

Companies: GMP

North America

Gabelli Merger Plus+ - Raises \$100m at IPO

- Gabelli Merger Plus+ Trust starts trading today under the ticker "GMP" having raised \$100m for a new a closed ended fund to be listed on the Specialist Fund Segment of the London SE and traded on the Official List of the International SE. This compares to a target fundraising of \$25m-\$200m.
- **Mandate:** The fund will utilise the Gabelli Private Market Value (PMV) with a Catalyst™ investment methodology, maintaining a diversified portfolio of catalyst event merger arbitrage strategies. It will seek a secondary objective of the protection of capital, uncorrelated to equity and fixed income markets. Opportunities includes corporate events such as announced mergers, acquisitions, takeovers, tender offers, leveraged buyouts, restructurings, demergers and other types of reorganisations and corporate actions. The company will invest globally although it is expected to have an emphasis on US equities, without any constraint by market capitalisation. The company will structurally gear, with leverage of around 2x net assets (max. 2.5x at drawdown).
- **Dividend:** The company intends to pay a quarterly dividend of at least 5% pa of NAV, with the first dividend to be paid by 31 January 2018. For each distribution period, the Board will review the amount of any potential distribution and the company's income, capital gains, or capital available.
- **Fees:** The management fee is 0.85% pa of net assets, with a performance fee of 20% of NAV total return, subject to a trigger of twice the return on 13 week US T Bills, capped at 3% of average net assets, and subject to a high watermark.
- **Discount Controls:** The Board will consider using share buy-backs if the discount to NAV exceeds 7.5%. In addition, there will be a continuation vote after five years plus the offer of an exit at NAV less costs for qualifying shareholders (those who have held since Admission).
- **Numis Views:** Gabelli already manages a London-listed fund, Gabelli Value Plus+, launched in February 2015 which currently has net assets of £130m. The fund has an All-Cap mandate, seeking to identify US quoted businesses that trade in the public markets at a discount to the value to a potential acquirer. NAV total returns have been 38.8% (14.5% pa) since launch, compared to 46.5% (17.8% pa) from the S&P 500. It currently trades at a 4.4% discount to NAV.
- The new fund has a different mandate, focused on merger arbitrage opportunities, rather than seeking to outperform equity market indices. Furthermore, it is US\$ denominated and we believe it was targeted at Italian investors, whereas Gabelli Value Plus+ is Sterling quoted, with a shareholder based predominantly located in the UK.

* Denotes that this company is a corporate broking client of Numis Securities.

Note: all prices, NAVs and discounts as at close of business at 18 July 2017 unless otherwise stated.

The research analysts who prepared this report were Charles Cade, Ewan Lovett-Turner, Colette Ord and Sam Murphy.

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