for accounting fees	7,500
Unrealized depreciation on forward foreign exchange contracts	180,382
Dividends payable on securities sold short	68,086
Series C Cumulative Preferred Shares, callable and mandatory redemption 03/26/25 (See Notes 2 and 5)	131,201,250
Other accrued expenses	164,431
Total Liabilities	184,863,383
Net Assets Attributable to Common Shareholders	$183,431,466
Net Assets Attributable to Common Shareholders Consist of:	
Paid-in capital	$194,198,209
Total accumulated loss(a)	(10,766,743)
Net Assets	$183,431,466
Net Asset Value per Common Share: ($183,431,466 ÷ 16,696,026 shares outstanding at $0.001 par value; unlimited number of shares authorized)	$10.99

(a) Effective December 31, 2018, the Fund has adopted disclosure requirements conforming to SEC Rule 6-04.17 of Regulation S-X and discloses total distributable earnings/accumulated loss. See Note 2 for further details.

Statement of Operations
For the Year Ended December 31, 2018

Investment Income:	
Dividends (net of foreign withholding taxes of $162,529)	$ 3,616,706
Interest	1,983,338
Total Investment Income	5,600,044
Expenses:	
Investment advisory fees	1,642,553
Interest expense on preferred shares	5,004,024
Dividend expense on securities sold short	222,057
Legal and audit fees	189,408
Payroll expenses	176,858
Trustees' fees	153,864
Offering expense for issuance of preferred shares	112,209
Shareholder communications expenses	89,751
Custodian fees	55,080
Accounting fees	45,000
Service fees for securities sold short (See Note 2)	34,356
Shareholder services fees	22,878
Interest expense	18,203
Miscellaneous expenses	143,946
Total Expenses	7,910,187
Less:	
Expenses paid indirectly by broker (See Note 3)	(3,070)
Advisory fee reduction on unsupervised assets (See Note 3)	(7,204)
Total Credits and Reductions	(10,274)
Net Expenses	7,899,913
Net Investment Loss	(2,299,869)
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, Forward Foreign Exchange Contracts, and Foreign Currency:	
Net realized gain on investments	1,716,506
Net realized gain on securities sold short	1,052,882
Net realized loss on swap contracts	(43,351)
Net realized gain on forward foreign exchange contracts	5,212,576
Net realized loss on foreign currency transactions	(354,131)
Net realized gain on investments, securities sold short, swap contracts, forward foreign exchange contracts, and foreign currency transactions	7,584,482
Net change in unrealized appreciation/depreciation:	
on investments	(13,448,965)
on securities sold short	2,560,630
on swap contracts	(69,042)
on forward foreign exchange contracts	279,951
on foreign currency translations	(2,947)
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, forward foreign exchange contracts, and foreign currency translations	(10,680,373)
Net Realized and Unrealized Gain/(Loss) on Investments, Securities Sold Short, Swap Contracts, Forward Foreign Exchange Contracts, and Foreign Currency	(3,095,891)
Net Decrease in Net Assets Attributable to Common Shareholders Resulting from Operations	$ (5,395,760)

The GDL Fund

Statement of Changes in Net Assets Attributable to Common Shareholders

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operations:		
Net investment loss	$ (2,299,869)	$ (3,913,965)
Net realized gain on investments, securities sold short, swap contracts, forward foreign exchange contracts, and foreign currency transactions	7,584,482	2,515,658
Net change in unrealized appreciation/depreciation on investments, securities sold short, swap contracts, forward foreign exchange contracts, and foreign currency translations	(10,680,373)	5,499,920
Net Increase/(Decrease) in Net Assets Attributable to Common Shareholders Resulting from Operations	(5,395,760)	4,101,613
Distributions to Common Shareholders:		
Accumulated earnings	(6,393,213)	—
Return of capital	(496,010)	(10,385,866)
Total Distributions to Common Shareholders(a)	(6,889,223)	(10,385,866)
Fund Share Transactions:		
Decrease from repurchase of common shares	(8,381,646)	(6,396,687)
Decrease in Net Assets from Fund Share Transactions	(8,381,646)	(6,396,687)
Net Decrease in Net Assets Attributable to Common Shareholders	(20,666,629)	(12,680,940)
Net Assets Attributable to Common Shareholders:		
Beginning of year	204,098,095	216,779,035
End of year	$183,431,466	$204,098,095

(a) Effective December 31, 2018, the Fund has adopted disclosure requirements conforming to SEC Rule 6-04.17 of Regulation S-X. See Note 2 for further details.

See accompanying notes to financial statements.

The GDL Fund

Statement of Cash Flows
For the Year Ended December 31, 2018

Net decrease in net assets attributable to common shareholders resulting from operations	$ (5,395,760)
Adjustments to Reconcile Net Decrease in Net Assets Resulting from Operations to Net Cash from Operating Activities:	
Purchase of long term investment securities	(955,282,277)
Proceeds from sales of long term investment securities	925,836,606
Proceeds from short sales of investment securities	83,451,693
Purchase of securities to cover short sales	(53,062,016)
Net sales of short term investment securities	53,496,534
Net realized gain on investments	(1,716,506)
Net realized gain on securities sold short	(1,052,882)
Net change in unrealized appreciation/depreciation on investments and swap contracts	13,518,007
Net amortization of discount	(1,812,521)
Net decrease in unrealized depreciation on forward foreign exchange contracts	(279,951)
Net increase in unrealized appreciation on securities sold short	(2,560,630)
Increase in deposit at broker for securities sold short	(37,245,849)
Decrease in due from broker	3,110,400
Increase in receivable for investments sold	(453,429)
Increase in dividends and interest receivable	(88,582)
Decrease in prepaid expenses	151
Increase in deferred offering expense	(207,145)
Increase in payable for accounting fees	3,750
Increase in payable for investments purchased	13,552,941
Decrease in payable for investment advisory fees	(1,411,953)
Increase in payable for payroll expenses	12,808
Increase in payable for dividends payable on securities sold short	68,086
Increase in other accrued expenses	84,391
Increase in distributions payable	18,223
Net cash provided by operating activities:	32,584,089
Net decrease in net assets resulting from financing activities:	
Distributions to Common Shareholders	(6,889,223)
Decrease in payable for Fund shares redeemed	(108,976)
Decrease from repurchase of common shares	(8,381,646)
Net cash used in financing activities	(15,379,845)
Net increase in cash	17,204,244
Cash (including foreign currency overdraft):	
Beginning of year	(1,104,156)
End of year	$ 16,100,088

Supplemental disclosure of cash flow information:	
Interest paid on preferred shares	$ 4,985,801
Interest paid on bank overdrafts	$ 18,203

See accompanying notes to financial statements.

Selected data for a common share of beneficial interest outstanding throughout each year:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Operating Performance:					
Net asset value, beginning of year	$ 11.59	$ 11.88	$ 11.93	$ 12.10	$ 12.78
Net investment loss	(0.14)	(0.22)	(0.36)	(0.44)	(0.26)
Net realized and unrealized gain/(loss) on investments, securities sold short, swap contracts, written options, and foreign currency transactions	(0.15)	0.46	0.84	0.85	0.33
Total from investment operations	(0.29)	0.24	0.48	0.41	0.07
Distributions to Common Shareholders:					
Net investment income	(0.19)	—	—	—	(0.06)
Net realized gain	(0.18)	—	(0.59)	(0.56)	(0.53)
Return of capital	(0.03)	(0.58)	(0.05)	(0.08)	(0.21)
Total distributions to common shareholders	(0.40)	(0.58)	(0.64)	(0.64)	(0.80)
Common Share Transactions:					
Increase in net asset value from repurchase of common shares	0.09	0.05	0.11	0.06	0.05
Net Asset Value, End of Year	$ 10.99	$ 11.59	$ 11.88	$ 11.93	$ 12.10
NAV total return †	(1.76)%	2.50%	5.09%	3.95%	0.94%
Market value, end of year	$ 9.17	$ 9.73	$ 9.84	$ 10.01	$ 10.23
Investment total return ††	(1.62)%	4.70%	4.79%	4.12%	(0.07)%
Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of year (in 000's)	$314,633	$335,299	$347,980	$364,160	$381,126
Net assets attributable to common shares, end of year (in 000's)	$183,431	$204,098	$216,779	$232,959	$244,894
Ratio of net investment loss to average net assets attributable to common shares including interest and offering costs(a)	(1.18)%	(1.85)%	(2.94)%	(2.75)%	(1.38)%
Ratio of operating expenses to average net assets attributable to common shares(b)	4.04%(c)	3.65%(c)(d)	4.72%(c)(d)(e)	4.23%(c)(d)(e)	2.99%(d)(e)
Portfolio turnover rate	390%	233%	284%	268%	315%

See accompanying notes to financial statements.

Selected data for a common share of beneficial interest outstanding throughout each year:

	Year Ended December 31,				
	2018	2017	2016	2015	2014
Cumulative Preferred Shares					
Series B Preferred					
Liquidation value, end of year (in 000's)	—	$131,201	$131,201	$131,201	$136,232
Total shares outstanding (in 000's)	—	2,624	2,624	2,624	2,725
Liquidation preference per share	—	$ 50.00	$ 50.00	$ 50.00	$ 50.00
Average market value(f)	—	$ 50.51	$ 50.51	$ 50.30	$ 50.36
Asset coverage per share	—	$ 127.78	$ 132.61	$ 138.78	$ 139.88
Asset coverage	—	256%	265%	278%	280%
Series C Preferred					
Liquidation value, end of year (in 000's)	$131,201	—	—	—	—
Total shares outstanding (in 000's)	2,624	—	—	—	—
Liquidation preference per share	$ 50.00	—	—	—	—
Average market value(f)	$ 51.63	—	—	—	—
Asset coverage per share	$ 119.90	—	—	—	—
Asset coverage	240%	—	—	—	—

† 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) The Fund incurred interest expense during all periods presented. Interest expense on Preferred Shares relates to the $50 Series B Preferred Shares to May 29, 2018 and the $50 Series C Preferred Shares from March 26, 2018 through December 31, 2018 (see Footnotes 2 and 5).

(b) The ratio of operating expenses excluding interest, dividends and service fees on securities sold short, and offering costs to average net assets attributable to common shares for the years ended December 31, 2018, 2017, 2016, 2015, and 2014 would have been 1.28%, 1.75%, 2.92%, 2.87%, and 1.35%, respectively.

(c) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the years ended December 31, 2018, 2017, 2016, and 2015, there was no impact on the expense ratios.

(d) The ratio of operating expenses does not include custodian fee credits. Including such custodian fee credits, the ratio of operating expenses to average net assets for the year ended December 31, 2017 would have been 3.64%. For the years ended December 31, 2016, 2015, and 2014, the effect was minimal.

(e) For the years ended December 31, 2016, 2015, and 2014, the ratio of operating expenses excluded interest, dividends and service fees on securities sold short, and offering costs. Including these expenses, the ratio of operating expenses for the years ended December 31, 2016, 2015, and 2014 would have been 4.84%, 4.43%, and 3.07%, respectively.

(f) Based on weekly prices.

See accompanying 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 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.

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.

New Accounting Pronouncements. The SEC recently adopted changes to Regulation S-X to simplify the reporting of information by registered investment companies in financial statements. The amendments require presentation of the total, rather than the components, of distributable earnings on the Statement of Assets and Liabilities and also require presentation of the total, rather than the components, of distributions to shareholders, except for tax return of capital distributions, if any, on the Statement of Changes in Net Assets Attributable to Common Shareholders. The amendments also removed the requirement for parenthetical disclosure of undistributed net investment income on the Statement of Changes in Net Assets Attributable to Common Shareholders. These Regulation S-X amendments are reflected in the Fund's financial statements for the year ended December 31, 2018. As a result of adopting these amendments, the distributions to shareholders in the December 31, 2017 Statement of Changes in Net Assets Attributable to Common Shareholders presented herein have been reclassified to conform to the current year presentation.

To improve the effectiveness of fair value disclosure requirements, the Financial Accounting Standards Board recently issued Accounting Standard Update (ASU) 2018-13, Fair Value Measurement Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13), which adds, removes, and modifies certain aspects relating to fair value disclosure. ASU 2018-13 is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption of the additions relating to ASU 2018-13 is not required, even if early adoption is elected for the removals under ASU 2018-13. Management has early adopted the removals set forth in ASU 2018-13 in these financial statements and has not early adopted the additions set forth in ASU 2018-13.

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 obligations 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, 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. Certain securities are valued principally using dealer quotations. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded. OTC futures and options on futures for which market quotations are readily available will be valued by quotations received from a pricing service or, if no quotations are available from a pricing service, by quotations obtained from one or more dealers in the instrument in question by the Adviser.

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, 2018 is as follows:

	Valuation Inputs			
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	Total Market Value at 12/31/18
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Business Services	$ 1,519,477	$ 15,294	—	$ 1,534,771
Diversified Industrial	—	—	$ 194,630	194,630
Entertainment	14,047,600	—	0	14,047,600
Metals and Mining	1,763,350	4,393,170	—	6,156,520
Publishing	—	—	68,745	68,745
Transportation	714,949	—	841,440	1,556,389
Other Industries (a)	182,183,684	—	—	182,183,684
Total Common Stocks	200,229,060	4,408,464	1,104,815	205,742,339
Closed-End Funds	579,400	—	—	579,400
Preferred Stocks (a)	62,981	—	—	62,981
Rights (a)	—	—	296,225	296,225
Convertible Corporate Bonds (a)	—	11,187,319	—	11,187,319
Corporate Bonds (a)	—	—	7,310	7,310
U.S. Government Obligations	—	89,370,509	—	89,370,509
TOTAL INVESTMENTS IN SECURITIES – ASSETS	$200,871,441	$104,966,292	$1,408,350	$307,246,083
LIABILITIES (Market Value):				
Common Stocks Sold Short (a)	$ (33,438,085)	—	—	$ (33,438,085)
TOTAL INVESTMENTS IN SECURITIES - LIABILITIES	$ (33,438,085)	—	—	$ (33,438,085)
OTHER FINANCIAL INSTRUMENTS:*				
ASSETS (Unrealized Appreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts	—	$ 57,865	—	$ 57,865
EQUITY CONTRACTS				
Contract for Difference Swap Agreements	—	1,263	—	1,263
LIABILITIES (Unrealized Depreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts	—	(180,382)	—	(180,382)
TOTAL OTHER FINANCIAL INSTRUMENTS:	—	$ (121,254)	—	$ (121,254)

(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.

During the year ended December 31, 2018, the Fund did not have material transfers into or out of Level 3. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

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 are 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 or preferred equities, warrants, options, rights, or 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. When fair valuing a security, factors to consider include recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. A significant change in the unobservable inputs could result in a lower or higher value in Level 3 securities. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

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

Derivative Financial Instruments. The Fund may engage in various portfolio investment strategies by investing in 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, 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 as Deposit at brokers, 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, 2018, 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. Equity contract for difference swap agreements held at December 31, 2018 are reflected within the Schedule of Investments.

The Fund's volume of activity in equity contract for difference swap agreements during the year ended December 31, 2018 had an average monthly notional amount of approximately $1,348,695.

At December 31, 2018, 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, 2018, 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, Forward Foreign Exchange Contracts, and Foreign Currency; Net realized loss on swap contracts; and Net change in unrealized appreciation/depreciation on swap contracts. For the year ended December 31, 2018, the effect of equity contract for difference swap agreements can be found in the Statement of Cash Flows under Net change in unrealized appreciation/depreciation on investments and 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, 2018 are reflected within the Schedule of Investments. The Fund's monthly volume of activity in forward foreign exchange contracts during the year ended December 31, 2018 had an average monthly notional amount of approximately $91,330,769.

At December 31, 2018, 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, 2018, 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, Forward Foreign Exchange Contracts, and Foreign Currency, within Net realized gain on forward foreign exchange contracts and Net change in unrealized appreciation/depreciation on forward foreign currency contracts. For the year ended December 31, 2018, the effect of forward foreign exchange contracts can be found in the Statement of Cash Flows under Net decrease in unrealized depreciation on forward foreign exchange contracts.

Options. The Fund may purchase or write call or put options on securities or indices for the purpose of increasing the income of the Fund. As a writer of put options, the Fund receives a premium at the outset and then bears the risk of unfavorable changes in the price of the financial instrument underlying the option. The Fund would incur a loss if the price of the underlying financial instrument decreases between the date the option is written and the date on which the option is terminated. The Fund would realize a gain, to the extent of the premium, if the price of the financial instrument increases between those dates.

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

If a written call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether there has been a realized gain or loss. If a written put option is exercised, the premium reduces the cost basis of the security. In the case of call options, the exercise prices are referred to as “in-the-money,” “at-the-money,” and “out-of-the-money,” respectively. The Fund may write (a) in-the-money call options when the Adviser expects that the price of the underlying security will remain stable or decline during the option period, (b) at-the-money call options when the Adviser expects that the price of the underlying security will remain stable, decline, or advance moderately during the option period, and (c) out-of-the-money call options when the Adviser expects that the premiums received from writing the call option will be greater 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, 2018, the Fund did not hold any written options contracts.

At December 31, 2018, the Fund's derivative assets and liabilities (by type) are as follows:

	Gross Amounts of Recognized Assets Presented in the Statement of Assets and Liabilities	Gross Amounts Available for Offset in the Statement of Assets and Liabilities	Net Amounts of Assets Presented in the Statement of Assets and Liabilities
Assets			
Equity Contract for Difference Swap Agreements	$ 1,263	—	$1,263
Forward Foreign Exchange Contracts	57,865	$(57,865)	—
Total	$59,128	$(57,865)	$1,263

	Gross Amounts of Recognized Liabilities Presented in the Statement of Assets and Liabilities	Gross Amounts Available for Offset in the Statement of Assets and Liabilities	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities
Liabilities			
Forward Foreign Exchange Contracts	$180,382	$(57,865)	$122,517

The following table presents the Fund's derivative liabilities by counterparty net of the related collateral segregated by the Fund for the benefit of the counterparty as of December 31, 2018:

		Net Amounts Not Offset in the Statement of Assets and Liabilities		
	Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Securities Pledged as Collateral	Cash Collateral Received	Net Amount
Counterparty				
The Goldman Sachs Group, Inc.	$1,263	$—	—	1,263

		Net Amounts Not Offset in the Statement of Assets and Liabilities		
	Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Securities Pledged as Collateral	Cash Collateral Pledged	Net Amount
Counterparty				
State Street Bank and Trust Co.	$122,517	$122,517	—	—

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

Securities Sold Short. The Fund may enter into short sale transactions. Short selling involves selling securities that may or may not be owned and, at times, borrowing the same securities for delivery to the purchaser, with an obligation to replace such borrowed securities at a later date. The proceeds received from short sales are recorded as liabilities and the Fund records an unrealized gain or loss to the extent of the difference between the proceeds received and the value of an open short position on the day of determination. The Fund records a realized gain or loss when the short position is closed out. By entering into a short sale, the Fund bears the market risk of an unfavorable change in the price of the security sold short. Dividends on short sales are recorded as an expense by the Fund on the ex-dividend date and interest expense is recorded on the accrual basis. The broker retains collateral for the value of the open positions, which is adjusted periodically as the value of the position fluctuates. Securities sold short and details of collateral at December 31, 2018 are reflected within the Schedule of Investments. During the year ended December 31, 2018, the Fund incurred $34,356 in service fees related to its investment positions sold short and held by the broker. These amounts are included in the Statement of Operations under Expenses, Service fees for securities sold short.

Series C 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.

Investments in Other Investment Companies. The Fund may invest, from time to time, in shares of other investment companies (or entities that would be considered investment companies but are excluded from the definition pursuant to certain exceptions under the 1940 Act) (the Acquired Funds) in accordance with the 1940 Act and related rules. Shareholders in the Fund would bear the pro rata portion of the periodic expenses of the Acquired Funds in addition to the Fund's expenses. For the year ended December 31, 2018, the Fund's pro rata portion of the periodic expenses charged by the Acquired Funds was less than 1 basis point.

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 restricted securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than 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, 2018, the Fund did not hold restricted securities.

Securities Transactions and Investment Income. Securities transactions are accounted for on the trade date with realized gain or loss on investments determined by using the identified cost method. Interest income (including amortization of premium and accretion of discount) is recorded on an 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 U.S. Treasury Bill rate on outstanding balances. This amount, if any, would be included in the Statement of Operations, Interest expense.

Distributions to Shareholders. Distributions to common shareholders are recorded on the ex-dividend date. Distributions to shareholders are based on income and capital gains as determined in accordance with federal income tax regulations, which may differ from income and capital gains as determined under GAAP. See Series C 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 the tax treatment of currency gains and losses, reclassification of capital gain on passive foreign investment companies, and disallowed expenses. These reclassifications have no impact on the NAV of the Fund. For the year ended December 31, 2018, reclassifications were made to increase paid-in capital by $20,361, with an offsetting adjustment to total accumulated losses.

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. The Fund's distribution policy 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.

Distributions to shareholders of the Fund's Series C Cumulative Preferred Shares are recorded on a daily basis and are determined as described in Note 5.

The tax character of distributions paid during the years ended December 31, 2018 and 2017 was as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
	Common	**Common**
Distributions paid from:		
Ordinary income (inclusive of short term capital gains)	$4,414,307	—
Long term capital gain	1,978,906	—
Return of capital	496,010	$10,385,866
Total distributions paid	$6,889,223	$10,385,866

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, 2018, the components of accumulated earnings/losses on a tax basis were as follows:

Net unrealized depreciation on investments, swap contracts, forward foreign exchange contracts, and foreign currency translations	$ (9,546,590)
Qualified late year loss deferral*	(1,147,263)
Other temporary differences**	(72,890)
Total	$(10,766,743)

* 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, 2018, the Fund elected to defer $41,768 and $1,105,495 of late year ordinary losses and short term capital losses, respectively.

** Other temporary differences are primarily due to adjustments on preferred share class distribution payables.

At December 31, 2018, the temporary differences between book basis and tax basis unrealized appreciation/depreciation were primarily due to deferral of losses from wash sales for tax purposes and adjustments on the sale of securities no longer deemed passive foreign investment companies.

The following summarizes the tax cost of investments and the related net unrealized depreciation at December 31, 2018:

	Cost/ (Proceeds)	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Net Unrealized Depreciation
Investments and derivative instruments	$283,354,566	$6,753,803	$(16,299,108)	$(9,545,305)

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. During the year ended December 31, 2018, the Fund did not incur any income tax, interest, or penalties. As of December 31, 2018, 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. Investment Advisory Agreement and Other Transactions. 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. During the year ended December 31, 2018, the Fund did not accrue a performance fee. 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, 2018, the Fund paid brokerage commissions on security trades of $268,917 to G.research, LLC, an affiliate of the Adviser.

During the year ended December 31, 2018, the Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. The amount of such expenses paid through this directed brokerage arrangement during this period was $3,070.

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, 2018, the Fund accrued $45,000 in accounting fees in the Statement of Operations.

As per the approval of the Board, the Fund compensates officers of the Fund, who are employed by the Fund and are not employed by the Adviser (although the officers may receive incentive based variable compensation from affiliates of the Adviser). For the year ended December 31, 2018, the Fund accrued $176,858 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, 2018, 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 $7,204.

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 receives 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, 2018, other than short term securities and U.S. Government Obligations, aggregated $920,496,829 and $886,532,154, respectively. Purchases and sales of U.S. Government Obligations for the year ended December 31, 2018, aggregated $711,115,865 and $764,612,399, respectively.

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, 2018, the Fund repurchased and retired 912,392 shares in the open market at an investment of $8,381,646 and an average discount of approximately 18.20% from its NAV. During the year ended December 31, 2017, the Fund repurchased and retired 640,334 shares in the open market at an investment of $6,396,687 and an average discount of approximately 15.08% from its NAV.

The Fund has an effective shelf registration authorizing the offering of an additional $200 million of common or preferred shares. As of December 31, 2018, after considering the preferred share rights offering, the Fund has approximately $70 million available for issuance under the current shelf registration.

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

During the year ended December 31, 2018, the Fund completed a rights offering whereby one transferable right was issued for each Series B Cumulative Puttable and Callable Preferred Shares held as of February 14, 2018. On March 26, 2018, the Fund issued 2,624,025 Series C Cumulative Puttable and Callable Preferred Shares (Series C Preferred), liquidation value $50 and $0.001 par value per share, upon the submission of one right and either $50 or one share of Series B Preferred. In this regard, subscribing Series B Preferred shareholders submitted 1,720,681 Series B Preferred at the liquidation value of $50 per share totaling $86,034,050 to acquire the same number Series C Preferred. In total, the Fund issued 2,624,025 Series C Preferred with a liquidation value of $131,201,250 at an estimated cost of $320,000. Other rights totaling 903,344 submitted $50 cash, total $45,167,200, to acquire the same number of Series C Preferred. At December 31, 2018, there were 2,624,025 Series C Preferred outstanding and accrued dividends amounted to $72,890.

On March 26, 2018, 652,848 Series B Preferred were put back to the Fund at the liquidation value of $32,642,400, plus accumulated and unpaid dividends. On May 29, 2018, the Fund called all remaining 250,496 outstanding Series B Preferred at the redemption value $50 per share totaling $12,524,800 plus accumulated and unpaid dividends to the redemption date of $0.2625 per share. The Fund retired all Series B Preferred.

The $50 Series B Preferred paid quarterly distributions in March, June, September, and December of each year. On January 23, 2015, the Board reset the annual dividend rate to 3.000% on the Series B Preferred for dividend periods through the call date, May 29, 2018.

The Series C Preferred pays distributions at an annualized rate of 4.000% on the $50 per share liquidation preference for the quarterly dividend periods ending on or prior to March 26, 2019 (Year 1). At least 30 days prior to the end of Year 1, the Fund's Board will publicly announce a reset fixed dividend rate that will apply for the next eight quarterly dividend periods (Year 2 and Year 3). At least thirty days prior to the end of Year 3, the Fund's Board will publicly announce a reset fixed dividend rate that will apply for all remaining quarterly dividend periods prior to the mandatory redemption date for the Series C Preferred of March 26, 2025. Each reset dividend rate will be neither less than an annualized rate of 4.000% nor greater than an annualized rate of 6.000%.

Dividends on the Preferred Shares are cumulative. The Fund is required by the 1940 Act and by the Fund's 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 C 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. On February 21, 2019, the Board determined to continue the annualized rate on the Series C Preferred at 4.00% for the next eight quarterly dividend periods following March 26, 2019.

Management has evaluated the impact on the Fund of all other subsequent events occurring through the date the financial statements were issued and has determined that there were no other 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

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of The GDL Fund (the "Fund"), including the schedule of investments, as of December 31, 2018, and the related statements 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, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund at December 31, 2018, the results of its operations and its cash flows for the year then ended, the changes in its net assets attributable to common shareholders for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund's internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2018, by correspondence with the custodians and brokers or by other appropriate auditing procedures where replies from brokers were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Ernst & Young LLP

We have served as the auditor of one or more Gabelli/GAMCO Funds investment companies since 1992.

Philadelphia, Pennsylvania
February 28, 2019

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.

Name, Position(s) Address[1] and Age	Term of Office and Length of Time Served[2]	Number of Funds in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee[3]
INTERESTED TRUSTEES[4]:				
Mario J. Gabelli, CFA Trustee and Chief Investment Officer Age: 76	Since 2006***	35	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 within the Gabelli/GAMCO Fund Complex; Chief Executive Officer of GGCP, Inc.; Executive Chairman of Associated Capital Group, Inc.	Director of Morgan Group Holdings, Inc. (holding company); Chairman of the Board and Chief Executive Officer of LICT Corp. (multimedia and communication services company); Director of CIBL, Inc. (broadcasting and wireless communications); Director of ICTC Group Inc. (communications)
Edward T. Tokar Trustee Age: 71	Since 2006*	2	Private investor; Senior Managing Director of Beacon Trust Company (trust services) (2004-2016); Chief Executive Officer of Allied Capital Management LLC (1977-2004); Vice President of Honeywell International Inc. (1977-2004)	Trustee of William & Mary Business School Foundation; Director of CH Energy Group (energy services) (2009-2013); Director, Teton Advisors, Inc. (financial services) (2008-2010)
INDEPENDENT TRUSTEES[5]:				
Anthony S. Colavita [6] Trustee Age: 57	Since 2018*	22	Attorney, Anthony S. Colavita, P.C.	—
James P. Conn [6] Trustee Age: 80	Since 2006**	26	Former Managing Director and Chief Investment Officer of Financial Security Assurance Holdings Ltd. (1992-1998)	—
Clarence A. Davis Trustee Age: 77	Since 2006**	3	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)
Leslie F. Foley Trustee Age: 50	Since 2017**	10	Attorney; Serves on the Boards of the Addison Gallery of American Art at Phillips Academy Andover, National Humanities Center, and Greenwich Country Day School; Vice President, Global Ethics & Compliance and Associate General Counsel for News Corporation (2008-2010)	—
Michael J. Melarkey Trustee Age: 69	Since 2006***	25	Of Counsel in the law firm of McDonald Carano Wilson LLP; Partner in the law firm of Avansino, Melarkey, Knobel, Mulligan & McKenzie (1980-2015)	Chairman of Southwest Gas Corporation (natural gas utility)
Salvatore J. Zizza Trustee Age: 73	Since 2006*	32	President of Zizza & Associates Corp. (private holding company); Chairman of BAM (semiconductor and aerospace manufacturing); President of Bergen Cove Realty Inc.; Chairman of Metropolitan Paper Recycling Inc. (recycling) (2005-2014)	Director and Chairman of Trans-Lux Corporation (business services); Director and Chairman of Harbor Diversified Inc. (pharmaceuticals) (2009-2018)

Name, Position(s) Address[1] and Age	Term of Office and Length of Time Served[2]	Principal Occupation(s) During Past Five Years
OFFICERS:		
Bruce N. Alpert President Age: 67	Since 2006	Executive Vice President and Chief Operating Officer of Gabelli Funds, LLC since 1988; Officer of registered investment companies within the Gabelli/GAMCO Fund Complex; Senior Vice President of GAMCO Investors, Inc. since 2008
John C. Ball Treasurer Age: 42	Since 2017	Treasurer of funds within the Gabelli/GAMCO Fund Complex since 2017; Vice President and Assistant Treasurer of AMG Funds, 2014-2017; Vice President of State Street Corporation, 2007-2014
Agnes Mullady Vice President Age: 60	Since 2006	Officer of registered investment companies within the Gabelli/GAMCO Fund Complex since 2006; President and Chief Operating Officer of the Fund Division of Gabelli Funds, LLC since 2015; Chief Executive Officer of G.distributors, LLC since 2010; Senior Vice President of GAMCO Investors, Inc. since 2009; Vice President of Gabelli Funds, LLC since 2007; Executive Vice President of Associated Capital Group, Inc. since 2016
Andrea R. Mango Secretary and Vice President Age: 46	Since 2013	Vice President of GAMCO Investors, Inc. since 2016; Counsel of Gabelli Funds, LLC since 2013; Secretary of registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Vice President of closed-end funds within the Gabelli/GAMCO Fund Complex since 2014; Corporate Vice President within the Corporate Compliance Department of New York Life Insurance Company, 2011-2013
Richard J. Walz Chief Compliance Officer Age: 59	Since 2013	Chief Compliance Officer of registered investment companies within the Gabelli/GAMCO Fund Complex since 2013; Chief Compliance Officer of AEGON USA Investment Management, 2011-2013
Peter M. Baldino Assistant Vice President and Ombudsman Age: 27	Since 2017	Assistant Vice President and Ombudsman of the Fund since February 2017; Trader at G. Research, LLC through 2016; Graduate of Fordham University May 2013
Carter W. Austin Vice President Age: 52	Since 2006	Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Senior Vice President (since 2015) and Vice President (1996-2015) of Gabelli Funds, LLC
Laurissa M. Martire Vice President Age: 42	Since 2018	Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Vice President (since 2016) and Assistant Vice President (2003-2016) of GAMCO Investors, Inc.
David I. Schachter Vice President Age: 65	Since 2006	Vice President and/or Ombudsman of closed-end funds within the Gabelli/GAMCO Fund Complex; Vice President (since 2015) of GAMCO Investors, Inc. and Vice President (1999-2015) of G.research, LLC

[1] Address: One Corporate Center, Rye, NY 10580-1422, unless otherwise noted.

[2] 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 2019 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

** Term expires at the Fund's 2020 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

*** Term expires at the Fund's 2021 Annual Meeting of Shareholders or until their successors are duly elected and qualified.

For officers, includes time served in prior officer positions with the Fund. 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.

[3] 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.

[4] "Interested person" of the Fund as defined in the 1940 Act. Mr. Gabelli is considered an "interested person" because of his affiliation with the Gabelli Funds, LLC, which acts as the Fund's investment adviser. Mr. Tokar is considered an "interested person" because of his son's employment by an affiliate of the investment adviser.

[5] Trustees who are not interested persons are considered "Independent" Trustees.

[6] This Trustee is elected solely by and represents the shareholders of the preferred shares issued by this Fund.

THE GDL FUND
INCOME TAX INFORMATION (Unaudited)
December 31, 2018

Cash Dividends and Distributions

	Payable Date	Record Date	Ordinary Investment Income(a)	Long Term Capital Gains	Return of Capital (b)	Total Amount Paid Per Share(c)	Dividend Reinvestment Price
Common Shares							
	03/22/18	03/15/18	$0.09280	—	$0.00720	$0.10000	$9.36360
	06/22/18	06/15/18	0.09280	—	0.00720	0.10000	9.21760
	09/21/18	09/14/18	0.06010	$0.03270	0.00720	0.10000	9.23680
	12/14/18	12/07/18	0.06010	0.03270	0.00720	0.10000	9.23220
			$0.30580	$0.06540	$0.02880	$0.40000	
Series B Cumulative Preferred Shares							
	03/26/18	03/19/18	$0.37500	—	—	$0.37500	
	05/29/18	05/29/18	0.26250(d)	—	—	0.26250	
			$0.63750	—	—	$0.63750	
Series C Cumulative Preferred Shares							
	06/26/18	06/19/18	$0.50000	—	—	$0.50000	
	09/26/18	09/19/18	0.33470	$0.16530	—	0.50000	
	12/26/18	12/18/18	0.33470	0.16530	—	0.50000	
			$1.16940	$0.33060	—	$1.50000	

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 2018 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.

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

The Fund paid to Series B Cumulative Preferred shareholders and Series C Cumulative Preferred shareholders, ordinary income dividends of $0.6375 and $1.1694, respectively per share in 2018. For the year ended December 31, 2018, 20.99% of the ordinary dividend qualified for the dividend received deduction available to corporations, 34.29% of the ordinary income distribution was qualified dividend income and 17.31% of the ordinary income distribution was qualified interest income. The Fund designates 100% of the short term capital gain dividends distributed during the year ended December 31, 2018 as qualified short term gain pursuant to the American Jobs creation Act of 2004. The percentage of U.S. Government securities held as of December 31, 2018 was 29.09%.

THE GDL FUND
INCOME TAX INFORMATION (Unaudited) (Continued)
December 31, 2018

Historical Distribution Summary

	Investment Income (a)	Short Term Capital Gains (a)	Long Term Capital Gains	Return of Capital (b)	Total Distributions (c)	Adjustment to Cost Basis (e)
Common Shares						
2018	$0.26620	$0.03960	$0.06540	$0.02880	$0.40000	$0.02880
2017	—	—	—	0.58000	0.58000	0.58000
2016	0.01280	0.29120	0.28200	0.05400	0.64000	0.05400
2015	0.09700	0.18040	0.28120	0.08140	0.64000	0.08140
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
Series B Cumulative Preferred Shares						
2018	$0.55500	$0.08250	—	—	$0.63750	—
2017	—	0.62900	$0.64780	$0.22320	1.50000	$0.22320
2016	0.03340	0.75580	0.71080	—	1.50000	—
2015	0.26220	0.48780	0.75000	—	1.50000	—
2014	0.49980	0.67680	0.32340	—	1.50000	—
2013	—	1.36280	0.13720	—	1.50000	—
2012	—	2.00000	—	—	2.00000	—
2011	0.03992	2.39135	0.00900	—	2.44028	—
Series C Cumulative Preferred Shares						
2018	$1.01810	$0.15130	$0.33060	—	$1.50000	—

(a) Taxable as ordinary income for Federal tax purposes.
(b) Non-taxable.
(c) Total amounts may differ due to rounding.
(d) Represents the payment of accrued dividends attributable to 250,496 Series B Cumulative Puttable and Callable Preferred Shares redeemed on May 29, 2018.
(e) Decrease in cost basis.

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.

The GDL Fund

Annual Approval of Continuance of Investment Advisory Agreement (Unaudited)

During the six months ended December 31, 2018, 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 management team in the merger arbitrage area.

2. Investment Performance. The Independent Board Members noted that the performance fulcrum point for the Adviser to either earn incentive compensation or give up a portion of its compensation was the three month Treasury Index plus 300 basis points (the Fulcrum Point). The Independent Board Members recognized that the Fund had underperformed the Fulcrum Point for the one year period ended September 30, 2018. The Independent Board Members also reviewed information regarding the investment performance of the Fund over one, three, and five ten year periods (as of September 30, 2018) in comparison with a group of event driven funds selected by the Adviser, which were primarily open-end funds, and noted that there were no closely comparable closed-end funds. The Fund's performance over the five year period in comparison with this group was above average, but was below average for the one and three year periods.

3. Profitability. 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. Economies of Scale. The Independent Board Members discussed the major elements of the Adviser's cost structure and the relationship of those elements to potential economies of scale and reviewed data provided by the Adviser, noting that meaningful economies of scale could not occur in the absence of secondary offerings.

5. Sharing of 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.

6. Service and Cost Comparisons. The Independent Board Members reviewed the Fund's expense ratios and found them to be above average within the 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.

Conclusions. The Independent Board Members concluded that the Fund enjoyed highly experienced portfolio management services, good ancillary services, and acceptable 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 was fair, that the maximum fee was not unreasonable (particularly in light of the requirement that the higher returns necessary for higher fee levels must be earned net of the higher fees) and that the one year measuring

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

period was sufficient and consistent with the short term nature of the Fund's investment program. 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 that 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.

Based on a consideration of all these factors in their totality, the Board Members, including all of the Independent Board Members, determined that the Fund's advisory fee was fair and reasonable with respect to the quality of services provided and in light of the other factors described above that the Board deemed relevant. Accordingly, the Board Members determined to approve the continuation of the Fund's Advisory Agreement. The Board Members based its decision on evaluations of all these factors as a whole and did not consider any one factor as all important or controlling.

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) 937-5549.

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 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, 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
One Corporate Center
Rye, NY 10580-1422

Portfolio Management Team Biographies

Mario J. Gabelli, CFA, is Chairman, Chief Executive Officer, and Chief Investment Officer - Value Portfolios of GAMCO Investors, Inc. that he founded in 1977, and Chief Investment Officer - Value Portfolios of Gabelli Funds, LLC and GAMCO Asset Management Inc. He is also Executive Chairman of Associated Capital Group, 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.

Ryan N. Kahn, CFA, is an analyst dedicated to the Gabelli merger arbitrage portfolios, specifically to our U.S. open and closed-end funds. He joined the team in 2013 after working as a generalist in the research department. Mr. Kahn earned a Bachelor of Science in Business Management from Babson College.

Gian Maria Magrini, CFA, is an analyst dedicated to the Gabelli merger arbitrage portfolios, specifically to our U.S. open and closed-end funds. He joined the team in 2013 after serving various roles in the operations and research departments. Mr. Magrini earned a Bachelor of Science in Finance from Fordham University.

Regina M. Pitaro is a Managing Director and Head of Institutional Marketing at GAMCO Investors, Inc. Ms. Pitaro joined the firm in 1984 and coordinates the organization's focus with consultants and plan sponsors. She also serves as a Managing Director and Director of GAMCO Asset Management, Inc., and serves as a portfolio manager for Gabelli Funds, LLC. Ms. Pitaro holds an MBA in Finance from the Columbia University Graduate School of Business, a Master's degree in Anthropology from Loyola University of Chicago, and a Bachelor's degree from Fordham 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.

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.

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

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

GABELLI
FUNDS

THE GDL FUND

GDL

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