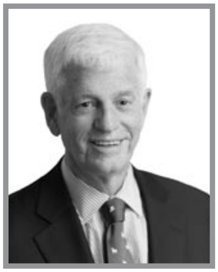
The GDL Fund

Shareholder Commentary – September 30, 2018

(Y)our Portfolio Management Team



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To Our Shareholders,

For the quarter ended September 30, 2018, the net asset value ("NAV") total return of The GDL Fund was 1.7%, compared with a total return of 0.5% 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 0.1%. The Fund's NAV per share was $11.27, while the price of the publicly traded shares closed at $9.09 on the New York Stock Exchange ("NYSE").

Comparative Results

Average Annual Returns through September 30, 2018 (a)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (01/31/07)
GDL Fund						
NAV Total Return (b)	1.70%	0.45%	3.20%	2.82%	3.08%	2.75%
Investment Total Return (c)	0.09	(7.12)	3.18	2.06	3.93	1.51
ICE Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.49	1.59	0.84	0.52	0.34	0.83

(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 don't 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. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.* The 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.

Premium / Discount Discussion

As a refresher for our shareholders, the NAV of any fund is the total market value of the securities and other assets held by a fund, less any liabilities. The NAV is calculated each business day and presented on a per share basis. However, the price of a closed end fund is determined in the open market by willing buyers and sellers. Shares of the Fund trade on the NYSE under the symbol "GDL" and may trade at a premium to (higher than) net asset value or at a discount to (lower than) net asset value.

Ideally, the Fund's market price will generally track the NAV. However, the Fund's premium or discount to NAV may vary over time. It is important to remember that "Mr. Market" is a pendulum that swings both ways, and any number of factors can influence that swing on a day to day basis. This is also the case with our Fund, which invests in merger arbitrage deals, and therefore is not particularly correlated with the market in general.

Your portfolio management team follows the Wall Street adage "Eat Your Own Cooking" and owns approximately 20% of the Fund.

Commentary

So far, 2018 has been a historically strong year for merger and acquisition (M&A) activity. Through the first nine months of the year, global deal volume totaled $3.3 trillion, which represented a 37% increase over the same period in 2017[1]. Mega deals, or deals whose announced value is greater than $5 billion, accounted for 43% of the volume. This phenomenon helped offset the 9% year over year decline in the number of deals announced during the period. Although total volumes for the year have been strong, there has been a substantial slowdown in deal making activity as of late. Third quarter volumes declined 32% sequentially from second quarter levels, due in part to global trade tensions.

Along with mega deals, cross-border deal activity was a major driver of 2018 volume. Cross-border M&A increased 56% year over year to $1.3 trillion in the first nine months of the year, the highest level since 2007. Deal making in the U.S. and Europe also contributed to the strong deal volume seen this year. U.S. M&A increased 50% year over year to $1.3 trillion, and European M&A increased 64% year over year to $941.2 billion.

The Energy & Power sector continued its strong start to the year and helped push deal volumes to record levels. Volumes in the sector totaled $548.1 billion through the first nine months of the year, up 56% from last year. Deals in the Healthcare and Technology sectors also made meaningful contributions to 2018 numbers, as each sector accounted for 11% of announced volume. Industrials rounded out the group of top sector contributors, accounting for 10% of the deal activity announced this year.

As the Federal Reserve continues to raise rates, it is important to recall that, historically, there has been a positive correlation between interest rates and arbitrage spreads. This is due to the fact that the spread is driven by the risks inherent to a particular deal as well as the risk-free rate. Typically, as the risk-free rate rises, so do annualized spreads.

[1]Thomson Reuters Mergers & Acquisitions Review First Nine Months 2018

Corporations have had high cash balances and an appetite to grow inorganically since quantitative easing took effect in 2008. Tax reform further propels deal making. Management teams will deploy the additional excess capital in shareholder friendly ways and we anticipate that this will continue to drive M&A into the future.

Done Deals

XL Group Ltd. is a Hamilton, Bermuda-based insurance and reinsurance company. On March 5, 2018, XL agreed to be acquired by the AXA Group for $57.60 per share in cash, representing a total consideration of $15.3 billion, to expand AXA's U.S. presence. The deal was subject to shareholder and regulatory approvals, and closed on September 12, 2018. The Fund earned a 16.56% annualized return.

Jamba Inc. is a Frisco, Texas-based restaurant chain that sells healthy products, including juices, smoothies, and bowls through its roughly 800 owned and franchised Jamba Juice stores. On August 2, 2018, JMBA agreed to be acquired by Focus Brands Inc. for $13 per share in cash, representing a transaction value of $200 million. The deal was subject to regulatory approvals, required a majority of JMBA shareholders to tender their shares, and closed on September 13, 2018. The Fund earned a 3.50% annualized return.

Foundation Medicine Inc. is a Cambridge, Massachusetts-based molecular information and genomic profiling company. On June 19, 2018, FMI agreed to be acquired by Roche Holding AG for $137 per share in cash, representing a $2.4 billion value. The deal was subject to regulatory approvals, required a majority of FMI shares (excluding those already held by Roche) to be tendered, and closed on July 31, 2018. The Fund earned a 4.44% annualized return.

Juniper Pharmaceuticals Inc. is a Boston, Massachusetts-based healthcare company focused on women's health. On July 3, 2018, JNP agreed to be acquired by Catalent Inc. for $11.50 per share in cash, representing a total equity value of $139.6 million. The deal was subject to regulatory approvals, required a majority of JNP shareholders to tender their shares, and closed on August 14, 2018. The Fund earned a 4.99% annualized return.

Cotiviti Holdings Inc. is an Atlanta, Georgia-based payments and spend management company focused on serving the healthcare sector. On June 19, 2018, COTV agreed to be acquired by Verscend Technologies Inc. for $44.75 per share in cash, representing a total enterprise value of $4.9 billion. The deal was subject to regulatory and shareholder approvals, and closed on August 27, 2018. The Fund earned a 6.28% annualized return.

VeriFone Systems Inc. is a San Jose, California-based payments company. On April 9, 2018, PAY agreed to be acquired by Francisco Partners and a consortium of other investors for $23.04 per share in cash, representing a $3.4 billion total enterprise value. The deal was subject to shareholder and regulatory approvals, and closed on August 20, 2018. The Fund earned a 4.50% annualized return.

Abaxis Inc. is a Union City, California-based medical company that provides point of care products to the veterinary industry. On May 16, 2018, ABAX agreed to be acquired by Zoetis Inc. for $83 per share in cash, representing a $2 billion valuation. The deal was subject to shareholder and regulatory approvals, and closed on August 1, 2018. The Fund earned a 9.37% annualized return.

Deals in the Pipeline

CA Inc. (CA – $44.15 – NASDAQ) is a New York City-based software company. On July 11, 2018, CA agreed to be acquired by Broadcom Inc. for $44.50 per share in cash, representing an $18.4 billion total enterprise value. The deal is subject to shareholder and regulatory approvals, and is expected to close in the fourth quarter of 2018.

Dun & Bradsteet Corp. (DNB – $142.51 – NYSE) is a Short Hills, New Jersey-based data analytics company. On August 8, 2018, DNB agreed to be acquired by a consortium led by CC Capital, Thomas H. Lee Partners, and Cannae Holdings for $145 per share in cash, representing a $6.9 billion total enterprise value. The deal is subject to shareholder and regulatory approvals, and is expected to close in the first quarter of 2019.

K2M Group Holdings Inc. (KTWO – $27.37 – NASDAQ) is a Leesburg, Virginia-based medical device company primarily focused on spinal treatments. On August 30, 2018 KTWO agreed to be acquired by Stryker Corp. for $27.50 per share in cash, representing a $1.4 billion equity value. The deal is subject to shareholder and regulatory approvals, and is expected to close late in the fourth quarter of 2018.

KLX Inc. (KLXI – $62.78 – NASDAQ) is a Wellington, Florida-based aerospace and defense servicer and parts distributor. On May 1, 2018, KLXI agreed to be acquired by Boeing for $63 per share in cash, representing a $4.25 billion total enterprise value. KLXI also distributed shares of KLX Energy Services prior to the deal's closure. The merger is subject to shareholder and regulatory approvals, and is expected to close in October 2018.

The Navigators Group Inc. (NAVG – $69.10 – NASDAQ) is a Stamford, Connecticut-based property and casualty insurer. On August 22, 2018, NAVG agreed to be acquired by The Hartford for $70 per share in cash, representing a $2.1 billion transaction value. The deal is subject to shareholder and regulatory approvals, and is expected to close in the first half of 2019.

Pinnacle Foods Inc. (PF – $64.81 – NYSE) is a Parsippany, New Jersey-based packaged foods company. On June 27, 2018 PF agreed to be acquired by Conagra Brands Inc. for $43.11 per share in cash plus 0.6494 shares of CAG stock, representing a $10.9 billion transaction value. The deal is subject to shareholder and regulatory approvals, and is expected to close at the end of 2018.

Shire plc (SHPG – $181.27 – NASDAQ) is a Dublin, Ireland-based biotech company focused on hematology, immunology, and oncology. On May 8, 2018 SHPG agreed to be acquired by Takeda Pharmaceutical Company Limited for $30.33 per share in cash plus 0.839 new Takeda shares per ordinary share, representing a £46 billion valuation. The deal is subject to shareholder and regulatory approvals, and is expected to close in first half of calendar 2019.

Sky PLC (SKY – $22.54/£17.29 – London Stock Exchange) is a London, UK-based media company that primarily operates sports, news, and entertainment assets across Europe. On December 9, 2016, Twenty-First Century Fox made an offer of £10.75 per share in cash to acquire the remaining interest of Sky PLC it did not already own. On April 25, 2018 Comcast made a competing bid to acquire Sky for £12.50 per share in cash. In response, on July 11, 2018, Twenty-First Century Fox increased its offer to £14.00 per share in cash. Comcast countered the most recent Fox offer on July 11, 2018, increasing its bid to buy Sky to £14.75 per share in cash. On September 22, 2018, Sky held a formal three round auction in which Comcast outbid Twenty-First Century Fox, offering £17.28 per share in cash. Comcast's winning offer values

Sky at £29.7 billion. The deal requires a majority of SKY shareholders to tender their shares, and is expected to close in October 2018.

SodaStream International Ltd. (SODA – $143.08 – NASDAQ) is an Airport City, Israel-based home beverage company. On August 20, 2018, SODA agreed to be acquired by PepsiCo Inc. for $144 per share in cash, representing a $3.2 billion transaction value. The deal is subject to shareholder and regulatory approvals, and is expected to close by January 2019.

Syntel Inc. (SYNT – $40.98 – NASDAQ) is a Troy, Michigan-based information technology company providing infrastructure management services and software applications to many different industries, including financial services, life sciences, retail, and healthcare. On July 22, 2018, SYNT agreed to be acquired by Atos S.E. for $41 per share in cash, representing a total enterprise value of $3.57 billion. The deal is subject to shareholder and regulatory approvals, and is expected to close during the second half of 2018.

USG Corp. (USG – $43.31 – NYSE) is a Chicago, Illinois-based construction manufacturer. On June 11, 2018, USG agreed to be acquired by Gebr. Knauf KG for $44 per share in cash, representing a $7.0 billion transaction value. The $44 per share price is comprised of $43.50 cash and a $0.50 dividend. The deal is subject to shareholder and regulatory approvals, and is expected to close in early 2019.

Xerium Technologies Inc. (XRM – $13.46 – NYSE) is a Youngsville, North Carolina-based industrials company providing machine clothing and roll covers to its customers. On June 24, 2018, XRM agreed to be acquired by Andritz AG for $13.50 per share in cash. The deal is subject to shareholder and regulatory approvals, and is expected to close during the second half of 2018.

October 19, 2018

Top Ten Holdings
September 30, 2018

Gramercy Property Trust	Marathon Petroleum Corp.
Pinnacle Foods Inc.	CA Inc.
Andeavor	Sodastream International Ltd.
Mitel Networks Corp.	Parmalat SpA
Syntel Inc.	K2M Group Holdings Inc.

Note: The views expressed in this Shareholder Commentary reflect those of the Portfolio Manager only through the end of the period stated in this Shareholder Commentary. The Portfolio Manager’s views are subject to change at any time based on market and other conditions. The information in this Shareholder Commentary represents the opinions of the individual Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Manager and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed. Beneficial ownership of shares held in the Fund by Mr. Gabelli and various entities he is deemed to control are disclosed in the Fund’s annual proxy statement.

Merger Arbitrage Risk. The principal risk associated with the Fund's investment strategy is that certain of the proposed reorganizations in which the Fund invests may be renegotiated, terminated, or involve a longer time frame than originally contemplated, in which case losses may be realized. The investment policies of the Fund are expected to lead to frequent changes in investments, which increase transaction costs to the Fund, and may also result in accelerated recognition of short term capital gain, which will be taxable to tax paying shareholders when distributed by the Fund.

Common Share Repurchase Plan

On November 8, 2006, the Board of Trustees of the Fund (the "Board") voted to authorize the repurchase of the Fund's common shares in the open market from time to time when such shares are trading at a discount of 7.5% or more from NAV. In total through September 30, 2018, the Fund has repurchased and retired 3,894,498 common shares in the open market under this share repurchase plan, at an average investment of $10.43 per share and an average discount of approximately 15% from its NAV. A total of 330,971 common shares repurchased during the third quarter of 2018.

Quarterly Distributions

The Fund paid a $0.10 per share cash distribution on September 21, 2018 to common shareholders of record on September 14, 2018. The Fund currently intends to make quarterly cash distributions of all or a portion of its investment company taxable income (which includes ordinary income and realized net short term capital gains) to common shareholders. The Fund also intends to make annual distributions of its realized net long term capital gains, if any. A portion of the distribution may be a return of capital. Various factors will affect the level of the Fund's income, such as its asset mix and use of merger arbitrage strategies. To permit the Fund to maintain more stable distributions, the Fund may from time to time distribute more or less than the entire amount of income earned in a particular period. Because the Fund's current quarterly distributions are subject to modification by the Board at any time and the Fund's income will fluctuate, there can be no assurance that the Fund will pay distributions at a particular rate or frequency.

Each quarter, the Board reviews the amount of any potential distribution from the income, capital gain, or capital available. The Board will continue to monitor the Fund's distribution level, taking into consideration the Fund's net asset value and the financial market environment. In light of the Fund's income, net asset value, and the financial market environment, the Board is reviewing the quarterly cash distribution amount for future periods. The distribution rate should not be considered the dividend yield or total return on an investment in the Fund.

If the Fund does not generate sufficient earnings (dividends and interest income and realized net capital gain) equal to or in excess of the aggregate distributions paid by the Fund in a given year, then the amount distributed in excess of the Fund's earnings would be deemed a return of capital. Since this would be considered a return of a portion of a shareholder's original investment, it is generally not taxable and is treated as a reduction in the shareholder's cost basis. Short term capital gains, qualified dividend income, ordinary income, and paid-in capital, if any, will be allocated on a pro-rata basis to all distributions to common shareholders for the year.

Based on the accounting records of the Fund currently available, each of the distributions paid to common shareholders in 2018 would include approximately 17% from net investment income, 33% from net capital gains, and 50% from paid-in capital on a book basis. The estimated components of each distribution are updated and provided to shareholders of record in a notice accompanying the distribution and are available on our website (www.gabelli.com). The final determination of the sources of all distributions in 2018 will be made after year end and can vary from the quarterly estimates. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2018 distributions in early 2019 via Form 1099-DIV.

Series C Cumulative Puttable and Callable Preferred Shares - Quarterly Distribution

The Fund declared a $0.50 per share cash distribution payable on September 26, 2018 to Series C preferred shareholders of record on September 19, 2018. The Series C Preferred Shares, which trade on the New York Stock Exchange under the symbol “GDL Pr C”, were issued on March 26, 2018 at $50.00 per share. The Series C Preferred will pay distributions quarterly at an annualized dividend rate of 4.00% of the $50.00 per share liquidation preference of the Series C Preferred 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 of Trustees will determine and publicly announce a reset fixed dividend rate that will apply for the next eight quarterly dividend periods (“Year 2” and “Year 3”). At least 30 days prior to the end of Year 3, the Fund’s Board of Trustees will determine and 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 determined by the Fund’s Board of Trustees or a committee thereof in its sole discretion, and such rate will be not less than an annualized rate of 4.00% and not greater than an annualized rate of 6.00%. The Series C Preferred may be put back to the Fund during the 30-day period prior to March 26, 2020 and March 26, 2022 at the liquidation preference of $50.00 per share, plus any accumulated and unpaid dividends, and redeemed by the Fund, at its option, at the liquidation preference of $50.00 per share, plus any accumulated and unpaid dividends, on March 26, 2021 or March 26, 2023. The next distribution is scheduled for December 2018

Short term capital gains, qualified dividend income, and ordinary income, if any, will be allocated on a pro-rata basis to all distributions to preferred shareholders for the year. Based on the accounting records of the Fund currently available, each of the distributions paid to preferred shareholders represent approximately 34% from net investment income and 66% from net capital gains on a book basis. The estimated components of each distribution are updated and provided to shareholders of record in a notice accompanying the distribution and are available on our website (www.gabelli.com). The final determination of the sources of all distributions in 2018 will be made after year end and can vary from the quarterly estimates. All shareholders with taxable accounts will receive written notification regarding the components and tax treatment for all 2018 distributions in early 2019 via Form 1099-DIV.

Tax Treatment of Distributions to Common and Preferred Shareholders

All or part of the distributions may be treated as qualified dividend income for individuals, each subject up to the maximum federal income tax rate. In addition, certain U.S. shareholders who are individuals, estates, or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surcharge on their "net investment income," which includes dividends received from the Fund and capital gains from the sale or other disposition of shares of the Fund. The Fund expects that the component of the distribution generated by short term capital gains is predominantly not qualified income.

www.gabelli.com

Please visit us on the Internet. Our homepage at www.gabelli.com contains information about GAMCO Investors, Inc., the Gabelli/GAMCO Closed-End Funds and Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at closedend@gabelli.com.

e-delivery

You may sign up for our e-mail alerts at www.gabelli.com and receive notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

We are pleased to offer electronic delivery of Gabelli fund documents. Shareholders of our closed-end funds can now elect to receive e-mail announcements regarding available materials, including shareholder commentaries and Fund reports. For more information or to register for e-delivery, please visit our website at www.gabelli.com.www.gabelli.com.

AUTOMATIC DIVIDEND REINVESTMENT AND VOLUNTARY CASH PURCHASE PLANS

Enrollment in the Plan

It is the policy of The GDL Fund (the "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 Fund's records. Shareholders with additional questions regarding the Plan or requesting a copy of the terms of the Plan, may contact AST at (800) 937-5449.

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 New York Stock Exchange ("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

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 the Board of Directors 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 Firm's operations and research departments. Mr. Magrini earned a Bachelor of Science in Finance from Fordham University.

Geoffrey P. Astle is involved in the analytics and foreign and domestic trading for the Gabelli merger arbitrage portfolios, specific to our U.S. mutual funds. He has been associated in this capacity since 2007. Mr. Astle earned a Bachelor of Science in both Finance and Marketing from Fairfield 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 a Portfolio Manager of 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 per share 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.

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GABELLI FUNDS

THE GDL FUND

GDL

Shareholder Commentary
September 30, 2018

The GDL Fund
Third Quarter Report — September 30, 2018

(Y)our Portfolio Management Team

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BS, Fairfield University

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

To Our Shareholders,

For the quarter ended September 30, 2018, the net asset value (NAV) total return of The GDL Fund was 1.7%, compared with a total return of 0.5% 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 0.1%. The Fund's NAV per share was $11.27, while the price of the publicly traded shares closed at $9.09 on the New York Stock Exchange (NYSE). See below for additional performance information.

Enclosed is the schedule of investments as of September 30, 2018.

Comparative Results

Average Annual Returns through September 30, 2018 (a) (Unaudited)

	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (01/31/07)
GDL Fund						
NAV Total Return (b)	1.70%	0.45%	3.20%	2.82%	3.08%	2.75%
Investment Total Return (c)	0.09	(7.12)	3.18	2.06	3.93	1.51
ICE Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.49	1.59	0.84	0.52	0.34	0.83

(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 don't 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. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing.* The 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.

The GDL Fund
Schedule of Investments — September 30, 2018 (Unaudited)

Shares		Market Value
	COMMON STOCKS — 80.2%	
	Aerospace — 0.1%	
1,500	Rockwell Collins Inc.	$ 210,705
	Automotive: Parts and Accessories — 0.6%	
15,100	Federal-Mogul Holdings Corp.†(a)	151,000
200,000	Haldex AB	1,962,329
		2,113,329
	Aviation: Parts and Services — 1.7%	
90,000	KLX Inc.†	5,650,200
	Building and Construction — 1.5%	
35,000	Johnson Controls International plc	1,225,000
40,000	Lennar Corp., Cl. B	1,540,000
50,000	USG Corp.†	2,165,500
		4,930,500
	Business Services — 1.2%	
170,000	APN Outdoor Group Ltd.	818,412
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	548,221
87,000	exactEarth Ltd.†	20,880
1,000	Technopolis OYJ	5,416
80,000	XO Group Inc.†	2,758,400
		4,151,329
	Cable and Satellite — 2.3%	
27,628	Liberty Global plc, Cl. A†	799,278
60,000	Liberty Global plc, Cl. C†	1,689,600
14,000	Liberty Latin America Ltd., Cl. A†	291,760
31,000	Liberty Latin America Ltd., Cl. C†	639,530
200,000	Sky plc	4,507,182
		7,927,350
	Computer Software and Services — 7.6%	
10,000	Business & Decision†	90,794
214,000	CA Inc.	9,448,100
1,671	Dell Technologies Inc., Cl. V†	162,288
70,000	Gemalto NV†	4,079,927
3,300	Rockwell Automation Inc.	618,816
250,000	Syntel Inc.†	10,245,000
35,000	Web.com Group Inc.†	976,500
		25,621,425
	Consumer Products — 2.7%	
65,000	SodaStream International Ltd.†	9,300,200
	Electronics — 1.5%	
6,000	Alimco Financial Corp.†	61,500
85,900	Axis Communications AB	3,334,552
73,000	Bel Fuse Inc., Cl. A	1,542,490
		4,938,542
	Energy and Utilities — 8.5%	
35,000	Alvopetro Energy Ltd.†	12,736
74,000	Andeavor	11,359,000

Shares		Market Value
60,000	Avista Corp.	$ 3,033,600
6,000	Connecticut Water Service Inc.	416,220
45,000	Endesa SA	972,321
70,000	Energen Corp.†	6,031,900
100,000	Energy Transfer Partners LP	2,226,000
920,000	Gulf Coast Ultra Deep Royalty Trust	50,600
25,000	Noble Energy Inc.	779,750
10,000	NRG Energy Inc.	374,000
100,000	Ocean Rig UDW Inc., Cl. A†	3,462,000
		28,718,127
	Entertainment — 1.4%	
150,000	Pandora Media Inc.†	1,426,500
2,000	SFX Entertainment Inc.†(a)	0
40,000	Tribune Media Co., Cl. A	1,537,200
5,000	Twenty-First Century Fox Inc., Cl. A	231,650
35,000	Twenty-First Century Fox Inc., Cl. B	1,603,700
		4,799,050
	Financial Services — 4.6%	
1,000	Aspen Insurance Holdings Ltd.	41,800
100,000	CoBiz Financial Inc.	2,214,000
20,000	First Connecticut Bancorp Inc.	591,000
50,000	Jardine Lloyd Thompson Group plc	1,235,630
135,000	MoneyGram International Inc.†	722,250
10,000	Navient Corp.	134,800
1,710	Nordax Group AB†	11,544
15,000	SLM Corp.†	167,250
35,000	The Dun & Bradstreet Corp.	4,987,850
80,000	The Navigators Group Inc.	5,528,000
		15,634,124
	Food and Beverage — 6.7%	
500	Huegli Holding AG†	433,055
40,000	Keurig Dr Pepper Inc.	926,800
2,619,000	Parmalat SpA	8,635,837
180,000	Pinnacle Foods Inc.	11,665,800
1,400,000	Premier Foods plc†	772,790
1,500,000	Yashili International Holdings Ltd.†	281,669
		22,715,951
	Health Care — 16.3%	
115,000	Akorn Inc.†	1,492,700
55,000	AstraZeneca plc, ADR	2,176,350
23,000	athenahealth Inc.†	3,072,800
176,025	Envision Healthcare Corp.†	8,049,623
45,000	Express Scripts Holding Co.†	4,275,450
40,000	Idorsia Ltd.†	1,007,540
1,500	Illumina Inc.†	550,590
416,200	Invuity Inc.†	3,079,880
300,000	K2M Group Holdings Inc.†	8,211,000
200,000	Kindred Healthcare Inc.†(a)	1,800,000
120,000	LifePoint Health Inc.†	7,728,000

See accompanying notes to schedule of investments.

Shares		Market Value
	COMMON STOCKS (Continued)	
	Health Care (Continued)	
110,000	Mazor Robotics Ltd., ADR†	$ 6,415,200
40,000	Shire plc, ADR	7,250,800
		55,109,933
	Hotels and Gaming — 3.2%	
99,224	Belmond Ltd., Cl. A†	1,810,838
210,000	LaSalle Hotel Properties, REIT	7,263,900
40,000	Sonic Corp.	1,733,600
		10,808,338
	Machinery — 1.1%	
19,000	CNH Industrial NV	228,320
10,000	WSI Industries Inc.	69,000
250,000	Xerium Technologies Inc.†	3,365,000
		3,662,320
	Metals and Mining — 0.1%	
65,000	Alamos Gold Inc., Cl. A	299,650
	Paper and Forest Products — 2.0%	
180,000	KapStone Paper and Packaging Corp.	6,103,800
33,500	Papeles y Cartones de Europa SA	650,327
		6,754,127
	Publishing — 0.0%	
10,000	Telegraaf Media Groep NV†(a)	69,663
	Real Estate — 5.2%	
40,000	Forest City Realty Trust Inc., Cl. A, REIT	1,003,600
450,000	Gramercy Property Trust, REIT(b)	12,348,000
950,000	Investa Office Fund, REIT	3,790,633
8,000	Vastned Retail Belgium NV, REIT	439,341
		17,581,574
	Retail — 1.0%	
100,000	SUPERVALU Inc.†	3,222,000
	Semiconductors — 2.6%	
10,000	AIXTRON SE†	101,243
40,000	Integrated Device Technology Inc.†	1,880,400
79,000	NXP Semiconductors NV	6,754,500
		8,736,143
	Specialty Chemicals — 1.0%	
45,000	KMG Chemicals Inc.	3,400,200
8,900	SGL Carbon SE†	97,392
		3,497,592
	Telecommunications — 6.5%	
550,000	Asia Satellite Telecommunications Holdings Ltd.	429,976
40,000	AT&T Inc.	1,343,200
34,200	Ei Towers SpA	2,255,408
200,000	Koninklijke KPN NV	527,581
1,000	Loral Space & Communications Inc.†	45,400
940,000	Mitel Networks Corp.†	$ 10,358,800
58,000	Sprint Corp.†	379,320
119,600	Telenet Group Holding NV†	6,584,811
		21,924,496
	Transportation — 0.2%	
2,000	XPO Logistics Europe SA	743,071
	Wireless Communications — 0.6%	
30,000	T-Mobile US Inc.†	2,105,400
	TOTAL COMMON STOCKS	271,225,139
	CLOSED-END FUNDS — 0.9%	
42,000	Altaba Inc.†	2,861,040
	PREFERRED STOCKS — 0.0%	
	Financial Services — 0.0%	
2,968	Steel Partners Holdings LP, Ser. A, 6.000%	67,908
	RIGHTS — 0.1%	
	Entertainment — 0.0%	
225,000	Media General Inc., CVR†(a)	0
	Health Care — 0.1%	
187,200	Adolor Corp., CPR, expire 07/01/19†(a)	0
79,391	Ambit Biosciences Corp., CVR†(a)	47,635
201,600	American Medical Alert Corp., CPR†(a)	2,016
300,000	Innocoll, CVR†(a)	180,000
23,000	Ocera Therapeutics, CVR†(a)	8,970
100	Omthera Pharmaceuticals Inc., expire 12/31/20†(a)	0
206,000	Synergetics USA Inc., CVR†(a)	0
346,322	Teva Pharmaceutical Industries Ltd., CCCP, expire 02/20/23†(a)	0
11,000	Tobira Therapeutics Inc.†(a)	660
		239,281
	Specialty Chemicals — 0.0%	
25,772	A. Schulman Inc., CVR†(a)	51,544
	TOTAL RIGHTS	290,825

Principal Amount		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

See accompanying notes to schedule of investments.

The GDL Fund
Schedule of Investments (Continued) — September 30, 2018 (Unaudited)

Principal Amount		Market Value
	U.S. GOVERNMENT OBLIGATIONS — 18.8%	
$63,815,000	U.S. Treasury Bills, 1.923% to 2.107%††, 10/04/18 to 01/03/19(b)	$ 63,576,857
	TOTAL INVESTMENTS BEFORE SECURITIES SOLD SHORT — 100.0% (Cost $339,248,570)	$338,029,079
Shares		
	SECURITIES SOLD SHORT — (10.7)%	
	Building and Construction — (0.4)%	
32,500	Lennar Corp., Cl. A	$ 1,517,425
	Energy and Utilities — (6.0)%	
45,094	Diamondback Energy Inc.	6,096,258
128,000	Energy Transfer Equity LP	2,231,040
120,834	Marathon Petroleum Corp.	9,663,095
161,280	Transocean Ltd.†	2,249,856
		20,240,249
	Entertainment — (0.2)%	
108,000	Sirius XM Holdings Inc.	682,560
	Financial Services — (0.7)%	
17,000	BOK Financial Corp.	1,653,760
34,500	People's United Financial Inc.	590,640
		2,244,400
	Food and Beverage — (1.2)%	
116,892	Conagra Brands Inc.	3,970,821
	Health Care — (0.8)%	
10,953	Cigna Corp.	2,280,962
9,100	Takeda Pharmaceutical Co. Ltd.	389,325
		2,670,287
	Hotels and Gaming — (1.3)%	
121,800	Pebblebrook Hotel Trust, REIT	4,429,866
	Semiconductors — (0.1)%	
3,000	Cabot Microelectronics Corp.	309,510
	TOTAL SECURITIES SOLD SHORT (Proceeds received $35,148,991)(d)	$ 36,065,118

(a) Security is valued using significant unobservable inputs and is classified as Level 3 in the fair value hierarchy.
(b) At September 30, 2018, $76,163,000 of the principal amount was pledged as collateral for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
(c) Payment-in-kind (PIK) security. 5.00% PIK interest income will be paid as additional securities at the discretion of the issuer.
(d) At September 30, 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

Geographic Diversification	% of Total Investments*	Market Value
Long Positions		
North America	77.4%	$261,512,549
Europe	20.0	67,692,040
Asia/Pacific	1.6	5,320,690
Latin America	1.0	3,503,800
Total Investments — Long Positions	100.0%	$338,029,079
Short Positions		
North America	(10.6)%	$ (35,675,793)
Japan	(0.1)	(389,325)
Total Investments — Short Positions	(10.7)%	$ (36,065,118)

* Total investments exclude securities sold short.

See accompanying notes to schedule of investments.

As of September 30, 2018, forward foreign exchange contracts outstanding were as follows:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation
USD	5,346,982	SEK	47,000,000	State Street Bank and Trust Co.	10/26/18	$ 46,160
USD	25,933,358	EUR	22,000,000	State Street Bank and Trust Co.	10/26/18	332,574
USD	6,202,712	GBP	4,700,000	State Street Bank and Trust Co.	10/26/18	68,864
USD	3,412,012	AUD	4,700,000	State Street Bank and Trust Co.	10/26/18	13,922
						$461,520

As of September 30, 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 Depreciation
Premier Foods plc	Premier Foods plc	The Goldman Sachs Group, Inc.	1 month	03/29/2019	$185,452	$(3,294)	—	$(3,294)
TOTAL EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENT								$(3,294)

See accompanying notes to schedule of investments.

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 schedule of investments. 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 schedule of investments.

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 September 30, 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 9/30/18
INVESTMENTS IN SECURITIES:				
ASSETS (Market Value):				
Common Stocks:				
Automotive: Parts and Accessories	$ 1,962,329	—	$ 151,000	$ 2,113,329
Business Services	4,130,449	$ 20,880	—	4,151,329
Entertainment	4,799,050	—	0	4,799,050
Financial Services	15,622,580	11,544	—	15,634,124
Food and Beverage	22,282,896	433,055	—	22,715,951
Health Care	53,309,933	—	1,800,000	55,109,933
Publishing	—	—	69,663	69,663
Other Industries (a)	166,631,760	—	—	166,631,760
Total Common Stocks	268,738,997	465,479	2,020,663	271,225,139
Closed-End Funds	2,861,040	—	—	2,861,040
Preferred Stocks (a)	—	67,908	—	67,908
Rights (a)	—	—	290,825	290,825
Corporate Bonds (a)	—	—	7,310	7,310
U.S. Government Obligations	—	63,576,857	—	63,576,857
TOTAL INVESTMENTS IN SECURITIES – ASSETS	$271,600,037	$64,110,244	$2,318,798	$338,029,079
LIABILITIES (Market Value):				
Common Stocks Sold Short (a)	$ (36,065,118)	—	—	$ (36,065,118)
TOTAL INVESTMENTS IN SECURITIES - LIABILITIES	$ (36,065,118)	—	—	$ (36,065,118)
OTHER FINANCIAL INSTRUMENTS:*				
ASSETS (Unrealized Appreciation):				
FORWARD CURRENCY EXCHANGE CONTRACTS				
Forward Foreign Exchange Contracts	—	$ 461,520	—	$ 461,520
LIABILITIES (Unrealized Depreciation):				
EQUITY CONTRACTS				
Contract for Difference Swap Agreements	—	(3,294)	—	(3,294)
TOTAL OTHER FINANCIAL INSTRUMENTS:	—	$ 458,226	—	$ 458,226

(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.

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.

The Fund's derivative contracts held at September 30, 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. Equity contract for difference swap agreements at September 30, 2018 are presented within the Schedule of Investments.

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 September 30, 2018 are presented within the Schedule of Investments.

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 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 September 30, 2018, the Fund did not hold any written options contracts.

The following table summarizes the net unrealized appreciation/(depreciation) of derivatives held at September 30, 2018 by primary risk exposure:

Asset Derivatives:	**Net Unrealized Appreciation/ (Depreciation)**
Forward Foreign Exchange Contracts	$461,520
Equity Contract for Difference Swap Agreements	—
Total	$461,520
Liability Derivatives:	
Forward Foreign Exchange Contracts	—
Equity Contract for Difference Swap Agreements	$ (3,294)
Total	$ (3,294)

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 at September 30, 2018 are reflected within the Schedule of Investments.

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. At September 30, 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 September 30, 2018, the Fund did not hold restricted securities.

Tax Information. 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 GDL FUND
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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.

Geoffrey P. Astle is involved in the analytics and foreign and domestic trading for the Gabelli merger arbitrage portfolios, specifically to our U.S. open and closed end funds. He has been associated in this capacity since 2007. Mr. Astle earned a Bachelor of Science in both Finance and Marketing from Fairfield 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.

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