

GDL FUND
Form N-CSRS
September 04, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-CSR
CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT
INVESTMENT COMPANIES

Investment Company Act file number 811-21969

The GDL Fund

(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: June 30, 2014

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

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct

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comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Reports to Stockholders.

The Report to Shareholders is attached herewith.

The GDL Fund
Semiannual Report June 30, 2014
**Mario J. Gabelli,
CFA**
Portfolio Manager
To Our Shareholders,

For the six months ended June 30, 2014, the net asset value (NAV) total return of The GDL Fund was 2.2%, compared with a total return of 0.02% 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 2.9%. The Fund's NAV per share was \$12.58, while the price of the publicly traded shares closed at \$10.86 on the New York Stock Exchange (NYSE). See below for additional performance information.

Enclosed are the schedule of investments and financial statements as of June 30, 2014.

Comparative Results

	<u>Average Annual Returns through June 30, 2014 (a) (Unaudited)</u>					Since Inception (01/31/07)
	Year to Date	1 Year	3 Year	5 Year		
GDL Fund						
NAV Total Return (b)	2.22%	5.85%	3.17%	4.19%	2.98%	
Investment Total Return (c)	2.89	5.31	3.46	5.83	1.45	
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.02	0.05	0.07	0.11	0.97	

(a) *Returns represent past performance and do not guarantee future results. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit www.gabelli.com for performance information as of the most recent month end. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The 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.

Summary of Portfolio Holdings (Unaudited)

The following table presents portfolio holdings as a percent of total investments as of June 30, 2014:

The GDL Fund**Long Positions**

U.S. Government Obligations	37.9%
Health Care	10.7%
Electronics	6.7%
Energy and Utilities	6.4%
Retail	6.1%
Telecommunications	6.0%
Food and Beverage	5.6%
Financial Services	4.9%
Computer Software and Services	2.8%
Business Services	2.2%
Cable and Satellite	2.0%
Building and Construction	1.7%
Equipment and Supplies	1.2%
Automotive: Parts and Accessories	1.2%
Transportation	0.9%
Wireless Communications	0.6%
Semiconductors	0.5%
Metals and Mining	0.5%
Diversified Industrial	0.5%
Machinery	0.4%
Consumer Products and Services	0.3%
Specialty Chemicals	0.3%
Hotels and Gaming	0.2%
Communications Equipment	0.2%
Aerospace and Defense	0.1%
Real Estate	0.1%
Publishing	0.0%*
Paper and Forest Products	0.0%*
Educational Services	0.0%*
	100.0%

Short Positions

Health Care	(4.5)%
Building and Construction	(1.4)%
Energy and Utilities	(0.4)%
Retail	(0.0)%*
	(6.3)%

* Amount represents less than 0.05%.

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

Proxy Voting

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

The GDL Fund**Schedule of Investments June 30, 2014 (Unaudited)**

Shares		Cost	Market Value
COMMON STOCKS 61.7%			
Aerospace and Defense 0.1%			
76,000	Allied Defense Group Escrow	\$ 0	\$ 4,560
28,000	Exelis Inc.	361,163	475,440
6,000	Kratos Defense & Security Solutions Inc.	58,908	46,800
		420,071	526,800
Automotive: Parts and Accessories 1.2%			
75,000	Cooper Tire & Rubber Co.	1,816,556	2,250,000
200,000	The Pep Boys-Manny, Moe & Jack	2,440,110	2,292,000
		4,256,666	4,542,000
Building and Construction 1.7%			
23,000	Fortune Brands Home & Security Inc.	282,741	918,390
60,000	Texas Industries Inc.	4,778,137	5,541,600
		5,060,878	6,459,990
Business Services 2.2%			
4,000	Axiom Corp.	44,044	86,760
27,108	Blackhawk Network Holdings Inc., Cl. B	632,159	727,850
500	Bull	3,383	3,375
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	109,624	753,689
205,000	GrainCorp Ltd., Cl. A	2,428,465	1,623,762
80,000	MICROS Systems Inc.	5,421,112	5,432,000
500	PubliGroupe AG	117,882	119,531
		8,756,669	8,746,967
Cable and Satellite 2.0%			
9,000	AMC Networks Inc., Cl. A	371,666	553,410
219,000	British Sky Broadcasting Group plc	2,433,405	3,388,143
10,000	Cablevision Systems Corp., Cl. A	128,250	176,500
12,910	Liberty Global plc, Cl. A	500,655	570,880
30,000	Liberty Global plc, Cl. C	1,093,442	1,269,300

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100,000	Sky Deutschland AG	854,500	921,265
7,500	Time Warner Cable Inc.	1,031,605	1,104,750
		6,413,523	7,984,248
Communications Equipment 0.2%			
30,000	Riverbed Technology Inc.	609,680	618,900
Computer Software and Services 2.8%			
5,000	AutoNavi Holdings Ltd., ADR	102,602	104,500
224,600	BMC Software Stub	0	11,230
24,000	Cision AB	225,590	218,213
2,000	Ebix Inc.	31,827	28,620
658,803	Fusion-io Inc.	7,504,629	7,444,474
2,000	Mentor Graphics Corp.	12,683	43,140
120,000	ReadSoft AB, Cl. B	742,107	795,624
500	Schawk Inc.	10,111	10,180
			Market
Shares		Cost	Value
65,000	Yahoo! Inc.	\$ 966,499	\$ 2,283,450
		9,596,048	10,939,431
Consumer Products and Services 0.3%			
76,000	Avon Products Inc.(a)	1,373,622	1,110,360
8,000	Blyth Inc.	84,802	62,240
1,000	Digital Cinema Destinations Corp.	6,065	6,010
1,000	OpenTable Inc.	103,516	103,600
2,000	Prestige Brands Holdings Inc.	30,115	67,780
		1,598,120	1,349,990
Diversified Industrial 0.5%			
3,000	Foster Wheeler AG	94,784	102,210
15,000	ITT Corp.	329,299	721,500
46,000	Myers Industries Inc.	521,564	924,140
		945,647	1,747,850
Educational Services 0.0%			
12,000	Corinthian Colleges Inc.	46,025	3,550
Electronics 6.7%			
211,700	Alliance Semiconductor Corp.	1,035,247	169,360
77,500	Bel Fuse Inc., Cl. A	2,052,412	1,904,950
110,000	Cobra Automotive Technologies SpA	220,412	223,525
175,000	Hittite Microwave Corp.	13,641,408	13,641,250
480,000	Laird plc	1,516,832	2,331,325

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90,000	Measurement Specialties Inc.	7,741,095	7,746,300
10,000	Wolfson Microelectronics plc	39,201	39,619
		26,246,607	26,056,329
	Energy and Utilities 6.4%		
152,000	Alvopetro Energy Ltd.	146,649	172,363
4,000	Atlas Energy LP	56,023	179,520
500,000	Caracal Energy Inc.	4,544,621	4,689,211
10,000	Cleco Corp.	560,955	589,500
270,000	Dragon Oil plc	1,655,626	2,834,834
72,000	Endesa SA	1,799,401	2,785,157
5,000	Equal Energy Ltd.	27,000	27,100
460,000	Gulf Coast Ultra Deep Royalty Trust	805,000	1,347,800
44,418	Integrus Energy Group Inc.	3,040,259	3,159,452
336	LinnCo LLC	9,088	10,513
10,000	NRG Energy Inc.	229,472	372,000
1,000	Origin Energy Ltd.	15,738	13,786
92,000	Pepco Holdings Inc.	2,462,251	2,528,160
2,000	Silverwillow Energy Corp.	2,261	562
100,713	UNS Energy Corp.	5,994,806	6,084,072
100,000	WesternZagros Resources Ltd.	303,795	111,522
		21,652,945	24,905,552
	Equipment and Supplies 1.2%		
290,000	Kentz Corp. Ltd.	4,593,223	4,595,769

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) June 30, 2014 (Unaudited)**

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Equipment and Supplies (Continued)			
3,000	The Middleby Corp.	\$ 23,710	\$ 248,160
		4,616,933	4,843,929
Financial Services 4.9%			
900	Aspen Insurance Holdings Ltd.	40,691	40,878
60,000	First Niagara Financial Group Inc.	836,346	524,400
30,000	Hudson City Bancorp Inc.	251,447	294,900
130,000	National Interstate Corp.	3,876,985	3,642,600
60,000	Navient Corp.	645,152	1,062,600
18,400	Pohjola Bank plc, Cl. A	421,740	400,603
177,000	Protective Life Corp.	12,269,582	12,271,410
60,000	SLM Corp.	378,899	498,600
50,000	SWS Group Inc.	366,876	364,000
500	TF Financial Corp.	20,753	21,240
500	Tower Group International Ltd.	1,312	900
		19,109,783	19,122,131
Food and Beverage 5.6%			
210,000	China Huiyuan Juice Group Ltd.	183,873	101,879
1,310,000	Parmalat SpA	4,593,967	4,480,871
5,000	Pinnacle Foods Inc.	171,344	164,500
9,000	Post Holdings Inc.	221,658	458,190
250,000	The Hillshire Brands Co.	12,703,535	15,575,000
1,000	Warrnambool Cheese & Butter Factory Co. Holding Ltd.	6,834	7,402
3,255,000	Yashili International Holdings Ltd.	1,470,559	1,184,339
		19,351,770	21,972,181
Health Care 10.6%			
1,000	Allergan Inc.	165,960	169,220
550,000	ArthroCare Corp. Stub	0	192,500
43,000	AstraZeneca plc, ADR	3,382,122	3,195,330
66,500	Covidien plc	5,850,277	5,996,970
200,000	Forest Laboratories Inc.	18,888,939	19,800,000

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20,000	Furiex Pharmaceuticals Inc.	2,065,682	2,123,600
1,000	Gentiva Health Services Inc.	14,582	15,060
2,400	ICU Medical Inc.	150,445	145,944
90,000	Idenix Pharmaceuticals Inc.	2,171,305	2,169,000
14,000	Illumina Inc.	624,681	2,499,560
1,000	Lexicon Pharmaceuticals Inc.	1,640	1,610
85,000	Medical Action Industries Inc.	1,163,663	1,167,050
110,000	Nordion Inc.	1,338,896	1,381,600
1,000	QLT Inc.	6,451	6,180
1,000	Questcor Pharmaceuticals Inc.	89,985	92,490
31,000	Rhoen Klinikum AG	716,060	1,023,853
200	Shire plc, ADR	36,960	47,098
30,000	Smith & Nephew plc	315,411	533,441
2,500	Smith & Nephew plc, ADR	232,996	223,200
1,000	Synageva BioPharma Corp.	17,875	104,800

Market

Shares		Cost	Value
800	Taro Pharmaceuticals Industries Ltd.	\$ 31,544	\$ 112,192
1,241	Wright Medical Group Inc.	28,903	38,968
13,000	WuXi PharmaTech Cayman Inc., ADR	211,948	427,180
		37,506,325	41,466,846

Hotels and Gaming 0.2%

1,000	Giant Interactive Group Inc., ADR	11,236	11,840
15,000	International Game Technology	238,014	238,650
1,000	MGM Resorts International	2,620	26,400
30,000	MTR Gaming Group Inc.	155,912	160,500
28,000	Orient-Express Hotels Ltd., Cl A	310,473	407,120
		718,255	844,510

Machinery 0.4%

3,000	CNH Industrial NV	34,740	30,809
42,000	Xylem Inc.	1,202,465	1,641,360
		1,237,205	1,672,169

Metals and Mining 0.5%

0(b)	Agnico Eagle Mines Ltd.	13	15
5,000	Augusta Resource Corp.	15,377	15,791
190,000	AuRico Gold Inc.	1,520,589	809,400
2,800	Camino Minerals Corp.	5,242	210
1,000	Chaparral Gold Corp.	328	487
11	Jaguar Mining Inc.	733	9
10,000	Lonmin plc	62,068	40,594
5,000	Lumina Copper Corp.	44,753	46,249
1,000	Osisko Gold Royalties Ltd.	14,569	15,041
3,000	Pan American Silver Corp.	61,495	45,996

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500	Papillon Resources Ltd.	750	891
16,000	Vulcan Materials Co.	606,137	1,020,000
0(b)	Yamana Gold Inc.	1	1
		2,332,055	1,994,684
Paper and Forest Products 0.0%			
12,000	Ainsworth Lumber Co. Ltd.	43,739	31,151
Publishing 0.0%			
136,000	SCMP Group Ltd.	48,079	33,077
Real Estate 0.1%			
32,100	American Realty Capital Healthcare Trust Inc.	349,559	349,569
Retail 6.1%			
10,000	Dixons Retail plc	8,048	8,521
300,000	Safeway Inc.	11,006,958	10,302,000
3,600	SpartanNash Co.	73,554	75,636
65,000	Susser Holdings Corp.	5,068,770	5,246,800
380,557	Zale Corp.	7,961,908	7,991,697
		24,119,238	23,624,654

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) June 30, 2014 (Unaudited)**

Shares		Cost	Market Value
COMMON STOCKS (Continued)			
Semiconductors 0.5%			
320,000	PLX Technology Inc.	\$ 2,088,357	\$ 2,070,400
1,000	RDA Microelectronics Inc., ADR	18,083	17,110
2,500	Xcerra Corp.	18,894	22,750
		2,125,334	2,110,260
Specialty Chemicals 0.3%			
3,000	Ashland Inc.	27,107	326,220
40,000	PetroLogistics LP	570,324	574,400
3,600	SGL Carbon SE	128,691	118,431
		726,122	1,019,051
Telecommunications 6.0%			
191,273	Aeroflex Holding Corp.	2,003,629	2,008,367
690,000	Asia Satellite Telecommunications Holdings Ltd.	1,533,382	2,612,962
180,000	Cbeyond Inc.	1,772,712	1,791,000
200,000	Koninklijke KPN NV	613,090	728,742
115,000	LIN Media LLC, Cl. A	2,953,672	3,133,750
500	Loral Space & Communications Inc.	38,858	36,345
3,926	Sprint Corp.	22,260	33,489
170,000	Telenet Group Holding NV	7,717,402	9,688,347
9,500	tw telecom inc.	371,383	382,945
64,500	Ziggo NV	2,846,117	2,982,562
		19,872,505	23,398,509
Transportation 0.9%			
405,000	TNT Express NV	4,577,550	3,665,685
Wireless Communications 0.3%			
13,000	Blackberry Ltd.	102,080	133,120
25,000	T-Mobile US Inc.	406,250	840,500
		508,330	973,620

TOTAL COMMON STOCKS		222,845,661	241,003,633
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RIGHTS 0.4%**Health Care 0.1%**

187,200	Adolor Corp., CPR, expire 07/01/19	0	97,344
201,600	American Medical Alert Corp.	0	2,016
18,000	Chelsea Therapeutics International Ltd., CVR	1,980	1,980
90,200	Clinical Data Inc., CVR, expire 04/14/18	0	85,690
31,000	Cubist Pharmaceuticals Inc., CVR	68,897	3,593
100	Omthera Pharmaceuticals Inc., expire 12/31/20	0	60
346,322	Teva Pharmaceutical Industries Ltd., CPR, expire 02/20/23	164,073	183,551
186,000	Trius Therapeutics, CVR	0	24,180

Market**Shares****Cost****Value**

5,000	Wright Medical Group Inc., CVR, expire 03/01/16	\$ 12,375	\$ 7,450
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		247,325	405,864
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Wireless Communications 0.3%

470,000	Leap Wireless International Inc., CVR, expire 03/14/16	1,102,230	1,184,400
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TOTAL RIGHTS

		1,349,555	1,590,264
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WARRANTS 0.0%**Energy and Utilities 0.0%**

35,000	Kinder Morgan Inc., expire 05/25/17	66,675	97,300
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Metals and Mining 0.0%

220	Kinross Gold Corp., expire 09/17/14	1,048	5
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TOTAL WARRANTS

		67,723	97,305
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Principal**Amount****U.S. GOVERNMENT OBLIGATIONS 37.9%**

\$147,991,000	U.S. Treasury Bills, 0.010% to 0.075% , 07/10/14 to 12/11/14(c)	147,970,779	147,973,769
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TOTAL INVESTMENTS 100.0%

		\$ 372,233,718	390,664,971
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Settlement**Date****Unrealized
Depreciation**

FORWARD FOREIGN EXCHANGE CONTRACTS			
11,000,000(d)	Deliver British Pounds in exchange for United States Dollars 18,821,404(e)	07/25/14	(150,862)
19,000,000(f)	Deliver Euros in exchange for United States Dollars 26,019,199(e)	07/25/14	(123,872)
6,500,000(g)	Deliver Swedish Krona in exchange for United States Dollars 972,512(e)	07/25/14	(7,999)
TOTAL FORWARD FOREIGN EXCHANGE CONTRACTS			(282,733)

See accompanying notes to financial statements.

The GDL Fund**Schedule of Investments (Continued) June 30, 2014 (Unaudited)**

Notional Amount		Termination Date	Unrealized Appreciation
	EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS		
\$ 125,658	Gulf Keystone Petroleum Ltd.(h)	06/29/15	\$ 42,600
(90,000 Shares)			
			Market Value
	SECURITIES SOLD SHORT (6.3)% (Proceeds received \$23,171,001)		(24,739,001)
	Other Assets and Liabilities (Net)		25,504,142
	PREFERRED STOCK (2,724,641 preferred shares outstanding)		(136,232,050)
	NET ASSETS COMMON STOCK (20,270,935 common shares outstanding)		\$ 254,957,929
	NET ASSET VALUE PER COMMON SHARE (\$254,957,929 ÷ 20,270,935 shares outstanding)		\$ 12.58
			Market Proceeds Value
Shares	SECURITIES SOLD SHORT (6.3)%		
	Building and Construction (1.4)%		
42,000	Martin Marietta Materials Inc.		\$