GDL FUND
Form 497
February 14, 2018
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THE GDL FUND
Filed Pursuant to Rule 49(c)
Registration Statement No. 333-213902

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 15, 2017)

2,624,025 Rights for 2,624,025 Series C Preferred Shares

The GDL Fund

Subscription Rights to Purchase Series C Cumulative Puttable and Callable Preferred Shares

The GDL Fund (the Fund, we, us or our) is issuing subscription rights (the Rights) at no charge to our preferred shareholders who hold Series B Cumulative Puttable and Callable Preferred Shares (the Series B Preferred Shares or Existing Preferred Shares) to purchase Series C Cumulative Puttable and Callable Preferred Shares (the Series C Preferred Shares or New Preferred Shares). Our Existing Preferred Shares are listed on the New York Stock Exchange (the NYSE) under the symbol GDL Pr B. The last reported NYSE sale price of our Existing Preferred Shares on February 13, 2018 was $50.42.

The Fund is a diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund s investment objective is to achieve absolute returns in various market conditions without excessive risk of capital. We cannot assure you that the Fund s investment objective will be achieved. The Fund s investment adviser is Gabelli Funds, LLC (the Investment Adviser). An investment in the Fund is not appropriate for all investors.

You should read this Prospectus Supplement and the accompanying Prospectus before deciding whether to invest in the New Preferred Shares, and retain it for future reference. The Prospectus Supplement and the accompanying Prospectus contain important information about us. Material that has been incorporated by reference and other information about us can be obtained from us by calling 800-GABELLI (422-3554) or from the Securities and Exchange Commission s (SEC) website (http://www.sec.gov).

Investing in Series C Preferred Shares involves certain risks that are described in the Special Features and Risks of the Series C Preferred Shares section beginning on page S-17 of this Prospectus Supplement. You should also review the information set forth under Risk Factors and Special Considerations on page 43 of the accompanying Prospectus before investing in the New Preferred Shares.

Neither the SEC nor any state securities commission has approved or disapproved these securities or determined if this Prospectus Supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total (1)
	$ 50.00	$ 131,201,250

Subscription price of Preferred Shares to shareholders exercising Rights		
Underwriting discounts and commissions	None	None
Proceeds, before expenses, to the Fund (1)	$ 50.00	$ 131,201,250

(1) The aggregate expenses of the offering (excluding underwriting discounts and commissions) are estimated to be $350,000. This estimate includes certain expenses of G.research, LLC, the dealer manager for the Rights offering, that may be reimbursed by the Fund. See Distribution Arrangements.

The New Preferred Shares are expected to be ready for delivery in book-entry form through the Depository Trust Company on or about March 26, 2018, unless the offer is extended.

The date of this Prospectus Supplement is February 14, 2018.

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You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus Supplement and the accompanying Prospectus is accurate as of any date other than the date of this Prospectus Supplement and the accompanying Prospectus, respectively.

Series C Preferred Shares issued as a result of the Rights offering will not be record date shares for the Fund s 2018 annual meeting, scheduled to be held on May 14, 2018.

The Series B Preferred Shares are puttable to the Fund during the 30-day period prior to March 26, 2018, and you will receive documentation for effectuating this put. If you wish to exercise your Rights and purchase Series C Preferred Shares, DO NOT submit your Series B Preferred Shares for redemption pursuant to this put.

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Prospectus Supplement

PROSPECTUS

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the accompanying Prospectus and the Statement of Additional Information (SAI) contain forward-looking statements. Forward-looking statements can be identified by the words may, will, intend, expect, estimate, continue, plan, anticipate, and similar terms and the negative of such terms. Such forward-look statements may be contained in this Prospectus Supplement as well as in the accompanying Prospectus and in the SAI. By their nature, all forward-looking statements involve risks and uncertainties, and actual results could differ materially from those contemplated by the forward-looking statements. Several factors that could materially affect our actual results are the performance of the portfolio of securities we hold, the price at which our shares will trade in the public markets and other factors discussed in our periodic filings with the SEC.

Although we believe that the expectations expressed in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in the Risk Factors and Special Considerations section of the accompanying Prospectus and in Description of the Rights Offering Risks and Special Features and Risks of the Series C Preferred Shares in this Prospectus Supplement. All forward-looking statements contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus, or in the SAI, are made as of the date of this Prospectus Supplement or the accompanying Prospectus or SAI, as the case may be. Except for our ongoing obligations under the federal securities laws, we do not intend, and we undertake no obligation, to update any forward-looking statement. The forward-looking statements contained in this Prospectus Supplement, the accompanying Prospectus and the SAI are excluded from the safe harbor protection provided by Section 27A of the Securities Act of 1933, as amended (the Securities Act).

Currently known risk factors that could cause actual results to differ materially from our expectations include, but are not limited to, the factors described in the Risk Factors and Special Considerations section of the accompanying Prospectus as well as in the Description of the Rights Offering Risks and Special Features and Risks of the Series C Preferred Shares sections of this Prospectus Supplement. We urge you to review carefully those sections for a more detailed discussion of the risks of an investment in the Preferred Shares.

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SUMMARY OF THE TERMS OF THE RIGHTS OFFERING

Terms of the Offering	One non-transferable subscription right (each, a Right) will be issued for each Series B Cumulative Puttable and Callable Preferred Share (the Existing Preferred Shares) of the Fund held on the record date. These Rights will allow holders of Existing Preferred Shares to subscribe for new Series C Cumulative Puttable and Callable Preferred Shares (the Series C Preferred Shares or New Preferred Shares) of the Fund. 2,624,025 Existing Preferred Shares are outstanding as of February 14, 2018. One Right will be required to purchase one New Preferred Share. An over-subscription privilege will be offered. 2,624,025 New Preferred Shares will be issued if all Rights are exercised. See Terms of the Offering.
Amount Available for Primary Subscription	$131,201,250
Title	Subscription Rights to Purchase Series C Cumulative Puttable and Callable Preferred Shares
Subscription Price	Rights may be exercised at a price of $50.00 per New Preferred Share (the Subscription Price). The purchase price will be payable in cash, by surrender of Existing Preferred Shares at Liquidation Preference (as defined herein) or any combination of cash and such shares. Affiliated persons of the Fund will be permitted to purchase New Preferred Shares through the surrender of Existing Preferred Shares only to the extent permitted by law. See Terms of the Offering.
Record Date	Rights will be issued to holders of record of the Fund s Existing Preferred Shares on February 14, 2018 (the Record Date). See Terms of the Offering.
Number of Rights Issued	One Right will be issued in respect of each Existing Preferred Share outstanding as of the close of business on the Record Date. See Terms of the Offering.
Mandatory Redemption of New Preferred Shares	March 26, 2025 (7 year term).

Number of Rights Required to Purchase One New Preferred Share	A holder of Rights may purchase one New Preferred Share of the Fund for every one Right exercised. See Terms of the Offering.
Over-Subscription Privilege	Holders of Existing Preferred Shares on the Record Date who fully exercise their rights are entitled to subscribe for additional New Preferred Shares at the same Subscription Price, subject to certain limitations, allotment, and the right of the Board of Trustees of the Fund (the Board) to eliminate the over-subscription privilege. To the extent sufficient New Preferred Shares are not available to fulfill all over-subscription requests, unsubscribed New Preferred Shares will be allocated pro-rata among those shareholders who over-subscribe based on the number of the Fund s Existing Preferred Shares owned on the Record Date. See Over-Subscription Privilege.

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Transfer of Rights	The Rights will be non-transferable. See Terms of the Offering.
Subscription Period	The Rights may be exercised at any time after issuance and prior to expiration of the Rights, which will be 5:00 PM Eastern Time on March 20, 2018, unless otherwise extended (the Subscription Period). See Terms of the Offering and Method of Exercise of Rights.
ERISA	See Employee Benefit Plan Considerations.
Rights Agent	Computershare Trust Company, N.A.. See Rights Agent.
Administrative Agent	Morrow Sodali LLC. See Administrative Agent.
Use of Proceeds	The Fund currently intends to call within three months after expiration of the Subscription Period all outstanding Series B Preferred Shares that are not surrendered by holders to purchase Series C Preferred Shares in the offering. Pending such redemption, the proceeds will be held in high quality short term debt securities and instruments. See Use of Proceeds.
Rating	The Series C Preferred Shares will not be rated.

Series C Preferred Shares issued as a result of the Rights offering will not be record date shares for the Fund s 2018 annual meeting, scheduled to be held on May 14, 2018.

The Series B Preferred Shares are puttable to the Fund during the 30-day period prior to March 26, 2018, and you will receive documentation for effectuating this put. If you wish to exercise your Rights and purchase Series C Preferred Shares, DO NOT submit your Series B Preferred Shares for redemption pursuant to this put.

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SUMMARY OF THE TERMS OF THE SERIES C PREFERRED SHARES

Issue	Series C Cumulative Puttable and Callable Preferred Shares
Mandatory Redemption	March 26, 2025 (7 year term).
Liquidation Preference	$50.00 per share (the Liquidation Preference).
Dividend Payment Dates	Quarterly dividend payments are expected to be made when, as and if declared by the Board on March 26, June 26, September 26, and December 26 of each year (each, a Dividend Payment Date), commencing on the Dividend Payment Date following the date on which such shares are originally issued, which is expected to be March 26, 2018 (the Date of Original Issue) (if any Dividend Payment Date is not a business day, then on the next succeeding business day). As used herein, each period beginning on and including a Dividend Payment Date (or beginning on the Date of Original Issue, in the case of the first Dividend Period after the issuance of such Series C Preferred Shares) and ending on but excluding the next succeeding Dividend Payment Date is referred to as a Dividend Period. The Dividend Period beginning on the Date of Original Issue, which constitutes the first Dividend Period, together with the next three Dividend Periods, are referred to herein as Year 1, the next four Dividend Periods are referred to as Year 2, and so on. See Dividends.
Dividend Rate	For the Dividend Periods occurring in Year 1, the Statement of Preferences for the Series C Preferred Shares provides for quarterly dividends to be paid at an annualized rate of 4.00% based on the Liquidation Preference of the Series C Preferred Shares. During the last Dividend Period occurring in Year 1, the Board will determine and publicly announce at least 30 days prior to the end of such Dividend Period a fixed annual dividend rate that will apply for the Dividend Periods occurring in Year 2 and Year 3. Further, during the last Dividend Period occurring in Year 3, the Board will determine and publicly announce at least 30 days prior to the end of such Dividend Period a

fixed annual dividend rate that will apply for all remaining Dividend Periods prior to the mandatory redemption date of March 26, 2025. Each reset dividend rate will be determined by the Board or a committee thereof in its sole discretion, and the Statement of Preferences provides that such rate will be not less than an annualized rate of 4.00% and not greater than an annualized rate of 6.00% based on the Liquidation Preference of the Series C Preferred Shares.

See Dividends.

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Holder Put Options	The Fund will redeem all or any part of the Series C Preferred Shares that holders have properly submitted for redemption and not withdrawn during the 30-day period prior to each of March 26, 2020 and March 26, 2022, at the Liquidation Preference, plus any accumulated and unpaid dividends. See Puts and Redemptions.
Optional Redemption	The Fund may redeem all or any part of the Series C Preferred Shares, upon not less than 30 nor more than 60 days prior notice, at the Liquidation Preference, plus any accumulated and unpaid dividends, on March 26, 2021 or March 26, 2023. See Puts and Redemptions. The Series C Preferred Shares are not otherwise subject to optional redemption by the Fund unless such redemption is necessary, in the judgment of the Board, to maintain the Fund s status as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended (the Code).
Stock Exchange Listing	An application will be made to list the Series C Preferred Shares on the NYSE. The Series C Preferred Shares are expected to commence trading on the NYSE within 30 days of the date of issuance. See Stock Exchange Listing.
Dividend Disbursing Agent	American Stock Transfer & Trust Company.

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CAPITALIZATION

The following table sets forth the unaudited capitalization of the Fund as of June 30, 2017, and its adjusted capitalization assuming the Series C Preferred Shares offered in this Prospectus Supplement had been issued and all of the Series B Preferred Shares had been redeemed or surrendered.

	As of June 30, 2017 (unaudited)	
	Actual	**As adjusted**
Preferred shares, $0.001 par value per share, unlimited shares authorized. (The Actual column reflects the Fund s outstanding capitalization as of June 30, 2017; the As adjusted column assumes the issuance of 2,624,025 Series C Preferred Shares, $50 liquidation preference per share, and the redemption or surrender of 2,624,025 Series B Preferred Shares, $50 liquidation preference per share)	$ 131,201,250	$ 131,201,250
Shareholders equity applicable to common shares:		
Common shares, $0.001 par value per share; unlimited shares authorized, 17,932,412 shares outstanding	$ 17,932	$ 17,932
Paid-in surplus*	$ 211,684,868	$ 211,334,868
Accumulated net investment loss	$ (1,368,470)	$ (1,368,470)
Distributions in excess of net realized gain on investments, securities sold short, swap contracts, and foreign currency transactions	$ (204,902)	$ (204,902)
Net unrealized appreciation on investments, securities sold short, swap contracts, and foreign currency translations	$ 276,009	$ 276,009
Net assets applicable to common shares	$ 210,405,437	$ 210,055,437
Liquidation preference of preferred shares	$ 131,201,250	$ 131,201,250
Net assets, plus the liquidation preference of preferred shares	$ 341,606,687	$ 341,256,687

* As adjusted paid-in surplus reflects a deduction for the estimated offering expenses of the preferred shares offering borne by the Fund of $350,000.

For financial reporting purposes, the Fund is required to deduct the liquidation preference of its outstanding preferred shares from net assets, so long as the senior securities have redemption features that are not solely within the control of the Fund. Thus for accounting purposes, the Fund s preferred shares will be treated as debt (rather than equity). For all regulatory purposes, the Fund s preferred shares will be treated as equity (rather than debt).

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DESCRIPTION OF THE RIGHTS OFFERING

Terms of the Offering

The Fund is issuing to shareholders of record of Existing Preferred Shares as of February 14, 2018 (the Record Date, and such shareholders, the Record Date Preferred Shareholders) Rights to subscribe for the New Preferred Shares. Each Record Date Preferred Shareholder is being issued one non-transferable Right for each Existing Preferred Share owned on the Record Date. The Rights entitle the holders to acquire (i) for $50.00 in cash, (ii) by surrender of Existing Preferred Shares at liquidation preference, or (iii) for any combination of cash and such shares (the Subscription Price) one New Preferred Share for each one Right held. Rights may be exercised at any time during the period that commences on February 14, 2018, and ends at 5:00 PM Eastern Time on March 20, 2018 (the Subscription Period), unless otherwise extended. The right to acquire one additional New Preferred Share for each one Right held during the Subscription Period at the Subscription Price will be referred to in the remainder of this prospectus supplement as the Subscription. *Rights will expire on the Expiration Date and thereafter may not be exercised.* The New Preferred Shares will have a mandatory redemption date of March 26, 2025.

Rights will be evidenced by subscription certificates (Subscription Certificates) or may be uncertificated and evidenced by other appropriate documentation. The number of Rights issued to each holder will be stated on the Subscription Certificate delivered to the holder. The method by which Rights may be exercised and New Preferred Shares paid for is set forth below in Method of Exercise of Rights and Payment for Shares. A Rights holder will have no right to rescind a purchase after Computershare Trust Company, N.A. (the Rights Agent) has received payment. See Payment for Shares below. It is anticipated that the New Preferred Shares issued pursuant to an exercise of Rights will be listed on the NYSE.

Record Date Preferred Shareholders who fully exercise their Rights are entitled to subscribe for additional New Preferred Shares at the same Subscription Price pursuant to the over-subscription privilege, subject to certain limitations, allotment, and the right of the Board to eliminate the over-subscription privilege. See Over-Subscription Privilege below.

For purposes of determining the maximum number of shares a Record Date Preferred Shareholder may acquire pursuant to the offer, broker-dealers, trust companies, banks or others whose shares are held of record by Cede & Co. (Cede), as nominee for the Depository Trust Company (DTC) or by any other depository or nominee will be deemed to be the holders of the Rights that are held by Cede or such other depository or nominee on their behalf.

Nominees who hold the Fund s Existing Preferred Shares for the account of others, such as banks, broker-dealers, trustees or depositories for securities, should notify the respective beneficial owners of such shares as soon as possible to ascertain such beneficial owners intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the nominee will complete the Subscription Certificate and submit it to the Rights Agent with proper payment. In addition, beneficial owners of the Existing Preferred Shares or Rights held through such a nominee should contact the nominee and request the nominee to effect transactions in accordance with such beneficial owner s instructions.

Series C Preferred Shares issued as a result of the Rights offering will not be record date shares for the Fund s 2018 annual meeting, scheduled to be held on May 14, 2018.

The Series B Preferred Shares are puttable to the Fund during the 30-day period prior to March 26, 2018, and you will receive documentation for effectuating this put. If you wish to exercise your Rights and purchase Series C Preferred Shares, DO NOT submit your Series B Preferred Shares for redemption pursuant to this

put.

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Important Dates to Remember

Please note that the dates in the table below may change if the Rights offering is extended.

EVENT	DATE
Record Date	February 14, 2018
Subscription Period*	February 14, 2018 through March 20, 2018**
Expiration Date*	March 20, 2018**
Payment for Shares and Subscription Certificate or Notice of Guaranteed Delivery Due*	March 20, 2018**
Issuance Date	March 26, 2018**
Confirmation Date	March 29, 2018**

* A shareholder exercising Rights must deliver by 5:00 PM Eastern Time on March 20, 2018 (unless the offer is extended) either (a) a Subscription Certificate and payment for shares or (b) a notice of guaranteed delivery and payment for shares.

** Unless the offer is extended.

Over-Subscription Privilege

The Board has the right in its absolute discretion to eliminate the over-subscription privilege with respect to primary over-subscription shares if it considers it to be in the best interest of the Fund to do so. The Board may make that determination at any time, without prior notice to Rights holders or others, up to and including the fifth day following the Expiration Date. If the over-subscription privilege is not eliminated, it will operate as set forth below.

Record Date Preferred Shareholders who fully exercise their Rights are entitled to subscribe for additional New Preferred Shares at the same Subscription Price pursuant to the over-subscription privilege, subject to certain limitations, allotment, and the right of the Board to eliminate the over-subscription privilege.

Record Date Preferred Shareholders who fully exercise all Rights initially issued to them are entitled to buy those New Preferred Shares, referred to as primary over-subscription shares, that were not purchased by other holders of Rights at the same Subscription Price. If enough primary over-subscription shares are available, all such requests will be honored in full. If the requests for primary over-subscription shares exceed the primary over-subscription shares available, the available primary over-subscription shares (the Excess Shares) will be allocated pro rata among those fully exercising Record Date Preferred Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. The allocation process may involve a series of allocations in order to assure that the total number of New Preferred Shares available for over-subscriptions is distributed on a pro rata basis. New Preferred Shares acquired pursuant to the over-subscription privilege are subject to allotment.

Record Date Preferred Shareholders who are fully exercising their Rights during the subscription period should indicate, on the Subscription Certificate that they submit with respect to the exercise of the Rights issued to them, how many New Preferred Shares they are willing to acquire pursuant to the over-subscription privilege.

The formula to be used in allocating the Excess Shares is as follows:

Shareholder s Record Date Position	X Excess Shares Remaining
Total Record Date Position of All Over-Subscribers	

Banks, broker-dealers, trustees and other nominee holders of rights will be required to certify to the Rights Agent, before any over-subscription privilege may be exercised with respect to any particular beneficial owner, as to the aggregate number of Rights exercised during the Subscription Period and the number of New Preferred Shares subscribed for pursuant to the over-subscription privilege by such beneficial owner and that such beneficial owner s Subscription was exercised in full. Nominee holder over-subscription forms and beneficial owner certification forms will be distributed to banks, broker-dealers, trustees and other nominee holders of rights with the Subscription Certificates.

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The Fund will not offer or sell any New Preferred Shares that are not subscribed for during the Subscription Period or pursuant to the over-subscription privilege.

The Fund has been advised that the Investment Adviser and each of the Fund s trustees may exercise some or all of the Rights initially issued to them, and may request additional New Preferred Shares pursuant to the over-subscription privilege. In addition, Mario J. Gabelli or his affiliated entities may also purchase New Preferred Shares during the Subscription Period and pursuant to the over-subscription privilege.

Rights Agent

The Rights Agent is Computershare Trust Company, N.A. The Rights Agent will receive from the Fund an amount estimated to be $30,000 comprising the fee for its services and the reimbursement for certain expenses related to the Rights offering.

Inquiries

For additional information all holders of Rights should contact the Fund by telephone at 800-GABELLI or 914-921-5070, or by written request to The GDL Fund, One Corporate Center, Rye, New York 10580-1422.

Administrative Agent

Morrow Sodali LLC is serving as administrative agent for this Rights offering. Morrow Sodali LLC will perform administrative services in connection with the Rights offering, including consultation and preparation in connection with the search of, and distribution of materials to, brokers and banks, and other nominees. Morrow Sodali LLC will also perform other administrative and back office services at the Fund s authorization and instruction. For its services, Morrow Sodali LLC will receive a fee of $3,500 from the Fund, plus reimbursement of its out-of-pocket expenses.

Method of Exercise of Rights

Rights may be exercised by completing and signing the reverse side of the Subscription Certificate and mailing it in the envelope provided, or otherwise delivering the completed and signed Subscription Certificate to the Rights Agent, together with payment for the New Preferred Shares (including any surrender of Existing Preferred Shares) as described below under Payment for Shares. Rights may also be exercised through a Rights holder s broker, who may charge the Rights holder a servicing fee in connection with such exercise.

Completed Subscription Certificates must be received by the Rights Agent prior to 5:00 PM Eastern Time on the Expiration Date (unless payment is effected by means of a notice of guaranteed delivery as described below under Payment for Shares). Your broker, bank, trust company or other intermediary may also impose a deadline for exercising Rights earlier than 5:00 PM, Eastern Time on the Expiration Date. The Subscription Certificate and payment should be delivered to the Rights Agent at the following address:

If By First Class Mail:

The GDL Fund

c/o Computershare Trust Company, N.A.

Attn: Voluntary Corporate Actions

PO Box 43011

Providence, RI 02940-3011

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If By Registered, Certified or Express Mail or Overnight Courier:

The GDL Fund

c/o Computershare Trust Company, N.A.

Voluntary Corporate Actions

250 Royall Street Suite V

Canton, MA 02021

Payment for Shares

Holders of Rights who acquire New Preferred Shares in the Subscription may choose between the following methods of payment:

(1) A holder of Rights can send the Subscription Certificate together with payment in the form of (i) a check; (ii) by surrender of Existing Preferred Shares at liquidation preference; or (iii) any combination of a check and such shares for the New Preferred Shares subscribed for in the Subscription and, if eligible, for any additional New Preferred Shares subscribed for pursuant to the over-subscription privilege, to the Rights Agent based on the Subscription Price of $50.00 per New Preferred Share. To be accepted, the payment (including surrender of the number of Existing Preferred Shares forming a portion of such payment), together with the executed Subscription Certificate, must be received by the Rights Agent at the addresses noted above prior to 5:00 PM Eastern Time on the Expiration Date. The Rights Agent will deposit all share purchase checks received by it prior to the final due date into a segregated account, and will hold any surrendered Existing Preferred Shares, in each case pending proration and distribution of New Preferred Shares. The Rights Agent will not accept cash as a means of payment for New Preferred Shares.

(2) Alternatively, a subscription will be accepted by the Rights Agent if, prior to 5:00 PM Eastern Time, on the Expiration Date, the Rights Agent has received a written notice of guaranteed delivery from a bank, a trust company, or a NYSE member, guaranteeing delivery of a properly completed and executed Subscription Certificate. In order for the notice of guaranteed delivery to be valid, full payment (by check, surrender of Existing Preferred Shares at liquidation preference, or any combination of check and such shares, as described above) for the New Preferred Shares subscribed for in the Subscription and, if eligible, for any additional New Preferred Shares subscribed for pursuant to the oversubscription privilege, at the Subscription Price of $50.00 per New Preferred Share must be received with the notice. The Rights Agent will not honor a notice of guaranteed delivery if a properly completed and executed Subscription Certificate is not received by the Rights Agent by the close of business on the second business day after the Expiration Date. The notice of guaranteed delivery must be emailed to the Rights Agent at canoticeofguarantee@computershare.com or delivered to the Rights Agent at one of the addresses noted above.

EXCEPT AS OTHERWISE SET FORTH BELOW AND EXCEPT FOR SURRENDERS OF EXISTING PREFERRED SHARES, A PAYMENT PURSUANT TO THIS METHOD MUST BE IN UNITED STATES DOLLARS BY CHECK DRAWN ON A BANK LOCATED IN THE CONTINENTAL UNITED STATES, MUST BE PAYABLE TO THE GDL FUND AND MUST ACCOMPANY AN EXECUTED SUBSCRIPTION CERTIFICATE TO BE ACCEPTED.

Any payment required from a holder of Rights must be received by the Rights Agent prior to 5:00 PM Eastern Time on the Expiration Date. All payments by a holder of Rights must be in United States dollars check drawn on a bank located in the continental United States and payable to The GDL Fund. Whichever of the two methods of payment described above is used, issuance and delivery of certificates for the New Preferred Shares purchased are subject to collection of checks and Existing Preferred Shares.

Within seven business days following the Expiration Date (the Confirmation Date), a confirmation will be sent by the Rights Agent to each holder of Rights (or, if the Existing Preferred Shares are held by Cede or any other depository or nominee, to Cede or such other depository or nominee), showing (i) the number of New Preferred Shares acquired pursuant to the Subscription, (ii) the number of New Preferred Shares, if any, acquired pursuant to the over-subscription privilege, and (iii) the per share and total purchase price for the New Preferred Shares. Any payment required from a holder of Rights must be received by the Rights Agent on the Expiration Date. Any excess payment to be refunded by the Fund to a holder of Rights will be mailed by the Rights Agent to the holder within seven business days after the Expiration Date. If the aggregate Subscription Price paid by a Record Date Preferred Shareholder exceeds the amount necessary to purchase the number of Series C Preferred Shares for which the Record Date Preferred Shareholder has indicted an intention to subscribe on the subscription certificate, then the Record Date Preferred Shareholder will be deemed to have exercised first the primary subscription Right (if not already fully exercised), and second the over-subscription privilege to the full extent of the excess payment tendered.

A Rights holder will have no right to rescind a purchase after the Rights Agent has received payment by delivery of Existing Preferred Shares and/or a check, which must include the name of the shareholder on the check.

If a holder of Rights who acquires New Preferred Shares pursuant to the Subscription does not make payment of any amounts due, the Fund reserves the right to take any or all of the following actions: (i) find other purchasers for such subscribed-for and unpaid-for New Preferred Shares; (ii) apply any payment actually received by it toward the purchase of the greatest whole number of New Preferred Shares which could be acquired by such holder upon exercise of the Subscription or over-subscription privilege; and (iii) exercise any and all other rights or remedies to which it may be entitled, including, without limitation, the right to set off against payments actually received by it with respect to such subscribed New Preferred Shares and to enforce the relevant guaranty of payment.

Holders, such as broker-dealers, trustees or depositories for securities, who hold Existing Preferred Shares for the account of others, should notify the respective beneficial owners of the Existing Preferred Shares as soon as possible to ascertain such beneficial owners intentions and to obtain instructions with respect to the Rights. If the beneficial owner so instructs, the record holder of the Rights should complete Subscription Certificates and submit them to the Rights Agent with the proper payment. In addition, beneficial owners of Existing Preferred Shares or Rights held through such a holder should contact the holder and request the holder to effect transactions in accordance with the beneficial owner s instructions.

THE INSTRUCTIONS ACCOMPANYING THE SUBSCRIPTION CERTIFICATES SHOULD BE READ CAREFULLY AND FOLLOWED IN DETAIL. DO NOT SEND SUBSCRIPTION CERTIFICATES TO THE FUND.

THE METHOD OF DELIVERY OF SUBSCRIPTION CERTIFICATES AND PAYMENT OF THE SUBSCRIPTION PRICE TO THE RIGHTS AGENT WILL BE AT THE ELECTION AND RISK OF THE RIGHTS HOLDERS, BUT IF SENT BY MAIL IT IS RECOMMENDED THAT THE CERTIFICATES AND PAYMENTS BE SENT BY REGISTERED MAIL, PROPERLY INSURED, WITH RETURN RECEIPT REQUESTED, AND THAT A SUFFICIENT NUMBER OF DAYS BE ALLOWED TO ENSURE DELIVERY TO THE RIGHTS AGENT AND CLEARANCE OF PAYMENT PRIOR TO 5:00 PM EASTERN TIME, ON THE EXPIRATION DATE.

All questions concerning the timeliness, validity, form and eligibility of any exercise of Rights will be determined by the Fund, whose determinations will be final and binding. The Fund in its sole discretion may waive any defect or irregularity, or permit a defect or irregularity to be corrected within such time as it may determine, or reject the purported exercise of any Right. Subscriptions will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as the Fund determines in its sole discretion. Neither the Fund nor the Rights Agent will be under any duty to give notification of any defect or irregularity in connection with the submission of Subscription Certificates or incur any liability for failure to give such notification.

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Foreign Restrictions

Subscription Certificates will not be mailed to Record Date Preferred Shareholders whose addresses are outside the United States (for these purposes, the United States includes the District of Columbia and the territories and possessions of the United States).

Risks

Under-Subscription. It is possible that the Rights offering will not be fully subscribed. Under-subscription of the Rights offering would have an impact on the net proceeds of the Rights offering, whether the Fund achieves any benefits and, depending on the Fund s portfolio positioning and the level of cash and cash equivalents held, the Fund s ability to fund calls or required redemptions of the Series B Preferred Shares.

The Series B Preferred Shares are puttable to the Fund during the 30-day period prior to March 26, 2018 and have a mandatory redemption date of March 26, 2020. As of December 31, 2017, the liquidation preference of the Series B Preferred Shares represented approximately 39% of the Fund s managed assets (total assets less liabilities other than the liquidation preference of the Series B Preferred Shares). To the extent the Fund is unable to obtain sufficient replacement financing for the Series B Preferred Shares though this Rights offering or otherwise, it will have to fund any calls or required redemptions of Series B Preferred Shares with portfolio assets and maintaining sufficient liquidity to meet these obligations could be disruptive to the implementation of the Fund s investment strategy.

Benefits to Investment Adviser. The Investment Adviser will benefit from the Rights offering, in part, because the investment advisory fee paid by the Fund to the Investment Adviser is based on the Fund s managed assets (including the Liquidation Preference of the Series C Preferred Shares). This Rights offering, if fully subscribed, would allow the Fund to maintain its existing amount of leverage, and therefore the size of the asset base on which the Investment Adviser s fee is calculated relative to net assets attributable to common shares, whereas using portfolio assets to fund calls or required redemptions of Series B Preferred Shares would reduce the Fund s managed assets and thus the size of the asset base on which the Investment Adviser s fee is calculated relative to net assets attributable to common shares. All else being equal, this would allow the Investment Adviser to maintain its existing fee levels.

Non-Transferability. You may not sell, transfer, assign or give away your Rights. Because the Rights are non-transferable (other than by operation of law), there is no market or other means for you to directly realize any value associated with the Rights. You must exercise the Rights to realize any potential value from them.

USE OF PROCEEDS

The Fund estimates the net proceeds of the Offer to be approximately $130,851,250. This figure is based on the Subscription Price per share of $50.00 and assumes all new Series C Preferred Shares offered are sold and that the expenses related to the Offer estimated at approximately $350,000 are paid.

The Fund currently intends to call within three months after expiration of the Subscription Period all outstanding Series B Preferred Shares, which have an annual dividend rate of 3.00% and a mandatory redemption date of March 26, 2020, that are not surrendered by holders to purchase Series C Preferred Shares in the offering. Pending such redemption, the proceeds will be held in high quality short term debt securities and instruments.

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ASSET COVERAGE RATIO

As provided in the 1940 Act and subject to certain exceptions, the Fund may issue debt and/or preferred shares with the condition that immediately after issuance the value of its total assets, less certain ordinary course liabilities, exceeds 300% of the amount of the debt outstanding and exceeds 200% of the sum of the amount of debt and preferred shares outstanding. The Fund s preferred shares are expected to have an initial asset coverage on the date of issuance of approximately 39%, assuming the surrender in connection with this offering, or the redemption, in accordance with the Fund s intended use of proceeds in this offering, of the Series B Preferred Shares. As provided in the 1940 Act and subject to certain exceptions, the Fund will not be permitted to declare any dividend, or declare any other distribution, upon any outstanding common shares, or repurchase common shares, unless, in every such case, all preferred shares issued by the Fund have at the time of declaration of any such dividend or distribution or at the time of any such purchase an asset coverage of at least 200% (1940 Act Asset Coverage Requirement) after deducting the amount of such dividend, distribution, or purchase price, as the case may be.

Because the Series C Preferred Shares are being issued for the purpose of refinancing the Series B Preferred Shares, the 1940 Act generally permits the Fund to ignore, for the purpose of these asset coverage requirements, the liquidation value of any Series B Preferred Shares that are not surrendered as consideration for the Series C Preferred Shares pending the redemption of any such remaining Series B Preferred Shares in accordance with their terms, assuming the offering is fully subscribed.

Additional information regarding 1940 Act Asset Coverage Requirements is contained in the Prospectus under the headings Investment Objective and Policies Current Investment Practices Leverage and Risk Factors and Special Considerations Special Risks to Holders of Common Shares Leverage Risk.

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SPECIAL FEATURES AND RISKS OF THE SERIES C PREFERRED SHARES

The following is a brief description of the terms of the Series C Preferred Shares. This is not a complete description and is subject to and entirely qualified by reference to the Fund s Statement of Preferences for the Series C Preferred Shares (the Statement of Preferences). The Statement of Preferences will be attached as an exhibit to post-effective amendment number 1 to the Fund s registration statement. Copies may be obtained as described under Additional Information in the accompanying Prospectus. Any capitalized terms in this section that are not defined have the meaning assigned to them in the Statement of Preferences.

The Fund s Agreement and Declaration of Trust, as amended from time to time, provides that the Board may authorize and issue classes of shares with rights and preferences as determined by the Board, by action of the Board without the approval of the holders of the common shares. Currently, an unlimited number of the Fund s shares are available for classification by the Board as preferred shares, par value $0.001 per share. The Statement of Preferences authorizes the issuance of up to 2,624,025 Series C Preferred Shares. All Series C Preferred Shares will have a Liquidation Preference of $50.00 per share plus accumulated and unpaid dividends. Holders of Series C Preferred Shares shall be entitled to receive, when, as and if declared by, or under authority granted by the Board, out of funds legally available therefor, cumulative cash dividends and distributions at the rates described below under Dividends. Dividends and distributions on Series C Preferred Shares will accumulate from the date of their original issue, which is expected to be March 26, 2018.

The Series C Preferred Shares, when issued by the Fund and paid for pursuant to the terms of this Prospectus Supplement and the accompanying Prospectus, will be fully paid and non-assessable and will have no preemptive, exchange or conversion rights. Any Series C Preferred Shares purchased or redeemed by the Fund will, after such purchase or redemption, have the status of authorized but unissued preferred shares. The Board may by resolution classify or reclassify any authorized and unissued Series C Preferred Shares from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends and distributions, and qualifications or terms or conditions of redemption of such shares.

Any dividend payment made on the Series C Preferred Shares will first be credited against the dividends and distributions accumulated with respect to the earliest Dividend Period (as defined below) for which dividends and distributions have not been paid.

The Series C Preferred Shares will not be rated by any rating agency.

The disclosure set forth in this section and under the headings Asset Coverage Ratio and Summary of the Terms of the Series C Preferred Shares is intended to be a summary of the material provisions of the Series C Preferred Shares. Since this disclosure is only a summary, you should refer to the Statement of Preferences for a complete description of the obligations of the Fund and your rights. The disclosure set forth in this section and under the headings Asset Coverage Ratio and Summary of the Terms of the Series C Preferred Shares supplements the description of the preferred shares set forth under the caption Description of the Securities Preferred Shares in the accompanying Prospectus, and in the event that any provision described in the disclosure set forth in this section and under the headings Asset Coverage Ratio and Summary of the Terms of the Series C Preferred Shares is inconsistent with any description contained in the accompanying Prospectus, the disclosure set forth in this section and under the headings Asset Coverage Ratio and Summary of the Terms of the Series C Preferred Shares will apply and supersede the description in the accompanying Prospectus.

Dividends

Quarterly dividend payments are expected to be made when, as and if declared by the Board on March 26, June 26, September 26, and December 26 of each year (each, a Dividend Payment Date), commencing on the

Dividend Payment Date following the date on which such shares are originally issued, which is expected to be March 26, 2018 (the Date of Original Issue) (if any Dividend Payment Date is not a Business Day, as that term is defined in the Statement of Preferences, then on the next succeeding Business Day). As used herein, each period beginning on and including a Dividend Payment Date (or beginning on the Date of Original Issue, in the case of the first Dividend Period after the issuance of such Series C Preferred Shares) and ending on but excluding the next succeeding Dividend Payment Date is referred to as a Dividend Period. The Dividend Period beginning on the Date of Original Issue, which constitutes the first Dividend Period, together with the next three Dividend Periods, are referred to herein as Year 1, the next four Dividend Periods are referred to as Year 2, and so on.

For the Dividend Periods occurring in Year 1, the Statement of Preferences provides for quarterly dividends to be paid at an annualized rate of 4.00% based on the Liquidation Preference of the Series C Preferred Shares. During the last Dividend Period occurring in Year 1, the Board will determine and publicly announce at least 30 days prior to the end of such Dividend Period a fixed annual dividend rate that will apply for the Dividend Periods occurring in Year 2 and Year 3. Further, during the last Dividend Period occurring in Year 3, the Board will determine and publicly announce at least 30 days prior to the end of such Dividend Period a fixed annual dividend rate that will apply for all remaining Dividend Periods prior to the mandatory redemption date of March 26, 2025. Each reset dividend rate will be determined by the Board or a committee thereof in its sole discretion, and the Statement of Preferences provides that such rate will be not less than an annualized rate of 4.00% and not greater than an annualized rate of 6.00% based on the Liquidation Preference of the Series C Preferred Shares.

Dividends and distributions will be paid to holders of record of Series C Preferred Shares as they appear on the stock register of the Fund at the close of business on the fifth preceding Business Day of a Dividend Payment Date in preference to dividends and distributions on common shares and any other capital shares of the Fund ranking junior to the Series C Preferred Shares in payment of dividends and distributions. Dividends and distributions on Series C Preferred Shares shall accumulate from the date on which such Series C Preferred Shares are originally issued. Dividends and distributions on account of arrears for any past Dividend Period or in connection with the redemption of Series C Preferred Shares may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date not exceeding 30 days preceding the payment date thereof as shall be fixed by the Board.

No full dividends and distributions shall be declared or paid on Series C Preferred Shares for any Dividend Period or part thereof unless full cumulative dividends and distributions due through the most recent Dividend Payment Dates for all series of preferred shares of the Fund ranking on a parity with the Series C Preferred Shares as to the payment of dividends and distributions have been or contemporaneously are declared and paid through the most recent Dividend Payment Dates. If full cumulative dividends and distributions due have not been paid on all such outstanding preferred shares, any dividends and distributions being paid on such preferred shares (including the Series C Preferred Shares) will be paid as nearly pro rata as possible in proportion to the respective amounts of dividends and distributions accumulated but unpaid on each such series of preferred shares on the relevant Dividend Payment Date.

Voting Rights

Except as otherwise provided in the Fund s governing documents or a resolution of the Board or its delegatee, or as required by applicable law, holders of Series C Preferred Shares shall have no power to vote on any matter except matters submitted to a vote of the Fund s common shares. In any matter submitted to a vote of the holders of the common shares, each holder of Series C Preferred Shares shall be entitled to one vote for each Series C Preferred Share held and the holders of all outstanding preferred shares, including Series C Preferred Shares, and the common shares shall vote together as a single class; provided, however, that the holders of the outstanding preferred shares, including Series C Preferred Shares, shall be entitled, as a class, to the exclusion of the holders of all other securities and classes of capital shares of the Fund, to elect two of the Fund s trustees.

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During any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a Voting Period), the number and/or composition of trustees constituting the Board shall be adjusted as necessary to permit the holders of outstanding preferred shares, including the Series C Preferred Shares, voting separately as one class (to the exclusion of the holders of all other securities and classes of capital shares of the Fund) to elect the number of trustees that, when added to the two trustees elected exclusively by the holders of outstanding preferred shares, would constitute a simple majority of the Board as so adjusted. The Fund and the Board shall take all necessary actions, including effecting the removal of trustees or amendment of the Fund s governing documents, to effect an adjustment of the number and/or composition of trustees as described in the preceding sentence.

A Voting Period shall commence:

(i) if at any time accumulated dividends and distributions on the outstanding Series C Preferred Shares equal to at least two full years dividends and distributions shall be due and unpaid; or

(ii) if at any time holders of any other preferred shares are entitled to elect a majority of the trustees of the Fund under the 1940 Act or Statement of Preferences creating such shares.

Additionally, the affirmative vote of the holders of a majority of the outstanding preferred shares (as defined in the 1940 Act), voting as a separate class, will be required to amend, alter or repeal any of the provisions of the Statement of Preferences so as to in the aggregate adversely affect the rights and preferences set forth in the Statement of Preferences. To the extent permitted under the 1940 Act, in the event that more than one series of the Fund s preferred shares is outstanding, the Fund will not effect any of the actions set forth in the preceding sentence which in the aggregate adversely affects the rights and preferences for a series of preferred shares differently than such rights and preferences for any other series of preferred shares without the affirmative vote of the holders of at least a majority (as defined in the 1940 Act) of the Fund s preferred shares outstanding of each series adversely affected (each such adversely affected series voting separately as a class to the extent its rights are affected differently). The holders of the Series C Preferred Shares are not entitled to vote on any matter that affects the rights or interests of only one or more other series of the Fund s preferred shares. The class vote of holders of preferred shares described above will in each case be in addition to any other vote required to authorize the action in question. An increase in the number of authorized preferred shares or the issuance of additional shares of any series of preferred shares (including Series C Preferred Shares) shall not in and of itself be considered to adversely affect the rights and preferences of the Fund s preferred shares.

Additional details regarding the voting rights of Series C Preferred Shares are included in the Prospectus under Description of the Securities Preferred Shares Voting Rights.

Puts and Redemptions

Holder Put Rights. The Fund will redeem all or any part of the Series C Preferred Shares that holders have properly submitted for redemption and not withdrawn during the 30-day period prior to each of March 26, 2020 and March 26, 2022, at the Liquidation Preference, plus any accumulated and unpaid dividends.

Optional Redemptions. The Fund may redeem all or any part of the Series C Preferred Shares, upon not less than 30 nor more than 60 days prior notice, at the Liquidation Preference, plus any accumulated and unpaid dividends, on March 26, 2021 or March 26, 2023. The Series C Preferred Shares are not otherwise subject to optional redemption by the Fund unless such redemption is necessary, in the judgment of the Board, to maintain the Fund s status as a regulated investment company under Subchapter M of the Code. Reference is also made to the heading Description of the Securities Preferred Shares Redemption Procedures in the Prospectus.

Mandatory Redemptions. The Fund is required to redeem the Series C Preferred Shares on March 26, 2025 at the Liquidation Preference, plus any accumulated and unpaid dividends. Reference is also made to the

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following headings in the Prospectus: Description of the Securities Preferred Shares Asset Maintenance Requirements, Description of the Securities Preferred Shares Mandatory Redemption Relating to Asset Coverage Requirements and Description of the Securities Preferred Shares Redemption Procedures.

The cure period for 1940 Act asset coverage failures for the Series C Preferred Shares is 60 days and the excess amount that may be redeemed in the case of a 1940 Act asset coverage failure is 10% (i.e., the Fund may redeem an additional number of preferred shares, including Series C Preferred Shares, which, when aggregated with all other preferred shares redeemed by the Fund, permits the Fund to have with respect to the preferred shares, including Series C Preferred Shares, remaining outstanding after such redemption a 1940 Act asset coverage of as great as 220%).

Reference is also made to the heading Asset Coverage Ratio in this Prospectus Supplement regarding the application of the 1940 Act s asset coverage requirements, and thus these and the other terms of the Series C Preferred Shares, in the context of this refinancing transaction.

Liquidation

In the event of any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the holders of Series C Preferred Shares shall be entitled to receive out of the assets of the Fund available for distribution to shareholders, after satisfying claims of creditors but before any distribution or payment shall be made in respect of the Fund s common shares or any other shares of the Fund ranking junior to the Series C Preferred Shares as to liquidation payments, a liquidation distribution in the amount of $50.00 per share, plus an amount equal to all unpaid dividends and distributions accumulated to and including the date fixed for such distribution or payment (whether or not earned or declared by the Fund, but excluding interest thereon), and such holders shall be entitled to no further participation in any distribution or payment in connection with any such liquidation, dissolution or winding up of the Fund.

If, upon any liquidation, dissolution or winding up of the affairs of the Fund, whether voluntary or involuntary, the assets of the Fund available for distribution among the holders of all outstanding Series C Preferred Shares and all outstanding shares of any other series of the Fund s preferred shares ranking on a parity with the Series C Preferred Shares as to payment upon liquidation shall be insufficient to permit the payment in full to such holders of Series C Preferred Shares of the Liquidation Preference plus accumulated and unpaid dividends and distributions and the amounts due upon liquidation with respect to all outstanding shares of such other series of preferred shares of the Fund, then such available assets shall be distributed among the holders of Series C Preferred Shares and such other series of preferred shares of the Fund ratably in proportion to the respective preferential liquidation amounts to which they are entitled. Unless and until the Liquidation Preference plus accumulated and unpaid dividends and distributions has been paid in full to the holders of Series C Preferred Shares, no dividends or distributions will be made to holders of the Fund s common shares or any other shares of the Fund ranking junior to the Series C Preferred Shares as to liquidation.

Stock Exchange Listing

An application will be made to list the Series C Preferred Shares on the NYSE. The Series C Preferred Shares are expected to commence trading on the NYSE within 30 days of the date of issuance.

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Risks of Investing in the Series C Preferred Shares

Risk is inherent in all investing. Therefore, before investing in the Series C Preferred Shares you should consider the risks associated with such an investment carefully. See Risk Factors and Special Considerations in the Prospectus. Primary risks specially associated with an investment in the Series C Preferred Shares include:

Market Price Risk. The market price for the Series C Preferred Shares will be influenced by changes in interest rates, the perceived credit quality of the Series C Preferred Shares and other factors, and may be higher or lower than the Liquidation Preference of the Series C Preferred Shares. There is currently no market for the Series C Preferred Shares, so the market price for the Series C Preferred Shares cannot yet be determined. After a holder of Series B Preferred Shares subscribes for and purchases Series C Preferred Shares, and if a market is established for the Series C Preferred Shares, the public trading price of the Series C Preferred Shares may decline, in which case such holder would suffer an immediate unrealized loss.

Dividend Rate Risk. Holders of the Series C Preferred Shares will receive dividends and distributions on a quarterly basis. During Year 1, as defined herein, the annual dividend rate will be 4.00%. Thereafter, the Board, or a committee appointed by the Board, will have sole discretion to set the dividend rate, provided that the annual dividend rate must be at least 4.00% and at most 6.00%. The dividend reset dates occur at the end of Year 1 and Year 3 of the term of the Series C Preferred Shares.

If the Board or a committee thereof increases the dividend rate at the first reset date, there is no guarantee that it will not decrease the dividend rate (though not below 4%) at the second reset date. The dividend rate set at the second reset date applies for the final four years of the term of the Series C Preferred Shares. Therefore, investors are subject to a greater risk that the Series C Preferred Shares will decline in value during the last four years of the term of the Series C Preferred Shares if interest rates increase above the dividend rate set for the last four years of the term of the Series C Preferred Shares. This risk may be mitigated by the holder s right to put at the end of the fourth year of the term of the Series C Preferred Shares.

Liquidity Risk. Prior to this offering, there has been no public market for the Series C Preferred Shares. As noted above, an application will be made to list the Series C Preferred Shares on the NYSE. However, during an initial period which is not expected to exceed 30 days after the date of its issuance, the Series C Preferred Shares will not be listed on any securities exchange. The dealer manager for the Rights offering may make a market in the Series C Preferred Shares; however, it has no obligation to do so. No assurances can be provided that listing on any securities exchange or market making by the dealer manager will result in the market for Series C Preferred Shares being liquid at any time.

Redemption Risk. The Fund may at any time redeem Series C Preferred Shares to the extent necessary to meet regulatory asset coverage requirements. For example, if the value of the Fund s investment portfolio declines, thereby reducing the asset coverage for the Series C Preferred Shares, the Fund may be obligated under the terms of the Series C Preferred Shares to redeem Series C Preferred Shares. In addition, the Fund will be able to call the Series C Preferred Shares at the option of the Fund on March 26, 2021 and March 26, 2023. Investors may not be able to reinvest the proceeds of any redemption in an investment providing the same or a better rate than that of the Series C Preferred Shares. Although unlikely (except in exceptional circumstances), precipitous declines in the value of the Fund s assets could result in the Fund having insufficient assets to redeem all of the Series C Preferred Shares for full redemption price.

Distribution Risk. The Fund may not meet the asset coverage requirements or earn sufficient income from its investments to make distributions on the Series C Preferred Shares, in which case the distributions on the Series C

Preferred Shares would be considered a return of capital. Additionally, if the Fund were to issue notes, the Fund s failure to meet certain asset coverage requirements with respect to such notes would prohibit the Fund from making distributions on the Series C Preferred Shares; any bank borrowings the Fund may enter into in the future could contain similarly restrictive terms. See Description of the Securities Notes Limitations in the Prospectus.

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Subordination Risk. The Series C Preferred Shares are not an obligation of the Fund. The Series C Preferred Shares are junior in respect of distributions and liquidation preference to any indebtedness incurred by the Fund, and are of the same ranking as the distributions and liquidation preference of the Existing Preferred Shares. The Series C Preferred Shares are subject to greater credit risk than any of the Fund s debt instruments, which would be of higher priority in the Fund s capital structure.

Interest Rate Risk. The Series C Preferred Shares pay dividends at a fixed rate that resets at the end of the first and third years of the term of the Series C Preferred Shares, as described in Special Features and Risks of the Series C Preferred Shares Dividends. Prices of fixed income investments tend to vary inversely with changes in market yields. The market yields on securities comparable to the Series C Preferred Shares may increase, which would likely result in a decline in the value of the Series C Preferred Shares. Additionally, if interest rates rise, securities comparable to the Series C Preferred Shares may pay higher dividend rates and holders of the Series C Preferred Shares may not be able to sell the Series C Preferred Shares in the market at their Liquidation Preference and reinvest the proceeds at market rates. Likewise, the holders of the Series C Preferred Shares only have limited rights to put their Series C Preferred Shares to the Fund at the Liquidation Preference, plus any accumulated and unpaid dividends, and this may also limit holders ability to sell the Series C Preferred Shares at their Liquidation Preference and reinvest the proceeds at market interest rates. The risks associated with rising interest rates are heightened given the historically low interest rate environment as of the date of this Prospectus Supplement. The Federal Reserve has begun to raise the Federal Funds rate, and each increase results in more pronounced interest rate risk in the current market environment.

The Investment Adviser and Mr. Gabelli have Certain Conflicts of Interest Relating to the Preferred Shares. As of the date of this Prospectus Supplement, Mario Gabelli was the beneficial owner of 489,300 Series B Preferred Shares, representing 18.6% of the Fund s outstanding Series B Preferred Shares. The other trustees collectively own less than 1% of the Series B Preferred Shares. Mr. Gabelli has advised the Fund that he may participate in the Rights offering to purchase Series C Preferred Shares. The Board, or a committee thereof, will determine the dividend rate on the Series C Preferred Shares at such times and in such manner as is specified in this Prospectus Supplement. Because of the possible perception of a conflict of interest, Mr. Gabelli has agreed to recuse himself from all discussions by the Board or committee thereof related to the determination of the dividend rate for the Series C Preferred Shares for any period following initial issuance.

The Investment Adviser receives advisory compensation in respect of the managed assets of the Fund, including assets representing the Liquidation Preference of the Series C Preferred Shares, even if the Fund does not earn an incremental return from such assets for the benefit of the common shareholders. In addition, Mr. Gabelli receives incentive-based variable compensation based on a percentage of net revenues received by the Investment Adviser for managing the Fund, which will be greater to the extent that the Fund has preferred shares outstanding. Consequently, both the Investment Adviser, which is controlled by Mr. Gabelli, and Mr. Gabelli himself have a conflict of interest with respect to the Series C Preferred Shares inasmuch as each stands to benefit from the issuance of such shares whether or not such issuance benefits holders of the common shares.

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EMPLOYEE BENEFIT PLAN CONSIDERATIONS

Preferred Shareholders that are employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA) (including corporate savings and 401(k) plans each, an ERISA Plan), Keogh plans of self-employed individuals, Individual Retirement Accounts (IRAs) and other plans subject to Section 4975 of the Code (each a Plan and collectively, the Plans) should be aware that additional contributions of cash or Existing Preferred Shares to the Plan (other than rollover contributions or trustee-to-trustee transfers from other Plans) made in order to exercise Rights would be treated as Plan contributions and, when taken together with contributions previously made, may subject a Plan to excise taxes for excess or nondeductible contributions. In the case of Plans qualified under Section 401(a) of the Code and certain other plans, additional contributions of cash or Existing Preferred Shares could cause the maximum contribution limitations of Section 415 of the Code or other qualification rules to be violated. Plans contemplating the receipt of additional contributions of cash or Existing Preferred Shares to exercise Rights should consult with their counsel prior to receiving or using such contributions.

Each fiduciary of a Plan should consider, to the extent applicable, the fiduciary standards of ERISA and the Code in the context of the Plan s particular circumstances before making any decision regarding the exercise or other disposition of rights, and any investment in Series C Preferred Shares as a consequence thereof. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Plan or the management or disposition of the assets of a Plan, or who renders investment advice for a fee or other compensation to a Plan, is generally considered to be a fiduciary of the Plan. Accordingly, among other factors, the fiduciary should consider whether the exercise and investment would satisfy the prudence and diversification requirements of ERISA, to the extent applicable, and would be consistent with its fiduciary responsibilities, and the documents and instruments governing the Plan.

To the extent the Fund, the Investment Adviser or certain of their respective affiliates might be considered a party in interest or a disqualified person with respect to a Plan, prohibited transactions may arise in connection with exercises, transfers or other dispositions of Rights pursuant to an available exemption. In this regard the U.S. Department of Labor has issued prohibited transaction class exemptions that may apply. These exemptions include transactions effected on behalf of a Plan by a qualified professional asset manager (prohibited transaction exemption 84-14) or an in-house asset manager (prohibited transaction exemption 96-23), transactions involving insurance company general accounts (prohibited transaction exemption 95-60), transactions involving insurance company pooled separate accounts (prohibited transaction exemption 90-1), and transactions involving bank collective investment funds (prohibited transaction exemption 91-38). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan receives no less and pays no more than adequate consideration (within the meaning of Section 408(b)(17) of ERISA and Section 4975(f)(10) of the Code). There can be no assurance that all of the conditions of any such exemptions will be satisfied with respect to transactions involving Rights or any Series C Preferred Shares obtained pursuant to any Rights.

Governmental plans, certain church plans and non-U.S. plans may not be subject to the prohibited transaction provisions of ERISA or the Code but may be subject to similar laws (Similar Laws). Fiduciaries of any such plans should consult with counsel before exercise or transfer of Rights.

Because of the foregoing, the person making the decision on behalf of a Plan or a governmental, church or foreign plan will be deemed to represent on behalf of itself and the plan that the exercise of or disposition of any Rights will not result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or any applicable Similar

Law.

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In addition, the person making any decision on behalf of a Plan to exercise or transfer Rights (the Plan Fiduciary), at all times will be deemed to have represented, warranted and acknowledged that (1) neither the Fund nor the Investment Adviser, nor any of their respective affiliates (the Transaction Parties) has provided or will provide advice with respect to the disposition of Rights by the Plan, and the Plan Fiduciary either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the Advisers Act), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan; (c) is an investment adviser registered under the Advisers Act, or, if not registered an as investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (e) has, and at all times during the transactions contemplated hereunder will have, total assets of at least U.S. $50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of a Shareholder that is an individual retirement account (with respect to such account), or (ii) a participant or beneficiary of the Plan); (2) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the transactions pursuant hereto by the Plan; (3) the Plan Fiduciary is a fiduciary with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Plan s exercise or transfer of any Rights; (4) none of the Transaction Parties has exercised any authority to cause the Plan to take any action regarding the Rights; (5) none of the Transaction Parties receives a fee or other compensation from the Plan or Plan Fiduciary for the provision of investment advice in connection with the Rights; and (6) the Plan Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Plan s exercise or other disposition of Rights; and (b) of the existence and nature of the Transaction Parties financial interests with respect to the Rights and Series C Preferred Shares. The above representations are intended to comply with the Department of Labor s regulation Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If these regulations are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect. None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the sale or exercise of Rights by any Plan.

ERISA contains fiduciary responsibility requirements, and ERISA and the Code contain prohibited transaction rules that may impact the exercise or transfer of Rights. Due to the complexity of these rules and the penalties for non-compliance, Plans should consult with their counsel regarding the consequences of their exercise or transfer of Rights under ERISA and the Code.

RISK FACTORS AND SPECIAL CONSIDERATIONS SUPPLEMENT

Tax Cuts and Jobs Act of 2017. Congress has passed, and the President has recently signed into law, a tax reform bill that will, among other things, significantly change the taxation of business entities (including by significantly lowering corporate tax rates), the deductibility of interest expense, and the timing in which certain income items are recognized (potentially including, in certain cases, income from debt and other financial instruments). We cannot predict the impact, if any, of these changes to our business. Until we can evaluate how these changes impact our business and the business of our competitors over the long term, we will not know if, overall, we will benefit from them or be negatively affected by them.

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TAXATION

The following is a general summary of the U.S. federal income tax consequences of the Rights offering to holders who are U.S. Persons, as defined below. The following summary supplements the discussion set forth in the accompanying Prospectus and SAI under the headings Taxation and is subject to the qualifications and assumptions set forth therein. Please refer to such discussion for a general description of the consequences of investing in Series C Preferred Shares.

The summary below is based upon the Code, Treasury regulations promulgated thereunder (Treasury regulations), judicial authorities, published positions of the Internal Revenue Service (the IRS) and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations possibly with retroactive effect. The discussion does not address all of the tax consequences that may be relevant to a particular investor, including those subject to special treatment under U.S. federal income tax laws such as financial institutions, insurance companies, broker-dealers, tax-exempt organizations, non-U.S. persons or persons holding Rights or preferred shares as part of a straddle or conversion transaction. In addition, this discussion is limited to holders that hold Existing Preferred Shares as capital assets and, except as otherwise expressly indicated, assumes any exercise of Rights will be for cash rather than through a surrender of Existing Preferred Shares. Except as otherwise stated herein, no ruling has been or will be sought from the IRS regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below. Investors should consult their tax advisors as to the U.S. federal income tax consequences of the Rights offering that are relevant to their particular situations, as well as the effects of state, local and non-U.S. tax laws.

For purposes of this discussion, a U.S. person means a holder that is, for U.S. federal income tax purposes, any one of the following:

- an individual who is a citizen or resident of the U.S.;

- a corporation or other entity treated as a corporation that is created or organized in or under the laws of the U.S. or any state thereof or the District of Columbia;

- a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person; or

- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source.

If a partnership (or any other entity treated as a partnership or other pass-through entity for U.S. federal income tax purposes) receives a Right, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Partners and partnerships holding Rights should consult their tax advisors concerning the U.S. federal income and other tax consequences relevant to their particular situation.

Issuance of the Rights. As more fully described below, upon receipt of the Rights, a holder of Existing Preferred Shares will generally be treated as receiving a taxable distribution in an amount equal to the fair market value at the time of issuance of the Rights received by such holder. The fair market value of the Rights on the date that the Rights are distributed will be uncertain, and we have not obtained, and do not intend to obtain, an appraisal of the fair market value of the Rights on that date. Although we will make a determination as to the value of the Rights and will report for tax purposes consistently therewith, no assurance can be given that our determination would not be challenged, and any such challenge could adversely affect the consequences to any particular holder.

To the extent of the Fund s earnings and profits, the distribution of Rights will be a taxable dividend to the holder of the Existing Preferred Shares. If the amount of the distribution received by the holder exceeds such holder s proportionate share of the Fund s earnings and profits, the excess will reduce the holder s tax basis in the Existing Preferred Shares with respect to which the Rights were issued. To the extent that the excess is greater than the holder s tax basis in the Existing Preferred Shares, such excess will be treated as gain from the sale of the Existing Preferred Shares. If the holder held the Existing Preferred Shares for more than one year, such gain will be treated as long-term capital gain.

A holder s tax basis in the Rights received will equal the fair market value of the Rights on the date of the distribution.

Lapse or Transfer of Rights. A holder who allows the Rights received to expire generally will recognize a short-term capital loss equal to their basis in the Rights. The deductibility of capital losses is subject to a number of limitations under the Code.

The Rights are non-transferable except by operation of law. If a holder disposes of the Rights by operation of law in a transaction that is taxable for U.S. federal income tax purposes, such holder will generally recognize a short-term capital gain or loss equal to the difference between the amount realized on the sale and the holder s tax basis in the Rights.

Exercise of Rights. A holder will not recognize any gain or loss upon the exercise of the Rights received in the Rights offering for cash. The tax basis of the New Preferred Shares acquired through exercise of the Rights will equal the sum of the subscription price for the New Preferred Shares and the holder s tax basis in the Rights as described above. The holding period for the New Preferred Shares acquired through exercise of the Rights will begin on the date of exercise of the Right.

In the event that a holder of Rights elects to satisfy all or a portion of its subscription price through a surrender of Existing Preferred Shares, we intend to treat such surrender as part of a recapitalization under Section 368(a)(1)(E) of the Code. Under that characterization, the surrendering holder would generally not recognize gain or loss with respect to the Existing Preferred Shares surrendered in exchange for New Preferred Shares, except potentially with respect to accrued but unpaid dividends on the Existing Preferred Shares, which may be treated as such. A holder s adjusted tax basis in the New Preferred Shares received upon exercise of the Rights (excluding any shares attributable to accrued but unpaid dividends and taxable as such, the tax basis of which would equal the fair market value of such shares) would equal the holder s tax basis in the Existing Preferred Shares surrendered in exchange therefor plus the holder s tax basis in the exercised Rights (as described above) plus the amount of any cash paid by the holder in respect of the subscription price. A holder s holding period for the portion of the New Preferred Shares attributable to Existing Preferred Shares surrendered in exchange therefor (but not the portion of the New Preferred Shares attributable to accrued but unpaid dividends taxable as such or to the cash portion of the exercise price) would generally include the holding period for such Existing Preferred Shares. Holders should consult their tax advisor regarding the consequences of exercising rights through the surrender of Existing Preferred Shares.

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UNDERWRITING

G.research, LLC, which is a broker-dealer and member of the Financial Industry Regulatory Authority (FINRA) will act as dealer manager for the Rights offering (henceforth, the Dealer Manager). Under the terms and subject to the conditions contained in the Dealer Manager Agreement among the Fund, the Investment Adviser, and the Dealer Manager (the Dealer Manager Agreement), the Dealer Manager will provide financial structuring services and marketing services in connection with the offering and will solicit the exercise of Rights and participation in the over-subscription privilege. The Fund will not pay the Dealer Manager a fee for its financial structuring, marketing and soliciting services.

The Fund and the Investment Adviser have each agreed to indemnify the Dealer Manager or contribute to losses arising out of certain liabilities, including liabilities under the Securities Act. The Dealer Manager Agreement also provides that the Dealer Manager will not be subject to any liability to the Fund in rendering the services contemplated by the Dealer Manager Agreement except for any act of bad faith, willful misconduct or gross negligence of the Dealer Manager or reckless disregard by the Dealer Manager of its obligations and duties under the Dealer Manager Agreement.

In the ordinary course of their businesses, the Dealer Manager and/or its affiliates may engage in investment banking or financial transactions with the Fund, the Investment Adviser and their affiliates.

The Fund will pay the out-of-pocket expenses of the Dealer Manager, including fees and expenses incurred with respect to any filing with and review by FINRA, including the fees and disbursements of counsel to the Dealer Manager, not to exceed $5,000 with respect thereto, and the printing or other production, mailing and delivery expenses incurred in connection with Offering Materials (as defined in the Dealer Manager Agreement), including all reasonable out-of-pocket fees and expenses, if any and not to exceed $1,000, incurred by the Dealer Manager and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the Rights offering to their customers. These reimbursements will not exceed 0.0046% of the total public offering price of the Series C Preferred Shares.

The principal business address of G.research, LLC is One Corporate Center, Rye, New York 10580-1422.

G.research, LLC is a wholly owned subsidiary of Institutional Services Holdings, LLC, which in turn is a wholly owned subsidiary of Associated Capital Group, Inc., an affiliate of the Investment Adviser, which is, in turn, indirectly majority-owned by Mario J. Gabelli. As a result of these relationships, Mr. Gabelli is a controlling person of G.research, LLC.

LEGAL MATTERS

Certain legal matters will be passed on by Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Fund, in connection with this Rights offering and the offering of the New Preferred Shares.

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BASE PROSPECTUS
dated December 15, 2017

$200,000,000

The GDL Fund

Common Shares

Preferred Shares

Notes

Subscription Rights to Purchase Common Shares

Subscription Rights to Purchase Preferred Shares

Subscription Rights to Purchase Common and Preferred Shares

Investment Objective. The GDL Fund (the Fund) is a diversified, closed-end management investment company, formed as a Delaware statutory trust, registered under the Investment Company Act of 1940. The Fund s investment objective is to achieve absolute returns in various market conditions without excessive risk of capital. Absolute returns are defined as positive total returns, regardless of the direction of securities markets. The Fund will seek to achieve its objective by investing, under normal market conditions, primarily in merger arbitrage transactions and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs and liquidations. Gabelli Funds, LLC serves as Investment Adviser to the Fund. An investment in the Fund is not appropriate for all investors. We cannot assure you that the Fund will achieve its objective.

We may offer, from time to time, in one or more offerings, our common and/or fixed rate preferred shares, each with a par value $0.001 per share (together, shares), our promissory notes (notes), and/or our subscription rights to purchase our common and/or fixed rate preferred shares, which we refer to collectively as the securities. Securities may be offered at prices and on terms to be set forth in one or more supplements to this prospectus (this Prospectus and each supplement thereto, a Prospectus Supplement). You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our securities.

Our securities may be offered directly to one or more purchasers, through agents designated from time to time by us, or to or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents or underwriters involved in the sale of our securities, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of preferred shares will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. The Prospectus Supplement relating to any sale of notes will set forth the principal amount, interest rate, interest payment dates, maturities, prepayment protection (if any) and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of common and/or preferred shares issuable upon the exercise of each right and the other terms of such rights offering. We may offer subscription rights for common shares, preferred shares or common and preferred shares. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering of our securities. Our common shares are listed on the New York Stock Exchange (the NYSE) under the symbol GDL and our Series B Preferred shares are listed on the NYSE under the symbol GDL Pr B. On

December 14, 2017, the last reported sale price of our common shares was $9.81. The net asset value of the Fund s common shares at the close of business on December 14, 2017, was $11.48 per share.

Shares of closed-end funds often trade at a discount from net asset value. This creates a risk of loss for an investor purchasing shares in a public offering.

Investing in the Fund s securities involves risks. See Risk Factors and Special Considerations beginning on page 43, Risk Factors and Special Considerations Special Risks to Holders of Common

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Shares beginning on page 65, and Risk Factors and Special Considerations Special Risks of Notes to Holders of Preferred Shares on page 65, for factors that should be considered before investing in securities of the Fund, including risks related to a leveraged capital structure.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This Prospectus may not be used to consummate sales of securities by us through agents, underwriters or dealers unless accompanied by a Prospectus Supplement.

This Prospectus, together with an applicable Prospectus Supplement, sets forth concisely the information about the Fund that a prospective investor should know before investing. You should read this Prospectus, together with an applicable Prospectus Supplement, which contains important information about the Fund, before deciding whether to invest in the securities, and retain it for future reference. A Statement of Additional Information, dated December 15, 2017, containing additional information about the Fund, has been filed with the SEC and is incorporated by reference in its entirety into this Prospectus. You may request a free copy of our annual and semiannual reports, request a free copy of the Statement of Additional Information, the table of contents of which is on page 99 of this Prospectus, or request other information about us and make shareholder inquiries by calling (800) GABELLI (422-3554) or by writing to the Fund. You may also obtain a copy of the Statement of Additional Information (and other information regarding the Fund) from the SEC s website (http://www.sec.gov). Our annual and semiannual reports are also available on our website (www.gabelli.com). The Statement of Additional Information is only updated in connection with an offering and is therefore not available on the Fund s website.

Our securities do not represent a deposit or obligation of, and are not guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency.

You should rely only on the information contained or incorporated by reference in this Prospectus and any applicable Prospectus Supplement. The Fund has not authorized anyone to provide you with different information. The Fund is not making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information contained in this Prospectus and any applicable Prospectus Supplement is accurate as of any date other than the date of this Prospectus or the date of the applicable Prospectus Supplement.

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PROSPECTUS SUMMARY

This is only a summary. This summary may not contain all of the information that you should consider before investing in our securities. You should review the more detailed information contained in this prospectus (this Prospectus), including the section titled Risk Factors and Special Considerations beginning on page 43, the applicable Prospectus Supplement and the Statement of Additional Information, dated December 15, 2017 (the SAI).

The Fund

The GDL Fund is a diversified, closed-end management investment company organized under the laws of the State of Delaware on October 17, 2006. Throughout this prospectus, we refer to The GDL Fund as the Fund or as we. See The Fund.

The Fund s outstanding common shares, par value $0.001 per share, are listed on the New York Stock Exchange (NYSE) under the symbol GDL. On December 14, 2017, the last reported NYSE sale price of our common shares was $9.81. The net asset value of the Fund s common shares at the close of business on December 14, 2017 was $11.48 per share. As of October 31, 2017, the net assets of the Fund attributable to its common shares were $208,356,769. As of October 31, 2017, the Fund had outstanding 17,811,111 common shares. The Fund s outstanding Series B Cumulative Puttable and Callable Preferred Shares, par value $0.001 per share (the Series B Preferred), are listed on the NYSE under the symbol GDL Pr B . As of October 31, 2017, the Fund had outstanding 2,624,025 Series B Preferred at a liquidation value of $50 per share for a total liquidation value of $131,201,250.

The Offering

We may offer, from time to time, in one or more offerings, our common and/or fixed rate preferred shares, $0.001 par value per share, our notes, or our subscription rights to purchase our common or fixed rate preferred shares or both, which we refer to collectively as the securities. The securities may be offered at prices and on terms to be set forth in one or more supplements to this Prospectus (each a Prospectus Supplement). The offering price per common share of the Fund will not be less than the net asset value per common share at the time we make the offering, exclusive of any underwriting commissions or discounts; however, transferable rights offerings that meet certain conditions may be offered at a price below the then current net asset value per common share of the Fund. You should read this Prospectus and the applicable Prospectus Supplement carefully before you invest in our securities. Our securities may be offered directly to one or more purchasers, through agents designated from time to time by us, or through underwriters or dealers. The Prospectus Supplement relating to the offering will identify any agents, underwriters or dealers involved in the sale of our shares, and will set forth any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters, or among our underwriters, or the basis upon which such amount may be calculated. The Prospectus Supplement relating to any sale of

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preferred shares will set forth the liquidation preference and information about the dividend period, dividend rate, any call protection or non-call period and other matters. The Prospectus Supplement relating to any sale of notes will set forth the principal amount, interest rate, interest payment dates, maturities, prepayment protection (if any), and other matters. The Prospectus Supplement relating to any offering of subscription rights will set forth the number of common and/or preferred shares issuable upon the exercise of each right and the other terms of such rights offering.

While the aggregate number and amount of securities we may issue pursuant to this registration statement is limited to $200,000,000 of securities, our Board of Trustees (each member a Trustee, and collectively, the Board) may, without any action by the shareholders, amend our Agreement and Declaration of Trust from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue. We may not sell any of our securities through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the particular offering.

Investment Objective and Policies

The Fund s investment objective is to achieve absolute returns in various market conditions without excessive risk of capital. Absolute returns are defined as positive total returns, regardless of the direction of securities markets. To achieve its investment objective, the Fund, under normal market conditions, will invest primarily in securities of companies (both domestic and foreign) involved in publicly announced mergers, takeovers, tender offers and leveraged buyouts (i.e., merger arbitrage transitions) and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs and liquidations. The key determinants of the profitability of a merger arbitrage transaction are the probability that the deal will close, the length of time to closing, the likelihood that the deal price will be increased or decreased and the level of short term interest rates.

Merger arbitrage is a highly specialized investment approach generally designed to profit from the successful completion of proposed mergers, takeovers, tender offers and leveraged buyouts. Broadly speaking, an investor purchases the stock of a company in the process of being acquired by another company in anticipation of capturing the spread between the current market price and the acquisition price. A stub refers to a small stake in a target company division or subsidiary that is not purchased by an acquirer in a merger, takeover or leveraged buyout. The arbitrageur may buy the stub, and if the acquiring company is successful in boosting the target company s appeal, the shares will benefit from a boost in price and the arbitrageur will profit. A spin-off occurs when an independent company is created from an existing part of another company through a distribution of new shares. An arbitrageur may benefit from the share price differential in the same manner as in traditional merger

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arbitrage if, upon completion of the spin-off, the separate securities trade for more in the aggregate than the former single security. Finally, when a company makes the decision to liquidate, or sell all of its assets, it is often worth more in liquidation than as an ongoing entity. An arbitrageur benefits when the company is able to distribute more than the price at which the stock is trading at the time the arbitrageur acquires its position.

In order to minimize market exposure and volatility of such merger arbitrage strategies, the Fund may utilize hedging strategies, such as short selling and the use of options, futures, swaps, forward foreign exchange contracts and other derivatives. The Fund expects that it will invest in these types of instruments primarily for hedging and risk management purposes. The Fund may also invest in derivative 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. There is no specific limit on the proportion of its assets that the Fund may use to invest in derivatives and conduct short sales in connection with its investments in corporate transactions and reorganizations.

Under normal market conditions, the Fund will invest at least 80% of its assets 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. This policy is not fundamental and may be changed by the Fund with notice of not less than 60 days to its shareholders. Securities in which the Fund may invest include both equity securities (e.g., common stocks and preferred stocks) and fixed-income securities. The Fund may make unlimited investments in securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality, including securities of issuers in default, which are likely to have the lowest rating. However, the Fund does not expect these investments to exceed 10% of its total assets. These securities, which may be preferred shares or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Securities that are rated below Baa by Moody s Investors Service, Inc. (Moody s) or below BBB by Standard & Poor s Ratings Services, a division of The McGraw-Hill Companies, Inc. (S&P), or unrated securities considered by the Investment Adviser to be of comparable quality, are commonly referred to as junk bonds or high yield securities. The Fund may also invest up to 15% of its assets in securities for which there is no readily available trading market or are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(a)(2) of the Securities Act of 1933 (the Securities Act) and securities eligible for resale pursuant to Rule 144A thereunder. Section 4(a)(2) and Rule 144A

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securities may, however, be treated as liquid by the Investment Adviser pursuant to procedures adopted by the Board, which require consideration of factors such as trading activity, availability of market quotations and number of dealers willing to purchase the security.

In applying the Fund s investment policies, Gabelli Funds, LLC (the Investment Adviser) considers normal market conditions to exist when there are a substantial number of corporate transactions or reorganizations that, in the Investment Adviser s judgment, have an attractive investment profile. Depending upon the level of merger activity and other economic and market conditions, and the availability of corporate transactions or reorganizations that, in the Investment Adviser s judgment, have an attractive investment profile, the Fund may invest a substantial portion of its assets in other securities, including money market instruments such as U.S. Treasury bills and other short term obligations of the U.S. Government, its agencies or instrumentalities; shares of one or more money market funds managed by the Investment Adviser or unaffiliated managers; negotiable bank certificates of deposit; prime commercial paper; and repurchase agreements with respect to the above securities. During periods in which a substantial portion of the Fund s assets are invested in other securities, it is less likely that the Fund will achieve its investment objective or an attractive rate of return.

The Fund may invest without limitation in the securities of foreign and domestic issuers. The Fund s investment strategy is to invest in merger arbitrage transactions and corporate reorganizations throughout the world. To the extent that the majority of mergers, takeovers, tender offers and leveraged buyouts and corporate reorganizations are concentrated in any given geographic region, such as Europe, North America or Asia, a relatively high proportion of the Fund s assets may be invested in that particular region.

No assurances can be given that the Fund s objective will be achieved. The Fund is intended for investors seeking long term growth of capital. The Fund is not intended to provide a vehicle for those who wish to play short term swings in the stock market.

Neither the Fund s investment objective nor, except as expressly stated herein, any of its policies are fundamental, and each may be modified by the Board without shareholder approval. The percentage and ratings limitations stated herein and in the SAI apply only at the time of investment and are not considered violated as a result of subsequent changes to the value, or downgrades to the ratings, of the Fund s portfolio investments.

Gabelli Funds, LLC, a New York limited liability company, with offices at One Corporate Center, Rye, New York 10580-1422, serves as investment adviser to the Fund. The Investment Adviser believes that

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blending traditional merger arbitrage for announced deals with strategies that focus on stubs, spin-offs and liquidations will produce absolute returns in excess of short term interest rates with less volatility than the returns typically associated with equity investing. A systematic and disciplined arbitrage program may produce attractive rates of return even in flat or down markets. The Investment Adviser will consider a number of factors in selecting merger arbitrage transactions in which to invest, including, but not limited to, the credibility, strategic motivation, and financial resources of the participants and the liquidity of the securities involved in the transaction.

Preferred Shares

The terms of each series of preferred shares may be fixed by the Board and may materially limit and/or qualify the rights of holders of the Fund s common shares. If the Fund s Board determines that it may be advantageous to the holders of the Fund s common shares for the Fund to utilize additional leverage, the Fund may issue additional series of fixed rate preferred shares. Any fixed rate preferred shares issued by the Fund will pay distributions at a fixed rate. Leverage creates a greater risk of loss as well as a potential for more gains for the common shares than if leverage were not used. See Risk Factors and Special Considerations Special Risk Factors to Holders of Common Shares Leverage Risk. The Fund may also determine in the future to issue other forms of senior securities, such as securities representing debt, subject to the limitations of the Investment Company Act of 1940, as amended (the 1940 Act). The Fund may also engage in investment management techniques which will not be considered senior securities if the Fund establishes a segregated account with cash or other liquid assets or sets aside assets on the accounting records equal to the Fund s obligations in respect of such techniques. The Fund may also borrow money, to the extent permitted by the 1940 Act.

Dividends and Distributions

Preferred Shares Distributions. In accordance with the Fund s Governing Documents (as defined below) and as required by the 1940 Act, all preferred shares of the Fund must have the same seniority with respect to distributions. Accordingly, no complete distribution due for a particular dividend period will be declared or paid on any series of preferred shares of the Fund for any dividend period, or part thereof, unless full cumulative dividends and distributions due through the most recent dividend payment dates for all series of outstanding preferred shares of the Fund are declared and paid. If full cumulative distributions due have not been declared and made on all outstanding preferred shares of the Fund, any distributions on such preferred shares will be made as nearly pro rata as possible in proportion to the respective amounts of distributions accumulated but unmade on each such series of preferred shares on the relevant dividend payment date. As used herein, Governing Documents means the Fund s Agreement and Declaration of Trust and

By-Laws, together with any amendments or supplements thereto, including any Statement of Preferences establishing a series of preferred shares.

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The distributions to the Fund s preferred shareholders for the fiscal year ended December 31, 2016, were comprised of net investment income, short term capital gains and long term capital gains. The Fund s preferred share distributions for the fiscal year ended December 31, 2016 did not include a return of capital. The composition of each distribution is estimated based on the earnings of the Fund as of the record date for each distribution. The actual composition of each year s distributions will be based on the Fund s investment activity through the end of the applicable calendar year.

Distributions on fixed rate preferred shares, at the applicable annual rate of the per share liquidation preference, are cumulative from the original issue date and are payable, when, as and if declared by the Board, out of funds legally available therefor.

Common Shares Distributions. 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. The Fund, however, may make more than one capital gain distribution to avoid paying U.S. federal excise tax. See Taxation in the Prospectus. A portion of each 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. The Fund s distribution policy may be modified from time to time by the Board as it deems appropriate, including in light of market and economic conditions and the Fund s current, expected and historical earnings and investment performance. Common shareholders are expected to be notified of any such modifications by press release or in the Fund s periodic shareholder reports. 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. ***The Fund s annualized distributions may contain a return of capital and should not be considered as the dividend yield or total return of an investment in its common shares. Shareholders who receive the payment of a distribution consisting of a return of capital may be under the impression that they are receiving net profits when they are not. Shareholders should not assume that the source of a distribution from the Fund is net profit.***

In addition, the amount treated as a tax free return of capital will reduce a shareholder s adjusted tax basis in its shares, thereby increasing the shareholder s potential taxable gain or reducing the potential taxable loss on the sale of the shares.

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For the fiscal year ended December 31, 2016, the Fund made distributions of $0.64 per common share, approximately $0.05 of which constituted a return of capital. When the Fund makes distributions consisting of returns of capital, such distributions will further decrease the Fund s total assets and therefore have the likely effect of increasing the Funds expense ratio as the Fund s fixed expenses will become a larger percentage of the Fund s average net assets. In addition, in order to make such distributions, the Fund may have to sell a portion of its investment portfolio at a time when independent judgement may not dictate such action. These effects could have a negative impact on the prices investors receive when they sell shares of the Fund.

Tax Treatment of Preferred Share Distributions

The Fund expects that distributions on the preferred shares may consist of (i) long term capital gain (gain from the sale of a capital asset held longer than 12 months), (ii) qualified dividend income (dividend income from certain domestic and foreign corporations) and (iii) investment company taxable income (other than qualified dividend income), including interest income, short term capital gain, and income from certain hedging and interest rate transactions. The Fund expects that a substantial portion of its income will consist of short term capital gains. For a more detailed discussion, see Taxation.

Indebtedness

Under applicable state law and our Agreement and Declaration of Trust, we may borrow money without prior approval of holders of common and preferred shares. We may issue debt securities, including notes, or other evidence of indebtedness and may secure any such notes or borrowings by mortgaging, pledging or otherwise subjecting as security our assets to the extent permitted by the 1940 Act or rating agency guidelines. Any borrowings, including without limitation any notes, will rank senior to the preferred shares and the common shares. The Prospectus Supplement will describe the interest payment provisions relating to notes. Interest on notes will be payable when due as described in the related Prospectus Supplement. If we do not pay interest when due, it will trigger an event of default and we will be restricted from declaring dividends and making other distributions with respect to our common shares and preferred shares.

Use of Proceeds

The Fund will use the net proceeds from the offering to purchase portfolio securities in accordance with its Investment Objective and Policies. The Investment Adviser anticipates that the investment of the proceeds will be made as appropriate investment opportunities are identified, which is expected to substantially be completed within three months; however, changes in market conditions could result in the Fund s anticipated investment period extending to as long as six months. Depending on market conditions and operations, a portion of the proceeds to be identified in any relevant Prospectus Supplement may be used to pay distributions in accordance with the Fund s distribution policy. See Use of Proceeds in the Prospectus.

The Fund may also use the net proceeds from the offering to call, redeem or repurchase shares of its Series B Preferred. The Series B Preferred pay quarterly distributions in March, June, September, and December of each year. On May 15, 2017, preferred shareholders approved an amendment to the Fund s Statement of Preferences for the Series B Cumulative Puttable and Callable Preferred Shares (the Series B Preferred Statement of Preferences), extending the mandatory redemption date for the Series B Preferred from March 26, 2018 to March 26, 2020, and adding March 26, 2018 as a date upon which the Fund will redeem all or any part of the Series B Preferred that holders have properly submitted for redemption and not withdrawn during the 30-day period prior to March 26, 2018 (the Put Right Date), at the liquidation preference of $50.00 per share, plus any accumulated and unpaid dividends. All other terms of the Series B Preferred remain unchanged and the annual dividend rate of 3.00% on the Series B Preferred remains unchanged for all dividend periods through the new mandatory redemption date of March 26, 2020.

Exchange Listing

The Fund s outstanding common shares have been listed and traded on the NYSE under the trading or ticker symbol GDL and our Series B Preferred shares are listed on the NYSE under the symbol GDL Pr B. See Description of the Securities. The Fund s common shares have historically traded at a discount to the Fund s net asset value. Since the Fund commenced trading on the NYSE, the Fund s common shares have traded at a discount to net asset value as high as 29.06% and a premium as high as 9.74%. Any additional series of fixed rate preferred shares or subscription rights issued in the future pursuant to a Prospectus Supplement by the Fund would also likely be listed on the NYSE.

Risk Factors and Special Considerations

Risk is inherent in all investing. Therefore, before investing in the Fund s shares, you should consider the risks carefully.

A summary of certain risks associated with an investment in the Fund is set forth below. It is not complete and you should read and consider carefully the more detailed list of risks described in Risk Factors and Special Considerations in the Prospectus.

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 shareholders when distributed by the Fund.

See Risk Factors and Special Considerations General Risks Merger Arbitrage Risk in the Prospectus.

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Foreign Securities Risk. Investing in securities of foreign companies, which are generally denominated in foreign currencies, may involve certain risks and opportunities not typically associated with investing in domestic companies. Foreign companies generally are not subject to the same accounting, auditing, and financial standards and requirements as those applicable to U.S. companies.

Investing in securities of companies in emerging markets may entail special risks relating to potential political and economic instability and the risks of expropriation, nationalization, confiscation or the imposition of restrictions on foreign investment, the lack of hedging instruments and restrictions on repatriation of capital invested. Emerging securities markets are substantially smaller, less developed, less liquid and more volatile than the major securities markets. The limited size of emerging securities markets and limited trading volume compared to the volume of trading in U.S. securities could cause prices to be erratic for reasons apart from factors that affect the quality of the securities. For example, limited market size may cause prices to be unduly influenced by traders who control large positions. Adverse publicity and investors perceptions, whether or not based on fundamental analysis, may decrease the value and liquidity of portfolio securities, especially in these markets. Many emerging market countries have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates and corresponding currency devaluations have had and may continue to have negative effects on the economies and securities markets of certain emerging market countries.

The Fund may invest in companies whose securities are denominated or quoted in currencies other than U.S. dollars or have significant operations or markets outside of the United States. In such instances, the Fund will be exposed to currency risk, including the risk of fluctuations in the exchange rate between U.S. dollars (in which the Fund s shares are denominated) and such foreign currencies, the risk of currency devaluations and the risks of non-exchangeability and blockage. As non-U.S. securities may be purchased with and payable in currencies of countries other than the U.S. dollar, the value of these assets measured in U.S. dollars may be affected favorably or unfavorably by changes in currency rates and exchange control regulations. Fluctuations in currency rates may adversely affect the ability of the Investment Adviser to acquire such securities at advantageous prices and may also adversely affect the performance of such assets.

For more details on certain pronounced risks with foreign investing see Risk Factors and Special Considerations General Risks Foreign Securities Risk in the Prospectus.

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Equity Risk. A principal risk of investing in the Fund is equity risk, which is the risk that the securities held by the Fund will fall in market value due to adverse market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate and the particular circumstances and performance of particular companies whose securities the Fund holds. An investment in the Fund represents an indirect investment in the securities owned by the Fund, which are for the most part traded on securities exchanges or in the over-the-counter markets. The market value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The net asset value of the Fund may at any point in time be less than the net asset value of the Fund at the time the shareholder invested in the Fund, even after taking into account any reinvestment of distributions. See Risk Factors and Special Considerations General Risks Equity Risk in the Prospectus.

Special Risks Related to Investing in Preferred Shares. Special risks associated with the Fund investing in preferred shares include deferral of distributions or dividend payments, in some cases the right of an issuer never to pay missed dividends, subordination to debt and other liabilities, illiquidity, limited voting rights and redemption by the issuer. Because the Fund has no limit on its investment in non-cumulative preferred shares, the amount of dividends the Fund pays may be adversely affected if an issuer of non-cumulative preferred shares held by the Fund determines not to pay dividends on such shares. There is no assurance that dividends or distributions on preferred shares in which the Fund invests will be declared or otherwise made payable. See Risk Factors and Special Considerations General Risks Special Risks Related to Investing in Preferred Shares in the Prospectus.

Fixed Income Securities Risks. Fixed income securities in which the Fund may invest are generally subject to the following risks:

Interest Rate Risk. The market value of bonds and other fixed-income or dividend paying securities changes in response to interest rate changes and other factors. Interest rate risk is the risk that prices of bonds and other income or dividend paying securities will increase as interest rates fall and decrease as interest rates rise. The risks associated with rising interest rates are heightened given the historically low interest rate environment as of the date of this prospectus. The Federal Reserve has begun to raise the Federal Funds rate, and each increase results in more pronounced interest rate risk in the current market environment.

Issuer Risk. Issuer risk is the risk that the value of an income or dividend paying security may decline for a number of reasons which directly relate to the issuer, such as management

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performance, financial leverage, reduced demand for the issuer s goods and services, historical and prospective earnings of the issuer, and the value of the assets of the issuer.

Credit Risk. Credit risk is the risk that one or more income or dividend paying securities in the Fund s portfolio will decline in price or fail to pay interest/distributions or principal when due because the issuer of the security experiences a decline in its financial status. Credit risk is increased when a portfolio security is downgraded or the perceived creditworthiness of the issuer deteriorates.

Prepayment Risk. Prepayment risk is the risk that during periods of declining interest rates, borrowers may exercise their option to prepay principal earlier than scheduled. For income or dividend paying securities, such payments often occur during periods of declining interest rates, forcing the Fund to reinvest in lower yielding securities, resulting in a possible decline in the Fund s income and distributions to shareholders.

Reinvestment Risk. Reinvestment risk is the risk that income from the Fund s portfolio will decline if the Fund invests the proceeds from matured, traded or called fixed income securities at market interest rates that are below the Fund portfolio s current earnings rate.

Duration and Maturity Risk. The Fund may incur costs in seeking to adjust the portfolio average duration or maturity. In comparison to maturity (which is the date on which the issuer of a debt instrument is obligated to repay the principal amount), duration is a measure of the price volatility of a debt instrument as a result in changes in market rates of interest, based on the weighted average timing of the instrument s expected principal and interest payments. Specifically, duration measures the anticipated percentage change in net asset value (NAV) that is expected for every percentage point change in interest rates. The two have an inverse relationship. Duration can be a useful tool to estimate anticipated price changes to a fixed pool of income securities associated with changes in interest rates. Duration differs from maturity in that it takes into account a security s yield, coupon payments and its principal payments in addition to the amount of time until the security matures. As the value of a security changes over time, so will its duration. There can be no assurance that the Investment Adviser s assessment of current and projected market conditions will be correct or that any strategy to adjust duration or maturity will be successful at any given time.

See Risk Factors and Special Considerations General Risks Fixed Income Securities Risk in the Prospectus.

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Non-Investment Grade Securities. The Fund may invest in securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality. The prices of these lower grade securities are more sensitive to negative developments, such as a decline in the issuer s revenues or a general economic downturn, than are the prices of higher grade securities. Securities of below investment grade quality those securities rated below Baa by Moody s or below BBB by S&P (or unrated securities to comparable quality) are predominantly speculative with respect to the issuer s capacity to pay interest and repay principal when due and therefore involve a greater risk of default and are commonly referred to as junk bonds or high yield securities.

As part of its investment in lower grade securities, the Fund may invest in securities of issuers in default. The Fund will make an investment in securities of issuers in default only when the Investment Adviser believes that such issuers will honor their obligations or emerge from bankruptcy protection under a plan pursuant to which the securities received by the Fund in exchange for its defaulted securities will have a value in excess of the Fund s investment. By investing in securities of issuers in default, the Fund bears the risk that these issuers will not continue to honor their obligations or emerge from bankruptcy protection or that the value of the securities will not otherwise appreciate.

See Risk Factors and Special Considerations General Risks Non-Investment Grade Securities in the Prospectus.

U.S. Government Securities Risk and Credit Rating Downgrade Risk. The Fund may invest in direct obligations of the government of the United States or its agencies. Obligations issued or guaranteed by the U.S. government, its agencies, authorities and instrumentalities and backed by the full faith and credit of the U.S. guarantee only that principal and interest will be timely paid to holders of the securities. These entities do not guarantee that the value of such obligations will increase, and, in fact, the market values of such obligations may fluctuate. In addition, not all U.S. government securities are backed by the full faith and credit of the United States; some are the obligation solely of the entity through which they are issued. There is no guarantee that the U.S. government would provide financial support to its agencies and instrumentalities if not required to do so by law. The events surrounding negotiations regarding the U.S. federal government debt ceiling and deficit reduction could adversely affect the Fund s ability to achieve its investment objective. In 2011, S&P lowered its long term sovereign credit rating on the U.S. to AA+ from AAA. The downgrade by S&P increased volatility in both stock and bond markets, resulting in higher interest rates and higher Treasury yields, and increased the costs of all kinds of debt.

Repeat occurrences of similar events could have significant adverse effects on the U.S. economy generally and could result in significant adverse impacts on issuers of securities held by the Fund itself. The Investment Adviser cannot predict the effects of similar events in the future on the U.S. economy and securities markets or on the Fund s portfolio. The Investment Adviser monitors developments and seeks to manage the Fund s portfolio in a manner consistent with achieving the Fund s investment objective, but there can be no assurance that it will be successful in doing so and the Investment Adviser may not timely anticipate or manage existing, new or additional risks, contingencies or developments. See Risk Factors and Special Considerations General Risks U.S. Government Securities and Credit Rating Downgrade Risk in the Prospectus.

Derivative Transactions. The Fund may participate in certain derivative transactions. Such transactions entail certain execution, market, liquidity, counterparty, correlation, volatility, hedging and tax risks. Participation in the options or futures markets and in currency exchange transactions involves investment risks and transaction costs to which the Fund would not be subject absent the use of these strategies. If the Investment Adviser s prediction of movements in the direction of the securities, foreign currency or interest rate markets is inaccurate, the consequences to the Fund may leave the Fund in a worse position than if it had not used such strategies. See Risk Factors and Special Considerations General Risks Special Risks Related to Investment in Derivatives in the Prospectus.

Leverage Risk. The Fund currently uses financial leverage for investment purposes by issuing preferred shares and is also permitted to use other types of financial leverage, such as through the issuance of debt securities or additional preferred shares and borrowing from financial institutions. As provided in the 1940 Act and subject to certain exceptions, the Fund may issue additional senior securities (which may be stock, such as preferred shares, and/or securities representing debt) only if immediately after such issuance the value of the Fund s total assets, less certain ordinary course liabilities, exceeds 300% of the amount of the debt outstanding and exceeds 200% of the amount of preferred shares and debt outstanding. As of December 31, 2016, the amount of leverage represented approximately 32% of the Fund s assets.

The Fund s leveraged capital structure creates special risks not associated with unleveraged funds having a similar investment objective and policies. These include the possibility of greater loss and the likelihood of higher volatility of the net asset value of the Fund and the asset coverage for the preferred shares. Such volatility may increase the likelihood of the Fund having to sell investments in order to meet its obligations to make distributions on the preferred shares or principal or interest payments on debt securities, or to redeem preferred shares or repay debt, when it may be

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disadvantageous to do so. The Fund s use of leverage may require it to sell portfolio investments at inopportune times in order to raise cash to redeem preferred shares or otherwise de-leverage so as to maintain required asset coverage amounts or comply with the mandatory redemption terms of any outstanding preferred shares. The use of leverage magnifies both the favorable and unfavorable effects of price movements in the investments made by the Fund. To the extent that the Fund employs leverage in its investment operations, the Fund is subject to substantial risk of loss. The Fund cannot assure you that borrowings or the issuance of notes or preferred shares will result in a higher yield or return to the holders of the common shares. Also, since the Fund utilizes leverage, a decline in net asset value could affect the ability of the Fund to make common share distributions and such a failure to make distributions could result in the Fund ceasing to qualify as a regulated investment company (a RIC) under the Internal Revenue Code of 1986, as amended (the Code).

Additionally, preferred shareholders approved a proposal to extend the mandatory redemption date for the Series B Preferred and to add a new Put Right Date for the Series B Preferred at the Fund s 2017 Annual Meeting of Shareholders. As such, the Fund s existing preferred share leverage may remain outstanding for an additional two years, which may continue to expose the Fund and the common shareholders to the risks of leveraged investing for an additional two years regardless of any additional issuances of preferred shares or notes pursuant to this prospectus, or the incurrence of any debt in the form of bank borrowings.

Any decline in the net asset value of the Fund s investments would be borne entirely by the holders of common shares. Therefore, if the market value of the Fund s portfolio declines, the leverage will result in a greater decrease in net asset value to the holders of common shares than if the Fund were not leveraged. This greater net asset value decrease will also tend to cause a greater decline in the market price for the common shares. The Fund might be in danger of failing to maintain the required asset coverage of its borrowings, notes or preferred shares or of losing its ratings on its notes or preferred shares or, in an extreme case, the Fund s current investment income might not be sufficient to meet the distribution or interest requirements on the borrowings, preferred shares or notes. In order to counteract such an event, the Fund might need to liquidate investments in order to fund redemption or repayment of some or all of the borrowings, preferred shares or notes.

The issuance of preferred shares or notes causes the net asset value and market value of the common shares to become more volatile. If the interest rate on the notes or the dividend rate on the preferred shares approaches the net rate of return on the Fund s investment portfolio, the benefit of leverage to the holders of the common shares

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would be reduced. If the interest rates on the notes or the dividend rate on the preferred shares plus the Fund s management fee rate exceeds the net rate of return on the Fund s portfolio, the leverage will result in a lower rate of return to the holders of common shares than if the Fund had not issued preferred shares or notes.

In addition, the Fund pays (and the holders of common shares bear) all costs and expenses relating to the issuance and ongoing maintenance of the preferred shares or notes, including any distributions on any preferred shares and interest payments on any notes, as well as any additional advisory fees on the incremental assets attributable to such preferred shares or notes. Holders of preferred shares and notes may have different interests than holders of common shares and at times may have disproportionate influence over the Fund s affairs. As provided in the 1940 Act and subject to certain exceptions, the Fund may issue senior securities (which may be stock, such as preferred shares, and/or securities representing debt, such as notes) only if immediately after such issuance the value of the Fund s total assets, less certain ordinary course liabilities, exceeds 300% of the amount of the debt outstanding and exceeds 200% of the amount of preferred shares and debt outstanding, which is referred to as the asset coverage required by the 1940 Act. In the event the Fund fails to maintain an asset coverage of 100% for any notes outstanding for certain periods of time, the 1940 Act requires that either an event of default be declared or that the holders of such notes have the right to elect a majority of the Fund s trustees (the Trustees) until asset coverage recovers to 110%. In addition, holders of preferred shares, voting separately as a single class, have the right to elect two members of the Board at all times and in the event dividends become in arrears for two full years would have the right (subject to the rights of noteholders) to elect a majority of the Trustees until the arrearage is completely eliminated. In addition, preferred shareholders have class voting rights on certain matters, including changes in fundamental investment restrictions and conversion of the Fund to open-end status, and accordingly can veto any such changes. See Risk Factors and Special Considerations Special Risks to Holders of Common Shares Leverage Risk and Description of the Securities Preferred Shares Asset Maintenance Requirements and Description of the Securities Notes Limitations in the Prospectus.

Market Discount Risk. The Fund is a diversified, closed-end management investment company. Whether investors will realize gains or losses upon the sale of additional securities of the Fund will depend upon the market price of the securities at the time of sale, which may be less or more than the Fund s net asset value per share or the liquidation value of any Fund preferred shares issued. The Fund cannot predict whether any such securities will trade at, below or above net asset value or at, below or above their public offering price. The risk of a market price discount from net asset value is

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separate and in addition to the risk that net asset value itself may decline. The Fund s securities are designed primarily for long term investors, and investors in the shares should not view the Fund as a vehicle for trading purposes. See Risk Factors and Special Considerations General Risks Market Discount Risk in the Prospectus.

Special Risks to Holders of Fixed Rate Preferred Shares. In the event any additional series of fixed rate preferred shares are issued and such shares are intended to be listed on an exchange, prior application will have been made to list such shares on an exchange. Prior to the offering of any additional series of fixed rate preferred shares, there will be no public market for such shares. During an initial period, not expected to exceed 30 days after the date of initial issuance, such shares may not be listed on any securities exchange. During such period, the underwriters may make a market in such shares, although they will have no obligation to do so. Consequently, an investment in such shares may be illiquid during such period. Fixed rate preferred shares may trade at a premium to or discount from liquidation preference for a variety of reasons, including changes in interest rates. See Risk Factors and Special Considerations Special Risks to Holders of Fixed Rate Preferred Shares in the Prospectus.

Special Risks to Holders of Notes. An investment in our notes is subject to special risks. Our notes are not likely to be listed on an exchange or automated quotation system. We cannot assure you that any market will exist for our notes or if a market does exist, whether it will provide holders with liquidity. Broker-dealers that maintain a secondary trading market for the notes are not required to maintain this market, and the Fund is not required to redeem notes if an attempted secondary market sale fails because of a lack of buyers. To the extent that our notes trade, they may trade at a price either higher or lower than their principal amount depending on interest rates, the rating (if any) on such notes and other factors. See Risk Factors and Special Considerations Special Risks to Holders of Notes in the Prospectus.

Special Risks of Notes to Holders of Preferred Shares. As provided in the 1940 Act, and subject to compliance with the Fund s investment limitations, the Fund may issue notes. In the event the Fund were to issue such securities, the Fund s obligations to pay dividends or make distributions and, upon liquidation of the Fund, liquidation payments in respect of its preferred shares would be subordinate to the Fund s obligations to make any principal and interest payments due and owing with respect to its outstanding notes. Accordingly, the Fund s issuance of notes would have the effect of creating special risks for the Fund s preferred shareholders that would not be present in a capital structure that did not include such securities. See Risk Factors and Special

Considerations   Special Risks of Notes to Holders of Preferred Shares   in the Prospectus.

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Special Risk to Holders of Subscription Rights. There is a risk that changes in market conditions may result in the underlying common or preferred shares purchasable upon exercise of the subscription rights being less attractive to investors at the conclusion of the subscription period. This may reduce or eliminate the value of the subscription rights. Investors who receive subscription rights may find that there is no market to sell rights they do not wish to exercise. If investors exercise only a portion of the rights, the number of common or preferred shares issued may be reduced, and the common or preferred shares may trade at less favorable prices than larger offerings for similar securities. See Risk Factors and Special Considerations Special Risk to Holders of Subscription Rights in the Prospectus.

Common Share Repurchases. Repurchases of common shares by the Fund may reduce the net asset coverage of the notes and preferred shares, which could adversely affect their liquidity or market prices. See Risk Factors and Special Considerations Special Risks to Holders of Notes and Preferred Shares Common Share Repurchases in the Prospectus.

Common Share Distribution Policy. In the event the Fund does not generate a total return from dividends and interest received and net realized capital gains in an amount at least equal to its distributions for a given year, the Fund may return capital as part of its distributions on common shares. This would decrease the asset coverage per share with respect to the Fund s notes or preferred shares, which could adversely affect their liquidity or market prices. See Risk Factors and Special Considerations Special Risks to Holders of Notes and Preferred Shares Common Share Distribution Policy in the Prospectus.

Credit Quality Ratings. The Fund may obtain credit quality ratings for its preferred shares or notes; however, it is not required to do so and may issue preferred shares or notes without any rating. If rated, the Fund does not impose any minimum rating necessary to issue such preferred shares or notes. In order to obtain and maintain attractive credit quality ratings for preferred shares or borrowings, if desired, the Fund s portfolio must satisfy over-collateralization tests established by the relevant rating agencies. These tests are more difficult to satisfy to the extent the Fund s portfolio securities are of lower credit quality, longer maturity or not diversified by issuer and industry. These guidelines could affect portfolio decisions and may be more stringent than those imposed by the 1940 Act. A rating (if any) by a rating agency does not eliminate or necessarily mitigate the risks of investing in our preferred shares or notes, and a rating may not fully or accurately reflect all of the securities credit risks. A rating (if any) does not address liquidity or any other market risks of the securities being rated. A rating agency could downgrade the rating of our notes or preferred shares, which may make such securities less liquid in the secondary market. If a rating agency downgrades the

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rating assigned to notes or preferred shares, we may alter our portfolio or redeem the preferred securities or notes under certain circumstances. See Risk Factors and Special Considerations Special Risks to Holders of Notes and Preferred Shares Credit Quality Ratings in the Prospectus.

Dilution. Shareholders who do not exercise their subscription rights may, at the completion of such an offering, own a smaller proportional interest in the Fund than if they exercised their subscription rights. As a result of such an offering, a shareholder may experience dilution in net asset value per share if the subscription price per share is below the net asset value per share on the expiration date. If the subscription price per share is below the net asset value per share of the Fund s shares on the expiration date, a shareholder will experience an immediate dilution of the aggregate net asset value of such shareholder s shares if the shareholder does not participate in such an offering and the shareholder will experience a reduction in the net asset value per share of such shareholder s shares whether or not the shareholder participates in such an offering. The Fund cannot state precisely the extent of this dilution (if any) if the shareholder does not exercise such shareholder s subscription rights because the Fund does not know what the net asset value per share will be when the offer expires or what proportion of the subscription rights will be exercised.

Long Term Objective; Not a Complete Investment Program. The Fund is intended for investors seeking long term growth of capital. The Fund is not meant to provide a vehicle for those who wish to play short term swings in the stock market. An investment in shares of the Fund should not be considered a complete investment program. Each shareholder should take into account the Fund s investment objective as well as the shareholder s other investments when considering an investment in the Fund. See Risk Factors and Special Considerations General Risks Long Term Objective; Not a Complete Investment Program in the Prospectus.

Management Risk. The Fund is subject to management risk because it is an actively managed portfolio. The Investment Adviser will apply investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these will produce the desired results. See Risk Factors and Special Considerations General Risks Management Risk in the Prospectus.

Dependence on Key Personnel. The Investment Adviser is dependent upon the expertise of Mr. Mario J. Gabelli in providing advisory services with respect to the Fund s investments. If the Investment Adviser were to lose the services of Mr. Gabelli, its ability to service the Fund could be adversely affected. There can be no assurance that a suitable replacement could be found for Mr. Gabelli in the event of his death, resignation, retirement or inability to act on behalf of the Investment Adviser. See Risk Factors and Special Considerations General Risks Dependence on Key Personnel in the Prospectus.

Market Disruption and Geopolitical Risk. Events of recent years, such as the aftermath of the war in Iraq, instability in Afghanistan, Pakistan, Egypt, Libya, Syria, Russia, Ukraine and the Middle East, ongoing epidemics of infectious diseases in certain parts of the world, terrorist attacks in the U.S. and around the world, social and political discord, debt crises (such as the Greek crisis), sovereign debt downgrades, continued tensions between North Korea and the United States and the international community generally, new and continued political unrest in various countries, such as Venezuela, the exit or potential exit of one or more countries from the European Union (EU) or the European Monetary Union (EMU), the change in the U.S. president and the new administration, among others, may result in market volatility, may have long term effects on the United States and worldwide financial markets, and may cause further economic uncertainties in the United States and worldwide.

As a consequence of the United Kingdom s vote to withdraw from the EU, the government of the United Kingdom gave notice of its withdrawal from the EU (BREXIT). As a result of this decision, the financial markets experienced high levels of volatility and it is likely that, in the near term, BREXIT will continue to bring about higher levels of uncertainty and volatility. During this period of uncertainty, the negative impact on not only the United Kingdom and European economies, but the broader global economy, could be significant, potentially resulting in increased volatility and illiquidity and lower economic growth for companies that rely significantly on Europe for their business activities and revenues. It is possible that certain economic activity will be curtailed until some signs of clarity begin to emerge, including negotiations around the terms for United Kingdom s exit out of the EU. Any further exits from the EU, or the possibility of such exits, would likely cause additional market disruption globally and introduce new legal and regulatory uncertainties.

The value and risk profile of the Fund s portfolio could be adversely impacted by the events above. The Fund does not know how long the securities markets may be affected by similar events and cannot predict the effects of similar events in the future on the U.S. economy and securities markets. There can be no assurance that similar events and other market disruptions will not have other material and adverse implications. See Risk Factors and Special Considerations General Risks Market Disruption and Geopolitical Risk in the Prospectus.

Economic Events and Market Risk. Periods of market volatility remain, and may continue to occur in the future, in response to various political, social and economic events both within and outside

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of the United States. These conditions have resulted in, and in many cases continue to result in, greater price volatility, less liquidity, widening credit spreads and a lack of price transparency, with many securities remaining illiquid and of uncertain value. Such market conditions may make valuation of some of the Fund s securities uncertain and/or result in sudden and significant valuation increases or declines in its holdings. If there is a significant decline in the value of the Fund s portfolio, this may impact the asset coverage levels for the Fund s outstanding leverage.

Risks resulting from any future debt or other economic crisis could also have a detrimental impact on the global economic recovery, the financial condition of financial institutions and our business, financial condition and results of operation. Downgrades to the credit ratings of major banks could result in increased borrowing costs for such banks and negatively affect the broader economy. Moreover, Federal Reserve policy, including with respect to certain interest rates, may also adversely affect the value, volatility and liquidity of dividend- and interest-paying securities. Market volatility, rising interest rates and/or a return to unfavorable economic conditions could impair the Fund s ability to achieve its investment objective.

See Risk Factors and Special Considerations General Risks Economic Events and Market Risk in the Prospectus.

Government Intervention in Financial Markets Risk. The U.S. government and certain foreign governments have in the past taken actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity, including through direct purchases of equity and debt securities. Federal, state, and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the issuers in which the Fund invests, or the issuers of such securities, in ways that are unforeseeable. Legislation or regulation may also change the way in which the Fund is regulated. Such legislation or regulation could limit or preclude the Fund s ability to achieve its investment objective. See Risk Factors and Special Considerations General Risks Government Intervention in Financial Markets Risk in the Prospectus.

Status as a Regulated Investment Company. The Fund has elected to qualify as a RIC under Subchapter M of the Code. Qualification requires, among other things, compliance by the Fund with certain distribution requirements. Statutory limitations on distributions on the common shares if the Fund fails to satisfy the 1940 Act s asset coverage requirements could jeopardize the Fund s ability to meet such distribution requirements. While the Fund presently intends to purchase or redeem notes or preferred shares, if any, to the extent necessary in order to maintain compliance with such asset coverage

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requirements, there can be no assurance that such actions can be effected in time to meet the Code s requirements. See Risk Factors and Special Considerations General Risks Status as a Regulated Investment Company in the Prospectus. See Taxation in the Prospectus for a more complete discussion of these and other U.S. federal income tax considerations.

Anti-Takeover Provisions. The Fund s Governing Documents (as defined herein) include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end fund. See Anti-Takeover Provisions of the Fund s Governing Documents in the Prospectus.

Management and Fees

Gabelli Funds, LLC serves as the Fund s Investment Adviser and its fee is calculated on the basis of the Fund s managed assets, which includes 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. The fee may be higher when leverage is utilized, giving the Investment Adviser an incentive to utilize such leverage. The base rate is an annual rate of 0.50% of the Fund s average weekly managed assets payable monthly in arrears. In addition, the Investment Adviser will be entitled to receive an annual performance fee as of the end of each calendar year if the total return of the Fund on its common shares during the calendar year in question exceeds the total return of an index of three-month U.S. Treasury bills (the T-Bill Index) during the same period. If the Fund s total return for the calendar year equals the total return of the T-Bill Index for the same period plus 3.0 percentage points (300 basis points), the Investment Adviser will receive a performance fee of 0.75% of the Fund s average weekly managed assets during the calendar year measurement period for the Fund s fulcrum fee. This performance fee will be increased by 0.01 percentage point (one basis point) for each 0.04 percentage point (four basis points) by which the Fund s total return during the period exceeds the T-Bill Index total return plus 3.0 percentage points (300 basis points), up to a maximum performance fee of 1.50% if the excess performance over the T-Bill Index is 6.0 percentage points (600 basis points) or greater and will be decreased at the same rate for the amount by which the Fund s total return during the period is less than the T-Bill Index total return plus 3.0 percentage points (300 basis points), until no performance fee is payable if the Fund s total return is less than or equal to the T-Bill Index total return. See Management of the Fund in the Prospectus.

Under the performance fee arrangement, the annual rate of the total fees paid to the Investment Adviser can range from 0.50% to 2.00% of the Fund s average weekly managed assets.

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Because the investment advisory fees are based on a percentage of managed assets, which includes assets attributable to the Fund s use of leverage, the Investment Adviser may have a conflict of interest in the input it provides to the Board regarding whether to use or increase the Fund s use of leverage. The Board bases its decision, with input from the Investment Adviser, regarding whether and how much leverage to use for the Fund on its assessment of whether such use of leverage is in the best interests of the Fund, and the Board seeks to manage the Investment Adviser s potential conflict of interest by retaining the final decision on these matters and by periodically reviewing the Fund s performance and use of leverage.

Total Investment Advisory Fee Rate

(as a percentage of average weekly managed assets)

T-Bill Index	The Fund s Total Return												
Total Return	**0% or less**	**1%**	**2%**	**3%**	**4%**	**5%**	**6%**	**7%**	**8%**	**9%**	**10%**	**11%**	**12%**
0%	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	2.00	2.00
1%	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00	2.00
2%	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00	2.00	2.00	2.00
3%	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00	2.00	2.00
4%	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00	2.00
5%	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.00
6%	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75	2.00

Repurchase of Common Shares

The Fund s Board has authorized the Fund to consider the repurchase of its common shares in the open market when the common shares are trading at a discount of 7.5% or more from net asset value (or such other percentage as the Board may determine from time to time). Although the Board has authorized such repurchases, the Fund is not required to repurchase its common shares. In total through September 30, 2017, the Fund has repurchased and retired 421,958 common shares in the open market at an average investment of $4,230,895 and at an average discount of approximately 15.34% from the Fund s net asset value. Such repurchases are subject to certain notice and other requirements under the 1940 Act. See Repurchase of Common Shares in the Prospectus.

Anti-Takeover Provisions

Certain provisions of the Fund s Governing Documents may be regarded as anti-takeover provisions. Pursuant to these provisions, only one of three classes of trustees is elected each year; super-majority voting requirements apply to the authorization of the conversion of the Fund from a closed-end to an open-end investment company or to the authorization of certain transactions between the Fund and a beneficial owner of more than 5% of any class of the Fund s capital stock; advance notice to the Fund of any shareholder proposal is required; and any shareholder proposing the nomination or election of a person as a Trustee must supply significant amounts of information designed to enable verification of whether such person

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	satisfies the qualifications required of potential nominees to the Board. The overall effect of these provisions is to render more difficult the accomplishment of a merger with, or the assumption of control by, a principal shareholder. These provisions may have the effect of depriving the Fund s common shareholders of an opportunity to sell their shares at a premium to the prevailing market price. The issuance of preferred shares could make it more difficult for the holders of common shares to avoid the effect of these provisions. See Anti-Takeover Provisions of the Fund s Governing Documents in the Prospectus.
Custodian	The Bank of New York Mellon, located at 135 Santilli Highway, Everett, Massachusetts 02149, serves as the custodian (the Custodian) of the Fund s assets pursuant to a custody agreement. Under the custody agreement, the Custodian holds the Fund s assets in compliance with the 1940 Act. For its services, the Custodian receives a monthly fee paid by the Fund based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions and out-of-pocket expenses.
Transfer Agent and Dividend Disbursing Agent	American Stock Transfer & Trust Company, located at 59 Maiden Lane, New York, New York 10038, serves as the Fund s dividend disbursing agent, as agent under the Fund s automatic dividend reinvestment and voluntary cash purchase plan, and as transfer agent and registrar with respect to the Series B Preferred and the common shares of the Fund.

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SUMMARY OF FUND EXPENSES

The following table shows the Fund s expenses, including preferred shares offering expenses, as a percentage of net assets attributable to common shares. All expenses of the Fund are borne, directly or indirectly, by the common shareholders. The purpose of the table and example below is to help you understand all fees and expenses that you, as a holder of Common Shares, would bear directly or indirectly.

Shareholder Transaction Expenses	
Sales Load (as a percentage of offering price)	1.86%(1)
Offering Expenses Borne by the Fund (excluding Preferred Shares Offering Expenses) (as a percentage of offering price)	0.61%(1)
Dividend Reinvestment and Cash Purchase Plan Fees	
Sale Transactions	$ 1.00(2)
Preferred Shares Offering Expenses Borne by the Fund (as a percentage of net assets attributable to common shares)	0.11%(3)

	Percentage of Net Assets Attributable to Common Shares
Annual Expenses (as a percentage of net assets attributable to common shares)	
Management Fees	1.31%(4)(5)
Base Fee	0.82%
Performance Fee	0.49%(5)
Interest Expense	1.19%(6)
Other Expenses	0.24%(7)
Total Annual Expenses	2.74%
Dividends on Preferred Shares	1.27%(8)
Total Annual Expenses and Dividends on Preferred Shares	4.01%

(1) Estimated maximum amount based on offering of $120 million in common shares and $80 million in preferred shares. The estimates assume a 1.00% sales load on common shares and $730,800 in common offering expenses, and 3.15% sales load on preferred shares and $370,200 in preferred offering expenses. The total sales load was estimated by adding together the dollar amount of the estimated sales loads on the estimated common and preferred share offerings, and dividing by the total maximum offering price of securities that may be sold pursuant to this registration statement. Sales load on preferred shares is an expense borne by the Fund and indirectly by the holders of its common shares. This estimated expense, which amounts to $2,520,000, based on the estimated preferred share offering amount of $80 million, is reflected in the expense example following this table, and reflects an expense to common shareholders that is estimated to equal 0.76% of net assets attributable

to common shares, assuming net assets attributable to common shares of approximately $330.4 million (which includes issuance of $120 million in common shares). Actual sales loads and offering expenses may be higher or lower than these estimates and will be set forth in the Prospectus Supplement if applicable.

(2) Shareholders participating in the Fund s Automatic Dividend Reinvestment Plan do not incur any additional fees. Shareholders participating in the Voluntary Cash Purchase Plan would pay their pro rata share of brokerage commissions for transactions to purchase shares and $1.00 per transaction plus their pro rata share of brokerage commissions per transaction to sell shares. See Automatic Dividend Reinvestment and Voluntary Cash Purchase Plans.

(3) Assumes issuance of $80 million in liquidation preference of fixed rate preferred shares, net assets attributable to common shares of approximately $330.4 million (which includes issuance of $120 million in common shares) and $370,200 in preferred offering expenses. The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

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(4) The base fee rate charged by the Investment Adviser is an annual rate of 0.50% of the Fund s average weekly managed assets payable monthly in arrears. In addition, the Investment Adviser will be entitled to receive an annual performance fee as of the end of each calendar year described below. The Fund s managed assets includes 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. Consequently, since the Fund has preferred shares outstanding, the investment management fees and other expenses as a percentage of net assets attributable to common shares may be higher than if the Fund does not utilize a leveraged capital structure.

(5) Based on semiannual period ending June 30, 2017, assuming completion of the proposed issuances. In addition to the base fee, the Investment Adviser will be entitled to receive an annual performance fee as of the end of each calendar year if the total return of the Fund on its common shares during the calendar year in question exceeds the total return of the T-Bill Index during the same period. If the Fund s total return for the calendar year equals the total return of the T-Bill Index for the same period plus 3.0 percentage points (300 basis points), the Investment Adviser will receive a performance fee of 0.75% of the Fund s average weekly managed assets during the calendar year measurement period for the Fund s fulcrum fee. This performance fee will be increased by 0.01 percentage point (one basis point) for each 0.04 percentage point (four basis points) by which the Fund s total return during the period exceeds the T-Bill Index total return plus 3.0 percentage points (300 basis points), up to a maximum performance fee of 1.50% if the excess performance over the T-Bill Index is 6.0 percentage points (600 basis points) or greater and will be decreased at the same rate for the amount by which the Fund s total return during the period is less than the T-Bill Index total return plus 3.0 percentage points (300 basis points), until no performance fee is payable if the Fund s total return is less than or equal to the T-Bill Index total return. Under the performance fee arrangement, the annual rate of the total fees paid to the Investment Adviser can range from 0.50% to 2.00% of the Fund s average weekly managed assets.

(6) The Series B Preferred have a mandatory call date of March 26, 2020. Therefore, for financial reporting purposes only, the dividends paid on the Series B Preferred are included as a component of Interest Expense.

(7) Other Expenses are based on estimated amounts for the current year assuming completion of the proposed issuances.

(8) Dividends on Preferred Shares represent the distributions that would be made assuming $80 million of preferred shares are issued with a fixed dividend rate of 5.25%, with no mandatory call date. There can, of course, be no guarantee that any preferred shares would be issued or, if issued, the terms thereof.

For a more complete description of the various costs and expenses a common shareholder would bear in connection with the issuance and ongoing maintenance of any preferred shares or notes issued by the Fund, see Risk Factors and Special Considerations Special Risks to Holders of Common Shares Leverage Risk.

The following example illustrates the expenses you would pay on a $1,000 investment in common shares, followed by a preferred share offering, assuming a 5% annual portfolio total return.* The expenses illustrated in the following example include the maximum estimated sales load on common shares of $10 and on preferred shares of $31.50, and estimated offering expenses of $3.33 from the issuance of $120 million in common shares and $80 million in preferred shares. The preferred shares sales load is spread over the Fund s entire net assets attributable to common shares (assuming completion of the proposed issuances); therefore, the allocable portion of such sales load to a common shareholder making a $1,000 investment in these circumstances is estimated to be $7.63. The actual amounts in connection with any offering will be set forth in the Prospectus Supplement if applicable.

	1 Year	3 Years	5 Years	10 Years
Total Expenses incurred	$ 61	$ 141	$ 223	$ 434

* The example should not be considered a representation of future expenses. The example is based on total Annual Expenses and Dividends on Preferred Shares shown in the table above and assumes that the amounts set forth in the table do not change and that all distributions are reinvested at net asset value. Actual expenses may be greater or less than those assumed. Moreover, the Fund s actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

The example includes Dividends on Preferred Shares. If Dividends on Preferred Shares were not included in the example calculation, the expenses for the 1-, 3-, 5- and 10-year periods in the table above would be as follows (based on the same assumptions as above): $49, $105, $164 and $322.

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FINANCIAL HIGHLIGHTS

The selected data below sets forth the per share operating performance and ratios for the periods presented. The financial information was derived from and should be read in conjunction with the Financial Statements of the Fund and Notes thereto, which are incorporated by reference into the SAI. The financial information for the six months ended June 30, 2017 is unaudited. The financial information for the fiscal years ended December 31, 2016, 2015, 2014, 2013, and 2012 have been audited by Ernst & Young LLP, the Fund s independent registered public accounting firm, whose unqualified report on such Financial Highlights is incorporated by reference into the SAI.

Selected data for a common share of beneficial interest outstanding throughout the period.

	Six Months Ended June 30, 2017 (Unaudited)	Year Ended December 31, 2016	2015	2014	2013	2012
Operating Performance:						
Net asset value, beginning of year	$ 11.88	$ 11.93	$ 12.10	$ 12.78	$ 13.26	$ 13.94
Net investment loss	(0.09)	(0.36)	(0.44)	(0.26)	(0.33)	(0.46)
Net realized and unrealized gain on investments, securities sold short, swap contracts, written options, and foreign currency transactions	0.23	0.84	0.85	0.33	1.13	1.06
Total from investment operations	0.14	0.48	0.41	0.07	0.80	0.60
Distributions to Common Shareholders:						
Net investment income				(0.06)		(0.08)
Net realized gain		(0.59)	(0.56)	(0.53)	(0.28)	
Return of capital	(0.32)*	(0.05)	(0.08)	(0.21)	(1.00)	(1.20)
Total distributions to common shareholders	(0.32)	(0.64)	(0.64)	(0.80)	(1.28)	(1.28)
Common Share Transactions:						
Increase in net asset value from repurchase of common shares	0.03	0.11	0.06	0.05	0.00[(a)]	0.00[(a)]
Net Asset Value, End of Period	$ 11.73	$ 11.88	$ 11.93	$ 12.10	$ 12.78	$ 13.26
NAV total return	1.53%	5.09%	3.95%	0.94%	6.31%	4.44%
Market value, end of period	$ 10.26	$ 9.84	$ 10.01	$ 10.23	$ 11.02	$ 11.42
Investment total return	7.06%	4.79%	4.12%	(0.07)%	7.79%	7.67%

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	Six Months Ended June 30, 2017 (Unaudited)	Year Ended December 31, 2016	2015	2014	2013	2012
Ratios to Average Net Assets and Supplemental Data:						
Net assets including liquidation value of preferred shares, end of period (in 000 s)	$ 341,607	$ 347,980	$ 364,160	$ 381,126	$ 404,984	$ 422,956
Net assets attributable to common shares, end of period (in 000 s)	$ 210,405	$ 216,779	$ 232,959	$ 244,894	$ 268,751	$ 278,968
Ratio of net investment loss to average net assets attributable to common shares including interest and offering costs(b)	(1.58)%[c]	(2.94)%	(2.75)%	(1.38)%	(2.50)%	(3.33)%
Ratio of operating expenses to average net assets attributable to common shares(d)	3.49%[c][e][f]	4.72%[e][g]	4.23%[e][g]	2.99%[g]	4.76%[g]	4.58%[g]
Portfolio turnover rate	126%	284%	268%	315%	319%	335%
Series B Cumulative						

Preferred Shares						
Liquidation value, end of period (in 000 s)	$ 131,201	$ 131,201	$ 131,201	$ 136,232	$ 136,232	$ 143,988
Total shares outstanding (in 000 s)	2,624	2,624	2,624	2,725	2,725	2,880
Liquidation preference per share	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00
Average market value (h)	$ 50.54	$ 50.51	$ 50.30	$ 50.36	$ 50.41	$ 50.63
Asset coverage per share	$ 130.18	$ 132.61	$ 138.78	$ 139.88	$ 148.64	$ 146.87
Asset coverage	260%	265%	278%	280%	297%	294%

Based on net asset value per share, adjusted for reinvestment of distributions at prices at the net asset value per share on the ex-dividend dates. Total return for a period of less than one year is not annualized.

Based on market value per share, adjusted for reinvestment of distributions at prices obtained under the Fund s dividend reinvestment plan. Total return for a period of less than one year is not annualized.

* Based on year to date book income. Amount are subject to change and recharacterization at year end.

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

(b) The Fund incurred interest expense during all periods presented. Interest expense on Preferred Shares relate to the $50 Series B Preferred Shares through June 30, 2017 (see Footnotes 2 and 5).

(c) Annualized.

(d) 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 six months ended June 30, 2017 and the years ended December 31, 2016, 2015, 2014, 2013, and 2012 would have been 1.60%, 2.92%, 2.87%, 1.35%, 3.22%, and 2.58%, respectively.

(e) The Fund received credits from a designated broker who agreed to pay certain Fund operating expenses. For the six months ended June 30, 2017 and the years ended December 31, 2016 and 2015, there was no impact on the expense ratios.

(f) The ratio of operating expenses does not include a custodian fee credit for the six months ended June 30, 2017. Including such custodian fee credit, the ratio of operating expenses to average net assets would have been 3.48%. For the years ended December 31, 2016, 2015, 2014, 2013, and 2012, the effect was minimal.

(g) For the years ended December 31, 2016, 2015, 2014, 2013, and 2012, 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, 2014, 2013, and 2012 would have been 4.84%, 4.43%, 3.07%, 4.80%, and 4.66%, respectively.

(h) Based on weekly prices.

See Notes to Financial Statements.

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Financial Highlights, cont.

	Year Ended December 31, 2011	2010	2009	2008	Period Ended December 31, 2007[g]
Operating Performance:					
Net asset value, beginning of period	$ 15.02	$ 15.84	$ 16.20	$ 18.50	$ 19.06[h]
Net investment income/(loss)	(0.55)	(0.56)	(0.54)	0.18	0.37
Net realized and unrealized gain/(loss) on investments, swap contracts, securities sold short, and foreign currency transactions	0.74	1.02	1.46	(0.89)	0.27
Total from investment operations	0.19	0.46	0.92	(0.71)	0.64
Distributions to Common Shareholders:					
Net investment income	(0.02)			(0.18)	(0.30)
Net realized gain	(0.39)	(0.03)		(0.43)	(0.90)
Return of capital	(0.87)	(1.25)	(1.28)	(0.99)	
Total distributions to common shareholders	(1.28)	(1.28)	(1.28)	(1.60)	(1.20)
Common Share Transactions:					
Increase in net asset value from common share transactions				0.01	0.00[f]
Increase / (Decrease) in net asset value from repurchase of common shares	0.01	(0.00)[f]	(0.00)[f]		
Recapture of gain on sale of Fund shares by an affiliate		0.00[f]			
Total fund share transactions	0.01	0.00[f]	0.00[f]	0.01	0.00[f]
Net Asset Value, End of Period	13.94	$ 15.02	$ 15.84	$ 16.20	$ 18.50
NAV total return	1.26%	3.07%	5.90%	(4.06)%	3.35%**
Market value, end of period	$ 11.80	$ 13.37	$ 14.41	$ 13.14	$ 15.96
Investment total return	(2.51)%	1.72%	20.03%	(8.39)%	(14.55)%***

Ratios to Average Net Assets and Supplemental Data:					
Net assets including liquidation value of preferred shares, end of period (in 000 s)	$ 437,755	$ 413,993	$ 431,498		
Net assets attributable to common shares, end of period (in 000 s)	$ 293,767	$ 317,981	$ 335,486	$ 343,657	$ 394,017
Ratio of net investment income to average net assets attributable to common shares including interest and offering costs	(3.71)%	(3.60)%	(3.35)%	1.02%	2.12%(i)
Ratio of operating expenses including interest and offering costs to average net assets attributable to common shares(a)(b)	4.89%	4.39%	4.67%	0.67%	0.64%(i)
Ratio of operating expenses excluding interest and offering costs to average net assets attributable to common shares	1.56%*	1.89%*	2.53%	0.65%	0.62%(i)
Portfolio turnover rate	336%	365%	371%	334%	177%

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	Year Ended December 31, 2011	2010	2009	2008	Period Ended December 31, 2007[(g)]
Preferred Stock:					
8.500% Series A Cumulative Preferred Shares[(c)]					
Liquidation value, end of period (in 000 s)		$ 96,012	$ 96,012		
Total shares outstanding (in 000 s)		1,920	1,920		
Liquidation preference per share		$ 50.00	$ 50.00		
Average market value[(d)]		$ 53.05	$ 53.40		
Asset coverage per share		$ 215.59	$ 224.71		
Asset coverage		431%	449%		
Series B Cumulative Preferred Shares[(e)]					
Liquidation value, end of period (in 000 s)	$ 143,988				
Total shares outstanding (in 000 s)	2,880				
Liquidation preference per share	$ 50.00				
Average market value[(d)]	$ 52.46				
Asset coverage per share	$ 152.01				
Asset coverage	304%				

Based on net asset value per share, adjusted for reinvestment of distributions at the net asset value per share on the ex-dividend dates. Total return for a period of less than one year is not annualized.

Based on market value per share, adjusted for reinvestment of distributions at prices obtained under the Fund s dividend reinvestment plan. Total return for a period of less than one year is not annualized.

Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the period ended December 31, 2007 would have been 411%.

* The ratio includes amortization of offering costs on preferred shares.

** Based on net asset value per share at commencement of operations of $19.06 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 at initial public offering of $20.00 per share, adjusted for reinvestments of distributions at prices obtained under the Fund s dividend reinvestment plan.

(a) The ratios do not include a reduction for custodian fee credits on cash balances maintained with the custodian (Custodian Fee Credits). Including such Custodian Fee Credits, the expense ratios for the year ended December 31, 2008 and the period ended December 31, 2007 would have been 0.66% and 0.63%, respectively. For the years ended December 31, 2011 and 2010, there were no Custodian Fee Credits, and for the year ended December 31, 2009, the effect of Custodian Fee Credits was minimal.

(b) The Fund incurred interest expense during the years ended December 31, 2011, 2010, 2009, and 2008 and the period ended December 31, 2007. Interest expense on preferred shares and offering costs include amounts relating to the 8.50% series A Preferred Shares from its issuance in 2009 to its repayment in 2011 and to the Series B Preferred Shares from its issuance in 2011 through year end (see Footnotes 2 and 5).

(c) Series A Cumulative Preferred Shares were first issued on February 6, 2009 and were redeemed on May 31, 2011.

(d) Based on weekly prices.

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

(f) Amount represents less than $0.005 per share.

(g) The Gabelli Global Deal Fund commenced investment operations on January 31, 2007.

(h) The beginning of period NAV reflects a $0.04 reduction for costs associated with the initial public offering.

(i) Annualized.

See Notes to Financial Statements.

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USE OF PROCEEDS

The Investment Adviser expects that it will initially invest the proceeds of the offering in high quality short term debt securities and instruments. The Investment Adviser anticipates that the investment of the proceeds will be made in accordance with the Fund s investment objective and policies as appropriate investment opportunities are identified, which is expected to substantially be completed within three months; however, changes in market conditions could result in the Fund s anticipated investment period extending to as long as six months. Depending on market conditions and operations, a portion of the cash held by the Fund, including any proceeds raised from this offering to be identified in any relevant Prospectus Supplement, may be used to pay distributions in accordance with the Fund s distribution policy. Such distribution may include a return of capital and should not be considered as dividend yield or the total return from an investment in the Fund.

The Fund may also use the net proceeds from the offering to call, redeem or repurchase shares of one or more of its Series B Preferred. The Series B Preferred pay quarterly distributions in March, June, September, and December of each year. On May 15, 2017, preferred shareholders approved an amendment to the Fund s Statement of Preferences for the Series B Cumulative Puttable and Callable Preferred Shares (the Series B Preferred Statement of Preferences), extending the mandatory redemption date for the Series B Preferred from March 26, 2018 to March 26, 2020, and adding March 26, 2018 as a date upon which the Fund will redeem all or any part of the Series B Preferred that holders have properly submitted for redemption and not withdrawn during the 30-day period prior to March 26, 2018 (the Put Right Date), at the liquidation preference of $50.00 per share, plus any accumulated and unpaid dividends. All other terms of the Series B Preferred remain unchanged and the annual dividend rate of 3.00% on the Series B Preferred remains unchanged for all dividend periods through the new mandatory redemption date of March 26, 2020.

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THE FUND

The Fund is a diversified, closed-end management investment company registered under the 1940 Act. The Fund was organized as a Delaware statutory trust on October 17, 2006, pursuant to an Agreement and Declaration of Trust governed by the laws of the State of Delaware. The Fund commenced its investment operations on January 31, 2007. The Fund s principal office is located at One Corporate Center, Rye, New York, 10580-1422 and its telephone number is (800) 422-3554.

INVESTMENT OBJECTIVE AND POLICIES

Investment Objective and Policies

The Fund s investment objective is to achieve absolute returns in various market conditions without excessive risk of capital. Absolute returns are defined as positive total returns, regardless of the direction of securities markets. To achieve its investment objective, the Fund, under normal market conditions, will invest primarily in securities of companies (both domestic and foreign) involved in publicly announced mergers, takeovers, tender offers and leveraged buyouts (i.e., merger arbitrage transitions) and, to a lesser extent, in corporate reorganizations involving stubs, spin-offs and liquidations. The key determinants of the profitability of a merger arbitrage transaction are the probability that the deal will close, the length of time to closing, the likelihood that the deal price will be increased or decreased and the level of short term interest rates.

Merger arbitrage is a highly specialized investment approach generally designed to profit from the successful completion of proposed mergers, takeovers, tender offers and leveraged buyouts. Broadly speaking, an investor purchases the stock of a company in the process of being acquired by another company in anticipation of capturing the spread between the current market price and the acquisition price. A stub refers to a small stake in a target company division or subsidiary that is not purchased by an acquirer in a merger, takeover or leveraged buyout. The arbitrageur may buy the stub, and if the acquiring company is successful in boosting the target company s appeal, the shares will benefit from a boost in price and the arbitrageur will profit. A spin-off occurs when an independent company is created from an existing part of another company through a distribution of new shares. An arbitrageur may benefit from the share price differential in the same manner as in traditional merger arbitrage if, upon completion of the spin-off, the separate securities trade for more in the aggregate than the former single security. Finally, when a company makes the decision to liquidate, or sell all of its assets, it is often worth more in liquidation than as an ongoing entity. An arbitrageur benefits when the company is able to distribute more than the price at which the stock is trading at the time the arbitrageur acquires its position.

In order to minimize market exposure and volatility of such merger arbitrage strategies, the Fund may utilize hedging strategies, such as short selling and the use of options, futures, swaps, forward foreign exchange contracts and other derivatives. The Fund expects that it will invest in these types of instruments primarily for hedging and risk management purposes. The Fund may also invest in derivative 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. There is no specific limit on the proportion of its assets that the Fund may use to invest in derivatives and conduct short sales in connection with its investments in corporate transactions and reorganizations.

Under normal market conditions, the Fund will invest at least 80% of its assets 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. This policy is not fundamental and may be changed by the Fund with notice of not less than 60 days to its shareholders. Securities in which the Fund may invest include both equity securities (e.g., common stocks and preferred stocks) and fixed-income securities. The Fund may make unlimited

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investments in securities rated below investment grade by recognized statistical rating agencies or unrated securities of comparable quality, including securities of issuers in default, which are likely to have the lowest rating. However, the Fund does not expect these investments to exceed 10% of its total assets. These securities, which may be preferred shares or debt, are predominantly speculative and involve major risk exposure to adverse conditions. Securities that are rated lower than BBB by S&P, or lower than Baa by Moody s or unrated securities considered by the Investment Adviser to be of comparable quality, are commonly referred to as junk bonds or high yield securities. The Fund may also invest up to 15% of its assets in securities for which there is no readily available trading market or are otherwise illiquid. Illiquid securities include securities legally restricted as to resale, such as commercial paper issued pursuant to Section 4(a)(2) of the Securities Act of 1933 (the Securities Act) and securities eligible for resale pursuant to Rule 144A thereunder. Section 4(a)(2) and Rule 144A securities may, however, be treated as liquid by the Investment Adviser pursuant to procedures adopted by the Board, which require consideration of factors such as trading activity, availability of market quotations and number of dealers willing to purchase the security.

In applying the Fund s investment policies, Gabelli Funds, LLC (the Investment Adviser) considers normal market conditions to exist when there are a substantial number of corporate transactions or reorganizations that, in the Investment Adviser s judgment, have an attractive investment profile. Depending upon the level of merger activity and other economic and market conditions, and the availability of corporate transactions or reorganizations that, in the Investment Adviser s judgment, have an attractive investment profile, the Fund may invest a substantial portion of its assets in other securities, including money market instruments such as U.S. Treasury bills and other short term obligations of the U.S. Government, its agencies or instrumentalities; shares of one or more money market funds managed by the Investment Adviser or unaffiliated managers; negotiable bank certificates of deposit; prime commercial paper; and repurchase agreements with respect to the above securities. During periods in which a substantial portion of the Fund s assets are invested in other securities, it is less likely that the Fund will achieve its investment objective or an attractive rate of return.

The Fund may invest without limitation in the securities of foreign and domestic issuers. The Fund s investment strategy is to invest in merger arbitrage transactions and corporate reorganizations throughout the world. To the extent that the majority of mergers, takeovers, tender offers and leveraged buyouts and corporate reorganizations are concentrated in any given geographic region, such as Europe, North America or Asia, a relatively high proportion of the Fund s assets may be invested in that particular region.

No assurances can be given that the Fund s objective will be achieved. Neither the Fund s investment objective nor, except as expressly stated herein, any of its policies are fundamental, and each may be modified by the Board without shareholder approval. The percentage and ratings limitations stated herein and in the SAI apply only at the time of investment and are not considered violated as a result of subsequent changes to the value, or downgrades to the ratings, of the Fund s portfolio investments.

Gabelli Funds, LLC, a New York limited liability company, with offices at One Corporate Center, Rye, New York 10580-1422, serves as investment adviser to the Fund.

Investment Methodology of the Fund

In selecting transactions in which the Fund will invest, the Investment Adviser normally considers the following factors, among others:

- the probability that the targeted acquisition or other transaction will close;

the length of time to closing;

the credibility, strategic motivation and financial resources of the participants;

the liquidity of the securities involved in the transaction;

the issuer s free cash flow and long term earnings trends;

the likelihood of an overbid; and

the presence of a catalyst: something indigenous to the issuer, its industry, or country to surface additional value.

The Investment Adviser believes that blending traditional merger arbitrage for announced deals with strategies that focus on stubs, spin-offs and liquidations will produce absolute returns in excess of short term interest rates with less volatility than the returns typically associated with equity investing. A systematic and disciplined arbitrage program may produce attractive rates of return even in flat or down markets.

Certain Investment Practices

Merger Arbitrage. Merger arbitrage is a highly specialized investment approach generally designed to profit from the successful completion of proposed mergers, takeovers, tender offers and leveraged buyouts. Although a variety of strategies may be employed depending upon the nature of the reorganizations selected for investment, the most common merger arbitrage activity involves purchasing the shares of an announced acquisition target at a discount to their expected value upon completion of the acquisition. Although investors can utilize merger arbitrage techniques with respect to companies the investor believes may soon become subject to a merger proposal or negotiated transaction, the Fund intends to invest primarily in publicly announced transactions.

In general, securities which are the subject of such an offer or proposal sell at a premium to their historic market price immediately prior to the announcement of the offer but at a discount to what the stated or appraised value of the securities would be if the contemplated transaction were completed. Investments in these securities may be advantageous when the discount overstates the risk of the contingencies involved; undervalues the securities, assets or cash to be received by shareholders of the prospective portfolio company as a result of the contemplated transaction; or fails adequately to recognize the possibility that the offer or proposal may be replaced or superseded by an offer or proposal of greater value. The evaluation of such contingencies requires unusually broad knowledge and experience on the part of the Investment Adviser, which must appraise not only the value of the issuer and its component businesses as well as the assets or securities to be received as a result of the contemplated transaction, but also the financial resources and business motivation of the offering party and/or the dynamics and business climate when the offer or proposal is in process. Since such investments are ordinarily short term in nature, they will tend to increase the portfolio turnover ratio of the Fund (which may exceed 300%), thereby increasing its brokerage and other transaction expenses. The Investment Adviser intends to select investments of this type which, in its view, have reasonable prospects of capital appreciation which are significant in relation to both the risk involved and the potential of available alternative investments.

Foreign Securities. The Fund may invest, without limit, in the equity securities of companies located outside the United States, which are generally denominated in foreign currencies.

The Investment Adviser believes that investing in foreign securities offers both enhanced investment opportunities and additional risks beyond those present in U.S. securities. Investing in foreign securities may provide increased diversification by adding securities from various foreign countries (i) that offer different investment opportunities, (ii) that generally are affected by different economic trends and (iii) whose stock markets may not be correlated with U.S. markets. At the same time, these opportunities and trends involve risks that may not be encountered in U.S. investments.

The following considerations comprise both risks and opportunities not typically associated with investing in U.S. securities: fluctuations in exchange rates of foreign currencies; possible imposition of exchange control regulations or currency restrictions that would prevent cash from being brought back to the United States; less public information with respect to issuers of securities; less government supervision of stock exchanges, securities brokers and issuers of securities; lack of uniform accounting, auditing and financial reporting standards; lack of uniform settlement periods and trading practices; less liquidity and frequently greater price volatility in foreign markets than in the United States; possible imposition of foreign taxes; the possibility of expropriation or confiscatory taxation, seizure or nationalization of foreign bank deposits or other assets; the adoption of foreign government restrictions and other adverse political, social or diplomatic developments that could affect investment; sometimes less advantageous legal, operational and financial protections applicable to foreign sub-custodial arrangements; and the historically lower level of responsiveness of foreign management to shareholder concerns (such as dividends and return on investment).

The Fund may purchase sponsored American Depository Receipts (ADRs) or U.S. dollar denominated securities of foreign issuers, which will be considered foreign securities for purposes of the Fund s investment policies. ADRs are receipts issued by U.S. banks or trust companies in respect of securities of foreign issuers held on deposit for use in the U.S. securities markets. See Risk Factors and Special Considerations General Risks Foreign Securities Risk.

Emerging Market Countries. The risks described above for foreign securities, including the risks of nationalization and expropriation of assets, are typically increased to the extent that the Fund invests in companies headquartered in developing, or emerging market, countries. Investments in securities of companies headquartered in such countries may be considered speculative and subject to certain special risks. The political and economic structures in many of these countries may be in their infancy and developing rapidly, and such countries may lack the social, political and economic characteristics of more developed countries. Certain of these countries have in the past failed to recognize private property rights and have at times nationalized and expropriated the assets of private companies. Some countries have inhibited the conversion of their currency to another. The currencies of certain emerging market countries have experienced devaluation relative to the U.S. dollar, and future devaluations may adversely affect the value of the Fund s assets denominated in such currencies. Some emerging market countries have experienced substantial rates of inflation for many years. Continued inflation may adversely affect the economies and securities markets of such countries. In addition, unanticipated political or social developments may affect the value of the Fund s investments in these countries and the availability of the Fund of additional investments in these countries. The small size, limited trading volume and relative inexperience of the securities markets in these countries may make the Fund s investments in such countries illiquid and more volatile than investments in more developed countries, and the Fund may be required to establish special custodial or other arrangements before making investments in these countries. There may be little financial or accounting information available with respect to companies located in these countries, and it may be difficult as a result to assess the value or prospects of an investment in such companies.

Equity Securities. The Fund invests in equity securities (such as common stock and preferred stock).

Common stocks represent the residual ownership interest in the issuer and holders of common stock are entitled to the income and increase in the value of the assets and business of the issuer after all of its debt obligations and obligations to preferred shareholders are satisfied. Common stocks generally have voting rights. Common stocks fluctuate in price in response to many factors including historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity.

Equity securities also include preferred stock (whether or not convertible into common stock) and debt securities convertible into or exchangeable for common or preferred stock. Preferred stock has a preference over common stock in liquidation (and generally dividends as well) but is subordinated to the liabilities of the issuer in all respects.