

GDL FUND  
Form N-CSR  
March 10, 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: December 31, 2013

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.

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

**Item 1. Reports to Stockholders.**

The Report to Shareholders is attached herewith.

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**The GDL Fund**
**Mario J. Gabelli, CFA****Annual Report December 31, 2013****Portfolio Manager****To Our Shareholders,**

For the year ended December 31, 2013, the net asset value ( NAV ) total return of The GDL Fund was 6.3%, compared with a total return of 0.07% 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 7.8%. The Fund's NAV per share was \$12.78, while the price of the publicly traded shares closed at \$11.02 on the New York Stock Exchange ( NYSE ). See below for additional performance information.

Enclosed are the schedule of investments and financial statements as of December 31, 2013.

Sincerely yours,

Bruce N. Alpert

President

February 14, 2014

**Comparative Results****Average Annual Returns through December 31, 2013 (a) (Unaudited)**

	1 Year	3 Year	5 Year	Since Inception (01/31/07)
<b>GDL Fund</b>				
<b>NAV Total Return (b)</b>	6.31%	3.98%	4.18%	2.88%
<b>Investment Total Return (c)</b>	7.79	4.20	6.68	1.14
Bank of America Merrill Lynch 3 Month U.S. Treasury Bill Index	0.07	0.10	0.12	1.04

(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 redeemed, 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. **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

The following table presents portfolio holdings as a percent of total investments as of December 31, 2013:

### The GDL Fund

U.S. Government Obligations	50.6%
Health Care	21.3%
Telecommunications	3.4%
Computer Software and Services	3.3%
Energy and Utilities	2.4%
Food and Beverage	2.3%
Business Services	2.2%
Wireless Communications	2.2%
Cable and Satellite	1.8%
Specialty Chemicals	1.6%
Electronics	1.1%
Consumer Products and Services	1.1%
Diversified Industrial	1.0%
Semiconductors	1.0%
Transportation	0.9%
Retail	0.7%
Automotive: Parts and Accessories	0.7%
Financial Services	0.6%
Metals and Mining	0.4%
Machinery	0.4%
Materials	0.3%
Building and Construction	0.3%
Aerospace and Defense	0.2%
Hotels and Gaming	0.1%
Equipment and Supplies	0.1%
Paper and Forest Products	0.0%*
Publishing.	0.0%*
Educational Services	0.0%*
Communications Equipment	0.0%*
	100.0%

\* 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](http://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](http://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](http://www.sec.gov).

## The GDL Fund

## Schedule of Investments December 31, 2013

Shares		Cost	Market Value
<b>COMMON STOCKS 49.3%</b>			
<b>Aerospace and Defense 0.2%</b>			
76,000	Allied Defense Group Escrow	\$ 0	\$ 8,360
32,000	Exelis Inc.	419,147	609,920
6,000	Kratos Defense & Security Solutions Inc.	58,908	46,080
		478,055	664,360
<b>Automotive: Parts and Accessories 0.7%</b>			
28,284	Cooper Tire & Rubber Co.	723,733	679,947
185,000	The Pep Boys - Manny, Moe & Jack	2,290,260	2,245,900
		3,013,993	2,925,847
<b>Building and Construction 0.3%</b>			
23,000	Fortune Brands Home & Security Inc.	282,741	1,051,100
<b>Business Services 2.2%</b>			
4,000	Acxiom Corp.	44,044	147,920
92,138	Clear Channel Outdoor Holdings Inc., Cl. A	148,746	934,279
220,000	GrainCorp Ltd., Cl. A	2,623,549	1,669,717
500	Innotrac Corp.	4,081	4,100
200,000	Mac-Gray Corp.	4,239,382	4,246,000
66,000	Valassis Communications Inc.	2,266,740	2,260,500
		9,326,542	9,262,516
<b>Cable and Satellite 1.8%</b>			
9,000	AMC Networks Inc., Cl. A	371,666	612,990
220,000	British Sky Broadcasting Group plc	2,444,097	3,074,783
10,000	Cablevision Systems Corp., Cl. A	128,250	179,300
12,910	Liberty Global plc, Cl. A	981,676	1,148,861
9,640	Liberty Global plc, Cl. C	690,899	812,845
100,000	Sky Deutschland AG	854,500	1,100,564
84,000	Veripos Inc.	499,487	516,578
		5,970,575	7,445,921



**Communications Equipment 0.0%**

400	Aastra Technologies Ltd.	12,034	16,644
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**Computer Software and Services 3.3%**

224,600	BMC Software Stub	0	11,230
1,000	Delcam plc	33,472	34,204
50,000	Dynamics Research Corp.	573,662	574,000
2,000	Ebix Inc.	31,827	29,440
2,000	Mentor Graphics Corp.	12,683	48,140
340,074	Responsys Inc.	9,175,451	9,321,428
125,000	Stonesoft OYJ	727,511	773,834
7,000	Unit4 NV	360,033	369,356
1,000	Xyratex Ltd.	13,254	13,290
65,000	Yahoo! Inc.	966,499	2,628,600
		11,894,392	13,803,522

Shares		Cost	Market Value
	<b>Consumer Products and Services 1.1%</b>		
76,000	Avon Products Inc.(a)	\$ 1,373,622	\$ 1,308,720
3,000	Blyth Inc.	36,227	32,640
6,500	Costa Inc.	140,255	141,245
18,000	Harman International Industries Inc.	620,141	1,473,300
2,000	Prestige Brands Holdings Inc.		
		30,115	71,600
90,000	The Jones Group Inc.	1,346,070	1,346,400
		3,546,430	4,373,905

**Diversified Industrial 1.0%**

100,000	Coleman Cable Inc.		
		2,625,444	2,622,000
15,000	ITT Corp.	329,299	651,300
46,000	Myers Industries Inc.		
		521,564	971,520
		3,476,307	4,244,820

**Educational Services 0.0%**

12,000	Corinthian Colleges Inc.	46,025	21,360
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**Electronics 1.1%**

211,700	Alliance Semiconductor Corp.	1,035,247	148,190
19,685	Anaren Inc.	521,840	550,983
77,500	Bel Fuse Inc., Cl. A	2,052,412	1,505,050
480,000	Laird plc	1,516,832	2,203,351

		5,126,331	4,407,574
<b>Energy and Utilities 2.4%</b>			
152,000	Alvopetro Energy Ltd.	146,649	176,004
4,000	Atlas Energy LP	56,023	187,400
200	Coastal Energy Co.	3,615	3,551
270,000	Dragon Oil plc	1,655,626	2,537,342
72,000	Endesa SA	1,799,401	2,307,883
5,000	Equal Energy Ltd.	27,000	26,700
460,000	Gulf Coast Ultra Deep Royalty Trust	805,000	956,800
19,000	Heritage Oil plc	97,265	46,801
336	LinnCo LLC	9,088	10,352
10,000	NRG Energy Inc.	229,472	287,200
1,000	Origin Energy Ltd.	15,738	12,563
2,000	Silverwillow Energy Corp.	2,261	527
56,000	UNS Energy Corp.	3,287,071	3,351,600
400	Walter Energy Inc.	19,617	6,652
100,000	WesternZagros Resources Ltd.	303,795	91,316
		8,457,621	10,002,691
<b>Equipment and Supplies 0.1%</b>			
40,000	Commercial Solutions Inc.	39,681	39,539
1,000	The Middleby Corp.	23,710	239,970
		63,391	279,509
<b>Financial Services 0.6%</b>			
12,000	Camco Financial Corp.	69,818	80,160
60,000	First Niagara Financial Group Inc.	836,346	637,200
30,000	Hudson City Bancorp Inc.	251,447	282,900

See accompanying notes to financial statements.

**The GDL Fund****Schedule of Investments (Continued) December 31, 2013**

<b>Shares</b>		<b>Cost</b>	<b>Market Value</b>
<b>COMMON STOCKS (Continued)</b>			
<b>Financial Services (Continued)</b>			
14,000	Lender Processing Services Inc.	\$ 448,605	\$ 523,320
40,000	SLM Corp.	567,862	1,051,200
		2,174,078	2,574,780
<b>Food and Beverage 2.3%</b>			
1,000	Arden Group Inc., Cl. A	126,367	126,510
8,000	Beam Inc.	345,713	544,480
1,000	Campofrio Food Group SA	9,278	9,492
1,000	Cermaq ASA	17,637	17,806
210,000	China Huiyuan Juice Group Ltd.	183,873	134,867
20,000	Hillshire Brands Co.	610,027	668,800
1,640,000	Parmalat SpA	5,827,250	5,586,243
9,500	Post Holdings Inc.	233,982	468,065
1,000	Warrnambool Cheese & Butter Factory Co. Holding Ltd.	6,834	8,277
3,255,000	Yashili International Holdings Ltd.	1,470,559	1,993,894
		8,831,520	9,558,434
<b>Health Care 21.2%</b>			
207,200	Algeta ASA	12,102,389	12,257,161
8,000	ArthroCare Corp.	18,791	321,920
200	Atrium Innovations Inc.	4,554	4,575
400,000	Celesio AG	12,617,348	12,656,486
200	Cornerstone Therapeutics Inc.	1,901	1,898
14,000	Gentium SpA, ADR	801,883	799,400
146,736	Given Imaging Ltd.	4,354,401	4,413,819
18,149	Hi-Tech Pharmacal Co. Inc.	782,252	787,485
1,400	ICU Medical Inc.	92,077	89,194
16,000	Illumina Inc.	715,287	1,769,920
1,000	Lexicon Pharmaceuticals Inc.	1,640	1,800
160,000	Life Technologies Corp.	11,829,870	12,128,000
184,500	Maxygen Inc.	1,670	5,535
117,000	NuPathe Inc.	382,461	382,590
500	Patheon Inc.	4,596	4,618
6,000	Patient Safety Technologies Inc.	13,273	13,200

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1	Perrigo Co. plc	124	123
34,000	Rhoen Klinikum AG	800,096	994,181
620,000	Santarus Inc.	19,818,991	19,815,200
65,000	Shoppers Drug Mart Corp.	3,759,570	3,560,697
50,000	Smith & Nephew plc	541,276	712,890
200,000	Solta Medical Inc.	591,000	590,000
1,000	Synageva BioPharma Corp.	17,875	64,720
1,000	Taro Pharmaceuticals Industries Ltd.	39,430	98,900
330,000	ViroPharma Inc.	16,373,318	16,450,500
1,241	Wright Medical Group Inc.	28,903	38,111
13,000	WuXi PharmaTech Cayman Inc., ADR	211,948	498,940

85,906,924 88,461,863

Shares		Cost	Market Value
<b>Hotels and Gaming 0.1%</b>			
1,000	Giant Interactive Group Inc., ADR	\$ 11,236	\$ 11,240
1,000	MGM Resorts International	2,620	23,520
16,000	MTR Gaming Group Inc.	83,422	82,560
28,000	Orient-Express Hotels Ltd., Cl. A	310,473	423,080
		407,751	540,400

<b>Machinery 0.4%</b>			
3,000	CNH Industrial NV	34,740	34,193
42,000	Xylem Inc.	1,202,465	1,453,200
		1,237,205	1,487,393

<b>Materials 0.3%</b>			
80,000	Zoltek Companies Inc.	1,333,920	1,340,000

<b>Metals and Mining 0.4%</b>			
195,000	AuRico Gold Inc.	1,561,923	713,700
28,000	Camino Minerals Corp.	5,242	659
1,000	Chaparral Gold Corp.	328	301
1,000	Jaguar Mining Inc.	771	45
10,000	Lonmin plc	62,068	51,086
3,000	Pan American Silver Corp.	61,495	35,048
16,000	Vulcan Materials Co.	606,137	950,720
		2,297,964	1,751,559

<b>Paper and Forest Products 0.0%</b>			
10,000	Ainsworth Lumber Co. Ltd.	36,478	39,256

<b>Publishing 0.0%</b>			
136,000	SCMP Group Ltd.	48,079	33,060

<b>Retail 0.7%</b>			
61,000	Harris Teeter Supermarkets Inc.	3,000,218	3,010,350
3,600	Spartan Stores Inc.	73,554	87,408
		3,073,772	3,097,758
<b>Semiconductors 1.0%</b>			
350,000	LSI Corp.	3,840,291	3,857,000
2,500	LTX-Credence Corp.	18,894	19,975
20,000	PLX Technology Inc.	132,387	131,600
1,000	RDA Microelectronics Inc., ADR	18,083	17,880
		4,009,655	4,026,455
<b>Specialty Chemicals 1.6%</b>			
3,000	Ashland Inc.	27,107	291,120
978,400	AZ Electronic Materials SA	6,328,948	6,399,748
4,000	SGL Carbon SE	147,775	158,344
		6,503,830	6,849,212
<b>Telecommunications 3.4%</b>			
690,000	Asia Satellite Telecommunications Holdings Ltd.	1,533,382	2,589,402
200,000	Koninklijke KPN NV	613,090	644,655
3,926	Sprint Corp.	22,260	42,204
180,000	Telenet Group Holding NV	8,171,329	10,740,817

See accompanying notes to financial statements.

## The GDL Fund

## Schedule of Investments (Continued) December 31, 2013

Shares		Cost	Market Value
<b>COMMON STOCKS (Continued)</b>			
<b>Telecommunications (Continued)</b>			
500	Ziggo NV	\$ 17,458	\$ 22,837
		10,357,519	14,039,915
<b>Transportation 0.9%</b>			
420,000	TNT Express NV	4,765,364	3,898,968
2,000	Vitran Corp. Inc.	12,920	12,960
		4,778,284	3,911,928
<b>Wireless Communications 2.2%</b>			
17,000	Blackberry Ltd.	135,848	126,650
470,000	Leap Wireless International Inc.	7,663,101	8,178,000
25,000	T-Mobile US Inc.	406,250	841,000
		8,205,199	9,145,650
	<b>TOTAL COMMON STOCKS</b>	190,896,615	205,357,432
<b>RIGHTS 0.1%</b>			
<b>Health Care 0.1%</b>			
187,200	Adolor Corp., CPR, expire 07/01/19	0	97,344
201,600	American Medical Alert Corp.	0	2,016
90,200	Clinical Data Inc., CVR, expire 04/14/18	0	85,690
31,000	Cubist Pharmaceuticals Inc., CVR	68,898	41,850
100	Omthera Pharmaceuticals Inc., expire 12/31/20	0	60
186,000	Trius Therapeutics, CVR	0	24,180
5,000	Wright Medical Group Inc., CVR, expire 03/01/16	12,375	1,615
	<b>TOTAL RIGHTS</b>	81,273	252,755
<b>WARRANTS 0.0%</b>			
<b>Energy and Utilities 0.0%</b>			
35,000	Kinder Morgan Inc., expire 05/25/17	66,675	142,100

<b>Metals and Mining 0.0%</b>			
220	Kinross Gold Corp., expire 09/17/14	1,048	3
<b>TOTAL WARRANTS</b>		67,723	142,103

<b>Principal Amount</b>	<b>U.S. GOVERNMENT OBLIGATIONS 50.6%</b>		
\$211,122,000	U.S. Treasury Bills, 0.020% to 0.150% , 01/09/14 to 06/26/14(b)	211,076,606	211,091,565
<b>TOTAL INVESTMENTS 100.0%</b>		\$ 402,122,217	416,843,855

<b>Principal Amount</b>		<b>Settlement Date</b>	<b>Unrealized Appreciation/Depreciation</b>
<b>FORWARD FOREIGN EXCHANGE CONTRACTS</b>			
12,700,000(c)	Deliver British Pounds in exchange for United States Dollars 21,026,171(d)	01/31/14	\$ (238,747)
150,000(c)	Deliver British Pounds in exchange for United States Dollars 248,341(d)	01/31/14	(670)
28,000,000(e)	Deliver Euros in exchange for United States Dollars 38,518,936(d)	01/31/14	(213,141)
74,000,000(f)	Deliver Norwegian Kroner in exchange for United States Dollars 12,186,036(d)	01/31/14	(201,939)
<b>TOTAL FORWARD FOREIGN EXCHANGE CONTRACTS</b>			(654,497)

<b>Notional Amount</b>		<b>Termination Date</b>	
<b>EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS</b>			
\$ 251,999 (90,000 Shares)	Gulf Keystone Petroleum Ltd.(g)	06/27/14	6,937
13,131,602 (1,600,000 Shares)	Invensys plc(g)	07/17/14	336,754
<b>TOTAL EQUITY CONTRACT FOR DIFFERENCE SWAP AGREEMENTS</b>			343,691

<b>Market Value</b>		
<b>Other Assets and Liabilities (Net)</b>		(11,549,521)

**PREFERRED STOCK**

(2,724,641 preferred shares outstanding) (136,232,050)

**NET ASSETS COMMON STOCK**

(21,036,179 common shares outstanding) \$ 268,751,478

**NET ASSET VALUE PER COMMON SHARE**

(\$268,751,478 ÷ 21,036,179 shares outstanding) \$ 12.78

See accompanying notes to financial statements.



**The GDL Fund****Schedule of Investments (Continued) December 31, 2013**

- (a) At December 31, 2013, securities, or a portion thereof, with a value of \$637,140 were reserved and/or pledged for collateral with the custodian for equity contract for difference swap agreements and forward foreign exchange contracts.
- (b) At December 31, 2013, \$85,450,000 of the principal amount was pledged as collateral for equity contract for difference swap agreements and forward foreign exchange contracts.
- (c) Principal amount denoted in British Pounds.
- (d) At December 31, 2013, the Fund had entered into forward foreign exchange contracts with State Street Bank and Trust Co.
- (e) Principal amount denoted in Euros.
- (f) Principal amount denoted in Norwegian Krone.
- (g) At December 31, 2013, 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>% of Market Value</b>	<b>Market Value</b>
<b>Geographic Diversification</b>		
North America	80.8%	\$ 336,975,921
Europe	16.8	69,937,672
Asia/Pacific	1.7	6,969,841
Africa/Middle East	0.6	2,537,341
Latin America	0.1	423,080
Total Investments	100.0%	\$ 416,843,855

See accompanying notes to financial statements.

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**The GDL Fund**
**Statement of Assets and Liabilities****December 31, 2013****Assets:**

Investments, at value (cost \$402,122,217)	\$ 416,843,855
Cash	275,146
Receivable for investments sold	250,139
Deferred offering expense	393,011
Dividends and interest receivable	305,359
Prepaid expenses	5,363
Unrealized appreciation on swap contracts	343,691
<b>Total Assets</b>	<b>418,416,564</b>

**Liabilities:**

Distributions payable	68,116
Payable for investments purchased	6,190,246
Payable for investment advisory fees	6,384,747
Payable for payroll expenses	54,488
Payable for accounting fees	3,750
Unrealized depreciation on forward foreign exchange contracts	654,497
Series B Cumulative Preferred Shares, callable and mandatory redemption 03/26/18 (See Notes 2 and 5)	136,232,050
Other accrued expenses	77,192
<b>Total Liabilities</b>	<b>149,665,086</b>

<b>Net Assets Attributable to Common Shareholders</b>	<b>\$ 268,751,478</b>
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**Net Assets Attributable to Common Shareholders Consist of:**

Paid-in capital	\$ 256,451,739
Accumulated net investment loss	(932,872)
Accumulated net realized loss on investments, securities sold short, swap contracts, and foreign currency transactions	(1,188,405)
Net unrealized appreciation on investments	14,721,638
Net unrealized appreciation on swap contracts	343,691
Net unrealized depreciation on foreign currency translations	(644,313)

<b>Net Assets</b>	<b>\$ 268,751,478</b>
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**Net Asset Value per Common Share:**

(\$268,751,478 ÷ 21,036,179 shares outstanding at \$0.001 par value; unlimited number of shares authorized) \$ 12.78

**Statement of Operations****For the Year Ended December 31, 2013****Investment Income:**

Dividends (net of foreign withholding taxes of \$172,646)	\$ 6,065,935
Interest	284,233

<b>Total Investment Income</b>	<b>6,350,168</b>
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**Expenses:**

Investment advisory fees	8,283,603
Interest expense on preferred shares	4,141,258
Trustees fees	151,000
Offering expense for issuance of preferred shares	119,965
Payroll expenses	119,278
Dividend expense on securities sold short	113,251
Shareholder communications expenses	103,522
Accounting fees	45,000
Custodian fees	44,320
Legal and audit fees	33,468
Shareholder services fees	26,422