

GMP

THE GABELLI MERGER PLUS⁺ TRUST

LON: **GMP**
SEDOL/ISIN: BD8P074 / GB00BD8P0741

FOURTH QUARTER 2017 REPORT

The Gabelli Merger Plus⁺ Trust'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.

INVESTING WITH GABELLI

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

"Catalyst 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").

PORTFOLIO CHARACTERISTICS

Total Positions	114
Average Position	0.8%
Top 5 Positions (ex-cash)	24.1%
Top 10 Positions (ex-cash)	39.3%
Gearing	0%
Invested Capital:¹	
Gross	127.8%
Long:	107.9%
Net:	88.0%
Asset Class:	
Equity	77.7%
Fixed Income	0.0%
Derivatives	17.1%
Short Term Fixed Income ¹	5.2%

Quarter Ended December 31, 2017



GABELLI
FUNDS

PROFILE

Total Net Assets:	\$103.2 Million
Net Asset Value per Share:	\$9.99
LSE Market Price:	\$10.34
Premium (Discount):	3.5%

PERFORMANCE

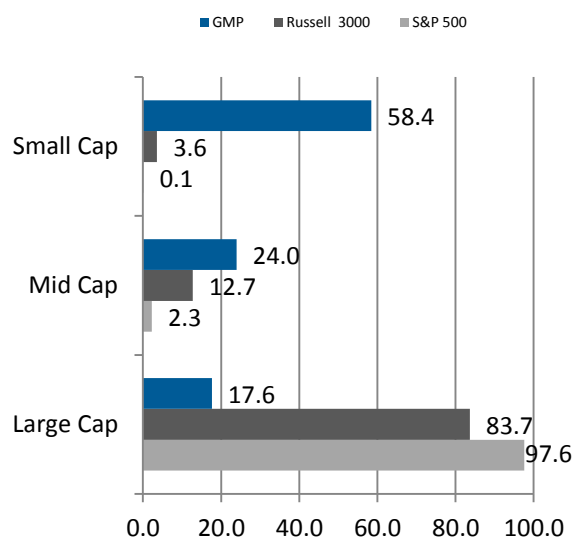
NAV

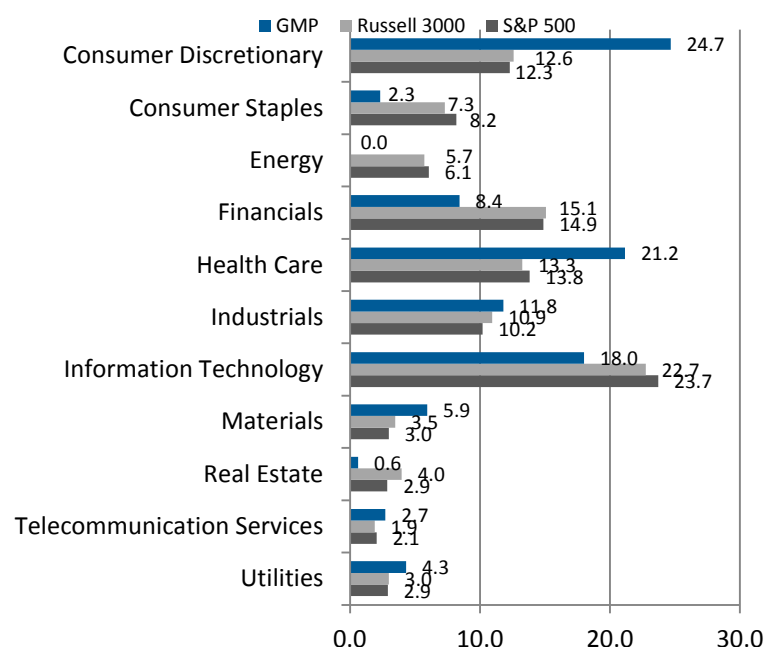
Inception to Date:	0.7%
Quarter to Date:	0.4%

Market Price

Inception to Date:	3.4%
Quarter to Date:	0.2%

MARKET CAPITALIZATION¹





- Akorn Inc.
- Broadsoft Inc
- Calgon Carbon
- Grifols SA
- Ixys Corp
- Monsanto Co
- NXP Semiconductors NV
- Sky PLC
- Tribune Media
- Time Warner

The selected holdings are not necessarily representative of the entire portfolio and are subject to change.

COMMENTARY

Global deal activity reached \$3.6 trillion through 2017, largely in line with 2016 levels, though the number of deals was actually 3% higher. We saw fewer mega-deals and a lot more activity in the small-to-mid-cap space. U.S.-based companies saw record number of deals, but the number of actual dollar for dollar deal activity declined 16% to \$1.4 trillion. This was primarily driven by some of the uncertainty surrounding the new tax bill. It was partially offset by strong activity in the rest of the world, particularly in Europe, which totalled approximately \$900 billion; this is up 70% year-over-year and continues to be a bright spot for M&A activity.

The Factset table below outlines the merger environment for the period.

US Merger Statistics

Deal Size	Number of Deals			Agg. Transaction Value (\$Bil)			Average P/E
	12 Months Ended			12 Months Ended			
	12/31/17	12/31/16	Change	12/31/17	12/31/16	Change	
\$1 Billion +	317	311	1.9%	\$1,343.3	\$1,539.1	-12.7%	32.2
\$500M to \$999.9M	247	220	12.3%	174.3	156.6	11.4%	26.2
\$250M to \$499.9M	295	329	-10.3%	103.4	117.0	-11.6%	25.9
\$100M to \$249.9M	513	514	-0.2%	84.1	81.2	3.5%	32.0
\$50M to \$99.9M	447	407	9.8%	31.6	29.4	7.5%	26.6
\$25M to \$49.9M	421	405	4.0%	15.0	14.6	2.6%	31.4
\$10M to \$24.9M	482	471	2.3%	7.9	7.7	3.5%	24.7
Under \$10M	917	988	-7.2%	3.0	3.1	-1.8%	22.2
Undisclosed	8,034	9,281	-13.4%	N/A	N/A	N/A	N/A
Total	11,673	12,926	-9.7%	\$1,762.7	\$1,948.6	-9.5%	28.6

Source: Factset – Flashwire US Monthly January 2018

Cross border merger and acquisition (M&A) activity totalled \$1.3 trillion during 2017, a 10% decline and the slowest year for cross border deals since 2014. This was largely driven by a 35% decline in Chinese outbound deals. United States domiciled companies saw a record number of announced deals during 2017, up 14% year over year; however, this accounted for only \$1.4 trillion in deal value, down 16%. This was partially offset by activity for European targets which totalled \$868 billion, an increase of 17% year over year.

The Real Estate sector was the biggest contributor to merger activity during the year, totalling \$529 billion, an increase of 47% compared to 2016. The Energy and Technology sectors were also large contributors, each accounting for 13% of overall M&A activity.

During the final week of the year, lawmakers in Washington joined the President in signing into law the Tax Cuts and Jobs Act of 2017. We expect the implementation of the Tax Act to boost corporate confidence, which coupled with robust balance sheets, the repatriation of foreign cash, and deregulatory agenda of the current Administration will act as drivers for a corporate M&A activity in 2018 as companies use deal-making as a means to grow. We are encouraged already by the results we are seeing in the start of M&A this year from pharma to finance deal-making in 2018. The year has started on a very strong note globally.

Just three weeks into the year, the value of M&A has already topped \$152 billion. That is the highest since 2000. Tax reform, improving economies and strong capital markets are again giving executives' confidence to enter into large transactions. We see acquirer stocks acting as well as or, in some instances, outperforming the target. Take SS&C which is buying DST, a software company. The buyer stock was up 20% after they announced the \$84 per share agreed offer totalling \$5 billion for DST. We have seen a number of other deals in the utility space: Dominion proposed a bid to acquire SCANA in South Carolina for \$14 billion. AIG is agreeing to pay \$5.6 billion to buy insurer Validus. Pharma has also been a hot space with Celgene, which made its biggest deals ever with about \$9 billion or \$87 a share acquisition of Juno Therapeutics. Sanofi is agreeing to pay \$11.6 billion or \$105 a share for hemophilic drug maker Bioverativ. Private equity is also ramping up deal activity. A consortium led by Silver Lake agreed to buy Black Hawk Networks for \$45.25 per share, which is roughly \$3 billion with the possibility of other bidders circling as well.

We continue to find attractive opportunities investing in announced M&A and expect future deal activity to provide further prospects to generate returns, non-correlated to the market. Market volatility together with our well-researched merger positions can provide attractive investment opportunities. Daily fluctuations amplified by passive investment portfolios in the market and the lack of investment capital due to various banking restrictions has shown continued signs of investment opportunities for an active merger portfolio.

SELECTED COMPLETED DEALS

Brocade Communications Systems, Inc.(BRCD) is a San Jose, California based data and storage networking company. On November 2, 2016, BRCD agreed to be acquired by Broadcom Limited for \$12.75 per share in cash representing a \$5.5 billion equity value. The deal required regulatory and shareholder approvals and closed on November 17, 2017.

Dominion Diamond Corp. (DDC) is a Toronto, Ontario based diamond mining company. On July 17, 2017 DDC agreed to be acquired by The Washington Companies for \$14.25 per share in cash representing a total equity value of \$1.2 billion. This came after an initial offer of \$13.50 cash per share. The transaction required regulatory and shareholder approvals and closed on November 1, 2017. The fund earned a 4.06% annualized return.

Exa Corp.(EXA) is a Burlington, Massachusetts based software company. EXA develops simulation software for manufacturers. On September 28, 2017, EXA agreed to be acquired by Dassault Systemes for \$24.25 per share in cash, valuing the company at \$400 million. The transaction was structured as tender offer and required regulatory approval. It closed on November 17, 2017.

Fortress Investment Group LLC (FIG) is a New York, New York based alternative asset manager. Fortress manages credit, real estate, equity and private equity strategies on behalf of their clients. On February 14, 2017 FIG agreed to be acquired by SoftBank Group Corp. for \$8.08 per share in cash representing a \$3.3 billion valuation. The deal required regulatory and shareholder approvals and closed on December 27, 2017.

Kite Pharma Inc. (KITE) is a Santa Monica, California based biotechnology company focused on cancer immunotherapy. On August 28, 2017, KITE agreed to be acquired by Gilead Sciences, Inc. for \$180 per share in cash valuing the company at \$11.9 billion. The transaction required regulatory approval and a majority of KITE shareholders to tender their shares to Gilead. The deal closed on October 3, 2017.

PAREXEL International Corp (PRXL) is a Waltham, Massachusetts based biopharmaceutical services provider. On June 20, 2017, PAREXEL agreed to be acquired by Pamplona Capital Management, LLP for \$88.10 per share in cash or \$5 billion in total enterprise value. The transaction was subject to regulatory and shareholder approvals and closed on October 2, 2017.

SELECTED CURRENT DEALS

Advanced Accelerator Application SA (AAP - \$81.62 - NASDAQ) is a St-Genis-Pouilly, France based pharmaceuticals company focused on nuclear medicine theragnostics. On October 30, 2017, AAP agreed to be acquired by Novartis AG for \$41 cash per ordinary share and \$82 cash per ADS, valuing the company's equity at \$3.9 billion. Completion of the deal requires the tender of at least 80% of AAP shares and certain regulatory approvals. It is expected to close in the first quarter of 2018.

Amplify Snack Brands Inc. (BETR - \$12.01 - NYSE) is an Austin, Texas based snack company with a portfolio of better-for-you brands that includes SkinnyPop, Oatmega and Lisa's Chips. On December 18, 2017, BETR agreed to be acquired by The Hershey Company for \$12 per share in cash representing \$1.6 billion total enterprise value. Completion of the deal requires the tender of a simple majority of BETR shares outstanding, regulatory approvals and is expected to close in the first quarter of 2018.

Bob Evans Farms Inc. (BOBE - \$78.82 - NASDAQ) is a New Albany, Ohio based food services company. BOBE produces and distributes frozen and refrigerated food items throughout the United States. On September 19, 2017, BOBE agreed to be acquired by Post Holdings Inc. for \$77 cash per share. The deal values Bob Evans at \$1.6 billion and requires regulatory and shareholder approvals. It is expected to close in the first quarter of 2018.

Buffalo Wild Wings is a Minneapolis (BWLD - \$156.35 - NASDAQ) Minnesota based restaurant owner and franchisor, operating 1,250 Buffalo Wild Wings Restaurants globally. On November 28, 2017, BWLD agreed to be acquired by Arby's Restaurant Group for \$157 per share in cash valuing the company at \$2.9 billion. The transaction requires regulatory and shareholder approvals and is expected to close in the first quarter of 2018.

Exactech, Inc. (EXAC - \$49.45 - NASDAQ) is a Gainesville, Florida based medical device company that develops orthopedic implant devices and other instruments used in surgery. On October 23, 2017 EXAC agreed to be taken private by TPG Capital for \$42 per share in cash which valued the company at \$625 million. On December 4, 2017, EXAC entered into an amended merger agreement with TPG Capital which increased the consideration to EXAC shareholders to \$49.25 per share in cash representing a \$737 million total enterprise value after another bidder emerged. The transaction requires regulatory and shareholder approvals and is expected to close in the first quarter of 2018.

Orbital ATK Inc. (OA - \$135.50 - NYSE) is a Dulles, Virginia based aerospace & defense company. On September 18, 2017, OA agreed to be acquired by Northrop Grumman Corp. for \$134.50 per share in cash representing a \$7.8 billion equity valuation. OA shareholders have approved the merger. Regulatory approvals are still required and the transaction is expected to close in the first half of 2018.

Rockwell Collins, Inc. (COL - \$135.62 - NYSE) is a Cedar Rapids, Iowa based aerospace & defense company. On September 4, 2017, COL agreed to be acquired by United Technologies Corp. for \$93 per share in cash and \$46.67 in UTC stock representing a \$23 billion equity valuation. The deal requires shareholder and regulatory approval and is expected to close in the third quarter of 2018.

Snyder's-Lance Inc. (LNCE - \$50.08 - NASDAQ) is a Charlotte, North Carolina based snack company with a portfolio of salty snack brands including Snyder's of Hanover, KETTLE Chips and Cape Cod. On December 18, 2017, LNCE agreed to be acquired by Campbell Soup Company for \$50 per share in cash representing a \$4.9 billion equity valuation. The deal requires shareholder and regulatory approval and is expected to close in the second quarter of 2018.

PERFORMANCE (THROUGH 31/12/2017)

	2017						
In USD %	July ³	August	September	October	November	December	ITD ⁵
GMP NAV ³	unch	0.10	0.20	0.30	-0.80	0.91	0.71
GMP Market ⁴	1.50	1.58	0.10	0.19	unch	unch	3.40
13 Week Treasury Bill ⁶	0.09	0.08	0.09	0.09	0.11	0.12	

DISCLOSURE

¹ Portfolio composition is reflective of the portfolio as of the date of this report, but is not necessarily indicative of the composition of the portfolio in the future which may be significantly different than that shown here. The classifications of market capitalisation, sector, and geography for the Company and indices were sourced from Factset Systems and data is believed to be reliable. For market capitalization classifications, greater than \$10 billion is considered large cap, \$2-10 billion is mid cap, and less than \$2 billion is small cap. Market Capitalisation, sector and geographic exposures reflect that of equity investments only. Invested Capital includes all long positions (including Net Swap Positions, excludes Net Cash and US Treasuries. Short term fixed Income includes US Treasury/Money Market/Cash. ²Sector Exposure includes only long positions.

Source: Bloomberg. All data is in USD terms. ³ NAV performance is net of all fees and expenses and based on the initial NAV of \$9.92 on 19 July 2017. ⁴ Market performance is based on the initial offering price of \$10.00 on 19 July 2017 and reflects changes in closing market values on the LSE. ⁵ July and Inception to Date performance is from 19 July 2015. ⁶ Source: treasury.gov, 13 Week Treasury Bill Coupon equivalent at the end of month divided by 12 (months), to represent it on a monthly basis.

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