

Gabelli Merger Plus+ Trust – Seeking to raise up to \$200m for IPO of merger arbitrage fund

- Gabelli Funds LLC is seeking to raise \$25m-\$200m for Gabelli Merger Plus+ Trust, 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. The shares will be issued at a price of \$10.00, with an expected initial NAV of \$9.80, and are due to start trading on 19 July under the ticker “GMP”.
- **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.
- **Leverage:** The company will structurally gear, with leverage of around 2x net assets, subject of a maximum of 2.5x (calculated at the time of draw down).
- **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 £131m. 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 38.5% (15.0% pa) since launch, compared to 40.5% (18.5%) from the S&P 500. It currently trades at a 5% discount to NAV. In March this year, the Board announced plans to proceed with an issue of C shares, but the fund's recent results stated that this “remains under review”.
- The new fund to be launched by Gabelli has a different mandate, focused on merger arbitrage opportunities, rather than seeking to outperform equity market indices. Furthermore, it is US\$ denominated and appears to be 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 19 June 2017 unless otherwise stated.

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