

GDL FUND
Form N-CSR
March 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21969

The GDL Fund
(formerly, The Gabelli Global Deal Fund)

(Exact name of registrant as specified in charter)

One Corporate Center

Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)

Bruce N. Alpert

Gabelli Funds, LLC

One Corporate Center

Rye, New York 10580-1422

(Name and address of agent for service)

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

Date of fiscal year end: **December 31**

Date of reporting period: **December 31, 2011**

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

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

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

The GDL Fund

Annual Report

December 31, 2011

Mario J. Gabelli, CFA

To Our Shareholders,

The Sarbanes-Oxley Act requires a fund's principal executive and financial officers to certify the entire contents of the semiannual and annual shareholder reports in a filing with the Securities and Exchange Commission (SEC) on Form N-CSR. This certification would cover the portfolio manager's commentary and subjective opinions if they are attached to or a part of the financial statements. Many of these comments and opinions would be difficult or impossible to certify.

Because we do not want our portfolio manager to eliminate his opinions and/or restrict his commentary to historical facts, we have separated his commentary from the financial statements and investment portfolio and have sent it to you separately. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at www.gabelli.com.

Investment Performance

For the year ended December 31, 2011, the net asset value (NAV) total return of The GDL Fund was 1.3%, compared with a total return of 0.1% for the 3 Month U.S. Treasury Bill Index. The total return for the Fund's publicly traded shares was (2.5)%. On December 31, 2011, the Fund's NAV per share was \$13.94, while the price of the publicly traded shares closed at \$11.80 on the New York Stock Exchange (NYSE).

Enclosed are the schedule of investments and financial statements as of December 31, 2011.

Sincerely yours,

Bruce N. Alpert

President

February 22, 2012

Comparative Results

Average Annual Returns through December 31, 2011 (a) (Unaudited)

	1 Year	3 Year	Since Inception (01/31/07)
GDL Fund			
NAV Total Return (b)	1.26%	3.40%	1.88%

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Investment Total Return (c)	(2.51)	5.98	(1.42)
3 Month U.S. Treasury Bill Index	0.05	0.11	1.15

- (a) **Returns represent past performance and do not guarantee future results.** Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. 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 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 considered reinvested except for the 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**Summary of Portfolio Holdings (Unaudited)**

The following table presents portfolio holdings as a percent of total investments as of December 31, 2011:

Long Positions	
U.S. Government Obligations	38.0%
Health Care	12.2%
Computer Software and Services	10.8%
Energy and Utilities	7.8%
Aerospace and Defense	6.2%
Electronics	4.9%
Materials	4.4%
Financial Services	4.1%
Food and Beverage	2.2%
Diversified Industrial	1.5%
Telecommunications	0.9%
Computer Hardware	0.9%
Retail	0.9%
Machinery	0.8%
Cable and Satellite	0.8%
Semiconductors	0.5%
Consumer Products and Services	0.5%
Business Services	0.5%
Metals and Mining	0.4%
Wireless Telecommunications Services	0.4%
Building and Construction	0.4%
Environmental Control	0.2%
Transportation	0.2%
Specialty Chemicals	0.2%
Entertainment	0.1%
Communications Equipment	0.1%
Aerospace	0.1%
Equipment and Supplies	0.0%
Hotels and Gaming	0.0%
Media	0.0%
Real Estate	0.0%
Educational Services	0.0%
Publishing	0.0%
	100.0%
Short Positions	
Transportation	(0.2)%

The Fund files a complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. 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

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The Fund files Form N-PX with its complete proxy voting record for the twelve months ended June 30th, no later than August 31st of each year. A description of the Fund's proxy voting policies, procedures, and how the Fund voted proxies relating to portfolio securities is available without charge, upon request, 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, 2011

Shares		Cost	Market Value
COMMON STOCKS 60.8%			
Aerospace and Defense 6.2%			
30,000	Charter International plc	\$ 376,121	\$ 440,272
39,000	Exelis Inc.	524,701	352,950
208,000	Goodrich Corp.	25,138,988	25,729,600
21,000	Kratos Defense & Security Solutions Inc.	247,518	125,370
76,000	The Allied Defense Group Inc. (a)	534,467	239,400
		26,821,795	26,887,592
Building and Construction 0.4%			
30,000	Fortune Brands Home & Security Inc.	376,416	510,900
6,392	Nibe Industrier AB, Cl. B	105,686	91,698
80,000	Wavin NV	991,915	983,628
		1,474,017	1,586,226
Business Services 0.5%			
5,000	Acxiom Corp.	55,055	61,050
85,000	Clear Channel Outdoor Holdings Inc., Cl. A	596,386	1,066,750
32,000	Diebold Inc.	1,165,935	962,240
		1,817,376	2,090,040
Cable and Satellite 0.8%			
10,000	AMC Networks Inc., Cl. A	175,660	375,800
220,000	British Sky Broadcasting Group plc	2,440,844	2,502,640
25,000	Cablevision Systems Corp., Cl. A	281,985	355,500
		2,898,489	3,233,940
Communications Equipment 0.1%			
6,000	RuggedCom Inc.	130,820	141,939
35,000	Tekelec	383,525	382,550
		514,345	524,489
Computer Hardware 0.0%			
1,000	Seagate Technology plc	13,945	16,400
Computer Software and Services 10.8%			
90,000	Blue Coat Systems Inc.	2,267,760	2,290,500
200,065	DemandTec Inc.	2,627,639	2,634,856
400,000	Magma Design Automation Inc.	2,866,384	2,872,000
3,000	Mentor Graphics Corp.	19,025	40,680
1,000	Orc Group AB	12,617	12,496
420,300	RightNow Technologies Inc.	18,021,882	17,959,419

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21,600	Soapstone Networks Inc.	0	162
480,000	SuccessFactors Inc.	19,064,664	19,137,600
107,000	Yahoo! Inc.	2,092,201	1,725,910
		46,972,172	46,673,623

Consumer Products and Services 0.5%			
30,000	Avon Products Inc.	822,777	524,100
32,000	Harman International Industries Inc.	1,197,435	1,217,280
8,000	Heelys Inc.	20,860	14,800
7,000	The Clorox Co.	481,407	465,920
		2,522,479	2,222,100

Diversified Industrial 1.5%			
22,000	ITT Corp.	498,047	425,260
226,698	Myers Industries Inc.	4,534,294	2,797,453
100,000	RSC Holdings Inc.	1,791,910	1,850,000
112,000	Smiths Group plc	2,087,716	1,591,502
		8,911,967	6,664,215

Shares		Cost	Market Value
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Educational Services 0.0%			
12,000	Corinthian Colleges Inc.	\$ 46,025	\$ 26,040

Electronics 4.9%			
500	Aleo Solar AG	16,389	13,849
211,700	Alliance Semiconductor Corp.	1,035,247	27,521
104,000	Bel Fuse Inc., Cl. A	3,090,309	2,186,080
3,500	CSR plc, ADR	51,380	40,005
480,000	Laird plc	1,516,832	1,149,460
340,000	Netlogic Microsystems Inc.	16,368,178	16,853,800
24,000	Novellus Systems Inc.	964,749	990,960
10,000	Zygo Corp.	82,077	176,500
		23,125,161	21,438,175

Energy and Utilities 7.8%			
40,000	AGL Resources Inc.		