

# Gabelli Food of All Nations NextShares™

## Shareholder Commentary June 30, 2017



**Kevin V. Dreyer**  
Portfolio Manager

### **Dear Shareholders,**

For the quarter ended June 30, 2017, the net asset value (“NAV”) per share of the Gabelli Food of All Nations NextShares (“FOANC”) increased 2.4% compared with an increase of 1.6% for the Standard & Poor’s (“S&P”) 500 Consumer Staples Index. See page 2 for additional performance information.

### **Second Quarter Results**

A thunderbolt was sent into the consumer packaged goods (CPG) industry on June 16th when Fund holding Whole Foods Market (4.6% of net assets as of June 30, 2017) (+43%), agreed to be acquired by Amazon for \$42 per share in cash. While an affirmation of the long term health of the organic & natural food sector, the deal also has potential far reaching implications. Amazon’s push into grocery, which had already begun before the Amazon deal, could lead to further margin pressure on food and beverage suppliers as retailers – including traditional supermarkets, Wal-Mart stores, and hard discounters – step up price competition. At the same time, the Amazon-Whole Foods deal makes the argument even stronger for further consolidation by food and beverage companies, as scale is becoming more important than ever in order to effectively negotiate prices and shelf space with retailers, whether traditional or online. For now, this dynamic has largely been reflected negatively in the stock prices of consumer packaged goods companies, but could change instantly when a major deal is announced.

The other major news in the quarter was that activist fund Third Point disclosed a \$3.5 billion stake in Swiss food and beverage giant and Fund holding Nestlé SA (4.8%) (+17%). Third Point called for higher margins and a more efficient capital structure, and may have been well timed as the company already seems more open to change than in the past, evidenced by the announcement during the quarter that it is exploring alternatives (including a sale) for its U.S. confectionery business. Two days after the Third Point stake was made public, Nestlé announced that it is launching a CHF 20 billion share repurchase program through 2020, and would also continue to look for bolt on mergers and acquisition (M&A) opportunities.

**Cumulative Returns through June 30, 2017 (a) (Unaudited)**

	<u>Quarter</u>	<u>Since Inception (2/14/17)</u>
<b>Gabelli Food of All Nations NextShares</b> .....	2.36%	3.90%
S&P 500 Consumer Staples Index .....	1.57	4.13

**In the current prospectuses dated January 31, 2017, the net expense ratio for the Fund after contractual reimbursements by Gabelli Funds, LLC, (the "Adviser") is 0.90%.**

*(a) Returns represent past performance and do not guarantee future results. Total returns and average annual returns reflect changes in share price, reinvestment of distributions, and are net of expenses. Investment returns and the principal value of an investment will fluctuate. When shares are sold, they may be worth more or less than their original cost. Current performance may be lower or higher than the performance data presented. Visit [www.gabelli.com](http://www.gabelli.com) for performance information as of the most recent month end. Returns would have been lower had the Adviser not reimbursed certain expenses of the Fund. Performance returns for periods of less than one year are not annualized. Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectuses contain information about these and other matters and should be read carefully before investing. To obtain a prospectus, please visit our website at [www.gabelli.com](http://www.gabelli.com). The S&P 500 Consumer Staples Index is an unmanaged indicator of the food and staples retailing, food, beverage, tobacco, and household and personal products stock performance. Dividends are considered reinvested. You cannot invest directly in an index.*

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We have separated the portfolio manager's commentary from the financial statements and investment portfolio due to corporate governance regulations stipulated by the Sarbanes-Oxley Act of 2002. We have done this to ensure that the content of the portfolio manager's commentary is unrestricted. The financial statements and investment portfolio are mailed separately from the commentary. Both the commentary and the financial statements, including the portfolio of investments, will be available on our website at [www.gabelli.com](http://www.gabelli.com).

Beyond Whole Foods and Nestlé, other top contributors included many European CPG companies, including Heineken Holding (3.0%) (+16%), Davide Campari-Milano (2.3%) (+22%), Danone (4.1%) (+13%), Reckitt Benckiser (2.2%) (+12%), and Unilever (2.7%) (+10%), all of whom rose in sympathy with Nestlé.

Top detractors included ConAgra Brands (5.5%) (-11%), Kraft Heinz (6.1%) (-5%), United Natural Foods (2.0%) (-15%), Post Holdings (4.3%) (-11%), and General Mills (4.6%) (-5%), all of which were perceived by the market to have the greatest revenue and/or margin risk due to the Amazon-Whole Foods deal and the price competition in the U.S. food industry.

## Conclusion

While price competition may intensify in coming quarters, we believe the long term attractiveness of the food and beverage sector is unchanged. We also believe that the underpinnings of consumer M&A – low cost of capital, a low growth external environment, and increasing need for scale – are as compelling as ever. We continue to seek to hold what we believe are the best positioned companies using our Private Market Value with a Catalyst™ approach.

July 20, 2017

### Top Ten Holdings (Percent of Net Assets) June 30, 2017

Diageo plc	6.6%	Nestle SA	4.8%
Mondelez International Inc.	6.4%	Whole Foods Market Inc.	4.6%
Edgewell Personal Care Co.	6.3%	Kellogg Co.	4.6%
Kraft Heinz Co.	6.1%	General Mills Inc.	4.6%
Conagra Brands Inc.	5.5%	Post Holdings	4.3%

**Note:** The views expressed in this Shareholder Commentary reflect those of the Portfolio Manager only through the end of the period stated in this Shareholder Commentary. The Portfolio Manager's views are subject to change at any time based on market and other conditions. The information in this Portfolio Manager's Shareholder Commentary represents the opinions of the individual Portfolio Manager and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Views expressed are those of the Portfolio Manager and may differ from those of other portfolio managers or of the Firm as a whole. This Shareholder Commentary does not constitute an offer of any transaction in any securities. Any recommendation contained herein may not be suitable for all investors. Information contained in this Shareholder Commentary has been obtained from sources we believe to be reliable, but cannot be guaranteed.

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Please visit us on the Internet. Our homepage at [www.gabelli.com](http://www.gabelli.com) contains information about GAMCO Investors, Inc., the Gabelli/GAMCO NextShares, Mutual Funds, IRAs, 401(k)s, current and historical quarterly reports, closing prices, and other current news. We welcome your comments and questions via e-mail at [info@gabelli.com](mailto:info@gabelli.com).

The Fund's daily NAV is available each evening after 7:00 PM (Eastern Time) by calling 800-GABELLI (800-422-3554). Please call us during the business day, between 8:00 AM – 7:00 PM (Eastern Time), for further information.

You may sign up for our e-mail alerts at [www.gabelli.com](http://www.gabelli.com) and receive early notice of quarterly report availability, news events, media sightings, and mutual fund prices and performance.

**e-delivery**

We are pleased to offer electronic delivery of Gabelli fund documents. Direct shareholders of our mutual funds can elect to receive their Annual and Semiannual Reports, Manager Commentaries, and Prospectus via e-delivery. For more information or to sign up for e-delivery, please visit our website at [www.gabelli.com](http://www.gabelli.com).

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## **Gabelli NextShares™ Trust and Your Personal Privacy**

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### **Who are we?**

The Gabelli NextShares Trust is a series of investment companies registered with the Securities and Exchange Commission under the Investment Company Act of 1940. We are managed by Gabelli Funds, LLC that is affiliated with GAMCO Investors, Inc. that is a publicly held company with subsidiaries and affiliates that provide investment advisory services for a variety of clients.

### **What kind of non-public information do we collect about you if you become a fund shareholder?**

If you purchase shares in a NextShares fund, you will be giving us and your broker some non-public information about yourself. The non-public information we collect about you is:

- *Information you give us or your broker on your application form.* This could include your name, address, telephone number, social security number, bank account number, and other information.
- *Information about your transactions with us, any transactions with our affiliates, and transactions with the entities we hire to provide services to you.* This would include information about the shares that you buy or redeem. If we hire someone else to provide services — like a transfer agent — we will also have information about the transactions that you conduct through them.

### **What information do we disclose and to whom do we disclose it?**

We do not disclose any non-public personal information about our customers or former customers to anyone other than our affiliates, our service providers who need to know such information, and as otherwise permitted by law. If you want to find out what the law permits, you can read the privacy rules adopted by the Securities and Exchange Commission. They are in volume 17 of the Code of Federal Regulations, Part 248. The Commission often posts information about its regulations on its website, [www.sec.gov](http://www.sec.gov).

### **What do we do to protect your personal information?**

We restrict access to non-public personal information about you to the people who need to know that information in order to provide services to you or the fund and to ensure that we are complying with the laws governing the securities business. We maintain physical, electronic, and procedural safeguards to keep your personal information confidential.

**Gabelli Food of All Nations NextShares  
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**Portfolio Manager Biography**

**Kevin V. Dreyer** joined Gabelli in 2005 as a research analyst covering companies within the consumer sector. Currently he is a Managing Director and Co-Chief Investment Officer for GAMCO Investors, Inc.'s Value team. In addition, he currently serves as a portfolio manager of Gabelli Funds, LLC and manages several funds within the Gabelli/GAMCO Funds Complex. Mr. Dreyer received a BSE from the University of Pennsylvania and an MBA degree from Columbia Business School.

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# GABELLI FOOD OF ALL NATIONS NEXTSHARES™

*Shareholder Commentary*  
*June 30, 2017*

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