

GDL FUND  
Form N-Q  
May 16, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED**

**MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21969

The GDL Fund

(Exact name of registrant as specified in charter)

One Corporate Center

Rye, New York 10580-1422

(Address of principal executive offices) (Zip code)

Bruce N. Alpert

Gabelli Funds, LLC

One Corporate Center

Rye, New York 10580-1422

(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: March 31, 2014

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q

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unless the Form displays a currently valid Office of Management and Budget ( OMB ) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

**Item 1. Schedule of Investments.**

The Schedule(s) of Investments is attached herewith.

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**The GDL Fund**
**First Quarter Report March 31, 2014**
**Mario J. Gabelli, CFA**
**Portfolio Manager**
**To Our Shareholders,**

For the quarter ended March 31, 2014, the net asset value ( NAV ) total return of The GDL Fund was 0.7%, compared with a total return of 0.01% for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. The total return for the Fund's publicly traded shares was 3.1%. The Fund's NAV per share was \$12.55, while the price of the publicly traded shares closed at \$11.04 on the New York Stock Exchange ( NYSE ). See below for additional performance information.

Enclosed is the schedule of investments as of March 31, 2014.

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

	Quarter	1 Year	3 Year	5 Year	Since Inception (01/31/07)
<b>GDL Fund</b>					
<b>NAV Total Return (b)</b>	0.69%	5.30%	3.04%	4.75%	2.87%
<b>Investment Total Return (c)</b>	3.08	4.88	4.03	8.26	1.52
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.01	0.07	0.08	0.12	1.00

(a) *Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into the outstanding Treasury Bill that matures closest to, but not beyond three months from the re-balancing date. To qualify for selection, an issue must have settled on or before the re-balancing (month end) date. Dividends are not reinvested for the Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index. You cannot invest directly in an index.*

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

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

## The GDL Fund

## Schedule of Investments March 31, 2014 (Unaudited)

Shares		Market Value
<b>COMMON STOCKS 53.6%</b>		
<b>Aerospace and Defense 0.1%</b>		
76,000	Allied Defense Group Escrow	\$ 8,360
28,000	Exelis Inc.	532,280
6,000	Kratos Defense & Security Solutions Inc.	45,240
		585,880
<b>Automotive 0.9%</b>		
114,000	Scania AB, Cl. A	3,353,615
<b>Automotive: Parts and Accessories 1.1%</b>		
75,000	Cooper Tire & Rubber Co.	1,822,500
185,000	The Pep Boys - Manny, Moe & Jack	2,353,200
		4,175,700
<b>Building and Construction 1.6%</b>		
23,000	Fortune Brands Home & Security Inc.	967,840
60,000	Texas Industries Inc.	5,377,200
		6,345,040
<b>Business Services 0.7%</b>		
4,000	Acxiom Corp.	137,580
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	839,377
210,000	GrainCorp Ltd., Cl. A.	1,639,834
		2,616,791
<b>Cable and Satellite 2.0%</b>		
9,000	AMC Networks Inc., Cl. A	657,810
219,000	British Sky Broadcasting Group plc	3,333,394
10,000	Cablevision Systems Corp., Cl. A	168,700
12,910	Liberty Global plc, Cl. A	537,056
32,190	Liberty Global plc, Cl. C	1,310,455

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100,000	Sky Deutschland AG	862,413
7,000	Time Warner Cable Inc.	960,260
		7,830,088
	<b>Communications Equipment 0.2%</b>	
1,440	Mitel Networks Corp.	15,201
30,000	Riverbed Technology Inc.	591,300
		606,501
	<b>Computer Software and Services 1.5%</b>	
5,000	AutoNavi Holdings Ltd., ADR	100,200
224,600	BMC Software Stub	11,230
2,000	Ebix Inc.	34,140
2,000	Mentor Graphics Corp.	44,040
500	Schawk Inc.	9,995
250,000	Xyratex Ltd.	3,310,000
65,000	Yahoo! Inc.	2,333,500
		5,843,105
	<b>Consumer Products and Services 1.7%</b>	
76,000	Avon Products Inc.(a)	1,112,640
4,000	Blyth Inc.	42,920
250,000	MEGA Brands Inc.	4,004,975
		<b>Market</b>
<b>Shares</b>		<b>Value</b>
2,000	Prestige Brands Holdings Inc.	\$ 54,500
90,000	The Jones Group Inc.	1,347,300
		6,562,335
	<b>Diversified Industrial 0.4%</b>	
3,000	Foster Wheeler AG	97,260
15,000	ITT Corp.	641,400
46,000	Myers Industries Inc.	916,320
		1,654,980
	<b>Educational Services 0.0%</b>	
12,000	Corinthian Colleges Inc.	16,560
	<b>Electronics 1.0%</b>	
211,700	Alliance Semiconductor Corp.	148,211
77,500	Bel Fuse Inc., Cl. A	1,498,075
480,000	Laird plc	2,403,081
		4,049,367

<b>Energy and Utilities 2.8%</b>		
152,000	Alvopetro Energy Ltd.	145,744
4,000	Atlas Energy LP	172,160
45,000	Aurora Oil & Gas Ltd.	171,370
270,000	Dragon Oil plc	2,543,220
72,000	Endesa SA	2,591,373
1,000	EPL Oil & Gas Inc.	38,600
5,000	Equal Energy Ltd.	22,900
460,000	Gulf Coast Ultra Deep Royalty Trust	1,403,000
19,000	Heritage Oil plc	75,230
336	LinnCo LLC	9,089
10,000	NRG Energy Inc.	318,000
1,000	Origin Energy Ltd.	13,253
2,000	Silverwillow Energy Corp.	651
56,000	UNS Energy Corp.	3,361,680
100,000	WesternZagros Resources Ltd.	80,507
		10,946,777
<b>Equipment and Supplies 0.1%</b>		
1,000	The Middleby Corp.	264,210
<b>Financial Services 1.9%</b>		
46,700	Boursorama	779,759
12,000	F&C Asset Management plc	24,407
4,023	Fidelity National Financial Inc., Cl. A	126,483
60,000	First Niagara Financial Group Inc.	567,000
30,000	Hudson City Bancorp Inc.	294,900
130,000	National Interstate Corp.	3,485,300
18,400	Pohjola Bank plc, Cl. A	408,878
60,000	SLM Corp.	1,468,800
20,000	SWS Group Inc.	149,600
500	Tower Group International Ltd.	1,350
		7,306,477
<b>Food and Beverage 6.7%</b>		
220,000	Beam Inc.	18,326,000

See accompanying notes to schedule of investments.



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

Shares		Market Value
<b>COMMON STOCKS (Continued)</b>		
<b>Food and Beverage (Continued)</b>		
1,000	Campofrio Food Group SA	\$ 9,506
8,900	Canada Bread Co. Ltd.	581,257
210,000	China Huiyuan Juice Group Ltd.	152,698
1,310,000	Parmalat SpA	4,515,437
9,000	Post Holdings Inc.	496,080
16,000	The Hillshire Brands Co.	596,160
1,000	Warrnambool Cheese & Butter Factory Co. Holding Ltd.	7,790
3,255,000	Yashili International Holdings Ltd.	1,460,375
		26,145,303
<b>Health Care 9.3%</b>		
90,000	Accelrys Inc.	1,121,400
200,000	ArthroCare Corp.	9,638,000
145,500	Forest Laboratories Inc.	13,425,285
4,909	Gentium SpA, ADR	274,168
41,000	Hi-Tech Pharmacal Co. Inc.	1,776,530
2,000	ICU Medical Inc.	119,760
14,500	Illumina Inc.	2,155,570
21,057	LCA-Vision Inc.	112,655
1,000	Lexicon Pharmaceuticals Inc.	1,730
184,500	Maxygen Inc.	5,535
500	Nordion Inc.	5,760
33,000	Rhoen Klinikum AG	1,057,007
100,000	Shoppers Drug Mart Corp.	5,502,487
30,000	Smith & Nephew plc	454,629
1,000	Synageva BioPharma Corp.	82,970
1,000	Taro Pharmaceuticals Industries Ltd.	111,000
1,241	Wright Medical Group Inc.	38,558
13,000	WuXi PharmaTech Cayman Inc., ADR	479,180
		36,362,224
<b>Hotels and Gaming 0.2%</b>		
1,000	Giant Interactive Group Inc., ADR	11,570
1,000	MGM Resorts International	25,860

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30,000	MTR Gaming Group Inc.	153,900
28,000	Orient-Express Hotels Ltd., Cl. A	403,480
		594,810
	<b>Machinery 0.4%</b>	
3,000	CNH Industrial NV	34,490
42,000	Xylem Inc.	1,529,640
		1,564,130
	<b>Materials 1.4%</b>	
120,000	AMCOL International Corp.	5,493,600
	<b>Metals and Mining 0.5%</b>	
5,000	Augusta Resource Corp.	15,513
190,000	AuRico Gold Inc.	826,500
28,000	Camino Minerals Corp.	380
1,000	Chaparral Gold Corp.	543
		<b>Market Value</b>
<b>Shares</b>		
1,000	Jaguar Mining Inc.	\$ 45
10,000	Lonmin plc	47,680
10,000	Osisko Mining Corp.	62,234
3,000	Pan American Silver Corp.	38,562
16,000	Vulcan Materials Co.	1,063,200
		2,054,657
	<b>Paper and Forest Products 0.0%</b>	
12,000	Ainsworth Lumber Co. Ltd.	43,202
	<b>Publishing 0.0%</b>	
136,000	SCMP Group Ltd.	33,051
	<b>Retail 5.6%</b>	
250,000	Coastal Contacts Inc.	2,802,500
65,000	Jos A Bank Clothiers Inc.	4,179,500
165,000	Safeway Inc.	6,095,100
3,600	Spartan Stores Inc.	83,556
410,000	Zale Corp.	8,573,100
		21,733,756
	<b>Semiconductors 6.0%</b>	
350,000	ATMI Inc.	11,903,500
775,000	LSI Corp.	8,579,250
2,500	LTX-Credence Corp.	22,275
20,000	PLX Technology Inc.	121,000

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1,000	RDA Microelectronics Inc., ADR	17,930
90,000	Supertex Inc.	2,968,200
		23,612,155
	<b>Specialty Chemicals 1.8%</b>	
3,000	Ashland Inc.	298,440
1,000,000	AZ Electronic Materials SA	6,715,236
3,600	SGL Carbon SE	122,476
		7,136,152
	<b>Telecommunications 4.2%</b>	
690,000	Asia Satellite Telecommunications Holdings Ltd.	2,846,645
200,000	Koninklijke KPN NV	706,738
15,000	LIN Media LLC, Cl. A	397,500
500	Loral Space & Communications Inc.	35,365
3,926	Sprint Corp.	36,080
170,000	Telenet Group Holding NV	10,479,356
46,400	Ziggo NV	2,061,526
		16,563,210
	<b>Transportation 1.3%</b>	
110,000	Pacer International Inc.	985,600
410,000	TNT Express NV	4,026,740
		5,012,340
	<b>Wireless Communications 0.2%</b>	
13,000	Blackberry Ltd.	105,040

See accompanying notes to schedule of investments.

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

Shares		Market Value
<b>COMMON STOCKS (Continued)</b>		
<b>Wireless Communications (Continued)</b>		
25,000	T-Mobile US Inc.	\$ 825,750
		930,790
<b>TOTAL COMMON STOCKS</b>		<b>209,436,806</b>
<b>RIGHTS 0.4%</b>		
<b>Health Care 0.1%</b>		
187,200	Adolor Corp., CPR, expire 07/01/19	97,344
201,600	American Medical Alert Corp.	2,016
90,200	Clinical Data Inc., CVR, expire 04/14/18	85,690
31,000	Cubist Pharmaceuticals Inc., CVR	20,150
346,322	Nupathe Inc., CVR, expire 02/20/23	183,551
100	Omthera Pharmaceuticals Inc., expire 12/31/20	60
186,000	Trius Therapeutics, CVR	24,180
5,000	Wright Medical Group Inc., CVR, expire 03/01/16	4,100
		417,091
<b>Wireless Communications 0.3%</b>		
470,000	Leap Wireless International Inc., CVR, expire 03/14/16	1,184,400
<b>TOTAL RIGHTS</b>		<b>1,601,491</b>
<b>WARRANTS 0.0%</b>		
<b>Energy and Utilities 0.0%</b>		
35,000	Kinder Morgan Inc., expire 05/25/17	61,950
<b>Metals and Mining 0.0%</b>		
220	Kinross Gold Corp., expire 09/17/14	3
<b>TOTAL WARRANTS</b>		<b>61,953</b>

Principal Amount			
	<b>U.S. GOVERNMENT OBLIGATIONS</b>	<b>46.0%</b>	
\$ 179,768,000	U.S. Treasury Bills, 0.030% to 0.105% , 04/03/14 to 09/11/14(b)		179,757,496
	<b>TOTAL INVESTMENTS</b>	<b>100.0%</b>	
	(Cost \$376,707,773)		\$ 390,857,746
	Aggregate tax cost		\$ 377,619,989
	Gross unrealized appreciation		\$ 20,171,170
	Gross unrealized depreciation		(6,933,413)
	Net unrealized appreciation/depreciation		\$ 13,237,757
			<b>Market Value</b>
	<b>SECURITIES SOLD SHORT</b>	<b>(4.0)%</b>	
	<b>Building and Construction</b>	<b>(1.4)%</b>	
42,000	Martin Marietta Materials Inc.		\$ 5,390,700
	<b>Health Care</b>	<b>(2.5)%</b>	
48,102	Actavis plc		9,901,797
	<b>Transportation</b>	<b>(0.1)%</b>	
11,000	XPO Logistics Inc.		323,510
	<b>TOTAL SECURITIES SOLD SHORT</b>		
	(Proceeds received \$15,465,616)		\$ 15,616,007
	Aggregate proceeds		\$ (15,465,616)
	Gross unrealized appreciation		\$ 421,136
	Gross unrealized depreciation		(571,527)
	Net unrealized appreciation/depreciation		\$ (150,391)
			<b>Unrealized Appreciation/Depreciation</b>
	<b>FORWARD FOREIGN EXCHANGE CONTRACTS</b>	<b>Settlement Date</b>	
9,000,000(c)	Deliver British Pounds in exchange for	04/25/14	\$ (78,347)

United States Dollars  
15,001,535(d)

19,500,000(e)	Deliver Euros in exchange for United States Dollars	26,862,768(d)	04/25/14	32,649
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**TOTAL FORWARD  
FOREIGN EXCHANGE  
CONTRACTS**

\$ (45,698)

Notional Amount		Termination Date	
<b>EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS</b>			
\$ 151,791	Gulf Keystone Petroleum Ltd.(f)	06/27/14	\$ (22,401)
(90,000 Shares)			

- (a) At March 31, 2014, securities, or a portion thereof, with a value of \$541,680 were reserved and/or pledged for collateral with the custodian for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
- (b) At March 31, 2014, \$90,350,000 of the principal amount was pledged as collateral for securities sold short, equity contract for difference swap agreements, and forward foreign exchange contracts.
- (c) Principal amount denoted in British Pounds.
- (d) At March 31, 2014, the Fund had entered into forward foreign exchange contracts with State Street Bank and Trust Co.
- (e) Principal amount denoted in Euros.

See accompanying notes to schedule of investments.

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

- (f) At March 31, 2014, the Fund had entered into equity contract for difference swap agreements with The Goldman Sachs Group, Inc.  
 Non-income producing security.  
 Represents annualized yield at date of purchase.
- ADR American Depositary Receipt  
 CVR Contingent Value Right

<b>Geographic Diversification</b>	<b>% of Market Value</b>	<b>Market Value</b>
<b>Long Positions</b>		
North America	84.8%	\$ 331,272,890
Europe	12.7	49,702,910
Asia/Pacific	1.8	6,933,896
Africa/Middle East	0.6	2,543,220
Latin America	0.1	404,830
<b>Total Investments</b>	<b>100.0%</b>	<b>\$ 390,857,746</b>
<b>Short Positions</b>		
Europe	(2.5)%	\$ (9,901,797)
North America	(1.5)	(5,714,210)
<b>Total Investments</b>	<b>(4.0)%</b>	<b>\$ (15,616,007)</b>

See accompanying notes to schedule of investments.

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## The GDL Fund

### Notes to Schedule of Investments (Unaudited)

The Fund's schedule of investments is prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), which may require the use of management estimates and assumptions. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its schedule of investments.

**Security Valuation.** Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market for which market quotations are readily available are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board of Trustees (the Board) so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by Gabelli Funds, LLC (the Adviser).

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market, but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than sixty days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security.

The inputs and valuation techniques used to measure fair value of the Fund's investments are summarized into three levels as described in the hierarchy below:

Level 1 quoted prices in active markets for identical securities;



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Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.); and  
Level 3 significant unobservable inputs (including the Board's determinations as to the fair value of investments).

**The GDL Fund****Notes to Schedule of Investments (Unaudited) (Continued)**

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The summary of the Fund's investments in securities and other financial instruments by inputs used to value the Fund's investments as of March 31, 2014 is as follows:

	<b>Valuation Inputs</b>			
	<b>Level 1</b>	<b>Level 2 Other Significant</b>	<b>Level 3 Significant</b>	<b>Total Market Value</b>
	<b>Quoted Prices</b>	<b>Observable</b>	<b>Unobservable Inputs</b>	<b>at 3/31/14</b>
		<b>Inputs</b>		
<b>INVESTMENTS IN SECURITIES:</b>				
<b>ASSETS (Market Value):</b>				
Common Stocks:				
Aerospace and Defense	\$ 577,520		\$ 8,360	\$ 585,880
Computer Software and Services	5,831,875		11,230	5,843,105
Health Care	36,356,689		5,535	36,362,224
Publishing			33,051	33,051
Other Industries (a)	166,612,546			166,612,546
Total Common Stocks	209,378,630		58,176	209,436,806
Rights(a)	24,250		1,577,241	1,601,491
Warrants(a)	61,953			61,953
U.S. Government Obligations		\$ 179,757,496		179,757,496
<b>TOTAL INVESTMENTS IN SECURITIES ASSETS</b>	<b>\$ 209,464,833</b>	<b>\$ 179,757,496</b>	<b>\$1,635,417</b>	<b>\$390,857,746</b>
<b>LIABILITIES (Market Value):</b>				
Common Stocks Sold Short(a)	\$ (15,616,007)			\$(15,616,007)
<b>TOTAL INVESTMENTS IN SECURITIES - LIABILITIES</b>	<b>\$ (15,616,007)</b>			<b>\$(15,616,007)</b>
<b>OTHER FINANCIAL INSTRUMENTS:</b>				
<b>ASSETS (Unrealized Appreciation):*</b>				
Forward Foreign Exchange Contracts		\$ 32,649		\$ 32,649
<b>LIABILITIES (Unrealized Depreciation):*</b>				
Contract for Difference Swap Agreements		(22,401)		(22,401)

Forward Foreign Exchange Contracts	(78,347)	(78,347)
<b>TOTAL OTHER FINANCIAL INSTRUMENTS:</b>	<b>\$ (68,099)</b>	<b>\$ (68,099)</b>

- (a) Please refer to the Schedule of Investments ( SOI ) for the industry classifications of these portfolio holdings.
- \* Other financial instruments are derivatives reflected in the SOI, such as options, futures, forwards, and swaps, which may be valued at the unrealized appreciation/depreciation of the instrument.
- The Fund did not have significant transfers among Level 1, Level 2, and Level 3 during the period ended March 31, 2014. The Fund's policy is to recognize transfers among Levels as of the beginning of the reporting period.

**Additional Information to Evaluate Qualitative Information.**

**General.** The Fund uses recognized industry pricing services approved by the Board and unaffiliated with the Adviser to value most of its securities, and uses broker quotes provided by market makers of securities not valued by these and other recognized pricing sources. Several different pricing feeds are received to value domestic equity securities, international equity securities, preferred equity securities, and fixed income securities. The data within these feeds is ultimately sourced from major stock exchanges and trading systems where these securities trade. The prices supplied by external sources are checked by obtaining quotations or actual transaction prices from market participants. If a price obtained from the pricing source is deemed unreliable, prices will be sought from another pricing service or from a broker/dealer that trades that security or similar securities.

## The GDL Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

**Fair Valuation.** Fair valued securities may be common and preferred equities, warrants, options, rights, and fixed income obligations. Where appropriate, Level 3 securities are those for which market quotations are not available, such as securities not traded for several days, or for which current bids are not available, or which are restricted as to transfer. Among the factors to be considered to fair value a security are recent prices of comparable securities that are publicly traded, reliable prices of securities not publicly traded, the use of valuation models, current analyst reports, valuing the income or cash flow of the issuer, or cost if the preceding factors do not apply. A significant change in the unobservable inputs could result in a lower or higher value in Level 3 securities. The circumstances of Level 3 securities are frequently monitored to determine if fair valuation measures continue to apply.

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

**Merger Arbitrage Risk.** The principal risk associated with the Fund's investment strategy is that certain of the proposed reorganizations in which the Fund invests may involve a longer time frame than originally contemplated or be renegotiated or terminated, in which case losses may be realized. The Fund invests all or a portion of its assets to seek short term capital appreciation. This can be expected to increase the portfolio turnover rate and cause increased brokerage commission costs.

**Derivative Financial Instruments.** The Fund may engage in various portfolio investment strategies by investing in a number of derivative financial instruments for the purposes of increasing the income of the Fund, hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase, or hedging against a specific transaction with respect to either the currency in which the transaction is denominated or another currency. Investing in certain derivative financial instruments, including participation in the options, futures, or swap markets, entails certain execution, liquidity, hedging, tax, and securities, interest, credit, or currency market risks. Losses may arise if the Adviser's prediction of movements in the direction of the securities, foreign currency, and interest rate markets is inaccurate. Losses may also arise if the counterparty does not perform its duties under a contract, or that, in the event of default, the Fund may be delayed in or prevented from obtaining payments or other contractual remedies owed to it under derivative contracts. The creditworthiness of the counterparties is closely monitored in order to minimize these risks. Participation in derivative transactions involves investment risks, transaction costs, and potential losses to which the Fund would not be subject absent the use of these strategies. The consequences of these risks, transaction costs, and losses may have a negative impact on the Fund's ability to pay distributions.

The Fund's derivative contracts held at March 31, 2014, if any, are not accounted for as hedging instruments under GAAP and are disclosed in the Schedule of Investments together with the related counterparty.

**Swap Agreements.** The Fund may enter into equity contract for difference swap transactions for the purpose of increasing the income of the Fund. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In an equity contract for difference swap, a set of future cash flows is exchanged between two counterparties. One of these cash flow

streams will typically be based on a reference interest rate combined with the performance of a notional value of shares of a stock. The other will be based on the performance of the shares of a stock. Depending on the general state of short term interest rates and the returns on the Fund's portfolio securities

**The GDL Fund****Notes to Schedule of Investments (Unaudited) (Continued)**

at the time an equity contract for difference swap transaction reaches its scheduled termination date, there is a risk that the Fund will not be able to obtain a replacement transaction or that the terms of the replacement will not be as favorable as on the expiring transaction.

The Fund has entered into equity contract for difference swap agreement with The Goldman Sachs Group, Inc. Details of the swap at March 31, 2014 are reflected within the Schedule of Investments and further details are as follows:

				<b>Net Unrealized</b>	
<b>Notional Amount</b>	<b>Equity Security Received</b>	<b>Interest Rate/Equity Security Paid</b>	<b>Termination Date</b>	<b>Depreciation</b>	
	Market Value				
	Appreciation on:	One Month LIBOR plus 90 bps plus			
\$151,791 (90,000	Gulf Keystone	Market Value Depreciation on:			
Shares)	Petroleum Ltd.	Gulf Keystone Petroleum Ltd.	6/27/14		\$(22,401)

**Forward Foreign Exchange Contracts.** The Fund may engage in forward foreign exchange contracts for the purpose of hedging a specific transaction with respect to either the currency in which the transaction is denominated or another currency as deemed appropriate by the Adviser. Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is included in unrealized appreciation/depreciation on foreign currency translations. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Fund's portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. Forward foreign exchange contracts at March 31, 2014 are presented within the Schedule of Investments.

The following table summarizes the net unrealized appreciation/(depreciation) of derivatives held at March 31, 2014 by primary risk exposure:

<b>Asset Derivatives:</b>	<b>Net Unrealized Appreciation/ Depreciation</b>
Forward Foreign Exchange Contracts	\$ 32,649

**Liability Derivatives:**

Equity Contracts	\$ (22,401)
Forward Foreign Exchange Contracts	(78,347)
<b>Total</b>	<b>\$(100,748)</b>

***Limitations on the Purchase and Sale of Futures Contracts, Certain Options, and Swaps.*** Subject to the guidelines of the Board, the Fund may engage in commodity interest transactions (generally, transactions in futures, certain options, certain currency transactions, and certain types of swaps) only for bona fide hedging or other permissible transactions in accordance with the rules and regulations of the Commodity Futures Trading Commission ( CFTC ). Pursuant to amendments by the CFTC to Rule 4.5 under the Commodity Exchange Act ( CEA ), the Adviser has filed a notice of exemption from registration as a commodity pool operator with

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**The GDL Fund****Notes to Schedule of Investments (Unaudited) (Continued)**

respect to the Fund. The Fund and the Adviser are therefore not subject to registration or regulation as a commodity pool operator under the CEA. In addition, certain trading restrictions are now applicable to the Fund as of January 1, 2013. These trading restrictions permit the Fund to engage in commodity interest transactions that include (i) bona fide hedging transactions, as that term is defined and interpreted by the CFTC and its staff, without regard to the percentage of the Fund's assets committed to margin and options premiums and (ii) non-bona fide hedging transactions, provided that the Fund does not enter into such non-bona fide hedging transactions if, immediately thereafter, either (a) the sum of the amount of initial margin deposits on the Fund's existing futures positions or swaps positions and option or swaption premiums would exceed 5% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions, or (b) the aggregate net notional value of the Fund's commodity interest transactions would not exceed 100% of the market value of the Fund's liquidating value, after taking into account unrealized profits and unrealized losses on any such transactions. Therefore, in order to claim the Rule 4.5 exemption, the Fund is limited in its ability to invest in commodity futures, options, and certain types of swaps (including securities futures, broad based stock index futures, and financial futures contracts). As a result, in the future, the Fund will be more limited in its ability to use these instruments than in the past, and these limitations may have a negative impact on the ability of the Adviser to manage the Fund, and on the Fund's performance.

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

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

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





## The GDL Fund

### Notes to Schedule of Investments (Unaudited) (Continued)

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

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

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

**Tax Information.** The Fund intends to continue to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

Under the Regulated Investment Company Modernization Act of 2010, the Fund is permitted to carry forward for an unlimited period capital losses incurred. As a result of the rule, post-enactment capital losses that are carried forward will retain their character as either short term or long term capital losses.

**THE GDL FUND**

**One Corporate Center**

**Rye, NY 10580-1422**

**Portfolio Manager Biography**

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

We have separated the portfolio manager's commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio manager's commentary is unrestricted. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com](http://www.gabelli.com).

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

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

The NASDAQ symbol for the Net Asset Value is XGDLX.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that the Fund may from time to time purchase its common shares in the open market when the Fund's shares are trading at a discount of 7.5% or more from the net asset value of the shares. The Fund may also from time to time purchase its preferred shares in the open market when the preferred shares are trading at a discount to the liquidation value.

**THE GDL FUND**

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Chief Executive Officer,

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Anthony J. Colavita

President,

Anthony J. Colavita, P.C.

James P. Conn

Former Managing Director &

Chief Investment Officer,

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Holdings Ltd.

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Flom LLP

Salvatore J. Zizza  
Chairman,  
Zizza & Associates Corp.

TRANSFER AGENT AND  
REGISTRAR  
  
AMERICAN STOCK TRANSFER AND TRUST  
COMPANY

GDL Q1/2014

**Item 2. Controls and Procedures.**

- (a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act ) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of the report that includes the disclosure required by this paragraph, based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 240.15d-15(b)).
  
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

**Item 3. Exhibits.**

Certifications pursuant to Rule 30a-2(a) under the 1940 Act and Section 302 of the Sarbanes-Oxley Act of 2002 are attached hereto.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The GDL Fund

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

Date 5/16/2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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

Date 5/16/2014

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

Date 5/16/2014

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