

GABELLI  
MERGER PLUS+ TRUST PLC

Gabelli Merger Plus<sup>+</sup> Trust plc  
Annual Report and Accounts  
For the year ended 30 June 2019

# MERGER INVESTING SINCE 1977

*"There are many advantages to investing in risk arbitrage. Let's focus on three: risk arbitrage returns are not closely correlated with those of the stock market; they are less volatile than returns on the S&P 500; and longer term they are higher than those returns afforded by traditional investing. While these three factors provide for excellent results in the world of arbitrage, the real beauty of risk arb investing is that there is rarely a down year. Because risk arb returns are consistently positive year in and year out, they fulfill the concept of a compound return. We proclaim this source of compounded earnings as the eighth wonder of the world.*

*Compounding is the secret to wealth creation over a period of decades."*

*Mario Gabelli  
(Deals...Deals...and More Deals, 1999)*

# Gabelli Merger Plus<sup>+</sup> Trust Plc's investment objective:

The Company's primary investment objective is to seek to generate total return consisting of capital appreciation and current income.

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# At a glance

Merger investing is a highly specialised active investment approach designed to profit from corporate catalyst events such as announced mergers, acquisitions, leveraged buyouts, demergers and other types of reorganisations and corporate actions (“deals”). The Portfolio Manager, (Gabelli Funds, LLC), seeks to earn returns through a diversified portfolio of investments across such deals earning the differential or “spread” between the market price and the investment’s ultimate value. Gabelli Merger Plus+ Trust plc (“GMP” or “the Company”) invests globally, although it has an emphasis on securities traded in the United States, across market capitalisations and sectors.

The Company was launched in July 2017 to access this unique investment approach. The Company’s shares trade on the Specialist Fund Segment of the London Stock Exchange and The International Stock Exchange under the symbol “GMP”.

The Company seeks to generate total returns consisting of capital appreciation and current income through the application of this active merger investment program. A secondary objective is the protection of capital, while earning returns uncorrelated to unmanaged equity and fixed income markets.

The Portfolio Manager has invested in mergers since 1977 broadly, and created its first dedicated merger fund in 1985. The Portfolio Manager remains vigilant in the application of its investment methodology and search for opportunities, maintaining a diversified portfolio of catalyst event merger arbitrage strategies that seek to create an optimal risk/reward profile for the portfolio.

The Company provides access to Gabelli’s deep history of investing in mergers. The approach is a natural extension of its long standing research-driven investment

process oriented towards undervalued assets as articulated through its proprietary Private Market Value with a Catalyst™ methodology (“PMV”). PMV is the price an informed buyer would pay for an entire business in a negotiated transaction, combined with a catalyst, to earn rates of returns independent of the broad markets’ direction.

The Company is part of the lineage of Gabelli’s sixteen listed investment companies beginning in 1986 with the Gabelli Equity Trust (NYSE:GAB). The Gabelli Funds complex currently includes fourteen U.S. based closed-end funds or investment companies, with an additional two based in the U.K., including GMP. Gabelli Funds also manages twenty four open-end funds and a Luxembourg SICAV with two UCITS sub-funds.

## Financial Highlights

	As at 30 June 2019	As at 30 June 2018
<b>Performance (unadjusted for distributions)</b>		
Net asset value per share (cum income)	<b>\$9.71</b>	\$9.84
Net asset value per share (ex income)	<b>\$9.82</b>	\$9.87
Dividends per share paid during the year/period	<b>\$0.48</b>	\$0.35
Share price	<b>\$8.60</b>	\$9.73
Discount <sup>1</sup>	<b>11.43%</b>	1.17%
<b>Total returns</b>		
Net asset value per share <sup>2</sup>	<b>3.69%</b>	2.78%
U.S. 3-month Treasury Bill Index	<b>2.31%</b>	1.27%
Share price <sup>3</sup>	<b>(6.51%)</b>	0.61%
<b>Income</b>		
Revenue return per share	<b>(\$0.07)</b>	(\$0.03)
<b>Ongoing charges<sup>4</sup></b>		
Annualised ongoing charges	<b>1.47%</b>	1.32%

Source: Investment Manager (Gabelli Funds, LLC), verified by the Administrator (State Street Bank and Trust Company).

<sup>1</sup> Figures are inclusive of income and dividends paid, in line with the Association of Investment Companies (the “AIC”) guidance.

<sup>2</sup> The net asset value (“NAV”) total return for the year reflects the movement in the NAV, adjusted for the reinvestment of any dividends paid and market movements.

<sup>3</sup> The total share price return for the year to 30 June reflects the movement in the share price during the year, adjusted to reflect the reinvestment of any dividends paid.

<sup>4</sup> Ongoing charges are calculated as a percentage of shareholders’ funds using the average net assets over the year and calculated in line with the AIC’s recommended methodology.

# Chairman's Statement

**Marc Gabelli**  
Chairman



We share this Annual Report to Shareholders covering the year to 30 June 2019. Gabelli Merger Plus+ Trust Plc (the "Company") operates globally in the highly specialised investment discipline of event driven merger arbitrage. The objectives are to compound and preserve wealth over time, while remaining non-correlated to the broad equity and fixed income markets. The investment programme is global, encompassing a broad spectrum of special situations and event driven opportunities, with an emphasis on announced merger transactions. The portfolio is a highly liquid, non-market correlated alternative to traditional equity and fixed income securities.

Merger returns are derived through the narrowing of deal spreads. The spread is a function of three primary elements: the risk free rate, the risk premium associated with transaction fundamentals, and time value. The dynamic interplay across these components is evaluated constantly within every investment. Position size will vary according to a probabilistic assessment of the risk. The inherent risk in all merger investing is a broken deal rather than the standard deviation or price variance of the market price movements over the deal timeline. Gabelli Funds LLC, the Portfolio Manager, employs an active approach to analysing the fundamentals of a merger investment and has a long history of implementing such a programme. At its core, this differentiated investment approach utilizes the Gabelli "Private Market Value ("PMV") with a Catalyst™ analytical methodology to manage risk. The full details of this investment programme were set out in the offering Prospectus and are found

on the Company's web site [www.Gabelli.com/MergerPlus](http://www.Gabelli.com/MergerPlus).

The Board is always receptive to feedback and is available should you have any questions or comments. Please get in touch via the Portfolio Manager's Investor Relations group directly, or through the Company Secretary, whose contact details are at the end of this Report. We thank you, our shareholders, for your confidence entrusting a portion of your assets to our team.

## Principal Developments on Investments During the Year

Merger volumes help our origination pipeline. Building off of 2018's record first half of global merger and acquisition activity, 2018 ended with \$4 trillion in deal activity, \$1.6 trillion of which was in cross-border transactions. During the first half of 2019 deal activity remained solid, with global activity totaling around \$2 trillion, driven by the U.S., which has seen its strongest start on record. Healthcare, financials and technology were the most active sectors for consolidation in the first quarter, due in part to mega-deals, including Bristol Myers acquisition of Celgene. This consolidation in the pharmaceutical space continued into the second quarter with Loxo Oncology agreeing to be acquired by Eli Lilly and Spark Therapeutics agreeing to be acquired by Roche Holdings. The current wave of deal activity is global, and increasing across a broad spectrum of industries. The Portfolio Manager is still finding attractive opportunities to invest in announced M&A, and expects future deal activity will provide us with the ability to continue to generate attractive returns.

While we have seen some challenges, and headwinds and spreads have widened, with macro, geopolitical uncertainties remaining in the fore, any widening of spreads is an attractive opportunity to earn greater returns.

The Company's net asset value (NAV) plus dividends paid delivered a total return to shareholders during the year under review of 3.69% in U.S. dollars. This performance compared to the equivalent 13 week U.S. Treasury Bill which returned 2.31% and also relative to the MNA ETF, which delivered 2.74%, and merger arbitrage indices such as the S&P Merger Arbitrage Index which returned 8.33%, and the CS Merger Arbitrage Liquid Index, up 4.54%. The share price total return with dividends reinvested was (6.51)%, impacted by a slight widening of the discount during the year. In comparison to the NAV's positive total return including dividends, the share price performed negatively, down by 6.51%, as the discount widened when dividends were paid coupled with low trading volume. The Board is evaluating options to improve share price NAV discovery. It should also be noted that since 30 June 2019 the share price has improved, with the share price total return, including dividends reinvested, having risen to 4.60% as at the close of business on 21 October 2019.

We underscore that the Portfolio Manager aligns its interests with those of other shareholders in two respects: (i) Gabelli and its principals are our largest shareholders, with 59.8% of the shares, so they participate fully in the ups and downs of performance; and (ii) the performance fee is subject to a high water mark on

# Chairman's statement continued

total returns, a hurdle rate payable after the NAV exceeds two times the 13 week U.S. Treasury Bill return, capped at 3% of NAV. The Board recognises that, while the positive absolute returns of NAV since listing are consistent with the Company's investment objectives, the share price performance fell short of the NAV achievements at the year end.

Subject to shareholder consent at the Annual General Meeting to the revised Directors' Remuneration Policy, as set out in the Remuneration Report on page 31, it is proposed that the Directors' compensation is aligned in favour of shareholders, with a relatively attractive absolute cash cost, coupled with the consideration of equity.

We remain focused on the dynamics of the market price discovery process in secondary trading and will consider selective buybacks as necessary. The Board remains alert to these issues and closely monitors and reviews this performance regularly.

## Shareholder Base and the Developments in the U.K.

On August 30 2019, we announced that the Company had introduced a Sterling market quote. The additional market quotation for the shares on the London Stock Exchange is found under the ticker symbol "GMPP." The Board is seeking to broaden the shareholder base and build its attributes to accommodate future investors. This process is built on three interrelated pillars: governance, improving liquidity, and ongoing positive Portfolio Manager performance. Our broker Cantor Fitzgerald Europe is available to assist shareholders in the market and continues to examine potential opportunities for additional capital raising in the future as conditions merit.

The key priority of the Board and Portfolio Manager remains to serve the interests of shareholders through seeking improved portfolio performance. The Board believes that the shares' rating would be likely to respond favourably to ongoing positive performance, which in turn could create an opportunity to expand the capital of the Company. In addition, the Board seeks to diversify the shareholder base, spread the fixed costs over a wider base, and improve the trading liquidity. During the period, the Company has utilized nominal gearing of up to 20% through contracts for difference (CFDs). The Portfolio Manager has looked at a range of options for using borrowing facilities as a means of adding to returns,

and currently believes the use of CFDs offers the most flexibility and the best cost to shareholders. The Board believes that the investment policy carried out is consistent with its initial prospectus.

## Dividend

The Company's portfolio is diversified across various arbitrage strategies, with holding periods averaging 120 days each. In arbitrage, the culmination of a position is effectively a return of cash as the position is closed. As such, the portfolio is constructed to implement the managed distribution of capital through the payment of quarterly dividends, giving investors access to the cash harvested from the portfolio's investment programme. Since inception, the Company will have returned \$1.07 per share to shareholders, including the dividend that will be paid on 25 October 2019, consistent with its dividend policy.

## Directorate

We thank Kuni Nakamura and Alex Hammond-Chambers, who both retired from the Board on 5 August 2019, for their service as Directors. Their contribution to the Company in its startup phase is most appreciated.

## Outlook

The components remain in place for positive shareholder returns, as rising deal risk premiums and higher interest rates combine with healthy deal volumes to provide an attractive landscape. Our PMV with a Catalyst™ selection process focuses on researching the intrinsic value of firms. It is in periods of market volatility that merger investing proves its true worth as an alternative investment. The Company, under the stewardship of a time tested team, has its greatest scope for shareholder value creation ahead.

## Marc Gabelli

Chairman

23 October 2019

# The Search For Value – A History of Gabelli

## Origins of Gabelli

The Gabelli organisation, of which Gabelli Funds, LLC is a major affiliate, began in the U.S. in 1976 as an institutional research firm. Gabelli's intense, research driven culture has driven its evolution into a diversified global financial services company. The basis of its success remains unchanged – a focus on fundamental, bottom-up research, a highly consistent investment process, and the commitment to superior risk adjusted returns. Now with offices in the U.S., London, Tokyo, Hong Kong and Shanghai, and employing more

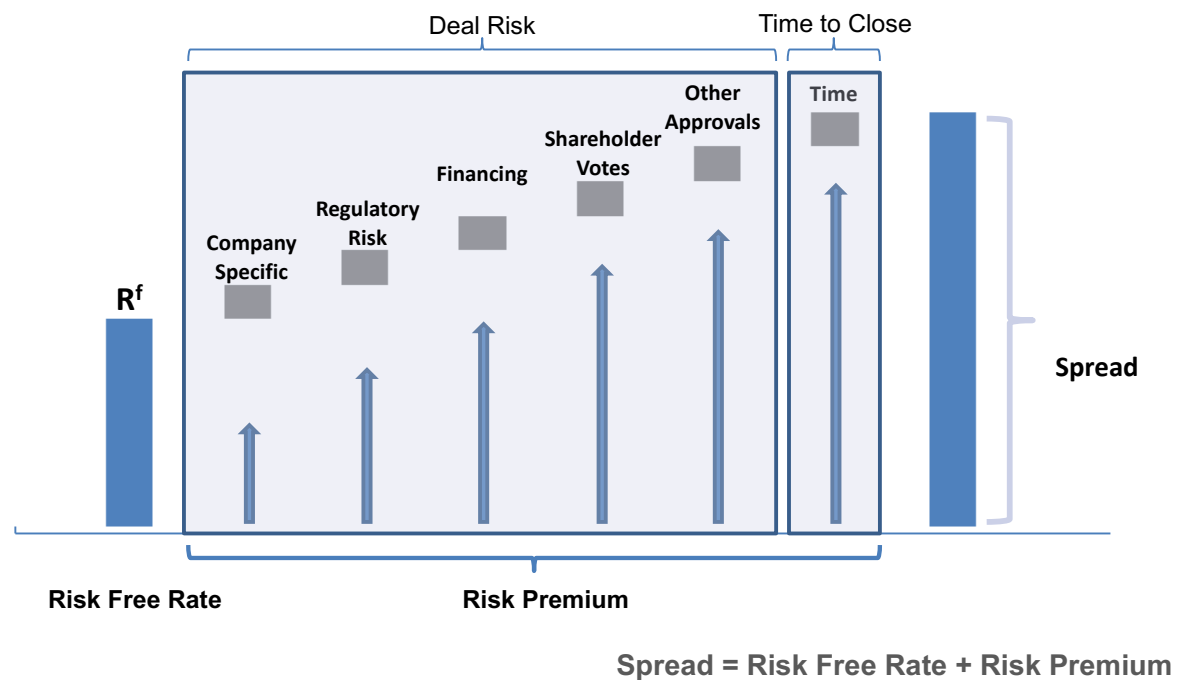
than 180 professionals, we offer portfolio management in our core competencies across the globe.

Gabelli Funds took the basic tenets of classic value investing and forged our Private Market Value ("PMV") with a Catalyst™ approach. We have built a company currently managing over \$36 billion in assets and a track record of consistent returns over time. Gabelli is credited by the academic community for establishing the notion of PMV and applying the process in the analysis

of public equity securities. Our value oriented bottom-up stock selection process is based on the fundamental investment principles first articulated in 1934 by Graham and Dodd, the founders of modern security analysis, and further enhanced by Mario Gabelli in 1977 with his introduction of the concepts of PMV into equity analysis. Our sustainable, time tested investment principles of fundamental security analysis are as valid today as they were more than eighty years ago.

## Merger Investment Opportunity

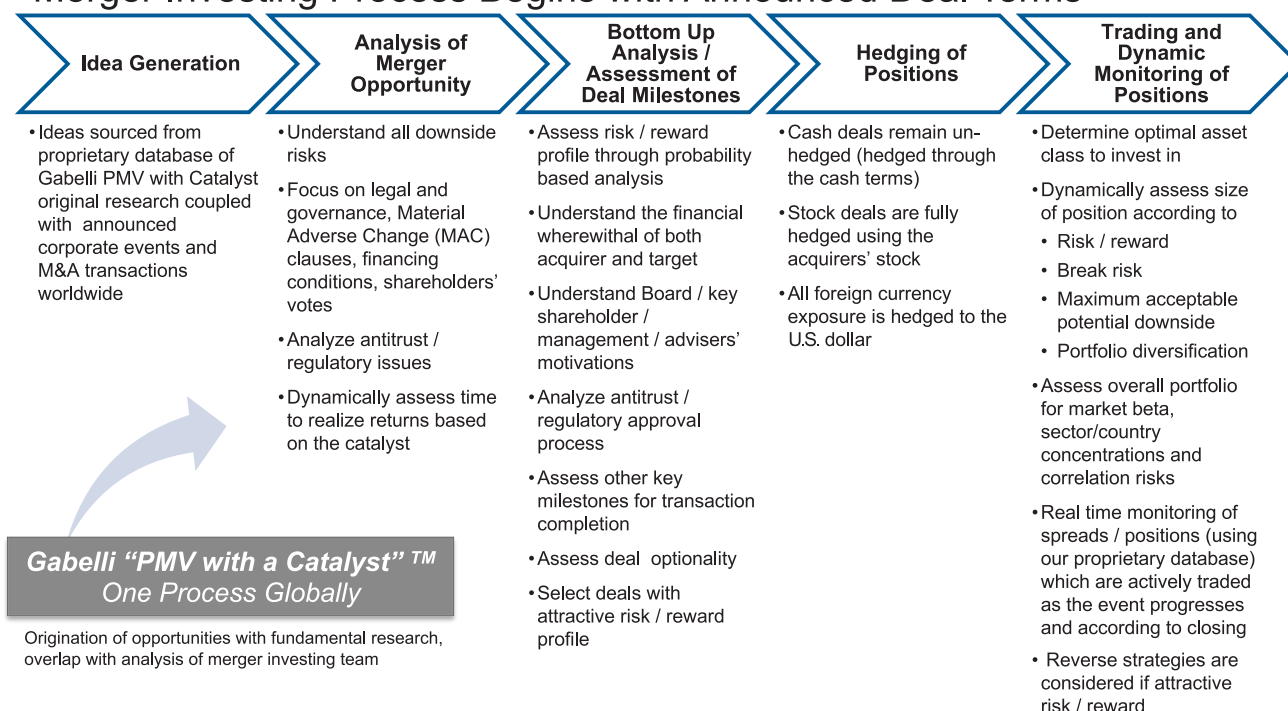
### Components of the Merger Arbitrage Return (Spread)



# The Search For Value – A History of Gabelli continued

## Methodology in Action

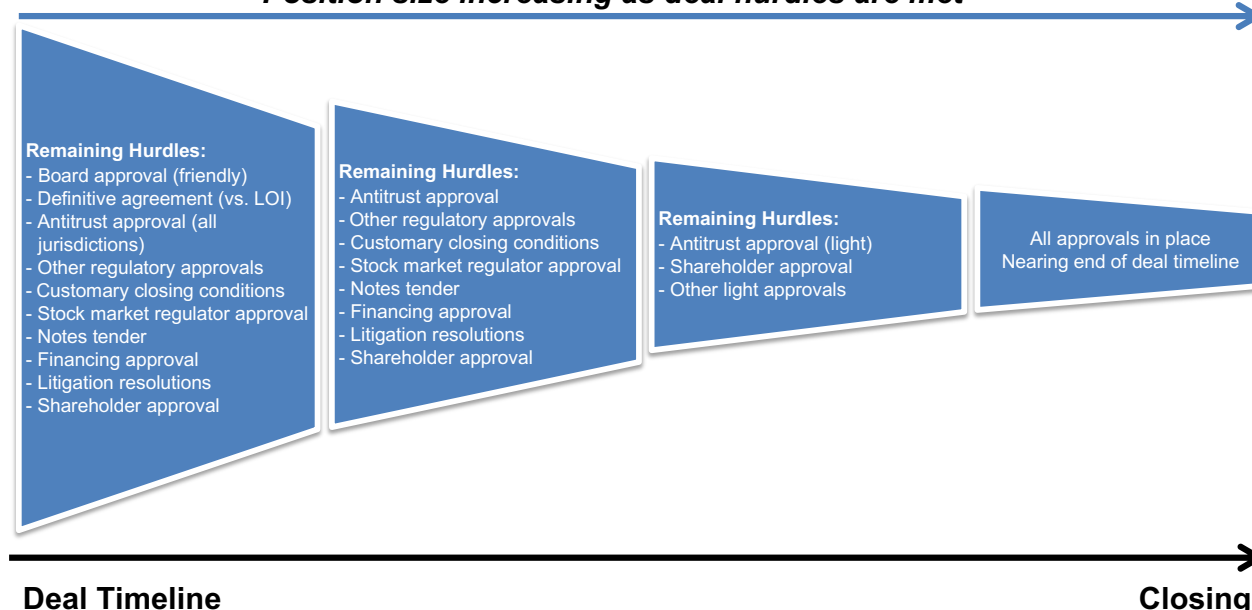
### Merger Investing Process Begins with Announced Deal Terms



## Investment Process

### Building a Position

*Position size increasing as deal hurdles are met*





# Investment Objective and Policy

## Investment objective

The Company's primary investment objective is to seek to generate total return, consisting of capital appreciation and current income. The Company will seek a secondary objective of the protection of capital, uncorrelated to equity and fixed income markets.

## Investment policy

The Company will seek to meet its investment objective by utilizing the Gabelli Private Market Value (PMV) with a Catalyst™ investment methodology, maintaining a diversified portfolio of event merger arbitrage strategies to seek to create an optimal risk/reward profile for the portfolio.

"Event Driven Merger Arbitrage" is a highly specialised active investment approach designed principally to profit from the differences between the public market price and the price achieved through corporate catalyst events. Catalysts are utilised to earn returns independent of the broad markets' direction. This includes corporate events such as announced mergers, acquisitions, takeovers, tender offers, leveraged buyouts, restructurings, demergers and other types of reorganisations and corporate actions ("deals").

The Company will invest globally although it is expected to have an emphasis on securities traded in the United States, predominantly equity securities issued by companies of any market capitalisation. The Company is permitted, however, to use a variety of investment strategies and instruments, including but not limited to: convertible and non-convertible debt securities; asset-backed and mortgage-backed securities; fixed interest securities, preferred stock, non-convertible preferred stock, depositary receipts; shares or units of UCIs or UCITS; rights qualifying as transferable securities; when issued, delayed delivery transferable securities; forward contracts; swaps; recently issued transferable securities; repurchase agreements, money market instruments and warrants.

The Company may invest part of its net assets in cash and cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having at least a single A (or equivalent) credit rating from an internationally recognised rating agency or government and other public securities, if the Portfolio Manager believes that it would be in the best interests of the Company and its Shareholders. This may be the case, for example, if the Portfolio Manager believes that adverse market conditions justify a temporary defensive position. Any cash or surplus assets may also be temporarily invested in such instruments pending investment in accordance with the Company's investment policy.

The Company may take both long and short positions in both equity and debt securities. For shorting purposes, the Company may use indices, individual stocks, or fixed income securities.

The Company may utilise financial derivative instruments to create both long and synthetic covered short positions with the aim of maximising positive returns. The Company may use strategies and techniques consisting of options, futures contracts, and currency transactions and may enter into total rate of return, credit default, or other types of swaps and related derivatives for various purposes, including to gain economic exposure to an asset or group of assets that may be difficult or impractical to acquire.

The Company may also use derivatives for efficient portfolio management purposes including, without limitation, hedging and risk management.

The Company has broad and flexible investment authority and, accordingly, it may at any time have investments in other related or unrelated areas. Strategies and financial instruments utilised by the Company may include: (i) purchasing or writing options (listed or unlisted) of any and all types including options on equity securities, stock market and commodity indices, debt securities, futures contracts, future contracts on commodities and currencies; (ii) trading in commodity futures contracts, commodity option contracts and other commodity interests including physical commodities; (iii) borrowing money from brokerage firms and banks on a demand basis to buy and sell short investments in excess of capital; and (iv) entering into swap agreements (of any and all types including commodity swaps, interest rate swaps and currency swaps), forward contracts, currencies, foreign exchange contracts, warrants, credit default swaps, synthetic derivatives (for example, CDX), collateralised debt obligations tranches, and other structured or synthetic debt obligations, partnership interests or interests in other investment companies and any other financial instruments of any and all types which exist now or are hereafter created.

There has been no change to the investment policy since the launch of the Company on 19 July 2017. No material change will be made without shareholder approval.

# Portfolio Manager's Review

## Methodology and Market Opportunity

Gabelli Funds would like to thank our investors for allocating a portion of their assets to the Gabelli Merger Plus+ Trust ("GMP"). We appreciate the confidence and trust you have placed in our organisation through your investment in GMP. Our investment objective is to compound and preserve wealth over time while remaining non-correlated to the broad markets. As a firm, we have invested in mergers since 1977, and created the Gabelli group's first dedicated, announced merger fund more than 34 years ago. We remain vigilant in the application of our investment philosophy and in our search for opportunities. In this context, let us outline our investment methodology and the investment environment through 30 June 2019.

Merger arbitrage is a highly specialised investment approach designed principally to profit from corporate events, including the successful completion of proposed mergers, acquisitions, takeovers, tender offers, leveraged buyouts, restructurings, demergers, and other types of corporate reorganizations and actions. As arbitrageurs, we seek to earn the differential, or "spread," between the market price of our investments and the value ultimately realised through deal consummation.

We are especially enthusiastic about the opportunities to grow client wealth in the decades to come, and we highlight below several factors that should help drive results. These include:

- Increased market volatility, which enhances our ability to establish positions for the prospect of improved returns;
- A more normalised interest rate environment, providing attractive merger spread opportunities;
- GMP's experienced investment team, which pursues opportunities globally through the disciplined application of Gabelli's investment methodology;
- The markets' current position – the midst of the fifth wave of corporate merger activity which should remain robust, given the successful passage of corporate tax reform, growing cash reserves, and need for growth on a global basis.

## Global Deal Activity

Global merger and acquisition activity ("M&A") totalled \$2 trillion during the first half of 2019<sup>1</sup>. While this was a year over year decrease of 12%, it was the third largest first half year on record. Deal making picked up in the second quarter, which recorded a 10% increase quarter over quarter and surpassed \$1.0 trillion in activity for only the tenth time since 1980. This was largely driven by "mega deals"—those with a value of over \$5 billion—which accounted for 50% of announced M&A in the half.

Cross border M&A activity totaled \$509 billion during the first half, a decline of 45% and the weakest start to a year since 2013. On the other hand, private equity-backed buyouts saw the highest first half total since before the financial crisis, accounting for over 13% of total M&A activity.

M&A was driven again by deal volume in the United States, which had its strongest start to a year on record. U.S. targets saw \$1.1 trillion in deal activity through 30 June, an increase of 19% year over year. European M&A fell to a six year low, tallying only \$305 billion of transactions over the same period, a decrease of 56%. Asia Pacific and Japan saw declines of 27% and 24%, respectively.

The Healthcare sector was the biggest contributor to merger activity during the first half, totalling \$363 billion, an increase of 17% compared to 2018 levels. This accounted for nearly 18% of total announced deal volume. The Energy and Technology sectors were also large contributors, accounting for 15% and 12% of overall M&A activity, respectively.

## Year in Review

After suffering its worst quarter in nearly a decade at the end of 2018, the U.S. equity market bounced back in the first half of 2019, marking a 10-year bull run. Markets got off to a hot start in January on the back of dovish commentary by Federal Reserve ("Fed") Chairman Jerome Powell, who stressed his willingness to use every tool at his disposal in the event of an economic downturn. The Fed provided further dovish fodder for the market following their January meeting, as it removed all references to rate hikes from its meeting policy statement. This momentum carried throughout the spring, as U.S. equities hit new all-time highs in April.

Economic data were fairly mixed in the first quarter of 2019. GDP and average hourly pay grew at a fairly robust pace of 3.1% and 3.2%, respectively, while the unemployment rate held steady at below 4%. However, trade tensions have somewhat stymied business activity, as U.S. manufacturing PMI recorded only 50.6 in May, the lowest level since 2009. Equities sold off sharply in May on the back of trade concerns, as President Trump threatened to impose tariffs on Mexican imports and extend those that already targeted China.

Since May, headlines of progress on trade talks and signals of easing monetary policy have driven markets once again to new highs. Yet, over the same period, the yield curve has inverted. This has been a precursor to every recession for the last 50 years.

While there is no shortage of macro risks in the market, we continue to expect that robust balance sheets, growing cash reserves, and open debt markets will act as a driver of corporate merger activity in the near term, as companies use M&A as a means to stimulate growth.

We continue to find attractive opportunities investing in announced mergers, and we expect that future deal activity will provide further prospects to generate returns uncorrelated to the market.

## Notable drivers of performance include:

- Red Hat Inc.'s \$33 billion acquisition by IBM made significant progress towards completion after the companies received European Commission approval in June. The deal remains subject to Brazilian CADE approval, and is expected to close in the third calendar quarter.
- Shire plc, a pharmaceutical company focused on developing treatments for rare diseases, was acquired by Takeda Pharmaceuticals on 4 January 2019. The deal received approval from shareholders of both companies in December 2018, which was the final requirement. Shire shareholders received \$90.99 cash and 5.034 new Takeda shares, valuing the transaction at approximately \$80 billion.
- Orbotech Ltd., a designer and manufacturer of optical components used in various technology applications, received antitrust approval from the Chinese State Administration for Market Regulation,

<sup>1</sup> Thomson Reuters M&A Review – First Half 2019

which was the final condition of its acquisition by KLA-Tencor. When the deal closed on 20 February 2019, Orbotech shareholders received \$38.86 cash and 0.25 shares of KLA-Tencor common stock, which valued the transaction at approximately \$3 billion.

- Twenty-First Century Fox was acquired by The Walt Disney Co. after the companies received the final remaining approvals in March. Fox shareholders had the option of electing cash or shares of Disney common stock worth about \$39.00 per Fox share, and received one share of Fox Corp. (New Fox), which owns Fox's cable and broadcast assets.
- Goldcorp Inc., a gold mining company with global operations, was acquired by Newmont Gold in an all-stock transaction valued at \$12 billion. While the Goldcorp acquisition was pending, Newmont received an unsolicited proposal to be acquired by Barrick Gold, but Newmont and Barrick instead agreed to form a joint venture of the companies' gold mining assets in Nevada.

#### Select Portfolio Holdings as of 30 June 2019

**Allergan plc** (AGN-\$167.43-NYSE) agreed to be acquired by AbbVie Inc. (ABBV-\$72.32-NYSE). Allergan develops and manufactures branded pharmaceutical, biologic, surgical, and regenerative medicine products. Under terms of the agreement, Allergan shareholders will receive \$120.30 cash and 0.866 shares of AbbVie common stock per share, valuing the transaction at approximately \$84 billion. The transaction is subject to shareholder as well as regulatory approvals, and is expected to close in early 2020.

**Anadarko Petroleum Corp.** (APC-\$70.56-NYSE) agreed to be acquired by Occidental Petroleum Corp. (OXY-\$50.28-NYSE). Anadarko Petroleum explores for and produces oil, natural gas, and natural gas liquids. Under terms of the agreement, Anadarko shareholders will receive \$59.00 cash and 0.2934 shares of Occidental common stock per share, valuing the transaction at approximately \$57 billion. Anadarko had agreed on 12 April 2019 to be acquired by Chevron Corp. (CVX-NYSE) for \$50 billion. Under Chevron's agreement, Anadarko shareholders would have received \$16.25 cash and 0.3869 shares of Chevron common stock per share, but Anadarko has deemed Occidental's most recent proposal superior. The transaction is subject to shareholder as well as regulatory approvals, and is expected to close in the second half of 2019.

**Celgene Corp.** (CELG-\$92.44-NASDAQ) agreed to be acquired by Bristol-Myers Squibb Co. (BMY-\$45.35-NYSE). Celgene is an integrated global biopharmaceutical company engaged in the discovery, development, and commercialization of innovative cancer therapies. Under terms of the agreement, Celgene shareholders will receive \$50.00 cash and one share of Bristol-Myers common stock per share, valuing the transaction at approximately \$89 billion. The agreement also includes a Contingent Value Right (CVR) of up to \$9.00 per share, dependent on the U.S. FDA's approval of Celgene's opanimod, liso-cel, and bb2121 drugs. The transaction is subject to approval by shareholders of both companies as well as regulatory approval, and is expected to close in the third quarter of 2019.

**First Data Corp.** (FDC-\$27.07-NYSE) agreed to be acquired by Fiserv Inc. (FISV-\$91.16-NASDAQ). First Data provides electronic commerce solutions for merchants, financial institutions, and card issuers. Under terms of the agreement, First Data shareholders will receive 0.303 shares of Fiserv common stock per share, valuing the transaction at approximately \$38 billion. The transaction is subject to approval by shareholders of both companies, as well as regulatory approval, and is expected to close in the second half of 2019.

**Inmarsat plc** (ISAT LN-\$6.93-London Stock Exchange) agreed to be acquired by a consortium of private equity buyers. Inmarsat provides mobile satellite communications services on land, at sea, and in the air. Under terms of the agreement, Inmarsat shareholders will receive \$7.09 cash per share as well as Inmarsat's previously declared dividend of \$0.12, for a \$7.21 per share total deal consideration. The transaction, valued at approximately £3 billion, is subject to shareholder as well as regulatory approvals and is expected to close in the fourth quarter of 2019.

**Red Hat Inc.** (RHT-\$187.76-NYSE) agreed to be acquired by International Business Machines Corp. (IBM). Red Hat provides enterprise open source software solutions, delivering high performing Linux, hybrid cloud, container, and Kubernetes technologies. Under terms of the agreement, Red Hat shareholders will receive \$190.00 cash per share, valuing the transaction at approximately \$32 billion. The transaction was subject to shareholder as well as regulatory approvals, and closed subsequent to 30 June 2019.

**Tableau Software Inc.** (DATA-\$166.02-NYSE) agreed to be acquired by Salesforce.com Inc. (CRM-\$151.77-NYSE). Tableau Software provides business analytics software products. Under terms of the agreement, Tableau shareholders will receive 1.103 shares of Salesforce.com common stock per share, valuing the transaction at approximately \$14 billion. The transaction is subject to the tender of at least a majority of shares outstanding, as well as regulatory approval, and is expected to close in the third quarter of 2019.

# Portfolio Manager's Review continued

**Tribune Media** (TRCO-\$46.22-NYSE) agreed to be acquired by Nexstar Media Group (NXST-\$101.00-NASDAQ). Tribune owns television broadcast stations as well as other media assets. Under terms of the agreement, Tribune shareholders will receive \$46.50 cash per share, valuing the transaction at approximately \$7 billion. Shareholders will receive a "ticking fee" consideration of approximately \$0.30 per month if the transaction has not closed by 31 August 2019. The transaction is subject to approval by shareholders of both companies, as well as regulatory approval, and is expected to close in the third quarter of 2019.

**Versum Materials Inc.** (VSM-\$51.58-NYSE) agreed to be acquired by Merck KGaA (MRK GY-Frankfurt). Versum Materials develops, transports, and handles specialty materials for the semiconductor and display industries. Under terms of the agreement, Versum shareholders will receive \$53.00 cash per share, valuing the transaction at approximately \$6 billion. Merck previously proposed \$48.00 in February 2019 and subsequently raised the offer price in April, resulting in Versum accepting the offer and terminating its merger agreement with Entegris, Inc. (ENTG-NASDAQ). The transaction is subject to shareholder as well as regulatory approval and is expected to close in the second half of 2019.

**Worldpay Inc.** (WP-\$122.55-NYSE) agreed to be acquired by Fidelity National Information Services Inc. (FIS-\$122.68-NYSE). Worldpay is a payments technology company with a comprehensive suite of products and services. Under terms of the agreement, Worldpay shareholders will receive \$11.00 cash and 0.9287 shares of Fidelity National common stock per share, valuing the transaction at approximately \$43 billion. The transaction is subject to approval by shareholders of both companies, as well as regulatory approval, and is expected to close in the second half of 2019.

## Select Closed Deals as of 30 June 2019

ARRIS International plc. CommScope Holding Company Inc. completed its acquisition of ARRIS International in April. ARRIS manufactures communications equipment and related products that enable broadband and video transmission to customers. On 8 November 2018, CommScope announced it would acquire ARRIS for \$31.75 cash per share, valuing the transaction at approximately \$7 billion.

Dun & Bradstreet Corp. Cannae Holdings, Inc. and a consortium of investors completed its acquisition of Dun & Bradstreet in February 2019. Dun & Bradstreet uses commercial data, analytics, and insights to help companies improve business performance. On 8 August 2018, Cannae Holdings announced it would acquire Dun & Bradstreet for \$145.00 cash per share, valuing the transaction at approximately \$7 billion.

Ellie Mae. Thoma Bravo completed its acquisition of Ellie Mae in April 2019. Ellie Mae is a cloud-based platform provider to the mortgage finance industry. On 12 February 2019, Thoma Bravo announced it would acquire Ellie Mae for \$99.00 cash per share, valuing the transaction at approximately \$3.5 billion.

Gemalto NV. Thales SA completed its acquisition of Gemalto in April 2019. Gemalto produces SIM cards and near field chips for mobile phones, as well as digital security chips used in payment processing and passports. On 17 December 2017, Thales announced it would acquire Gemalto for €51.00 cash per share, valuing the transaction at approximately €5 billion.

Integrated Device Technology Inc. Renesas Electronics Corp. completed its acquisition of Integrated Device Technology in March 2019. Integrated Device Technology develops system-level solutions that optimize customer applications. On 11 September 2018, Renesas announced it would acquire Integrated Device Technology for \$49.00 cash per share, valuing the transaction at approximately \$7 billion.

Loxo Oncology Inc. Eli Lilly and Co. completed its acquisition of Loxo Oncology in February 2019. Loxo

Oncology is a biopharmaceutical company that develops medicines for patients with genomically defined cancers. On 7 January 2019, Eli Lilly announced it would acquire Loxo Oncology for \$235.00 cash per share, valuing the transaction at approximately \$8 billion.

Shire plc. Takeda Pharmaceutical Co. Ltd. completed its acquisition of Shire in January 2019. Shire develops pharmaceutical products that treat rare diseases and other specialized conditions. On 7 May 2018, Takeda announced it would acquire Shire for \$30.33 cash and 0.839 shares of Takeda common stock per share, valuing the transaction at approximately \$80 billion.

Tesaro Inc. GlaxoSmithKline plc completed its acquisition of Tesaro in January 2019. Tesaro is an oncology-focused biopharmaceutical company that develops treatments for solid tumors. On 3 December 2018, GlaxoSmithKline announced it would acquire Tesaro for \$75.00 cash per share, valuing the transaction at approximately \$5 billion.

Twenty-First Century Fox Inc. The Walt Disney Co. completed its acquisition of Twenty-First Century Fox in March 2019. Twenty-First Century Fox owns various cable, broadcast, film, pay TV and satellite assets globally. On 14 December 2017, Disney announced it would acquire Fox, which ultimately led to shareholders receiving one share of SpinCo and \$38.00 of cash and Disney common stock per share, valuing the transaction at approximately \$70 billion.

Ultimate Software Group, Inc. Hellman & Friedman Group completed its acquisition of Ultimate Software in May 2019. Ultimate Software provides cloud-based human capital management and employee experience solutions. On 4 February 2019, Hellman & Friedman announced it would acquire Ultimate Software for \$331.50 cash per share, valuing the transaction at approximately \$11 billion.

USG Corp. Gebr. Knauf Verwaltungsgesellschaft KG completed its acquisition of USG Corp. in April 2019. USG manufactures and distributes building materials, most notably drywall and joint compound. On 11 June 2018,

Knauf announced it would acquire USG for \$44.00 cash per share, valuing the transaction at approximately \$7 billion.

Vectren Corp. CenterPoint Energy Inc. completed its acquisition of Vectren in February 2019. Vectren provides gas and electricity to more than one million customers in Indiana and Ohio. On 23 April 2018, CenterPoint Energy announced it would acquire Vectren for \$72.00 cash per share, valuing the transaction at approximately \$8 billion.

#### Gabelli Funds, LLC

23 October 2019

# Portfolio Summary

## Largest holdings

Security <sup>1</sup>	Offsetting short position <sup>2</sup>	As at 30 June 2019			
		% of total portfolio (net) <sup>5</sup>	Market value <sup>3</sup> \$000	Offsetting market value <sup>4</sup> \$000	% of total portfolio <sup>6</sup> (gross)
Red Hat Inc. <sup>7</sup>	–	10.3	8,215	–	10.3
Anadarko Petroleum Corp.	Occidental Petroleum Corp.	5.6	5,250	(802)	6.6
MellanoX Technologies Ltd. <sup>7</sup>	–	5.5	4,404	–	5.5
Spark Therapeutics Inc. <sup>7</sup>	–	5.5	4,364	–	5.5
Versum Materials Inc. <sup>7</sup>	–	5.2	4,175	–	5.2
Celgene Corp.	Bristol-Myers Squibb Co.	5.1	5,785	(1,696)	7.2
Tribune Media Co. <sup>7</sup>	–	3.9	3,138	–	3.9
Array Bio Pharma Inc. <sup>7</sup>	–	3.9	3,095	–	3.9
Zayo Group Holdings Inc. <sup>7</sup>	–	3.6	2,867	–	3.6
Liberty Media Corp. – Liberty SiriusXM	–	3.4	2,696	–	3.4
Medidata Solutions Inc. <sup>7</sup>	–	3.2	2,525	–	3.2
Multi-Color Corp. <sup>7</sup>	–	3.0	2,374	–	3.0
WABCO Holdings Inc. <sup>7</sup>	–	2.7	2,161	–	2.7
Altaba Inc.	Alibaba Group	2.0	3,886	(2,293)	4.9
Oaktree Capital Group LLC	Brookfield Asset Management Inc.	1.3	2,115	(1,099)	2.6
Worldpay Inc.	Fidelity National Information Services	0.1	3,289	(3,172)	4.1
L3 Technologies Inc.	Harris Corp.	–	5,355	(5,365)	6.7
SunTrust Banks Inc.	BB&T Corp.	–	2,310	(2,339)	2.9
Tableau Software Inc.	Salesforce.com Inc.	–	4,317	(4,354)	5.4
First Data Corp.	Fiserv Inc.	(0.1)	4,468	(4,540)	5.6
<b>Subtotal</b>		64.2	76,789	(25,660)	96.2
Other holdings <sup>8</sup>		35.8	37,232	(8,342)	3.8
<b>Total holdings</b>		100.0	114,021	(34,002)	100.0

<sup>1</sup> Long position.

<sup>2</sup> Short position taken, based on the acquirer of the security when acquirer stock is being offered in whole, or in part, to finance the transaction.

<sup>3</sup> Market value of the long position.

<sup>4</sup> Market value of the offsetting short position.

<sup>5</sup> Represents the total position value (market value plus the offsetting market value) as a percentage of the total portfolio value.

<sup>6</sup> Represents the market value as a percentage of the total portfolio value.

<sup>7</sup> At 30 June 2019, the deal terms specified an all-cash transaction, and there is no offsetting short position.

<sup>8</sup> Including derivatives and equity short positions, and excluding U.S. Treasuries.

# Strategy

The Company's strategy is to generate returns for its shareholders by pursuing its investment objective while mitigating shareholder risk, by investing in a diversified spread of equity investments. Through a process of bottom-up stock selection and the implementation of disciplined portfolio construction, we aim to create value for the Company's shareholders.

The largest holdings in the Company's portfolio are listed on page 12.

## Business Model

Please see the Methodology in Action on page 06.

## Gearing Policy

At the sole discretion of the Portfolio Manager, the Company may use leverage as part of its investment programme. It is anticipated that the Company will structurally gear and use tactical leverage or portfolio borrowings in an amount (calculated at the time of draw down) of around 2 times of the Net Asset Value,

subject to maximum gearing of 2.5 times the Net Asset Value.

## Our Key Performance Indicators ("KPIs")

The Board recognises that it is share price performance that is most important to the Company's shareholders. Fundamental to share price performance is the performance of the Company's net asset

value. The central priority is to generate returns for the Company's shareholders through net asset value and share price total return, and discount management.

For the year ended 30 June 2019, the Company's KPIs as monitored closely by the Board at each meeting, are listed below:

Net Asset Value Total Return  
30 June 2019

3.69%  
(30 June 2018: 2.78%)\*

Share Price Total Return  
30 June 2019

(6.51)%  
(30 June 2018: 0.61%)\*

Discount to Net Asset Value  
30 June 2019

11.43%  
(30 June 2018: 1.17%)\*

\* For the period 19 July 2017 to 30 June 2018.

The above table sets out the key KPIs for the Company. These KPIs fall within the definition of 'Alternative Performance Measures' (APMs) under guidance issued by the European Securities and Markets Authority (ESMA). Information explaining how these are calculated is set out in the Glossary.

Performance measured against various indices	<p>The Company does not have a benchmark. However, at each meeting the Board reviews and compares portfolio performance in the context of the performance of the ETF MNA and Credit Suisse Merger Arb Liquid Indices.</p> <p>Information on the Company's performance is given in the Chairman's Statement and the Portfolio Manager's Review.</p>
Share Price Total Return	<p>The Company's primary investment objective is to seek to generate total return consisting of capital appreciation and current income.</p> <p>In order to allow shareholders to realise a predictable, but not assured, level of cash flow on their investment the Company has adopted a "managed dividend policy" which may be changed at any time by the Board. The Company intends, subject to legal and regulatory requirements to pay shareholders a quarterly dividend at a minimum annualised dividend rate of 5% of the average NAV per share during each calendar quarter.</p> <p>The Board reviews the amount of any potential distribution and the Company's income, capital gains and capital available for each distribution period.</p>

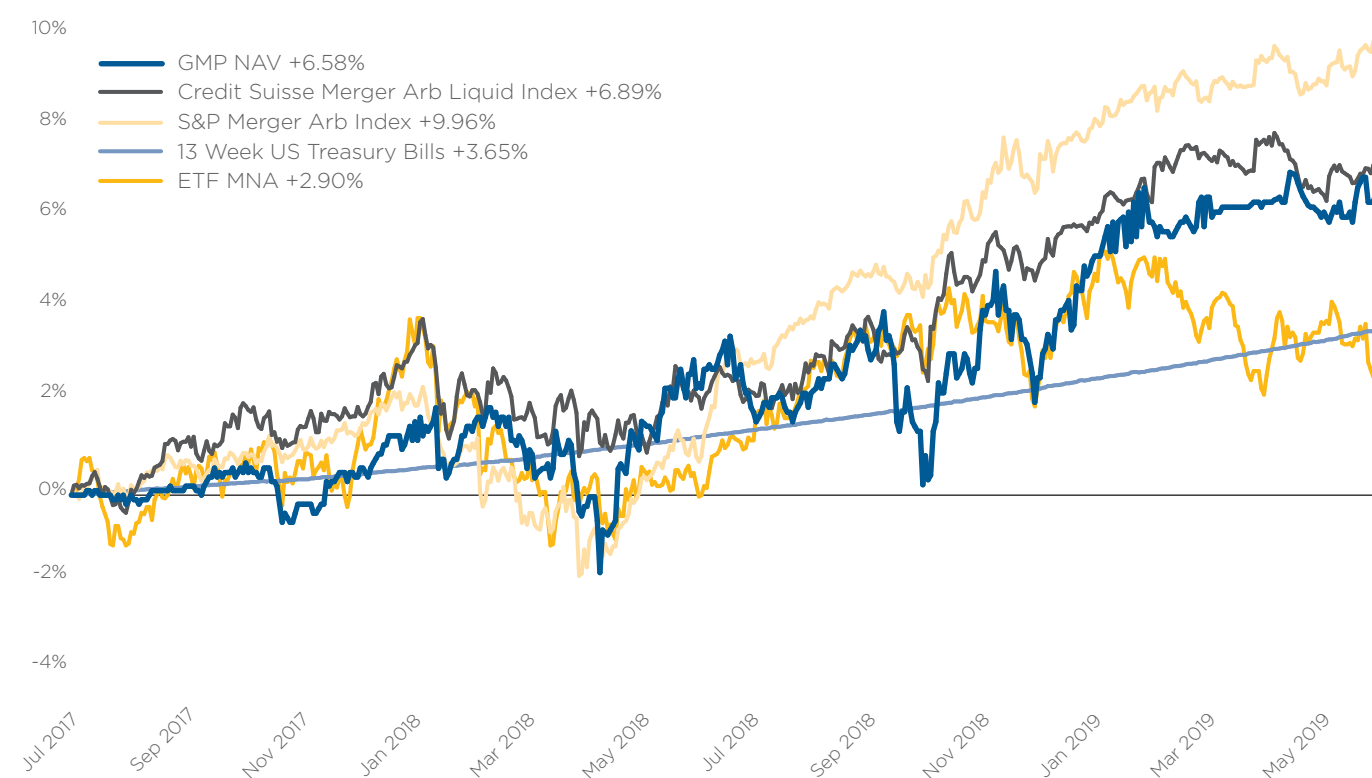


# Our Key Performance Indicators (“KPIs”) continued

<p><b>Share price discount to net asset value (NAV) per share</b></p>	<p>The NAVs per share are published on a daily basis on the London Stock Exchange and The International Stock Exchange. The NAV is calculated in accordance with the Association of Investment Companies (AIC) formula.</p> <p>At each Board meeting, the Board monitors the level of the Company's discount to NAV, the changes thereto and the reason for such changes. The Directors recognise the importance to investors that the shares should not trade at a significant discount to their prevailing NAV. Accordingly, the Board would consider implementing a share buy back programme to ensure that the share price does not trade at a significant discount to the underlying net asset value per share.</p> <p>In the year under review, the Company's shares have traded from a discount of 1.17% as at 30 June 2018 to a discount of 11.43%, as at 30 June 2019.</p>
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Performance is assessed on a total return basis for the NAV and share price.

Cumulative Performance Chart (USD) from 19 July 2017





# Principal Risks

The Company is exposed to a variety of risks and uncertainties. The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its investment objective, business model, future performance, solvency or liquidity.

The Company maintains a risk matrix which sets out the risks facing the Company, the likelihood and potential impact of each risk and the controls established for mitigation. The risk matrix is reviewed by the Audit Committee on a regular basis.

The principle risks remain unchanged since last year and are set out in the following table with an explanation of how they are mitigated.

Risk	Mitigation
<b>Investment Portfolio</b>	
Decline in the U.S. equity markets.	Investing in a diversified portfolio and by adhering to a carefully monitored series of investment restrictions, enabled by automated pre-trade compliance features and daily review of trade tickets. These strictures mandate that no single security purchase can, at the time of investment, account for more than 15% of the gross assets of the Company.  The Board meets the portfolio management team quarterly at the Board meetings to review the risk factors and their effect on the portfolio, and a thorough analysis of the investment strategy is completed.
Merger and event driven risks address the possibility that deals do not go through, are delayed beyond the original closing dates, or that the terms of the proposed transactions change adversely.	Portfolio management team's careful selection and active monitoring of mergers and acquisitions deals, and maintaining a thorough knowledge of the selected securities in the portfolio.
<b>Global Macro Event</b>	
Global instability or events external to the management and controls of the Company.	Global economic, geopolitical, and financial conditions are constantly monitored. Diversification of Company assets is incorporated into the investment strategy, and if disruptive events occur, the Manager is prepared to adopt a temporary defensive position and invest some or all of the Company's portfolio in cash or cash equivalents, money market instruments, bonds, commercial paper, or other debt obligations with banks or other counterparties, with appropriate ratings as determined by an internationally recognised rating agency and approved by the Board. Another option is the investment in "government and public securities" as defined for the purposes of the Financial Conduct Authority Handbook.
<b>Operational</b>	
The operational functions of the Company are outsourced to third parties. Disruptions to the systems at these companies or control failures could impact the Company.	All third parties report to the Board on a regular basis and their reports and representations are reviewed by the Board, the AIF Manager and the Portfolio Manager.
<b>Market and Share Price</b>	
The market price of the Company may fall below the NAV.	To address a discount, the Board may consider using share buy-backs, through which shares would be repurchased when trading at a discount from NAV, up to a maximum percentage of 14.99% of the issued share capital.
<b>Financial</b>	
Comprise: (i) market price risk (comprising interest rate risk, currency risk and other price risk); (ii) liquidity risk; and (iii) credit risk.	Further details of these risks are disclosed in Note 12 to the financial statements together with a summary of the policies for managing these risks.

# Principal Risks continued

Corporate Governance and Regulatory	
<p>Damage to its reputation through poor corporate governance.</p> <p>Shareholder discontent due to a lack of appropriate communications and/or inadequate financial reporting.</p>	<p>The Board actively performs self-assessments of compliance with best governance practices.</p> <p>The Board is in contact with its major shareholders on a regular basis, and it monitors shareholder sentiment. In addition, regulatory risks, in the form of failure to comply with mandatory regulations, could have an impact on the Company's continuity.</p> <p>The Company receives, and responds to, guidance from both its external and internal advisors on compliance with the Listing Rules, and Disclosure and Transparency Rules, as well as other applicable regulations.</p>
<p>In order to qualify as an investment trust, the Company must comply with Section 1158-59 of the Corporation Tax Act 2010.</p> <p>A breach of these sections could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to Corporation Tax.</p>	<p>The criteria are monitored by the Administrator, AIF Manager and the Portfolio Manager and the Board receives a report on compliance at each quarterly meeting.</p>

# Viability Statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to in the 'Going Concern' guidelines.

The Board conducted this review focusing on a period of five years. This period was selected as it is aligned with the Company's investment objective of generating total return, consisting of capital appreciation and current income. In making this assessment the Board also considered the Company's principal risks.

Investment trusts in the UK operate in a well established and robust regulatory environment and the Directors have assumed that:

- Investors will continue to want to invest in closed-end investment trusts because the fixed capitalisation structure is suited to pursuing the Portfolio Manager's proprietary long term Private Market Value ("PMV") investment strategy;

- The Company's remit of investing globally with an emphasis on securities traded in the U.S., and predominantly equity securities issued by companies of any market capitalisation will continue to be attractive to investors.

As with all investment vehicles, there is a risk that the performance of individual investments will vary and that capital may be lost, but this is not regarded as a threat to the viability of the Company. Operationally, the Company retains title to all assets, and cash and securities are held with a custodian bank approved by the Portfolio Manager and the Board.

The nature of the Company's investments means that solvency and liquidity risks are low because:

- The Company's portfolio is invested mainly in readily realisable, listed securities;
- The closed-end nature of the Company means that, unlike an open-ended fund, it does not need to liquidate positions when shareholders wish to sell their shares; and

- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position.

Taking these factors into account, the Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its expenses as they fall due over the next five years.

The Company's portfolio consists primarily of U.S. investments, accordingly, the Company believes that the "Brexit" process will not materially affect the prospects for the Company, but the Board and Portfolio Manager will continue to keep developments under review.

**Marc Gabelli**  
Chairman

23 October 2019

## Board of Directors



**Marc Gabelli**

Non-executive Director and Chairman of the Board of Directors,

Chairman of the Nomination Committee

Marc is a director and President of the Portfolio Manager's parent company, GGCP, a director of Associated Capital Group "ACG" and is a Senior Portfolio Manager at Gabelli. As a fund manager, his focus is global value equity investments. He manages the Gabelli Value Plus+ Trust plc, an investment trust trading on the London Stock Exchange. He has managed several Morningstar five star mutual funds, and a Lipper #1 ranked global equity mutual fund. Marc is active in a variety of charitable educational efforts in the United States and United Kingdom. He has lived and worked in the U.K. at various times, beginning in 1990. He is a graduate of the Massachusetts Institute of Technology (M.I.T.) Sloan School of Management.

Appointed on 28 April 2017.



**Marco Bianconi**

Independent non-executive Director of the Board,

Chairman of the Audit Committee, member of the Conflicts and Remuneration Committees

Marco is Corporate Development, M&A and Business Integration Director at Cementir Holding N.V. an international Building Material manufacturer quoted on the Italian Stock exchange. He has previously served as CFO of its parent company Caltagirone SpA. Prior to this he was at Fidelity Investments UK as Portfolio Manager and Pan-European Equity Analyst. He has also been a director of ACEA S.p.A., Banca Antonveneta SpA and of MPS Leasing & Factoring SpA. He holds an MBA at NYU Stern School of Business and he is a Chartered Accountant since 1990.

Appointed on 5 June 2017.



**John Birch**

Non-executive Director of the Board,

Chairman of the Management Engagement and Conflicts Committees, member of the Remuneration and Nomination Committees

John is the Managing Partner of The Cardinal Partners Global S.a.r.l. Previously he was Chief Operating Officer of Sentinel Asset Management, Inc. and Sentinel Administrative Services, Inc., both members of National Life Group. He has also held senior roles in State Street, American Skandia Investment Services, Inc., Gabelli Funds, Inc. and Gabelli International. He has an MA in Tax and over 30 years experience in asset management.

Appointed on 5 June 2017.



**John Newlands**  
Independent non-executive Director.

**Member of the Audit Committee**

John has served more than twenty years in the City of London, most recently with Brewin Dolphin Limited as Head of Investment Companies Research from 2007 to 2017. He was a member of the Association of Investment Companies Statistics' Committee from 2000 to 2017. He has an MBA from Edinburgh University Business School and is a Chartered Electrical Engineer. He has written four books about financial history, the most recent charting the history of Dunedin Income Growth Investment Trust. He is a non executive director of CQS New City High Yield Fund and TOC Property Backed Lending Trust PLC and a member of the Investment Committee of Durham Cathedral.

Appointed on 8 February 2018.



**Yuji Sugimoto**  
Independent non-executive Director.

**Member of the Nomination, Conflicts and Management Engagement Committees**

Yuji has over 37 years experience in financial markets. He is a former Executive Director of Sumitomo Mitsui Banking Corporation in the US. Prior to this Yuji co-managed Japanese/Pan-Asian institutional research sales as a Managing Director at Lehman Brothers / Barclays. From 2003 to 2007 he managed a New York based Japanese equity hedge fund Sugimoto Capital Management LLC, which he founded. He started his career at Salomon Brothers working for 24 years in New York, London, Hong Kong and Tokyo in a number of institutional sales management positions as a Managing Director. He has a MBA from the University of Southern California and a B.A. in Economics from Columbia University.

Appointed on 5 June 2017.



**James Wedderburn**  
Independent non-executive Director.

**Chairman of the Remuneration Committee and member of the Audit Committee**

James has over 40 years experience in the investment industry. From 1999 to 2017 he was Director of the family office of Sir Peter Lampl, the founder of the Sutton Trust social mobility charity. During this time he was responsible for all financial and investment matters and also closely involved with the charity's funding and finances. Previously James worked at financial group Hamilton Lunn where he was part of a small team monitoring the global investments of ultra-high net worth clients. Prior to that, he was a fund manager at Invesco MIM and Samuel Montagu responsible for UK pension fund and charity clients. James spent his early career as a UK equity research analyst at the stockbrokers Cazenove and Laing & Cruickshank after graduating from Oxford University.

Appointed on 15 November 2017.

# Directors' Report

The Directors present the annual report and financial statements of the Company for the year ended 30 June 2019. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the requirements of the Companies Act 2006.

## The Company

The Company was incorporated in England and Wales on 28 April 2017 with registered number 10747219. The Company is registered as an investment company as defined by Section 833 of the Companies Act 2006 (the "Companies Act") and operates as such.

The Company was admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange and trading on the Official List of the International Stock Exchange on 19 July 2017.

In the opinion of the Directors, the Company has conducted its affairs during the year under review, and subsequently, so as to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 (as amended). The Company has applied to, and obtained approval from, HMRC as an investment trust company subject to continuing to meet the eligibility requirements.

## Continuation of the Company

An ordinary resolution for the continuation of the Company as an investment trust will be proposed at the Annual General Meeting ("AGM") to be held following 19 July 2022, the fifth anniversary of the admission of the Company to the Specialist Fund Segment. If the resolution is not passed, the Board would be required to put proposals for the reconstruction, reorganisation or winding up of the Company to shareholders at a General Meeting to be held within six months of the date of the AGM at which the continuation resolution was proposed.

## Going concern

The financial statements of the Company have been prepared on a going concern basis. The forecast projections and actual performance are reviewed on a regular basis throughout the year. The Directors believe that this is the appropriate basis and that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. The Company is able to meet all of its liability from its assets and the ongoing charges are approximately 1.47% of assets.

The Company's longer term viability is considered in the Viability Statement on page 17.

## Directors

The Directors of the Company in office at the date of this report and their biographies are set out on pages 18 and 19. Mr Vicinelli retired from the Board on 4 December 2018 and Mr Nakamura and Mr Hammond-Chambers retired on 5 August 2019. Details of Directors' interests in the shares of the Company are set out in the Directors' Remuneration Report.

Directors' retirements are subject to the Company's Articles of Association (the "Articles"). The Articles provide that the directors may appoint a person who is willing to act as a director and any director so appointed is required to retire at the next AGM after his or her appointment and is eligible for reappointment. All directors who held office at the time of the two preceding AGMs and who did not retire by rotation at either of them is also required to retire by rotation and is eligible for reappointment. In addition, each Director considered to be non-

independent will retire and being eligible offer themselves for re-election on an annual basis.

All of the Company's Directors, having been appointed prior to the Company's first AGM, offered themselves for election by shareholders at that AGM. Mr Gabelli, Mr Birch and Mr Sugimoto will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Having considered the Directors' performance as part of the annual Board evaluation process the Board believes that it continues to be effective and that the Directors bring an appropriate level of knowledge, experience, business, financial and asset management skills. The Board therefore recommends that shareholders vote in favour of each Director's proposed election at the AGM.

Mr Gabelli, as a Director and President of Gabelli Group Capital Partners, the parent company of Gabelli Funds, LLC (the "Portfolio Manager"), is deemed to be interested in the Company's Portfolio Management Agreement, as are Mr Birch and Mr Nakamura, who serve on the Boards of other funds in the Gabelli/GAMCO complex. Mr Vicinelli was also deemed to be interested in the Company's portfolio management agreement until he retired as a Director on 4 December 2018 due to his employment by the Portfolio Manager. There were no other contracts subsisting during the year under review, or up to the date of this report, in which a Director of the Company is or was, materially interested and which is, or was, significant in relation to the Company's business.

None of the Directors has a service contract with the Company. The terms of their appointment are provided to them in a letter when they join the Board. No Director is entitled to compensation for loss of office on the takeover of the Company.

The powers of the Directors are set out in the Corporate Governance Statement.

## Directors' conflicts of interest

Directors have a duty to avoid situations in which they have, or could have, a direct or indirect interest that conflicts, or may potentially conflict, with the Company's interests. This is in addition to the continuing duty that Directors owe the Company to disclose to the Board any transaction or arrangement under consideration by the Company in which they are interested.

Directors are required to disclose any conflicts and potential conflicts of interest upon appointment. A schedule of these is maintained by the Company Secretary and provided at each quarterly Board meeting. Directors are responsible for keeping these disclosures up to date and in particular to notify any new potential conflicts of interest, or changes to existing situations, to the Company Secretary.

In accordance with the Companies Act 2006 and the Company's Articles, the Directors can authorise such conflicts or potential conflicts of interest. In deciding whether to authorise any conflict, the Directors must consider their general duties under the Companies Act 2006, and their overriding obligation to act in a way they consider, in good faith, will be most likely to promote the Company's success. In addition, the Directors are able to impose limits or conditions when giving authorisation to a conflict, or potential conflict of interest, if they think this is appropriate. The authorisation of any conflict matter, and the terms of any authorisation, may be reviewed by the Board at

any time. The Board believes that the procedures established to deal with conflicts of interest operated effectively during the year under review.

#### Directors' indemnities

In accordance with the provisions of the Companies Act, the Company's Articles allow for Directors and officers of the Company to be indemnified out of the assets of the Company against all costs, losses, and liabilities incurred for negligence, default, breach of duty or trust in relation to the Company's affairs and activities. The Articles also provide that, subject to the provisions of the Companies Act 2006, the Board may purchase and maintain insurance for the benefit of Directors and officers of the Company against any liability which may incur in relation to anything done or omitted to be done, or alleged to be done or omitted to be done, as a Director or officer. The Company has taken out Directors' and Officers' Liability insurance, which covers the Directors and officers of the Company.

#### Share capital

Full details of the Company's issued share capital are given in Note 11 to the Financial Statements on page 51. Details of the voting rights in the Company's shares as at the date of this report are also given in Note 6 to the Notice of Annual General Meeting on page 65.

The ordinary shares carry the right to receive dividends and have one voting right per share. There are no restrictions on the voting rights of the ordinary shares or any shares which carry specific rights with regard to the control of the Company.

The Company has authority to buy back shares in the market and may cancel or hold ordinary shares acquired by way of market purchase in treasury. During the year, and subsequent to the year end, to the date of this report, the Company did not buy back, sell from treasury or issue any shares. At the year end and at the date of this report there were no shares held in treasury.

The Directors will consider repurchasing shares in the market if they believe it to be in shareholders' interests.

It is the Board's intention that any shares bought back by the Company will be held in treasury and will only be reissued at prices at, or above the prevailing NAV per share ensuring a positive overall effect for shareholders when shares are bought back at a discount and then sold at a price at, or above, the NAV per share.

The current authorities to buy back and sell shares from treasury and to issue shares will expire at the conclusion of the 2019 Annual General Meeting. The Directors are proposing that these authorities be renewed at the forthcoming Annual General Meeting.

#### Tender offer

The Company has the ability to make tender offers for shares and to make market purchases of shares. Any such tender offers or market purchases will be made entirely at the discretion of the Board, except in the case of the fifth anniversary tender offer. Shortly before the fifth anniversary of admission, the Company will implement an offer to purchase shares for all registered shareholders entered into the loyalty register on admission and who continuously remains on the loyalty register at the time of the implementation of the fifth anniversary tender offer.

#### Loyalty Programme

The Company has implemented a loyalty programme to incentivise long term share ownership. The loyalty programme is open to all shareholders, who are entered in the Loyalty Register, a separate register maintained by the registrar to allow a shareholder to increase its voting power after holding shares for a continuous period of at least five years. Each shareholder so registered will be entitled to subscribe for one special voting loyalty share in respect of each ordinary share held.

A shareholder may only exercise this right during the prescribed subscription period each calendar year, being between 1 and 14 December, by completing the appropriate subscription documentation and paying up the nominal value of the special voting loyalty shares. Subject to the receipt of valid subscriptions during the period and the satisfaction of certain requirements by the Company under the Companies Act and the Articles special voting loyalty shares would be issued on 31 December, or the preceding business day, should 31 December not be a business day.

Each ordinary shareholder and holder of special voting loyalty shares has the right to receive notice of, to attend, to speak at, and vote at general meetings of the Company. Each ordinary shareholder and holder of special voting loyalty shares who is present in person or by proxy at general meetings has one vote, whether on a show of hands or on a poll, in respect of each ordinary and special voting loyalty share held. At any general meeting ordinary shares and any special voting loyalty shares in the capital of the Company in issue would vote effectively one class.

The ordinary shares carry the right to receive dividends. The special voting loyalty shares are not entitled to participate in any dividend or distribution made or declared by the Company except for a fixed annual dividend equal to 0.00001% of their nominal value. On a winding up of the Company holders of special voting loyalty shares would be entitled to be repaid the capital paid up thereon pari passu with the repayment of the nominal amount of the ordinary shares. The special voting loyalty shares are not transferrable without the prior written consent of the Company. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, which are governed by the Company's Articles and relevant legislation. There are no shares which carry specific rights with regard to the control of the Company.

#### Activities and Business Review

A review of the business and details of research activities can be found within the Strategy section of this Annual Report.

#### Alternative Investment Fund Managers Directive

As an investment company that is managed and marketed in the United Kingdom, the Company is an Alternative Investment Fund ("AIF") falling within the scope of, and subject to the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"). The Company has appointed Carne Global Fund Managers (Ireland) Limited ("Carne") as its Alternative Investment Fund Manager ("AIFM") pursuant to the AIFMD. Carne is responsible for the portfolio management and risk management functions of the Company. The AIFM Agreement may be terminated by either party giving not less than 90 days' written notice to the other party.

Carne is entitled to receive from the Company such annual fees, accrued and payable at such times, as may be agreed in writing between itself and the Company from time to time. The fees are to be payable monthly and subject to a minimum monthly fee



# Directors' Report continued

of €2,500. During the year under review the fees paid to Carne were \$50,310 (2018: \$47,972). Regulatory disclosures including the Key Investor Information Document are provided on the website. Disclosures on Remuneration as required under AIFMD can also be found on page 67.

## Portfolio management and administration

Gabelli Funds, LLC ("Gabelli") was appointed as Portfolio Manager with effect from 15 June 2017 under a Portfolio Management Agreement (the "Agreement") with Carne and the Company under which portfolio management functions were delegated to Gabelli. The Agreement is terminable by Gabelli giving not less than 60 days' notice in writing and by Carne giving 24 months' notice in writing. Gabelli receives a management fee, payable monthly within 10 business days calculated at the rate of 0.85% of NAV accrued daily and calculated on each business day.

Gabelli is entitled to earn a performance fee under the Agreement in respect of each performance period, ending 30 June each year. For the year under review Gabelli was entitled to a performance fee of 20% of any outperformance of the net asset value total return, capped at 3% of the average NAV. For the year under review no performance fee was payable (2018: nil).

## Appointment of the Manager

The arrangements for the provision of portfolio management and other services to the Company is considered by the Board on an ongoing basis and a formal review is conducted annually.

During the year, the Board considered the performance of Gabelli as Portfolio Manager by reference to the investment process, portfolio performance and how it had fulfilled its obligations under the terms of the Portfolio Management Agreement.

It is the opinion of the Board that the continuing appointment of Gabelli as Portfolio Manager, on the terms disclosed is in shareholders' interests as a whole. Among the reasons for this view is the depth, experience and investment process of Gabelli.

## Other third party service providers

### Depository and Custodian

The Company appointed State Street Trustees Limited as its Depository under a Depository Agreement dated 30 June 2017 between Carne, Gabelli and the Company. The main role of the Depository under the AIFMD is to act as a central custodian with additional duties to monitor the operations of the Company, including cash flows and to ensure that the Company's assets are valued appropriately. The Depository receives fee payable at 0.025% per annum of the gross assets of the Company.

Under the Depository Agreement, custody services in respect of the Company's assets have been delegated to State Street Bank and Trust Company. The Custodian receives a custody fee payable by the Company at rates depending on the number of trades and the location of securities held subject to a minimum annual fee payable of not less than \$31,250. Custody fees of \$31,759 were paid during the year under review (2018: \$35,350).

The depository agreement is subject to 90 days' written notice of termination by any party.

### Registrar

Computershare Investor Services Plc (the "Registrar") has been appointed as the Company's registrar pursuant to the Registrar Services Agreement. The Registrar is responsible for maintaining the Company's register of shareholders and also provides

services in respect of the payment of dividends, provision of shareholder documentation and compliance with the Common Reporting Standard. Fees of \$18,234 were paid to the Registrar during the year under review. Fees in respect of corporate actions will be agreed at the time of the corporate action.

## Other Service Providers

The Company has engaged Maitland Administration Services Limited ("Maitland") to act as the Company Secretary and State Street Bank and Trust Company (the "Administrator") to be responsible for the day to day administration of the Company including the maintenance of the Company's financial records and the calculation of the daily NAV.

The Company Secretarial Agreement is for a minimum term of three years and is terminable by either the Company on not less than 90 days' written notice and by Maitland on not less than six month's written notice. Fees of \$53,399 were paid to Maitland during the year under review (2018: \$39,179).

The Administration Services Agreement may be terminated by either party by giving 180 days' written notice. Fees of \$41,946 were paid to the Administrator during the year under review (\$40,014).

## Related Party Transactions

Carne Global Fund Managers (Ireland) Limited is a related party to the Company as it is considered to have significant influence over the Company in its role as AIFM. Fees of \$50,310 were paid to Carne during the year ended 30 June 2019 (2018: \$47,972). Further details of related party transactions are provided in note 16 to the financial statements.

## Substantial shareholders

As at 30 June 2019, the Company had been advised by the following shareholders of their interests of 3% or more in the Company's ordinary issued share capital:

Shareholder	% of Voting Rights
Associated Capital Group, Inc*	59.79
Victor Paullier & CIA Sociedad de Bolsa	3.15
Banca Popolare dell'Emilia Romagna International SA	3.50
Loreto Mutua Mutualidad De Prevision Social	3.00

As at the date of this report the Company had not been notified of any changes.

## Future developments

The Chairman's Statement and Portfolio Manager's report of this Annual Report contain details of likely future developments.

## Financial instruments

The financial risk management and internal control processes and policies, and exposure to the risks associated with financial instruments can be found in Note 12 to the financial statements.

## Results

The Company generated a revenue loss for the year ended 30 June 2019 of \$760,000 (2018: \$334,000).



### Dividends and dividend policy

The Company has a managed dividend policy which may be changed at any time by the Board and does not assure dividend payments. The Company intends to pay shareholders a quarterly dividend at a minimum fixed annualized dividend rate in relation to the NAV of the Company at the time.

The Company paid a first interim dividend of \$0.12 per ordinary share on 26 October 2018, a second interim dividend of \$0.12 per ordinary share on 30 January 2019 and a third interim dividend of \$0.12 per ordinary share on 26 April 2019. Subsequent to the financial year end, a fourth interim dividend of \$0.12 per ordinary share was paid on 26 July 2019.

### Articles of Association

The Company's Articles can only be amended by special resolution at a general meeting of the shareholders. No amendments are proposed at the 2019 AGM.

### Change of Control

There are no agreements the Company is party to that might be affected by a change in control of the Company.

### Exercise of Voting Rights in Investee Companies

The exercise of voting rights attached to the Company's portfolio has been delegated to the Portfolio Manager.

### Greenhouse gas emissions

The Company has no employees and no premises in the UK. As an investment company it has very little (if any) greenhouse gas emissions resulting from its activities, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

### Modern Slavery Act 2015 (the "MSA")

The Company is an investment company, has no employees, does not provide goods and services in the normal course of business and does not have customers. Accordingly, the Directors consider that the Company is not required to make a slavery and human trafficking statement under the MSA. The Company's supply chains, dealing predominantly with professional advisers and service providers in the financial services industry are low risk in relation to the MSA.

### Employees Social Community Human Rights and Environmental Matters

The Company is an investment company and has no employees and accordingly it has no direct social, human rights or environmental impact from its operations. In carrying on its investment activities and relationship with suppliers the Company aims to conduct itself responsibly, ethically and fairly.

### Political donations

No political contributions or donations were made during the financial year ended 30 June 2019 (2018: nil).

### ANNUAL GENERAL MEETING

The following information to be discussed at the forthcoming Annual General Meeting is important and requires your immediate attention. If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any

other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

### Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

#### Resolution 10 Authority to allot shares

The Directors may only allot shares if authorised to do so by shareholders in general meeting. Resolution 10 seeks authority for the Directors to allot shares for cash up to an aggregate nominal amount of \$10,334 which represents 10% of the current issued share capital. The authority will expire at the conclusion of the 2020 Annual General Meeting unless renewed prior to that date.

#### Resolution 11 Authority to disapply pre-emption rights

Directors require specific authority from shareholders before allotting new shares or selling shares from treasury for cash without first offering them to shareholders in proportion to their existing holdings. Resolution 11 seeks to empower the Directors to allot new shares for cash or to sell shares held in treasury free from statutory pre-emption rights up to an aggregate nominal amount of \$10,334, being 10% of the current issued share capital and equivalent to 516,708 ordinary shares of \$0.01 each. The authority will expire at the conclusion of the 2020 Annual General Meeting unless renewed prior to that date.

#### Resolution 12 Authority to buy back shares

Resolution 12 seeks to renew the authority previously granted to Directors to enable the Company to purchase up to 1,550,120 ordinary shares being 14.99% of the issued share capital.

The Directors will only consider repurchasing shares in the market if they believe it to be in shareholders' interests and as a means of correcting any imbalance between supply and demand for the Company's shares. Under the Listing Rules of the Financial Conduct Authority ("FCA"), the maximum price which can be paid is the higher of (i) 5% above the average market value of the ordinary shares for the five business days immediately preceding the date on which the purchase is made and (ii) the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out. In making purchases, the Company will deal only with member firms of the London Stock Exchange.

The authority will expire at the conclusion of the 2020 Annual General Meeting unless renewed prior to that date.

#### Resolution 13

Resolution 13 seeks shareholder authority to call general meetings other than an AGM on 14 clear days' notice. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Board will utilise this authority to provide flexibility when merited and would not use it as a matter of routine.

### Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are likely to promote the success of the

# Directors' Report continued

Company and are in the best interests of the Company and its shareholders as a whole. The Director unanimously recommend that shareholders vote in favour of each resolution, as they intend to do in respect of their own beneficial holdings.

## Directors' statement as to the disclosure of information to the auditors

In accordance with the requirement and definitions under section 418 of the Companies Act 2006, the Directors at the date of approval of this report confirm that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Appointment of independent auditor

PricewaterhouseCoopers LLP, the independent external auditors of the Company, were appointed in 2017. Resolutions to reappoint PricewaterhouseCoopers LLP as the Company's auditors, and to authorise the Audit Committee to determine their remuneration will be proposed at the forthcoming AGM.

The Directors' Report was approved by the Board on 23 October 2019.

**Marc Gabelli**

Chairman

23 October 2019

# Corporate Governance Report

This Report sets out the role and activities of the Board and explains how the Company is governed.

## Role of the Board

The Board is collectively responsible for the success of the Company and is accountable to shareholders for the governance of the Company's affairs. It is also ultimately responsible for setting and executing the Company's strategic aims, subject to the Company's Articles and to such approval of the shareholders in general meeting as may be required from time to time. The Board also ensures that the necessary resources are in place to enable the Company's objectives to be met in accordance with the Company's investment objective and shareholder value maximized within a framework of proper controls.

As an investment company the Company's day to day responsibilities are delegated to third parties. The Company has no employees and the Directors are non-executive with the Portfolio Manager represented by Marc Gabelli and until his retirement from the Board on 4 December 2018, Paolo Vicinelli.

## Applicable Corporate Governance Codes

As a company admitted to trading on the Specialist Fund Segment, the Company is not required to comply with the UK Corporate Governance Code (the "UK Code"). Nevertheless, the Directors place great importance on ensuring that high standards of corporate governance are maintained. Accordingly, the Directors will take appropriate measures to ensure that the Company operates with due consideration to any codes of corporate governance that the Board deems appropriate and may choose to operate in accordance with the AIC Code of Corporate Governance for Investment Companies (the "AIC Code"), having regard to the Company's size and nature of business. In particular, although the Chairman is not independent for the purposes of the AIC Code, given his qualifications and investment experience, and the significant commitment being made by the Gabelli Group to the Company, the Board believes that his appointment as Chairman is in the best interests of the Company and the shareholders as a whole.

Following the publication in July 2018 of a new version of the UK Code, in February 2019, the AIC issued a new AIC Code of Corporate Governance that has been endorsed by the Financial Reporting Council. For the Company's Financial year ending 30 June 2020 the Company will reference the new AIC Code.

The UK Code is available from the Financial Reporting Council's website at [frc.org.uk](http://frc.org.uk). The AIC Code is available from the Association of Investment Companies at [theaic.co.uk](http://theaic.co.uk).

## The Board

The Board consists of six non-executive Directors. All Directors have a wide range of other interests and are not dependent on the Company itself. Their biographical details, set out on pages 18 and 19 demonstrate a breadth of investment, commercial and professional experience with an international perspective.

The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings, including strategy and management, internal controls, strategic/policy considerations, transactions, and finance.

The Provision of the UK Code which relates to the combination of the roles of the chairman and chief executive does not apply as the Company has no executive directors.

The Board meets quarterly to review investment performance, financial reports and other reports of a strategic nature. Board or Committee meetings are also held on an ad hoc basis to consider particular issues as they arise.

Representatives of the Portfolio Manager and Company Secretary attend each meeting. The Board, the AIFM, the Portfolio Manager and the Company Secretary operate in a co-operative and constructive relationship.

There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense. The Directors have access to the advice and services of the Corporate Secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed.

The review of the Portfolio Manager's performance is an ongoing duty and responsibility of the Board which is carried out at every Board meeting. In addition, a formal review is undertaken annually, details of which are set out in the Directors' Report on page 22.

## Directors' Appointment, Retirement and Succession

The rules concerning the appointment, retirement and rotation of Directors are set out in the Directors' Report.

The Board believes that it has a reasonable balance of skills and experience. It recognises the value of the progressive refreshing of, and succession planning for, company boards. The Board's tenure and succession policy seeks to ensure that it maintains the balance of skills and experience required. Following the retirement of Mr Nakamura and Mr Hammond-Chambers on 5 August 2019, the Board has decided not to replace them at this time, given the substantial experience of the current Directors.

Directors must be able to demonstrate their commitment, in terms of time, to the Company. The Board is of the view that length of service does not itself impair a Director's ability to act independently or exercise good judgement, rather, a long serving Director can offer valuable perspectives.

When Directors are appointed they go through an induction programme organised by the Portfolio Manager to familiarise them with the specifics of the portfolio. Directors are also provided with key information on the Company's policies, regulatory and statutory requirements and internal controls on a regular basis.

## Board Evaluation

The Board undertook a self-evaluation of its performance, that of its committees and individual Directors, including the Chairman. The reviews were led by the Chairman, in the case of the Board, and the Chairman of the Nomination Committee for each committee. Each Chairman, assisted by the Company Secretary, determined the scope and format for the review, which due to the Directors having been in-post for a limited period was predominantly by way of focused discussions. There were no significant actions arising from the evaluation process and it was agreed that the composition of the Board, at that time, reflected a suitable mix of skills and experience, and that the Board as a whole, the individual Directors and its committees were functioning effectively.

# Corporate Governance Report continued

## Directors' liability insurance

During the year the Company has maintained appropriate insurance cover in respect of legal action against the Directors.

## Board Committees

The Board has established an Audit Committee, Nomination Committee, Remuneration Committee, Management Engagement Committee and a Conflicts Committee. Each Committee has defined terms of reference and duties. A record of the meetings held during the year is set out in the table opposite.

## Audit Committee

The Audit Committee is chaired by Marco Bianconi. Further details are provided in the report of the Audit Committee on pages 28 to 30.

## Nomination Committee

The Nomination Committee is chaired by the Chairman of the Board (who would not chair the Committee when the Chairman's successor was being considered) and consists of Marc Gabelli, Yuji Sugimoto, and John Birch. The Nomination Committee is responsible for reviewing Board succession, the policy on director' tenure, the performance of the Board and its' Committees and the appointment of new Directors. When voting on candidates for the appointment of new directors, only independent directors will vote.

## Remuneration Committee

The Remuneration Committee is chaired by James Wedderburn and consists of James Wedderburn, John Birch and Marco Bianconi. The Remuneration Committee is responsible for setting the Directors' remuneration in conjunction with the Chairman and will take into consideration the Company's peer group and the potential to appoint external remuneration consultants when making decisions.

## Management Engagement Committee

The Management Engagement Committee is chaired by John Birch and consists of John Birch and Yuji Sugimoto. The Management Engagement Committee is responsible for ensuring that the provisions of the Portfolio Management Agreement remain competitive and in the best interest of shareholders and to review the performance of the Manager, Portfolio Manager and other third party service providers to the Company. Details of the management arrangements are set out on page 22.

## Conflicts Committee

The Conflicts Committee is chaired by John Birch and consists of John Birch, Yuji Sugimoto and Marco Bianconi. The Conflicts Committee is responsible for considering the potential conflicts of interest that may arise in relation to the operation of the Company with regard to the Directors, the AIF Manager, the Portfolio Manager and other service providers of the Company.

The Audit Committee will meet at least twice a year and all other Committees at least once a year and additionally as required.

## Attendance at scheduled meetings

The table below sets out the number of Board and Committee meetings held during the year under review and the number of meetings attended by each Director.

Director	Board	AC	Nom	Rem	MEC	Conflict
Marc Gabelli	4/4	-	0/1	-	-	-
Marco Bianconi	4/4	3/3	-	1/1	-	1/1
John Birch	4/4	-	1/1	1/1	1/1	1/1
Alex Hammond-Chambers <sup>1,3</sup>	3/4	2/3	-	-	-	-
Kuni Nakamura <sup>3</sup>	3/4	2/3	-	1/1	1/1	-
John Newlands	4/4	3/3	-	-	-	-
Yuji Sugimoto	4/4	-	1/1	-	-	1/1
Paolo Vicinelli <sup>2</sup>	2/2	-	-	-	-	-
James Wedderburn	4/4	3/3	-	-	-	-

<sup>1</sup> Appointed during the year under review.

<sup>2</sup> Retired during the year under review.

<sup>3</sup> Retired subsequent to 30 June 2019.

## Internal controls

The Board has overall responsibility for the Company's systems of internal controls and for reviewing their effectiveness. In common with the majority of investment trusts, the Board has determined that the most efficient and effective management of the Company is achieved by the Directors determining the investment strategy, and the Portfolio Manager being responsible for the day-to-day investment management decisions on behalf of the Company. Accounting, company secretarial and custodial services have also been delegated to third party service providers that are specialists in these areas, and which can provide, because of their size and specialisation, economies of scale, segregation of duties, and all that is required to provide proper systems of internal control within a regulated environment.

As the Company has no employees and its operational functions are undertaken by third parties, the Audit Committee does not consider it necessary for the Company to establish its own internal audit function. Instead, the Audit Committee examines internal control reports received from its principal service providers to satisfy itself as to the controls in place. The internal controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. The need for an internal audit function is reviewed annually by the Committee. The system therefore manages rather than eliminates risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

## Shareholder relations

The prime medium by which the Company communicates with its shareholders is through the Annual and Half Yearly Reports which aim to provide shareholders with a clear understanding of the Company's activities and results. This information is supplemented by the daily calculation and publication of the NAV per share to a regulatory information service.

All shareholders are encouraged to attend and vote at the Company's Annual General Meeting. The Board and representatives of the Portfolio Manager will be available at the Annual General Meeting to discuss issues affecting the Company and to answer any questions. The Notice of Annual General Meeting is set out on pages 63 and 64 and details the business of the meeting. Any item not of an entirely routine nature is explained in the Directors' Report on page 20. The Notice of Annual General Meeting and any related papers are sent to shareholders at least 20 business days before the meeting.

#### **Bribery Prevention Policy**

The Company has zero tolerance towards bribery and is committed to carrying out business fairly, honestly and openly. The Board takes its responsibility to prevent bribery seriously and its service providers are contacted in respect of their anti-bribery policies.

#### **Criminal Finances Act 2017**

The Board has a zero tolerance approach to the facilitation of tax evasion.

By order of the Board

**Marc Gabelli**

Chairman

23 October 2019

# Report of the Audit Committee

## Chairman

Marco Bianconi



## Chairman of the Audit Committee

## Members

Kuni Nakamura  
John Newlands  
James Wedderburn

As Chairman of the Audit Committee, I am pleased to present the Report of the Audit Committee for the year ended 30 June 2019.

## Role of the Committee

The Company has established a separately chaired Audit Committee (the "Committee") that meets at least twice a year in advance of the publication of both the annual and half yearly results.

The role of the Committee includes considering the contents of the Annual Report and Financial Statements and the Half Yearly Report and recommending them to the Board for approval having considered whether, taken as a whole, they are fair, balanced and understandable and provide shareholders with information to enable them to assess the Company's performance, strategy and business model.

## Composition of the Committee

The Committee consisted of five Directors during the year under review whose biographies are on pages 18 and 19. Alex Hammond-Chambers joined the Committee on 8 October 2018 and retired as a Director and member of the Committee on 5 August 2019.

The Committee as a whole has competence relevant to the investment trust sector and is able to discharge its responsibilities effectively and at least one member of the Committee has competence in accounting.

The Company's Auditors are invited to attend meetings of the Audit Committee on a regular basis. Representatives of the Portfolio Manager and other external advisors, including Administrator may also be invited to attend if deemed necessary by the Audit Committee.

In addition, the Committee Chairman maintains regular contact, meeting separately where required, with the external auditors, other service providers and the Chairman of the Board.

## Significant Issues and Audit Risk

During the year, the Audit Committee also considered a number of significant issues and areas of key audit risk in respect of the Annual Report and Financial Statements. The Audit Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been put in place to obtain a reasonable assurance that the financial statements as a whole would be free of material misstatement. The following table sets out the key areas of risk identified and explains how these were addressed.

## Committee responsibilities

The role of the Audit Committee is to assist the Board in applying financial reporting and internal control principles in addition to maintaining an appropriate relationship with the auditors.

During the year the principal activities of the Committee included:

- Considering and recommending to the Board for approval the half yearly report and annual report and financial statements having reviewed the disclosures made therein in relation to internal controls, risk management, viability, going concern, related parties and whether the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- Reviewing the effectiveness of the external audit process, as outlined below including the scope, execution, results together with the independence, objectivity and efficiency of the external auditors and the quality of the audit engagement team and making a recommendation to the Board on the reappointment of the auditors;
- Reviewing and approving the scope of the external audit plan;
- Setting a policy for the approval of non-audit services;
- Reviewing the role of the Committee in an effective audit process;
- Considering the quality of the audit report to shareholders;
- Reviewing the appropriateness of the Company's accounting policies;
- Ensuring the adequacy of the internal control systems and evaluating the need for an internal audit function, further details of which are provided below; and
- Meeting with representatives of the Company's third party service providers to review the adequacy and effectiveness of their internal controls processes and risk management systems.

During the year under review the Committee has also:

- analysed and reviewed the performance fee calculation methodology with the Portfolio Manager;
- undertaken a detailed review and update of the Risk Register; and
- reviewed the whistleblowing policy of the Portfolio Manager, under which its staff can raise, in confidence, concerns about potential improprieties in matters of financial reporting or other matters so far as they affect the Company.

Significant issue	How the issue was addressed
Valuation and existence of investments	The AIFM performs the valuation of the Company's assets in accordance with its responsibilities under the AIFMD rules. Ownership of listed investments is verified by reconciliation to the Custodian's records. Ownership of CFDs is verified by reconciliation to the counterparty's records. The Directors receive reports, and an annual confirmation from the Depository who has responsibility for overseeing the operations of the Company including verification of the existence, and valuation of investments.
Recognition of income	Income received is accounted for in line with the Company's accounting policies, as set out on pages 44 and 45, and is reviewed by the Committee.
Compliance with Section 1158 of the Corporation Tax Act 2010	The Committee regularly considers the controls in place to ensure the regulations for ensuring investment trust status are observed at all times receiving supporting documentation from Gabelli Funds LLC and State Street Bank and Trust Company.
Maintaining internal controls	The Committee receives regular reports on internal controls from State Street Bank and Trust Company and Gabelli Funds and has access to the relevant personnel of both State Street and Gabelli Funds who have a responsibility for risk management and internal audit.
Performance fee	The performance fee calculation is prepared by the Administrator and reviewed by the Manager and the Committee before recommendation to the Board, all with reference to the portfolio management agreement.
Resource Risk	The Company has no employees and its day to date activities are delegated to third party suppliers. The Board monitors the performance of third party suppliers on an ongoing basis.

## Governance

The Company has developed a risk register which identifies the risks facing the Company, their likelihood, potential impact and the controls established for mitigation. The risk register and the operation of key controls by the Portfolio Manager and third party service providers is reviewed on a regular basis by the Committee.

## External audit

The Committee conducted a review of PricewaterhouseCoopers LLP's independence and audit process effectiveness as part of its review of the financial reporting for the year ended 30 June 2019. In considering the effectiveness, the Committee reviewed the audit plan and the auditors' findings. The Committee also considered the execution of the audit against the plan, as well as the auditor's reporting to the Committee in respect of the financial statements for the year. Based on this, the Committee were satisfied that the quality of the external audit process had been good, with appropriate focus and challenge on the key audit risks.

The Committee advises the Board on the appointment of the external auditors and on their remuneration. It keeps under review the cost effectiveness and the independence and objectivity of the external auditor, mindful of controls in place to ensure the latter. To this end, the Committee has implemented a policy on the engagement of the external auditors to supply non-audit services. The Committee was satisfied that the objectivity and independence of the auditors was not impaired as no non-audit services were undertaken during the year. Accordingly,

the Committee recommended to the Board that shareholder approval be sought at the forthcoming AGM for the appointment of PricewaterhouseCoopers LLP as the Company's auditors for the ensuing financial year, and for the Committee to determine the auditors' remuneration.

## Audit Tendering

PricewaterhouseCoopers LLP was appointed as auditors with effect from the Company's launch in July 2017. The Company is required to put the external audit out to tender at least every ten years, and at least every twenty years to change the auditors. The Company will be required to put the audit out to tender, at the latest following the 2027 year end.

The Audit Committee will consider annually the need to tender as a consequence of audit quality or independence.

There are no contractual obligations that restrict the Company's choice of auditor. During the year ended 30 June 2018 £20,000 was paid to the auditors for non-audit services in relation to reviewing the half-yearly report (2019: £0)

The auditors are required to rotate partners every five years. Colleen Local, the current audit partner has been the audit partner for two years.

## Internal Audit function

As the Company has no employees and its operational functions are undertaken by third parties, the Committee does not consider it necessary for the Company to establish its own internal audit

## Report of the Audit Committee continued

function. Instead, the Committee examines internal control reports received from its principal service providers to satisfy itself as to the controls in place. The internal controls aim to ensure that assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. The need for an internal audit function is reviewed annually by the Committee.

### **Whistleblowing, anti-bribery and corruption**

The Company has no employees; therefore no policies relating to whistleblowing, anti-bribery, or corruption are considered necessary. Notwithstanding this, the Company seeks at all times to conduct its business with the highest standards of integrity and honesty. Gabelli Funds, LLC is committed to complying with all applicable legal and regulatory requirements relating to accounting and auditing controls and procedures. Staff members of Gabelli Funds, LLC are encouraged to report complaints and concerns regarding accounting or auditing matters through available channels described in the Portfolio Manager's Whistleblower Policy.

**Marco Bianconi**

Chairman of the Audit Committee

23 October 2019



# Directors' Remuneration Report

The Board presents the Directors' Remuneration Report which has been prepared in accordance with the requirements of Sections 420-422 of the Companies Act 2006. The law requires the auditors to audit certain of the disclosures provided. Where disclosures have been audited this is indicated.

## Statement from the Chairman

This Report describes how the Board has applied the principles relating to Directors' remuneration. The Company's Remuneration Policy was approved by shareholders at the AGM in 2018 in accordance with section 439A of the Companies Act 2006, such policy to remain in place until 2021, unless amended by way of an ordinary resolution put to shareholders at a General Meeting. The Remuneration Committee has now proposed that

the Remuneration Policy is amended to reflect that a portion of the annual Directors' fees would be payable in Ordinary Shares of the Company, such amount to be determined by the Board at its discretion. Accordingly, the Remuneration Policy will be put to shareholders at the forthcoming Annual General Meeting. Subject to approval the revised policy will be in place until 2022, unless amended previously by way of an ordinary resolution put to shareholders at a General Meeting.

## Remuneration Committee

The Company has established a Remuneration Committee which meets at least once a year. Further details of the membership are provided in the Corporate Governance Statement on page 26.

## Policy Table

<b>Fixed fee of the Company element</b>	<p>Remuneration consists of a fixed fee each year and the Directors of the Company are entitled to such rates of annual fees as the Board at its discretion determines.</p> <p>On an annual basis part of that fee, up to a monetary limit determined by the Board at its discretion, shall be paid to the Directors in the form of Ordinary Shares in the Company.</p>
<b>Discretionary element</b>	In accordance with the Company's Articles of Association, if a Director is requested to perform extra or special services, they will be entitled to receive such additional remuneration as the Board considers appropriate.
<b>Expenses</b>	In accordance with the Company's Articles of Association the Directors are also entitled to be reimbursed for out-of-pocket expenses and any other reasonable expenses incurred in the proper performance of their duties.
<b>Purpose and link to strategy</b>	<p>Directors' fees are set to:</p> <ul style="list-style-type: none"> <li>• be sufficient to attract and retain individuals of a high calibre with suitable knowledge and experience to promote the long term success of the Company;</li> <li>• reflect the time spent by the Directors on the Company's affairs;</li> <li>• reflect the responsibilities borne by the Directors;</li> <li>• recognise the more onerous roles of the Chairman of the Board and the Chairman of the Audit Committee through the payment of higher fees.</li> </ul>
<b>Operation</b>	Fees payable to the Directors will be reviewed annually. A number of factors will be considered to ensure that the fees are set at an appropriate level. These will include the average rate of inflation during the period since the last fee increase, the level of Directors' remuneration for other investment trusts of a similar size and complexity of the Directors' responsibilities.
<b>Maximum</b>	Total remuneration paid to the non-executive Directors is subject to an annual aggregate limit of US\$150,000 in accordance with the Company's Articles of Association. Any changes to this limit will require Shareholder approval by ordinary resolution.

The Company has no employees to consult in drawing up the policy.

To ensure fees are set at an appropriate level, the Company Secretary provides a comparison of the Directors' remuneration with other investment trusts of a similar size and/or mandate, as well as taking into account any data published by the Association of Investment Companies. This comparison, together with consideration of any alteration in non-executive

Directors' responsibilities, is used to review whether any change in remuneration is necessary. The review of fees is performed on an annual basis.

# Directors' Remuneration Report continued

There were no changes to Directors' remuneration during the year under review. The fees paid to Directors on an annual basis during the year to 30 June 2019 are set out below.

Remuneration	Fees per annum US\$
Director of the Board	15,000
Additional fee for the Chairman of the Board	1,000
Additional fee for the Chairman of the Audit Committee	5,000
Additional fee for the members of the Audit Committee	1,000

Following a review in September 2019, the Committee agreed that the Directors' fee would increase to \$20,000, with effect from 1 September 2019, for the year ending 30 June 2020.

The additional fees shown in the table above paid to the Chairman of the Board (albeit Mr Gabelli waived his fee) and the Chairman and members of the Audit Committee during the year ended 30 June 2019 remain unchanged for the year ending 30 June 2020.

Subject to approval by shareholders at the forthcoming Annual General Meeting, with effect from 1 January 2020, it is proposed that Directors' fees would increase to \$30,000 for the year ending 30 June 2020 with a portion of this annual fee to be paid in the form of Ordinary Shares in the Company.

For the year ending 30 June 2020, subject to shareholder approval of the revised Remuneration Policy at the AGM, in addition to the \$20,000 paid in cash, each Director will also be entitled to receive Ordinary Shares in the Company up to an aggregate value of \$10,000 per annum (pro-rated from 1 January 2020). The portion of the Directors' fees receivable in the form of the Company's Ordinary Shares will be reviewed by the Remuneration Committee on an annual basis in respect of future years.

The Ordinary Shares are to be allocated quarterly in arrears on, or around, 30 September, 31 December, 30 March and 30 June each year. Should any Director resign or retire from the Board his eligibility to receive shares will cease with effect from the previous quarter end.

In the event that the Company's Ordinary shares are trading at a discount to the cum income NAV at the relevant quarter end, the Company's broker will be instructed to acquire Ordinary Shares on the secondary market on behalf of the Directors. If the Ordinary Shares are trading at a premium to the cum income NAV at the relevant quarter end, the Company will elect, at its discretion, either (i) to instruct its broker to acquire Ordinary Shares on the secondary market or (ii) to issue shares to the Directors at a price (after expenses) of not less than the cum income NAV at the close of business on the business day prior to the issue and at a premium to the estimated cum income NAV at the time of the transaction.

## Consideration of Shareholders' Views

In accordance with the requirements of the Companies Act 2006 shareholder approval for the remuneration report will be sought at the 2019 AGM. Shareholders will have the opportunity to express their views and raise any queries on the policy at this meeting.

At the AGM held on 4 December 2018, of the votes cast, 100% were in favour of (or granted discretion to the Chairman who voted in favour of) each of the resolutions to approve the Directors' Remuneration Report and the Directors' Remuneration Policy.

Details of voting on the Remuneration Report at the 2019 AGM will be provided in the annual report for the year ending 30 June 2020.

## Director's Remuneration Implementation Report (audited)

### Single Total Figure of Remuneration

The single total remuneration figure for each Director who served during the year to 30 June 2019 and the period 28 April 2017 to 30 June 2018 is set out below.

Directors	Year to 30 June 2019		28 April 2017 to 30 June 2018	
	Fees	Total	Fees	Total
Marc Gabelli	–	–	–	–
Marco Bianconi <sup>1</sup>	20,000	20,000	21,452	21,452
John Birch <sup>1</sup>	15,000	15,000	16,154	16,154
Alex Hammond-Chambers <sup>3</sup>	11,038	11,038	–	–
Kuni Nakamura	16,000	16,000	17,231	17,231
John Newlands <sup>5</sup>	15,000	15,000	5,962	5,962
Yuji Sugimoto <sup>1</sup>	15,000	15,000	16,154	16,154
Paolo Vicinelli <sup>4</sup>	–	–	–	–
James Wedderburn <sup>2</sup>	16,000	16,000	10,072	10,072
<b>Total</b>	<b>108,038</b>	<b>108,038</b>	<b>87,025</b>	<b>87,025</b>

1 Appointed on 5 June 2017.

2 Appointed on 15 November 2017.

3 Appointed on 8 October 2018.

4 Retired on 4 December 2018.

5 Appointed on 15 November 2017.

Mr Gabelli and Mr Vicinelli, until his retirement on 4 December 2018, waived the entitlement to their fees. Mr Gabelli devotes a portion of his time employed by Gabelli to serve as Chairman of the Company. An apportionment of his remuneration on a time served basis from employment by an affiliate of the Portfolio Manager would materially equate to the fees received by the other Directors of the Company for similar qualifying services.

## Directors' notice periods and payment for loss of office

Directors' appointments may be terminated without notice. In this event, the Director will only be entitled to fees accrued at the date of termination, together with reimbursement of any expenses properly incurred to that date.

### Directors' Interests

The interests of the Directors (including their connected persons) in the Company's share capital are as follows:

Directors	Ordinary shares of \$0.01	
	As at 30 June 2019	As at 30 June 2018
Marc Gabelli	10,000	–
Marco Bianconi	800	–
John Birch	1,000	–
Alex Hammond-Chambers <sup>2</sup>	–	n/a
Kuni Nakamura	–	–
John Newlands	–	–
Yuji Sugimoto	–	–
Paolo Vicinelli <sup>1</sup>	n/a	–
James Wedderburn	1,500	–

<sup>1</sup> Retired on 4 December 2018.

<sup>2</sup> Appointed on 8 October 2018.

No changes in the above interests occurred between 30 June 2019 and the date of this report. Mr Nakamura and Mr Hammond-Chambers retired from the Board on 5 August 2019. None of the Directors has been granted, or exercised, any options or rights to subscribe for the Ordinary Shares of the Company.

### Company Performance

A graph showing the Company's NAV performance measured by total shareholder return compared with the Credit Suisse Merger Arb Liquid Index, the S&P Merger Arb Index, the 13 week US Treasury Bills, and the ETF MNA, since launch, can be found on page 14.

### Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on Director's remuneration in comparison with Portfolio management fees paid and dividends paid to shareholders.

	2019 \$000	2018 \$000
Directors' remuneration	108	87
Portfolio management fees	852	811
Dividends to Shareholders	4,960	3,617

### Statement by the Chairman of the Board

The Directors confirm that the Directors' Remuneration Report set out above provides a fair and reasonable summary for the financial year ended 30 June 2019 of:

- a) the major decisions on Directors' remuneration;
- b) any substantial changes relating to Directors' remuneration made during the period; and
- c) the context in which those changes occurred and the decisions which have been taken.

The Directors' Remuneration Report was approved by the Board on 23 October 2019 and is signed on its behalf by:

**Marc Gabelli**  
Chairman  
23 October 2019

# Statement of Directors' Responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Marc Gabelli  
Chairman of the Board  
23 October 2019

# Independent auditors' report to the members of Gabelli Merger Plus<sup>+</sup> Trust Plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Gabelli Merger Plus<sup>+</sup> Trust Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts for the period ended 30 June 2019 (the "Annual Report"), which comprise: the Statement of Financial Position as at 30 June 2019; the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

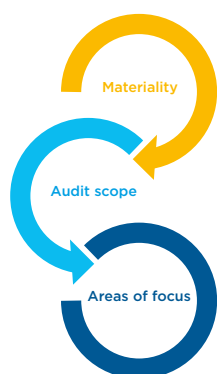
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We have provided no non-audit services to the company in the period from 1 July 2018 to 30 June 2019.

### Our audit approach

#### Overview



- Overall materiality: \$1.0 million (2018: \$1.0 million), based on 1% of net assets.
- The Company is a standalone Investment Trust Company and engages Gabelli Funds, LLC (the "Manager") to manage its assets.
- We conducted our audit of the Financial Statements using information from State Street Bank and Trust Company (the "Administrator") to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.
- We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.
- Valuation and existence of investments.
- Accuracy, occurrence and completeness of dividend income.

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of section 1158 of the Corporation Tax Act 2010 (see page 16 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, UK tax legislation and the Listing rules. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase net asset value and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of the Manager and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

# Independent auditors' report to the members of Gabelli Merger Plus<sup>+</sup> Trust Plc continued

- Testing the Company's compliance with section 1158 of the Corporation Tax Act 2010 in the current year;
- Identifying and testing journal entries, specifically all manual journal entries posted by the administrator during the preparation of the Financial Statements; and
- Reviewing relevant meeting minutes, including those of the Audit Committee.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

### Key audit matter

### How our audit addressed the key audit matter

#### Valuation and existence of investments

Refer to Accounting Policies on page 44 and Note 3 Investments at fair value through profit or loss on pages 45 and 46.

The investment portfolio at year-end consisted of listed equity investments valued at \$104.2m and shorted listed equity investments valued at \$29.7m.

We focused on the valuation and existence of investments because investments represent the principal element of the net asset value as disclosed in the Statement of Financial Position in the financial statements.

We tested the valuation of the listed equity investments by agreeing the prices used in the valuation to independent third party sources.

We tested the existence of the investment portfolio by agreeing investment holdings to an independent custodian confirmation.

No material issues were identified.

#### Accuracy, occurrence and completeness of dividend income

Refer to Accounting Policies on page 44 and Note 5 Income on page 47.

We focused on the accuracy, occurrence and completeness of dividend income recognition as incomplete or inaccurate income could have a material impact on the Company's net asset value and dividend cover.

We assessed the accounting policy for dividend income recognition for compliance with accounting standards and the AIC SORP and performed testing to check that income had been accounted for in accordance with this stated accounting policy.

We tested the accuracy of dividend receipts by agreeing the dividend rates from investments to independent market data.

To test for completeness, we tested that for investment holdings in the portfolio, all dividends recorded in the year had been declared in the market, and that all dividends declared in the market by investment holdings had been recorded.

To test for occurrence, we confirmed that a sample of dividends recorded had occurred in the market, and traced a sample of cash payments to bank statements

We also tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP by confirming reasons behind dividend distributions.

No material issues were identified.

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company is a standalone Investment Trust Company and engages Gabelli Funds, LLC (the "Manager") to manage its assets.

We conducted our audit of the Financial Statements using information from State Street Bank and Trust Company (the “Administrator”) to whom the Manager has, with the consent of the Directors, delegated the provision of certain administrative functions.

We tailored the scope of our audit taking into account the types of investments within the Company, the involvement of the third parties referred to above, the accounting processes and controls, and the industry in which the Company operates.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall materiality</b>	\$1.0 million (2018: \$1.0 million).
<b>How we determined it</b>	1% of net assets.
<b>Rationale for benchmark applied</b>	We believe that net assets is the primary measure used by shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark for investment trust audit.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$50,000 (2018: \$50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	<p>We have nothing material to add or to draw attention to.</p> <p>However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.</p>

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).



# Independent auditors' report to the members of Gabelli Merger Plus<sup>+</sup> Trust Plc continued

## Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

## The directors' assessment of the prospects of the company and of the principal risks that would threaten the solvency or liquidity of the company

As a result of the directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The directors' confirmation on page 15 of the Annual Report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 17 of the Annual Report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

## Other Code Provisions

As a result of the directors' voluntary reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the directors, on page 34, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the company's position and performance, business model and strategy is materially inconsistent with our knowledge of the company obtained in the course of performing our audit.
- The section of the Annual Report on pages 28 to 30 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in respect of this responsibility.

## Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 34, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.



### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the audit committee, we were appointed by the directors during July 2017 to audit the financial statements for the year ended 30 June 2018 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 30 June 2018 to 30 June 2019.

Colleen Local (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23 October 2019

# Statement of Comprehensive Income

	Notes	Year ended 30 June 2019			Period from 19 July 2017 to 30 June 2018		
		Revenue \$000	Capital \$000	Total \$000	Revenue \$000	Capital \$000	Total \$000
<b>Income</b>							
Investment Income	5	885	-	885	998	-	998
<b>Total investment income</b>		<b>885</b>	<b>-</b>	<b>885</b>	<b>998</b>	<b>-</b>	<b>998</b>
<b>Gains/(losses) on investments</b>							
Net realised and unrealised gains on investments	3, 14	-	4,421	4,421	-	3,277	3,277
Net realised and unrealised currency gains		-	24	24	-	9	9
Net gains on investment		-	4,445	4,445	-	3,286	3,286
<b>Total income and gains on investment</b>		<b>885</b>	<b>4,445</b>	<b>5,330</b>	<b>998</b>	<b>3,286</b>	<b>4,284</b>
<b>Expenses</b>							
Portfolio management fee	6	(852)	-	(852)	(811)	-	(811)
Other expenses	6	(710)	(103)	(813)	(455)	(169)	(624)
Total expenses		(1,562)	(103)	(1,665)	(1,266)	(169)	(1,435)
<b>Profit/(loss) before taxation</b>		<b>(677)</b>	<b>4,342</b>	<b>3,665</b>	<b>(268)</b>	<b>3,117</b>	<b>2,849</b>
Taxation on ordinary activities	8	(77)	-	(77)	(66)	-	(66)
<b>Profit/(loss) for the year/period</b>		<b>(754)</b>	<b>4,342</b>	<b>3,588</b>	<b>(334)</b>	<b>3,117</b>	<b>2,783</b>
<b>Earnings per share (basic and diluted)</b>	9	<b>(\$0.07)</b>	<b>\$0.42</b>	<b>\$0.35</b>	<b>(\$0.03)</b>	<b>\$0.30</b>	<b>\$0.27</b>

The total column of this statement represents the Statement of Comprehensive Income prepared in accordance with International Financial Reporting Standards ("IFRS"). The supplementary revenue return and capital return columns are both prepared under guidance issued by the Association of Investment Companies. All items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year ended 30 June 2019.

The Company does not have any income or expense that is not included in net profit for the year. Accordingly, the net profit for the year is also the total comprehensive income for the year, as defined in IAS1 (revised).

The notes on pages 44 to 58 form part of these financial statements.

# Statement of Changes in Equity

		Year ended 30 June 2019					
Year ended 30 June 2019	Note	Called up Share Capital \$000	Share Premium \$000	Special Distributable Reserve* \$000	Capital Reserve \$000	Revenue Reserve* \$000	Total \$000
Balance as at 30 June 2018		103	–	98,832	3,117	(334)	101,718
Profit/(loss) for the year after tax on ordinary activities		–	–	–	4,342	(754)	3,588
Dividends paid	7	–	–	(4,960)	–	–	(4,960)
Balance as at 30 June 2019		103	–	93,872	7,459	(1,088)	100,346

		Period from 19 July 2017 to 30 June 2018					
	Note	Called up Share Capital \$000	Share Premium \$000	Special Distributable Reserve* \$000	Capital Reserve \$000	Revenue Reserve* \$000	Total \$000
Balance as at 19 July 2017							
Initial placing		100	100,011	–	–	–	100,111
Tap issue		3	3,340	–	–	–	3,343
Share issue costs <sup>†</sup>		–	(902)	–	–	–	(902)
Transfer to special distributable reserve		–	(102,449)	–	–	–	(102,449)
Transfer from share premium reserve		–	–	102,449	–	–	102,449
Profit/(loss) for the period after tax on ordinary activities		–	–	–	3,117	(334)	2,783
Dividends paid	7	–	–	(3,617)	–	–	(3,617)
Balance as at 30 June 2018		103	–	98,832	3,117	(334)	101,718

\* These reserves are distributable.

† Share issue costs are comprised of \$835,448 for the initial placing of shares on 19 July 2017 and \$66,875 for the tap issue on 15 November 2017.

The notes on pages 44 to 58 form part of these financial statements.

# Statement of Financial Position

		As at 30 June 2019		As at 30 June 2018	
	Note	\$'000	\$'000	\$'000	\$'000
Non-current assets					
Investments held at fair value through profit or loss	3		104,468		91,469
Current assets					
Cash and cash equivalents	10	27,398		23,403	
Receivable for investments sold		3,097		1,620	
Other receivables	15	33		651	
		30,528		25,674	
Current liabilities					
Portfolio management fee payable		(70)		(71)	
Offering fees payable		(52)		(64)	
Payable for investments purchased		(4,408)		(10,975)	
Other payables	15	(173)		(688)	
Net current assets			25,825		13,876
Non-current liabilities					
Investments at fair value through profit or loss	3		(29,947)		(3,627)
Net assets			100,346		101,718
Share capital and reserves					
Called-up share capital	11	103		103	
Special distributable reserve*		93,872		98,832	
Capital reserve		7,459		3,117	
Revenue reserve*		(1,088)		(334)	
Total shareholders' funds			100,346		101,718
Net asset value per share			\$9.71		\$9.84

\* These reserves are distributable.

Gabelli Merger Plus\* Trust Plc is registered in England and Wales under Company number 10747219.

The financial statements on pages 40 to 58 were approved by the Board of Directors on 23 October 2019 and signed on its behalf by

**Marc Gabelli**  
Chairman

The notes on pages 44 to 58 form part of these financial statements.

# Statement of Cash Flows

	Year ended 30 June 2019	Period from 19 July 2017 to 30 June 2018
	\$000	\$000
<b>Cash flows from operating activities</b>		
Profit before tax	3,665	2,849
<b>Adjustments for:</b>		
Gains on investments	(4,445)	(3,286)
<b>Cash flows from operating activities</b>		
Purchases of investments*	(309,199)	(338,080)
Sales of investments*	326,941	249,215
Increase in receivables	(1,316)	(2,271)
(Decrease)/increase in payables	(7,095)	15,390
Dividend income	457	715
Foreign withholding taxes on dividends	(77)	(66)
Currency gain on cash equivalents	24	2
<b>Net cash flows from operating activities</b>	<b>8,955</b>	<b>(75,532)</b>
<b>Cash flows from financing activities</b>		
Shares issued for cash	–	103,454
Share issue cost	–	(902)
Dividends paid	(4,960)	(3,617)
<b>Net cash flows from financing activities</b>	<b>(4,960)</b>	<b>98,935</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,995</b>	<b>23,403</b>
Cash and cash equivalents at the start of the year/period	23,403	–
<b>Cash and cash equivalents at the end of the year/period</b>	<b>27,398</b>	<b>23,403</b>

\* Receipts from the sale of, and payments to acquire, investment securities have been classified as components of cash flows from operating activities because they form part of the Company's dealing operations.

The notes on pages 44 to 58 form part of these financial statements.

# Notes to the Financial Statements

## 1 General Information

Gabelli Merger Plus+ Trust Plc (the “Company”) is a closed-ended public limited company incorporated in England and Wales on 28 April 2017 with registered number 10747219. The Company commenced operation on 19 July 2017 and intends to conduct its affairs so as to qualify, at all times, as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 (as amended).

## 2 Accounting policies

**(a) Basis of preparation** – The financial statements of Gabelli Merger Plus+ Trust Plc have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The principal accounting policies adopted by the Company are set out below. Where presentational guidance set out in the Statement of Recommended Practice (“SORP”) for investment trusts issued by the Association of Investment Companies (“AIC”) in November 2014 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

**(b) Presentation of Statement of Comprehensive Income** – To better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Statement of Comprehensive Income.

**(c) Going concern** – Having assessed the principal risks and the other matters discussed in connection with the viability statement on page 17, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

**(d) Statement of estimation uncertainty** – In the application of the Company’s accounting policies, the Investment Manager is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates. There have been no significant judgements, estimates, or assumptions for the period.

**(e) Income recognition** – Revenue from investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company’s right to receive payment is established. Franked investment income is stated net of the relevant tax credit. Other income includes any taxes deducted at source. Special dividends are credited to capital or revenue, according to the circumstances. Scrip dividends are treated as unfranked investment income; any excess in value of the shares received over the amount of the cash dividend is recognised as a capital item in the Statement of Comprehensive Income.

Interest income is accounted for on an accruals basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

**(f) Expenses** – The management fees are allocated to revenue in the Statement of Comprehensive Income. Interest receivable and payable and management expenses are treated on an accruals basis. All other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds.

The formation and initial expenses of the Company are allocated to capital.

**(g) Investments** – Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. Movements in the fair value of investments and gains/losses on the sale of investments are taken to the Statement of Comprehensive Income as capital items.

The Company’s listed investments are fair valued using the last traded price of the valuation date.

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if it has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. Financial assets and liabilities are derecognised when the Company settles its obligations relating to the instrument.

Contracts for Difference (CFDs)

CFDs are recognised in the Statement of Financial Position at the accumulated unrealised gain or loss as an asset or liability, respectively. This represents the difference between the nominal book cost and market value of each position held. Movements in the unrealised gains/losses are taken to the Statement of Comprehensive Income as capital items.

- (h) **Transaction costs** – Transaction costs incurred on the purchase and disposal of investments are recognised as a capital item in the Statement of Comprehensive Income.
- (i) **Foreign currency** – Foreign currencies are translated at the rates of exchange ruling on the year end date. Revenue received/receivable and expenses paid/payable in foreign currencies are translated at the rates of exchange ruling at the transaction date.
- (j) **Fair value** – All financial assets and liabilities are recognised in the financial statements at fair value.
- (k) **Dividends payable** – Interim and final dividends are recognised in the period in which they are declared.
- (l) **Capital reserve** – Capital distributions received, realised gains or losses on investments that are readily convertible to cash, and capital expenses are transferred to the capital reserve. Share buybacks are funded through the capital reserve.
- (m) **Taxation** – The tax effect of different items of income/gains and expenditure/losses is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective rate of tax. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the period end date where transactions of events that result in an obligation to pay more or a right to pay less tax in future have occurred at the period end date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.
- (n) **Functional and presentation currency** – The functional and presentation currency of the Company is the U.S. dollar.

### 3 Investments at fair value through profit or loss

	Year ended 30 June 2019 \$000	Period from 19 July 2017 to 30 June 2018 \$000
Opening valuation	87,842	–
Opening unrealised losses on investments	1,023	–
Opening cost	88,865	–
Add: additions at cost	309,199	338,080
Less: disposals at cost	(323,171)	(249,215)
Closing cost	74,893	88,865
Closing unrealised losses on investments	(372)	(1,023)
<b>Closing valuation</b>	<b>74,521</b>	<b>87,842</b>

#### Fair value hierarchy

IFRS 13 requires the Company to classify its financial instruments held at fair value using a hierarchy that reflects the significance of the inputs used in the valuation methodologies. These are as follows:

- Level 1 – quoted prices in active markets for identical investments;
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments, credit risk, etc.); and
- Level 3 – Significant unobservable inputs.

# Notes to the Financial Statements continued

## 3 Investments at fair value through profit or loss continued

The financial assets measured at fair value through profit or loss in the financial statements are grouped into the fair value hierarchy as follows:

	As at 30 June 2019			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	104,180	–	–	104,180
Contingent value rights	–	–	229	229
Derivatives	–	59	–	59
<b>Gross fair value</b>				<b>104,468</b>
Derivatives	–	(234)	–	(234)
Quoted equities – shorts	(29,713)	–	–	(29,713)
<b>Net fair value</b>	<b>74,467</b>	<b>(175)</b>	<b>229</b>	<b>74,521</b>

	As at 30 June 2018			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<b>Financial assets at fair value through profit or loss</b>				
Quoted equities	90,573	–	–	90,573
Derivatives – CFDs	–	896	–	896
<b>Gross fair value</b>				<b>91,469</b>
Quoted equities – shorts	(3,627)	–	–	(3,627)
<b>Net fair value</b>	<b>86,946</b>	<b>896</b>	<b>–</b>	<b>87,842</b>

### Valuation process and techniques for Level 3 valuations

The valuation of contingent value rights is performed on a quarterly basis by the Pricing Committee of the Portfolio Manager. On a quarterly basis the Pricing Committee will review the valuation of the contingent value rights for significant changes. The investments in contingent value rights is reviewed regularly to ensure that the initial classification remains correct given the asset's characteristics and the Company's investment policies. The contingent value rights are initially recognised using the transaction price as the best evidence of fair value at acquisition and are subsequently measured at fair value.

### Level 3 financial assets at fair value through profit or loss at 30 June

	2019 \$000	2018 \$000
Opening fair value	–	–
– Assets acquired during the year	435	–
Total profit or loss included in net profit/(loss) on investments in the Statement of Comprehensive Income		
– Assets held at end of year	(206)	–
<b>Closing balance</b>	<b>229</b>	<b>–</b>

### Net realised and unrealised gains/(losses) on investments

	Year ended 30 June 2019 \$000	Period from 19 July 2017 to 30 June 2018 \$000
Realised gains on investments	3,770	4,300
Movement in unrealised gains/(losses) on investments	651	(1,023)
<b>Net realised and unrealised gains on investments</b>	<b>4,421</b>	<b>3,277</b>



#### 4 Transaction costs

During the year commissions and other expenses were incurred in acquiring or disposing of investments classified at fair value through profit or loss. These have been charged through capital and are within gains/(losses) in the Statement of Comprehensive Income. The total costs were as follows:

	Year ended 30 June 2019 \$000	Period from 19 July 2017 to 30 June 2018 \$000
Purchases	84	106
Sales	37	23
<b>Total</b>	<b>121</b>	<b>129</b>

#### 5 Income

	Year ended 30 June 2019 \$000	Period from 19 July 2017 to 30 June 2018 \$000
<b>Income from investments</b>		
Overseas equities	584	481
Income on short term investments	418	283
Other (expense)/income	(117)	234
<b>Total income</b>	<b>885</b>	<b>998</b>

# Notes to the Financial Statements continued

## 6 Expenses

	Year ended 30 June 2019 \$000	Period from 19 July 2017 to 30 June 2018 \$000
<b>Revenue expenses</b>		
Portfolio Management Fee	(852)	(811)
Dividend Expense on Securities Sold Short	(189)	-
Directors' Remuneration	(108)	(87)
Company Secretary Fees – Maitland	(53)	(39)
AIFM – Carne	(50)	(48)
Audit Fees – PwC	(43)	(44)
Administration Fees – State Street	(42)	(40)
Other	(37)	(23)
Custodian/Depository Fees – State Street	(32)	(35)
Broker Retainer Fee	(31)	-
Printing Fees	(24)	(22)
Directors' Expenses	(22)	(4)
Legal Fees	(21)	(52)
Registrar – Computershare	(18)	(20)
LSE RNS fees	(15)	(11)
Ongoing LSE and UKLA Fees	(13)	(10)
Marketing expenses	(12)	-
Non-audit Fees – PwC	-	(20)
<b>Total revenue expenses</b>	<b>(1,562)</b>	<b>(1,266)</b>
<b>Capital expenses</b>		
Transaction costs on derivatives	(102)	-
Finance Charges Received/(Paid) – State Street	50	(57)
Transaction Charges – State Street	(51)	(112)
<b>Total capital expenses</b>	<b>(103)</b>	<b>(169)</b>

### Portfolio Management Fee

Under the terms of the Portfolio Management Agreement, the Portfolio Manager will be entitled to a management fee ("Management Fee"), together with reimbursement of reasonable expenses incurred by it in the performance of its duties under the Portfolio Management Agreement, other than the salaries of its employees and general overhead expenses attributable to the provision of the services under the Portfolio Management Agreement. The Management Fee shall be accrued daily and calculated on each Business Day at a rate equivalent to 0.85% of NAV per annum.

### AIFM fees

The Company has appointed Carne Global Fund Managers (Ireland) Limited ("Carne") as its Alternative Investment Fund Manager pursuant to the AIFMD. Carne is entitled to receive from the Company such annual fees, accrued and payable at such times, as may be agreed in writing between itself and the Company from time to time. The fees are payable monthly and subject to a minimum monthly fee of €2,500.

## 7 Equity dividends

	Year ended 30 June 2019 \$000	Period from 19 July 2017 to 30 June 2018 \$000
Dividends paid	4,960	3,617

During the year ended 30 June 2019 dividends paid per share totalled \$0.48 (period from 19 July 2017 to 30 June 2018: \$0.35 per share).

## 8 Taxation on ordinary activities

	Year ended 30 June 2019		
	Revenue \$000	Capital \$000	Total \$000
Analysis of the charge in the year			
Irrecoverable overseas tax	(77)	-	(77)
<b>Total</b>	<b>(77)</b>	<b>-</b>	<b>(77)</b>

	Period from 19 July 2017 to 30 June 2018		
	Revenue \$000	Capital \$000	Total \$000
Analysis of the charge in the period			
Irrecoverable overseas tax	(66)	-	(66)
<b>Total</b>	<b>(66)</b>	<b>-</b>	<b>(66)</b>

	Year ended 30 June 2019		
	Revenue \$000	Capital \$000	Total \$000
Factors affecting the tax charge for the year			
Profit before taxation	(683)	4,348	3,665
UK Corporation tax at effective rate of 19%	(130)	826	696
Effects of:			
Non taxable overseas dividends	(101)	-	(101)
Overseas tax expensed	(2)	-	(2)
Gains on investments held at fair value through profit or loss	-	(840)	(840)
Irrecoverable overseas tax	77	10	87
Expenses not deductible for tax purposes	36	-	36
Losses on foreign currencies	-	(5)	(5)
Movement in excess management expenses	176	8	184
Movement in deferred tax rate on excess management expenses	21	1	22
<b>Total</b>	<b>207</b>	<b>(826)</b>	<b>(619)</b>
<b>Total tax charge for the year</b>	<b>77</b>	<b>-</b>	<b>77</b>

# Notes to the Financial Statements continued

## 8 Taxation on ordinary activities continued

Factors affecting the tax charge for the period	Period from 19 July 2017 to 30 June 2018		
	Revenue \$000	Capital \$000	Total \$000
Profit before taxation	(268)	3,117	2,849
UK Corporation tax at effective rate of 19%	(51)	592	541
<b>Effects of:</b>			
Non taxable overseas dividends	(81)	–	(81)
Gains on investments held at fair value through profit or loss	–	(623)	(623)
Irrecoverable overseas tax	66	–	66
Expenses not deductible for tax purposes	1	32	33
Losses on foreign currencies	–	(1)	(1)
Excess management expenses	131	–	131
<b>Total</b>	<b>117</b>	<b>(592)</b>	<b>(475)</b>
<b>Total tax charge for the period</b>	<b>66</b>	<b>–</b>	<b>66</b>

At the year end after offset against income taxable on receipt, there is a potential deferred tax asset of \$301,205 (2018: \$138,350) in relation to surplus tax reliefs. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

## 9 Earnings per share

Earnings per ordinary share is calculated with reference to the following amounts:

	Year ended 30 June 2019	Period from 19 July 2017 to 30 June 2018
<b>Revenue return</b>		
Revenue return attributable to ordinary shareholders (\$000)	(\$760)	(\$334)
Weighted average number of shares in issue during year/period	10,334,166	10,223,374
<b>Total revenue return per ordinary share</b>	<b>(\$0.07)</b>	<b>(\$0.03)</b>
<b>Capital return</b>		
Capital return attributable to ordinary shareholders (\$000)	\$4,348	\$3,117
Weighted average number of shares in issue during year/period	10,334,166	10,223,374
<b>Total capital return per ordinary share</b>	<b>\$0.42</b>	<b>\$0.30</b>
<b>Total return per ordinary share</b>	<b>\$0.35</b>	<b>\$0.27</b>
<b>Net asset value per share</b>		
Net assets attributable to shareholders (\$000)	\$100,346	\$101,718
Number of shares in issue at year/period end	10,334,166	10,334,166
<b>Net asset value per share</b>	<b>\$9.71</b>	<b>\$9.84</b>

## 10 Cash and cash equivalents

	As at 30 June 2019 \$000	As at 30 June 2018 \$000
Cash	6,433*	7,158
U.S. Treasuries	20,965	16,245
<b>Total</b>	<b>27,398</b>	<b>23,403</b>

\* As at 30 June 2019, \$6,804,087 was held as collateral at UBS securities, LLC and is restricted.

## 11 Called up share capital

	As at 30 June 2019 \$000	As at 30 June 2018 \$000
<i>Authorised:</i>		
20,000,000 (2018: 20,000,000) Ordinary shares of \$0.01 each – equity	200	200
<i>Allotted, called up and fully paid:</i>		
10,334,166 (2018: 10,334,166) Ordinary shares of \$0.01 each – equity	103	103
<b>Total shares</b>	<b>103</b>	<b>103</b>

## 12 Financial risk management

The Company's financial instruments comprise securities and other investments, cash balances, receivables, and payables that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and receivables for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures, and options, for the purpose of managing currency and market risks arising from the Company's activities.

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk, currency risk, and other price risk), (ii) liquidity risk, and (iii) credit risk.

The Board regularly reviews, and agrees upon, policies for managing each of these risks. The Portfolio Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short term receivables and payables, other than for currency disclosures.

**(i) Market price risk**

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - interest rate risk, currency risk, and other price risk.

*Interest rate risk*

Interest rate movements may affect the level of income receivable and payable on cash deposits.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

# Notes to the Financial Statements continued

## 12 Financial risk management continued

### Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the year end date was as follows:

	As at 30 June 2019			
	Interest rate %	Local currency 000	Foreign exchange rate	US Dollar equivalent \$000
<b>Assets:</b>				
US dollar	0.50	28,836	1.00	28,836
Canadian dollar	0.18	1,856	1.31	1,420
Euro	(0.60)	2	0.88	2
GBP sterling	0.07	12	0.79	15
Norwegian krone	0.06	9	8.53	1
<b>Total</b>				<b>27,398</b>

	As at 30 June 2018			
	Interest rate %	Local currency 000	Foreign exchange rate	US Dollar equivalent \$000
<b>Assets:</b>				
US dollar	0.35	25,744	1.00	25,744
Australian dollar	0.15	(118)	1.35	(88)
Danish krone	(1.50)	(403)	6.38	(64)
Euro	(0.60)	(355)	0.86	(415)
GBP sterling	0.01	(1,344)	0.76	(1,775)
Hong Kong dollar	-	21	7.85	3
Swedish krona	(1.50)	(15)	8.95	(2)
<b>Total</b>				<b>23,403</b>

### Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the year end date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 75 (2018: 50) basis points higher or lower and all other variables were held constant, the Company's profit or loss for the reporting year to 30 June 2019 would increase/decrease by \$205,000 (2018: \$117,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances.

### Currency risk

The Company's investment portfolio is invested predominantly in foreign securities and the year end can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investments with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising from overseas income.

Currency risk exposure by currency of denomination:

	As at 30 June 2019		
	Net Investments \$000	Net monetary assets \$000	Total currency exposure \$000
Australian dollar	1	1	2
Canadian dollar	1,448	(2,866)	(1,418)
Euro	5	-	5
GBP sterling	80	(15)	65
Norwegian krone	(1)	(1)	(2)
Swiss franc	(3)	-	(3)
Total non US Investments	1,530	(2,881)	(1,351)
US dollar	72,991	28,706	101,697
<b>Total</b>	<b>74,521</b>	<b>25,825</b>	<b>100,346</b>

	As at 30 June 2018		
	Net Investments \$000	Net monetary assets \$000	Total currency exposure \$000
Australian dollar	54	-	54
Canadian dollar	271	-	271
Euro	(5)	-	(5)
GBP sterling	373	-	373
Hong Kong dollar	5	-	5
Swedish krona	1	-	1
Total non US Investments	699	-	699
US dollar	87,143	13,876	101,019
<b>Total</b>	<b>87,842</b>	<b>13,876</b>	<b>101,718</b>

### Currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in US dollars against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on net return before tax and equity shareholders' funds. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

	As at 30 June 2019 \$000	As at 30 June 2018 \$000
Australian dollar	-	(9)
Canadian dollar	(142)	-
Danish krone	-	(6)
Euro	-	(41)
GBP sterling	(2)	(178)

# Notes to the Financial Statements continued

## 12 Financial risk management continued

### Other price risk

Other price risks, i.e., changes in market prices other than those arising from interest rate or currency risk, may affect the value of the quoted investments.

The Investment Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The investments held by the Company are listed on a recognised stock exchange.

### Other price risk sensitivity

If market prices at the year end date had been 15% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 30 June 2019 would have increased/decreased by \$11,178,000. The calculations are based on the portfolio valuations as at the year end date, and are not representative of the year as a whole.

### (ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All creditors are payable within 3 months.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

### (iii) Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The table below shows the counterparty risk as at the Balance Sheet date:

	Short equities \$000	Derivative exposure: CFDs \$000	Collateral posted \$000	Net exposure \$000
<b>Counterparty</b>				
UBS Securities, LLC	–	59	6,804	6,863
State Street	29,713	–	–	29,713
<b>Total</b>	<b>29,713</b>	<b>59</b>	<b>6,804</b>	<b>36,576</b>

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Negative exposure represents the Fund's exposure to that counterparty. Positive amounts are not an exposure to the Fund.

The risk is managed as follows:

- Investment transactions are carried out mainly with brokers whose credit ratings are reviewed periodically by the Portfolio Manager.
- Most transactions are made delivery versus payment on recognised exchanges.
- Cash is held at State Street Bank and Trust which has a credit rating by Standard and Poor's on short term deposits of A-1+ and long term deposits AA-.

The maximum credit risk exposure as at 30 June 2019 was \$30,528,000 (2018: \$25,674,000). This was due to cash and receivables as per note (10) 'Cash & cash equivalents', note (15) 'Total other receivables' and Statement of Financial Position Receivable for investment sold.

### Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the revenue and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Portfolio Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed under the investment trust rules should be retained.



The analysis of shareholders' funds is as follows:

	As at 30 June 2019 \$000	As at 30 June 2018 \$000
Called up share capital	103	103
Special distributable reserve*	93,872	98,832
Capital reserve	7,459	3,117
Revenue reserve*	(1,088)	(334)
<b>Total</b>	<b>100,346</b>	<b>101,718</b>

\* These reserves are distributable.

#### Alternative Investment Fund Managers' ('AIFM') Directive

In accordance with the Alternative Investment Fund Managers' Directive ("AIFMD"), the Company has appointed Carne Global Fund Managers (Ireland) Limited as its Alternative Investment Fund Manager (the "AIFM") to provide portfolio management and risk management services to the Company in accordance with the investment management agreement.

#### Leverage

For the purposes of the AIFM Directive, leverage is required to be calculated using two prescribed methods: (i) the gross method; and (ii) the commitment method, and expressed as the ratio between a fund's total exposure and its net asset value. As measured using the gross method, the level of leverage to be incurred by the Portfolio Manager on behalf of the Company is not to exceed the equivalent of a ratio of 5. The gross method calculates exposure as the absolute value of the sum of all investment positions (long and short), including derivative positions for which exposure is calculated as the equivalent position in an underlying asset. As measured using the commitment method, the level of leverage to be incurred by the Portfolio Manager on behalf of the Company is not to exceed the equivalent of a ratio of 2.5. The commitment method calculates exposure from all investment positions, including derivative positions for which exposure is calculated as the equivalent position in an underlying asset, but factors in hedging arrangements that offset exposure.

The Company's maximum leverage levels at 30 June 2019 are shown below:

<b>Leverage Exposure</b>	Gross method	Commitment method
Maximum permitted limit	500%	250%
Actual	149%	177%

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

# Notes to the Financial Statements continued

## 13 Performance fee

The Portfolio Manager shall be entitled to earn a Performance fee (as defined below) under the Portfolio Management Agreement. The Performance fee shall be payable on the following basis.

Subject to the satisfaction of the Performance Conditions, the Portfolio Manager shall be entitled, in respect of each Performance Period, to receive 20% of the Total Return relating to such Performance Period, provided that such amount shall not exceed 3% of the Average NAV.

### *Performance Conditions*

The Portfolio Manager's entitlement to a Performance fee in respect of any Performance Period shall be conditional on the Closing NAV per Share in respect of the Performance Period (adjusted for any changes to the NAV per Share through dividend payments, Share repurchases (howsoever effected) and Share issuances since Admission) being in excess of the Performance Hurdle and High Water Mark. For the year ended 30 June 2019, no Performance fee was paid.

## 14 Derivatives risk

The Company's investment policy may involve the use of derivatives (including, without limitation, forward foreign exchange contracts, equity contracts for difference swap agreements ("CFDs"), securities sold short and/or structured financial instruments). The Company may use both exchange-traded and over-the-counter derivatives as part of its investment activity. The cost of investing utilizing derivatives may be higher than investing in securities (whether directly or through nominees) as the Company will have to bear the additional costs of purchasing and holding such derivatives, which could have a material adverse effect on the Company's returns. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further losses exceeding any margin deposited. In addition, daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

The use of derivatives may expose the Company to a higher degree of risk. These risks may include credit risk with regard to counterparties with whom the Company trades, the risk of settlement default, lack of liquidity of the derivative, imperfect tracking between the change in value of the derivative and the change in value of the underlying asset that the Company is seeking to track and greater transaction costs than investing in the underlying assets directly. Additional risks associated with investing in derivatives may include a counterparty breaching its obligations to provide collateral, or, due to operational issues (such as time gaps between the calculation of risk exposure to a counterparty's provision of additional collateral or substitutions of collateral or the sale of collateral in the event of a default by a counterparty), there may be instances where credit exposure to its counterparty under a derivative contract is not fully collateralised. The use of derivatives may also expose the Company to legal risk, which is the risk of loss due to the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable.

The use of CFDs is a highly specialised activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. In a CFD, 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 Company's portfolio securities at the time a CFD transaction reaches its scheduled termination date, there is a risk that the Company will not be able to obtain a replacement transaction or that terms of the replacement will not be as favourable as on the expiring transaction. At 30 June 2019 the Company held CFDs, as shown in the following table.

Security name	Trade currency	Shares (000)	As at 30 June 2019 Unrealised gain/(loss) \$000
Adevinta ASA A	NOK	24	(5)
Adevinta ASA B	NOK	(25)	3
Alibaba Group Holding Ltd	USD	(14)	(123)
Axel Springer SE	EUR	3	(1)
BCA Marketplace PLC	GBP	53	1
BTG PLC	GBP	194	2
DSV A/S	CHF	(5)	(20)
Grifols SA	USD	(33)	(76)
Inmarsat PLC	USD	427	18
Innogy SE	EUR	4	1
Innogy SE Tender	EUR	12	4
Panalpina Welttransport Holding AG	CHF	2	18
Porsche Automobil Holding SE	EUR	4	*
Ramirent OYJ	EUR	31	*
RPC Group PLC	GBP	138	1
Ruralco Holdings Ltd	AUD	75	1
Scout24 AG	EUR	10	10
Volkswagen AG	EUR	(1)	(9)
Wessanen	EUR	4	*
<b>Total unrealised loss on derivatives</b>			<b>(175)</b>

\* Less than \$500.

## 15 Current Assets and Liabilities

The categories of other receivables and other payables include:

	As at 30 June 2019 \$000	As at 30 June 2018 \$000
<b>Other receivables</b>		
FX currency sold	2	339
All other receivables	31	312
<b>Total other receivables</b>	<b>33</b>	<b>651</b>
<b>Other payables</b>		
FX currency purchased	2	341
Custodian fees	3	18
Accounting fees	14	3
Audit fees	35	42
All other payables	119	284
<b>Total other payables</b>	<b>173</b>	<b>688</b>

# Notes to the Financial Statements continued

## 16 Related party disclosure: Directors

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles of Incorporation. The Directors' remuneration is \$15,000 per annum for each Director, other than:

- the Chairman, who will receive an additional \$1,000 per annum\*;
- the Chairman of the Audit Committee, who will receive an additional \$5,000 per annum; and
- the Members of the Audit Committee, who will receive an additional \$1,000 per annum.

\* Mr Gabelli has waived his fees since appointment as Chairman.

Each of the Directors is also entitled to be paid all reasonable expenses properly incurred by them in connection with the performance of their duties. These expenses will include those associated with attending general meetings, Board or committee meetings and legal fees. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The related party transactions with the Directors are set out in the Directors' Remuneration Report on pages 31 to 33.

## Related parties disclosure: other

The Portfolio management fee for the year ended 30 June 2019 paid by the Company to the Portfolio Manager is presented in the Statement of Comprehensive Income. Details of Portfolio management fee paid during the year is disclosed in Note 6.

At 30 June 2019, Associated Capital Group Inc., an affiliate of the Portfolio Manager, held 5,260,735 Ordinary Shares in the Company.

Further details of related parties and transactions are disclosed in the Directors' Report on page 22.

## Connected party transactions

All connected party transactions are carried out at arm's length. There were no such transactions during the year ended 30 June 2019.

## 17 Contingent Liabilities and Commitments

As at 30 June 2019, the Company had no contingent liabilities or commitments (30 June 2018: nil).

## 18 Significant events

There were no significant events during the year ended 30 June 2019.

## 19 Post balance sheet events

On 5 August 2019 Mr Nakamura and Mr Hammond-Chambers retired from the Board.

On 3 October 2019, the first interim dividend in respect of the financial year ending 30 June 2020 of \$0.12 per Ordinary Share was declared to be paid on 25 October 2019 to those shareholders on the register at the close of business on 11 October 2019.

# Regulatory Disclosures

## Information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4 (1) The Company has not capitalised any interest in the year under review.

9.8.4 (2) The Company has not published any unaudited financial information in a class 1 circular or prospectus or any profit forecast or profit estimate.

9.8.4 (3) This provision has been deleted.

9.8.4 (4) The Company does not have any long term incentive schemes in operation.

9.8.4 (5) and (6) Mr Gabelli and Mr Vicinelli, until his retirement from the Board on 4 December 2018, have waived or agreed to waive any current or future emoluments from the Company.

9.8.4 (7) During the year to 30 June 2019, the Company has not issued shares.

9.8.4 (8) and 9.8.4 (9) are not applicable.

9.8.4 (10) As President of the Portfolio Manager's parent company, GGCP, and an employee of the Portfolio Manager, Mr Gabelli and Mr Vicinelli, until his retirement as a Director on 4 December 2018, are/were deemed to be interested in the Company's portfolio management agreement. There were no other contracts of significance subsisting during the year under review to which the Company is a party and in which a Director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4 (11) This provision is not applicable to the Company.

9.8.4 (12) and (13) There were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4 (14) This provision is not applicable to the Company.

# Glossary

## Alternative Investment Fund Managers Directive (“AIFMD”)

Agreed by the European Parliament and the Council of the European Union and adopted into UK legislation, the AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds (“AIFs”) and requires them to appoint an Alternative Investment Fund Manager (“AIFM”) and Depositary to manage and oversee the operations of the investment vehicle. The Board of the Company retains responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

## Association of Investment Companies (“AIC”)

The Company is a member of the AIC which is the trade body for investment companies and represents the industry in relation to various matters which impact the regulation of such entities.

## Capital Return per Share

The capital return per share is the capital profit for the year (see Statement of Comprehensive Income) divided by the weighted average number of ordinary shares in issue during the year.

## Contract for Difference (“CFD”)

A financial instrument in which 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.

## Custodian

The Custodian is responsible for ensuring the safe custody of the Company’s assets and that all transactions in the underlying holdings are transacted in an accurate and timely manner.

## Depositary

From July 2014 all AIFs were required to appoint a Depositary who has responsibility for overseeing the operations of the Company including safekeeping, cash monitoring and verification of ownership and valuation of the underlying holdings and is responsible for the appointment of a custodian. The Depositary is strictly liable for the loss of any investments or other assets in its custody unless it has notified that it has discharged its liability in certain markets.

The Depositary has confirmed that it has not discharged liability in relation to any of the Company’s assets.

## Dividend Dates

When declared or recommended, each dividend will have three key dates applied to it. The payment date is the date on which shareholders will receive their dividend, either by BACS transfer or by receipt of a dividend cheque. The record date applied to the dividend is used as a cut-off for the Company’s registrars to know which shareholders should be paid a dividend. Only shareholders on the register of members at the close of business on the record date will receive the dividend. The ex-dividend date is the business day before the record date and is the date upon which the Company’s net asset value will be disclosed ex-dividend.

## Dividend Yield

The annual dividend expressed as a percentage of the share price.

## Gearing/Leverage

The net gearing percentage reflects the amount of borrowings (i.e. bank loans or overdrafts) the Company has used to invest in the market less cash and investments in cash funds, divided by net assets.

## High Water Mark

The closing Net Asset Value (NAV) per share in respect of the last performance period in respect of which a performance fee was payable to the Portfolio Manager (adjusted for any changes to the NAV per share through dividend payments, share repurchases, and share issuances from admission to the end of such performance period).

## Investment Trusts

Investment trusts are public limited companies, listed on the London Stock Exchange, which provide shareholders with a professionally managed portfolio of investments. Investment trusts are exempt from tax on the capital gains arising on their investments subject to meeting certain criteria. Income, net of expenses and tax, is substantially distributed to shareholders. Investment trusts are also known as investment companies, although the tax legislation retains the reference to investment trusts.

## Liquidity

In the context of the liquidity of shares in the stock market, this refers to the availability of buyers in the market for the share in question. Where the market in a particular share is described as liquid, that share will be in demand and holders wishing to sell their shares should find ready buyers. Conversely, where the market in a share is illiquid the difficulty of finding a buyer will tend to depress the price that might be negotiated for a sale.

**Net Asset Value (“NAV”) per ordinary share**

The value of the Company’s assets (i.e. investments, cash held and debtors) less any liabilities (i.e. bank borrowings, debt securities and creditors) for which the Company is responsible, divided by the number of shares in issue. The aggregate NAV is also referred to as total shareholders’ funds on the Statement of Financial Position. The NAV is published daily.

**Net Asset Value per ordinary share, total return represents** the theoretical return on NAV per ordinary share, assuming that dividends paid to shareholders were reinvested at the NAV per ordinary share at the close of business on the day shares were quoted ex dividend.

**Ongoing Charges** are operating expenses incurred in the running of the Company, whether charged to revenue or capital, but excluding financing costs. These are expressed as a percentage of the average net asset value during the period and this is calculated in accordance with guidance issued by the Association of Investment Companies.

**Performance Hurdle**

In relation to each performance period, “A” multiplied by “B”, where: “A” is equal to the starting NAV per share increased by two times the rate of return on 13 week Treasury Bills published by the US Department of the Treasury over the performance period, less the starting NAV per share and “B” is the weighted average of the number of shares in issue (excluding any shares held in treasury) at the end of each day during the performance period.

**Premium/Discount**

The amount by which the market price per share of an investment trust is either higher (premium) or lower (discount) than the NAV per share, expressed as a percentage of the NAV per share.

**Revenue Return per ordinary share**

The revenue return per ordinary share is the revenue return profit for the year divided by the weighted average number of ordinary shares in issue during the year.

**Share Price Total Return** represents the theoretical return to a shareholder, on a closing market price basis, assuming that all dividends received were reinvested, without transaction costs, into the ordinary shares of the Company at the close of business on the day the shares were quoted ex dividend.

**Total Return Performance**

This is the return on the share price or NAV taking into account both the rise and fall of share prices and the dividends and interest paid to shareholders. Any dividends received by a shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company’s assets (for NAV total return).

# Company Information

## Registered Name

Gabelli Merger Plus<sup>+</sup> Trust Plc

## Registered Office

64 St. James's Street,  
London SW1A 1NF  
United Kingdom

## Board of Directors

Marc Gabelli  
Marco Bianconi  
John Birch  
John Newlands  
Yuji Sugimoto  
James Wedderburn

## Portfolio Manager

Gabelli Funds, LLC  
One Corporate Center  
Rye, NY 10580-1422  
United States

## Company Secretary

Maitland Administration Services Limited  
Springfield Lodge  
Colchester Road  
Chelmsford  
CM2 5PW  
United Kingdom

## Independent Auditors

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT  
United Kingdom

## Administrator and Custodian

State Street Bank and Trust Company  
20 Churchill Place  
Canary Wharf  
London E14 5HJ  
United Kingdom

## Depository

State Street Trustees Ltd  
20 Churchill Place  
Canary Wharf  
London E14 5HJ  
United Kingdom

## Alternative Investment Fund Manager

Carne Global Fund Managers (Ireland) Limited  
2nd Floor, Block E  
Iveagh Court, Harcourt Road  
Dublin 2  
Ireland

## Registrar and Receiving Agent

Computershare Investment Services PLC  
The Pavillions  
Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom

## Legal Advisers to the Company

Herbert Smith Freehills LLP  
Exchange House, Primrose Street  
London EC2A 2EG  
United Kingdom

The Company is a member of **The Association of Investment Companies** ("AIC"), which publishes a number of useful fact sheets and email updates for investors interested in investment trust companies.

The AIC  
9th Floor  
24 Chiswell Street  
London  
EC1Y 4YY  
0207 282 5555  
[www.theaic.co.uk](http://www.theaic.co.uk)

## Financial Adviser and Corporate Broker

Cantor Fitzgerald Europe  
One Churchill Place  
Canary Wharf  
London E14 5RD  
United Kingdom

## Information to Shareholders

With effect from 1 January 2016 new tax legislation under the OECD (Organisation for Economic Co-operation and Development) Common Reporting Standard for Automatic Exchange of Financial Account Information ("The Common Reporting Standard") has been introduced. This legislation requires investment trust companies to provide personal information to the HMRC on certain investors who purchase shares in investment trusts. As an affected company, Gabelli Merger Plus<sup>+</sup> Trust Plc will have to provide information annually to the local tax authority on a number of non-UK based certificated shareholders and incorporated entities.

All new shareholders, excluding those whose shares are held on CREST, who are entered onto the share register after 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see the HMRC's Quick Guide: Automatic Exchange of Information – information for account holders.

<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

Please visit us on the internet. Our home page at [www.gabelli.co.uk](http://www.gabelli.co.uk) contains information about Gabelli Funds, LLC and the Gabelli Merger Plus<sup>+</sup> Trust Plc.

We welcome your comments and questions at +44 02 3206 2100 or via email at [info@gabelli.co.uk](mailto:info@gabelli.co.uk).



# Annual General Meeting

## Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting (the "AGM") of the Company will be held at GAMCO (UK) 64 St. James's Street London SW1A 1NF United Kingdom on Wednesday, 4 December 2019 at 11:00 (GMT) to consider and, if thought fit, pass the following resolutions, of which resolutions numbered 1 to 10 will be proposed as Ordinary Resolutions, and resolutions numbered 11, 12 and 13 will be proposed as Special Resolutions:

### Ordinary Business

- 1 To receive the Company's audited financial statements, the Strategic Report and the reports of the Directors of the Company (the "Directors") for the year ended 30 June 2019 (the "Annual Report") together with the report of the auditors thereon.
- 2 To approve the Directors' Remuneration Report for the year ended 30 June 2019.
- 3 To approve the Directors' Remuneration Policy.
- 4 To approve the Company's dividend policy to continue to pay four quarterly interim dividends. For the year under review the four dividends declared totalled \$0.48 per share.
- 5 To re-elect Marc Gabelli as a Director.
- 6 To re-elect John Birch as a Director.
- 7 To re-elect Yuji Sugimoto as a Director.
- 8 To appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next AGM of the Company.
- 9 To authorise the Audit Committee to determine the remuneration of the auditors.

### Special Business

#### Ordinary Resolution

- 10 THAT, in substitution for all existing authorities, the Board of Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the power of the Company to allot relevant securities (within the meaning of section 551 of the Act) in the Company up to a maximum aggregate nominal amount of \$10,334 (being ten percent of the total number of voting rights of the Company at the latest practicable date prior to the publication of this Notice), such authority, unless previously revoked, to apply until the conclusion of next year's AGM but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board of Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

### Special Resolutions

- 11 THAT, in substitution of all existing powers, the Board of Directors be given power in accordance with section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash under the authority given by resolution 10 and to sell any ordinary shares of \$0.01 each in the Company ("Ordinary Shares") held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

- a. to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities:
  - i. to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings; and
  - ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Board of Directors otherwise considers necessary,

and so that the Board of Directors may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- b. otherwise than pursuant to paragraph a. above, to the allotment of equity securities and sale of treasury shares up to an aggregate nominal amount of \$10,334 (being 10% of the total number of voting rights of the Company at the latest practicable date prior to the publication of this Notice); and
  - c. such that no allotment of securities shall be made which would result in Ordinary Shares being issued or sold from treasury at a price which is less than the higher of the Company's cum or ex income net asset value per Ordinary Share at the latest practicable date before such allotment of equity securities as determined by the Board of Directors in their reasonable discretion, such power, unless renewed, to apply until the conclusion of next year's AGM but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board of Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.
- 12 THAT the Company be authorised for the purposes of section 701 of the Act to make one or more market purchases (as defined in section 693(4) of the Act) of its Ordinary Shares, provided that:
    - a. the maximum number of Ordinary Shares hereby authorised to be purchased is 1,550,120 (being 14.99% of the total number of voting rights of the Company at the latest practicable date prior to the publication of this Notice);
    - b. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is the nominal amount of that share; and
    - c. the maximum price (exclusive of expenses) which may be paid for an Ordinary Share is the higher of:
      - i. an amount equal to 5% above the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and

# Annual General Meeting

## Notice of Annual General Meeting continued

- ii. an amount equal to the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out at the relevant time,

such authority, unless renewed, to apply until the conclusion of next year's AGM but during this period the Company may enter into a contract to purchase Ordinary Shares, which would, or might, be completed or executed wholly or partly after the authority ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the authority had not ended.

- 13 THAT a general meeting other than an AGM may be called on not less than 14 clear days' notice.

By order of the Board

**Marc Gabelli**

Chairman

23 October 2019

Registered Office:  
64 St. James's Street  
London  
England  
SW1A 1NF

# Notes to the Notice of the AGM

## Proxy appointment

- 1 A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the AGM, or any adjournment thereof. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder.
- 2 A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
- 3 To appoint a proxy, the form of proxy and any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of any such power or authority), must be either (a) sent to the Company's Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, or (b) the proxy appointment must be lodged using the CREST Proxy Voting Service in accordance with Note 10 below, in either case so as to be received no later than 11 am on 2 December 2019 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

## Joint shareholders

- 4 In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names appear in the register of members in respect of the share.

## Nominated persons

- 5 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Act ("**Nominated Persons**"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

## Information about shares and voting

- 6 Holders of Ordinary Shares are entitled to attend and vote at general meetings of the Company. The total number of issued Ordinary Shares in the Company on 22 October 2019, which is the latest practicable date before the publication of this Notice is 10,334,166.

## Right to attend and vote

- 7 Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's register of members as at the close of business on 2 December 2019, or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time will be disregarded.

## Venue arrangements

- 8 Members should note that the doors to the AGM will be open for registration at 10.45 GMT.
- 9 Mobile phones may not be used in the venue, and cameras, tape or video recorders and other such items as the Chair of the AGM may specify, are not allowed in the venue. We reserve the right to confiscate these items for the duration of the AGM if they are used to record or otherwise disrupt the AGM.

## CREST members

- 10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment of the meeting) by following the procedures described in the CREST Manual available on the website of Euroclear UK and Ireland Limited ("**Euroclear**") at [www.euroclear.com](http://www.euroclear.com). CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Computershare Investor Services PLC Participant ID 3RA50 by the latest time(s) for receipt of proxy appointments specified in Note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

# Notes to the Notice of the AGM continued

## Corporate representatives

- 11 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

## Audit concerns

- 12 Shareholders should note that, under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors report and the conduct of the audit) that are to be laid before the AGM for the financial year ended 30 June 2019; or (ii) any circumstance connected with auditors of the Company appointed for the financial year ended 30 June 2019 ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 (requirements as to website availability) of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM for the relevant financial year includes any statement that the Company has been required under section 527 of the Act to publish on a website.

## Questions

- 13 Any member attending the AGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

## Members' right to request a resolution to be proposed at the Meeting

- 14 Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company:
- to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or
  - to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless:

- (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise);

- it is defamatory of any person; or

- it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than six weeks before the AGM, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

## Website information

- 15 A copy of this notice and other information required by section 311A of the Act can be found at [www.gabelli.co.uk](http://www.gabelli.co.uk).

## Use of electronic address

- 16 Members may not use any electronic address provided in either this notice of meeting or any related documents (including the enclosed form of proxy) to communicate with the Company for any purposes other than those expressly stated.

## Documents available for inspection

- 17 Copies of the letters of appointment of the non-executive Directors may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company at 64 St. James's Street, London SW1A 1NF, United Kingdom, up to and including the date of the AGM, and on the date itself at the AGM venue 15 minutes before the meeting until it ends.

## Communication

- 18 Except as provided above, shareholders who have general queries about the AGM should use the following means of communication (no other methods of communication will be accepted):

- by calling the Registrar's helpline on: +44 (0)370 703 6319, or
- by writing to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, or
- by email to the Registrar [web.queries@computershare.co.uk](mailto:web.queries@computershare.co.uk)

## Gabelli Merger Plus+ Loyalty Programme

The Company has a Loyalty Programme in place for its long term shareholders. Please see page 21 for benefits and eligibility requirements.

## Contact the Company

[www.gabelli.com/mergerplus](http://www.gabelli.com/mergerplus)  
[gmpassist@gabelli.com](mailto:gmpassist@gabelli.com)  
 +44 20 3206 2100  
 +1 914 921 5135  
 +39 02 3057 8299

# Appendix

## AIFMD Remuneration Disclosure

The European Union Directive 2011/61/EU as implemented in Ireland by S.I. No. 257/2013 European Union (Alternative Investment Fund Managers) Regulations 2013, requires Alternative Investment Fund Managers (“AIFMs”) to establish and apply remuneration policies and practices that promote sound and effective risk management, and do not encourage risk taking which is inconsistent with the risk profile of the Company.

To that effect, Carne Global Fund Managers (Ireland) Limited (“the **Manager**”), has implemented a remuneration policy that applies to all Alternative Investment Funds (“AIFs”) for which the Manager acts as AIFM (the “**Remuneration Policy**”) and covers all staff whose professional activities have a material impact on the risk profile of the Manager or the AIFs it manages (“**Identified Staff**”). The Remuneration Policy also applies to all UCITS funds for which the Manager acts as manager. In accordance with the Remuneration Policy, all remuneration paid to Identified Staff can be divided into:

- Fixed remuneration (payments or benefits without consideration of any performance criteria); and
- Variable remuneration (additional payments or benefits depending on performance or, in certain cases, other contractual criteria) which is not based on the performance of the Company.

The Manager has designated the following persons as Identified Staff:

- 1 The Designated Persons;
- 2 Each of the Directors;
- 3 Compliance Officer;
- 4 Risk Officer; and
- 5 Chief Operating Officer.

The Manager has a business model, policies and procedures which by their nature do not promote excessive risk taking and take account of the nature, scale and complexity of the Manager and the Company. The Remuneration Policy is designed to discourage risk taking that is inconsistent with the risk profile of the Company and the Manager is not incentivised or rewarded for taking excessive risk.

The Manager has established a remuneration committee to oversee the implementation of the remuneration arrangements and to exercise competent and independent judgement on remuneration policies and practices and the incentives created for managing risk (the “**Remuneration Committee**”). The Remuneration Committee consists of at least two directors, the compliance officer, internal legal counsel and such other individuals as the Board may appoint from time to time.

The Manager’s parent company is Carne Global Financial Services Limited (“**Carne**”). Carne operates through a shared services organisational model which provides that Carne employs all staff and enters into inter-group agreements with other Carne Group entities within the group to ensure such entities are resourced appropriately. Each of the Identified Staff, other than one non-executive independent director, are employed and paid directly by Carne and remunerated based on their contribution to the Carne Group as a whole. In return for the services of each of the Carne Identified Staff, the Manager pays an annual staff recharge to Carne (the “**Staff Recharge**”).

The non-executive independent director is paid a fixed remuneration and each other Identified Staff member’s remuneration is linked to their overall individual contribution to the Carne Group, with reference to both financial and non-financial criteria and not directly linked to the performance of specific business units or targets reached or the performance of the Company.

The aggregate of the total Staff Recharge and the remuneration of the independent non-executive director is EUR 1,331,000 paid to 13 individuals for the year ended 31 December 2017. The Manager has also determined that, on the basis of number of sub-funds/net asset value of the Company relative to the number of sub-funds/assets under management, the portion of this figure attributable to the Company is EUR 6,894.

The Company does not pay any fixed or variable remuneration to identified staff of the Portfolio Manager.

There have been no material changes made to the Remuneration Policy or the Manager’s remuneration practices and procedures during the financial year.

*This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.  
The offer is made by the prospectus only.*



**London**  
Stock Exchange

**\$100,111,000**

**Gabelli Merger Plus<sup>+</sup> Trust Plc**

**10,011,100  
Ordinary Shares**

**Price \$10 per Share**

19 July 2017





