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TO: GAMCO Merger Arbitrage Shareholders

FROM: Gabelli Alternatives Team

DATE: November 24, 2026

Annualized Performance as of October 31, 2026*

1 Year	3 Year	5 Year	10 Year	Since Inception
3.94 %	7.02 %	4.83 %	4.98 %	4.21 %

Recent Performance*

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2026	0.34 %	0.31 %	-0.19 %	1.04 %	0.31 %	0.01 %	0.22 %	0.50 %	0.01 %	0.26 %			**2.83 %**
2025	1.46 %	1.37 %	-0.05 %	0.48 %	1.02 %	1.79 %	1.28 %	0.79 %	0.83 %	0.25 %	0.73 %	0.35 %	**10.78 %**

Background of Results

Our October performance benefited from a firmer arbitrage environment, as selective spread tightening and continued progress across announced transactions supported returns. The higher-rate backdrop that emerged in September remained an important influence on deal spreads, but as individual transactions advanced through regulatory, shareholder, and other closing milestones, several positions benefited from improved visibility toward completion. October also unfolded against uncertainty ahead of the U.S. midterm elections, although interest rates, financing conditions, and transaction-specific fundamentals remained the more important drivers of M&A activity during the month.

Looking ahead, we remain constructive on the merger arbitrage opportunity set through year end and into 2027. With the midterm elections now behind us, one source of near-term political uncertainty has been removed, while merger enforcement should continue to be driven primarily by executive-branch regulatory priorities rather than congressional control alone. At the same time, higher interest rates can support wider deal spreads and, where the probability of successful completion remains unchanged, increase prospective returns as transactions advance toward closing. We believe this combination of attractive spread opportunities, continued strategic activity, and deal-specific progress provides a favorable backdrop for the strategy.

Select Positions

Warner Bros. Discovery, Inc. (WBD-NASDAQ) had agreed to be acquired by Paramount Skydance Corporation (PSKY-NASDAQ) on February 27, 2026, as discussed in our February and March letters. Warner Bros. Discovery is a global media and entertainment company operating film and television studios, premium cable networks, and streaming platforms including HBO and Max. The transaction followed a competitive bidding process with Netflix, which ultimately withdrew after Paramount increased its offer to

*Past performance is no guarantee of future results. Performance is presented on a net basis and is that of Class I-USD. Recent Performance is shown for the last two calendar years, for full history of results since the Fund's inception of October 2011, please scan the QR code at the end of the letter or contact us at SICAVinfo@gabelli.com.

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$31.00 per share in cash and agreed to cover the termination fee associated with WBD's prior agreement with Netflix. Under terms of the agreement, WBD shareholders received approximately $31.02 per share in cash, including a small ticking fee, valuing the transaction at approximately $110 billion. The transaction received all necessary shareholder and regulatory approvals and closed on October 6, 2026. Warner Bros. Discovery was a top position at deal completion, representing approximately 4.7% of the portfolio.

TXNM Energy, Inc. (TXNM-$58.38-NYSE) agreed to be acquired by Blackstone Infrastructure (Private) on May 19, 2025, as discussed in our March and July letters. TXNM Energy is a regulated utility holding company serving more than 800,000 homes and businesses across New Mexico and Texas through Public Service Company of New Mexico ("PNM") and Texas-New Mexico Power Company ("TNMP"). Under terms of the agreement, TXNM shareholders will receive $61.25 per share in cash, valuing the transaction at approximately $11.5 billion, including net debt and preferred stock. The transaction remains subject to approval by the New Mexico Public Regulation Commission ("NMPRC") and is expected to close in the first half of 2027.

During October, the NMPRC accepted TXNM and Blackstone's amended application, which includes enhanced customer benefits through additional rate credits and community investments. The commission also established a revised procedural schedule, with evidentiary hearings scheduled for January 19 through February 1, 2027. These developments represent meaningful progress following the regulatory delays discussed in our July letter and provide greater clarity on the path toward completion. The position contributed positively to monthly performance as the regulatory process advanced, while the quarterly dividend provided an additional source of return. At month end, the gross deal spread was approximately 6.4%, which annualizes to approximately 11.2%, assuming a May 31, 2027 close.

Caesars Entertainment, Inc. (CZR-$29.09-NASDAQ) agreed to be acquired by Fertitta Entertainment, Inc. (Private) on May 28, 2026, as discussed in our May letter. Caesars is one of the largest casino-entertainment companies in the United States, operating more than 50 casino properties across North America under brands including Caesars, Harrah's, Horseshoe, and Eldorado, along with online gaming and sports betting businesses. Under terms of the agreement, Caesars shareholders will receive $31.00 per share in cash, valuing the transaction at approximately $17.6 billion, including assumed debt. The transaction received Caesars shareholder approval in September and is expected to close in 2027, subject to remaining regulatory approvals, including federal antitrust clearance and gaming regulatory approvals across multiple jurisdictions.

During October, the spread widened as investor attention remained focused on the regulatory complexity and extended timeline associated with combining two major casino and hospitality operators. Caesars also reported softer third-quarter results in its Las Vegas operations, with adjusted EBITDA declining 9.5% year over year, reinforcing the importance of standalone operating performance in assessing downside risk should the transaction not be completed. The position detracted from monthly performance as shares traded lower amid continued uncertainty surrounding the remaining regulatory approvals. At month end, the gross deal spread was approximately 6.6%, which annualizes to approximately 11.6%, assuming a May 31, 2027 close.

Penske Automotive Group, Inc. (PAG-$212.12-NYSE) agreed to be taken private by Penske Corporation (Private) and Japan-based Mitsui & Co., Ltd. on October 15, 2026. Penske Automotive is a diversified international transportation services company operating automotive dealerships across seven countries, along with commercial truck dealerships and related transportation services. Under terms of the agreement, Penske Automotive shareholders will receive $212.00 per share in cash, valuing the transaction at

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approximately $16.3 billion. The agreement followed an unsolicited, non-binding proposal from Penske Corporation and Mitsui in July at $210.00 per share, which was subsequently increased following negotiations with an independent special committee of the board. The two companies, which collectively own approximately 72.6% of Penske Automotive, will take the company private, with Penske Corporation holding approximately 64% and Mitsui 36% following completion.

The transaction is expected to close in the first quarter of 2027, subject to customary closing conditions, including regulatory approvals and approval by both a majority of outstanding shares and a majority of votes cast by unaffiliated shareholders. The transaction is not subject to a financing condition. We initiated a position following announcement. At month end, the gross deal spread was approximately 1.3%, which annualizes to approximately 3.2%, assuming a March 31, 2027 close.

In Focus

Freight rail consolidation highlights an investment dynamic accessed through our portfolios. As railroads compete with trucking for freight volumes, the ability to offer more efficient, long-distance service has become increasingly important. Combining complementary rail networks can reduce interchange delays, expand customer reach, and create operating efficiencies that are difficult to achieve independently. Our investment in Norfolk Southern illustrates this opportunity, where the strategic benefits of a transcontinental rail network must be weighed against significant regulatory considerations.

Norfolk Southern Corporation (NSC-$342.64-NYSE) agreed to be acquired by Union Pacific Corporation (UNP-$304.00-NYSE) on July 29, 2025. Norfolk Southern operates a freight transportation network across 22 eastern states, serving industrial, agricultural, automotive, and intermodal customers. Under terms of the agreement, Norfolk Southern shareholders will receive $88.82 in cash and one share of Union Pacific common stock for each Norfolk Southern share owned, valuing the transaction at approximately $85 billion at announcement. Shareholders of both companies approved the transaction on November 14, 2025. The Surface Transportation Board (STB) accepted the revised merger application for consideration in May 2026 and established a formal review schedule in August. The transaction remains subject to STB approval and other customary closing conditions, with the companies targeting completion in the second half of 2027. At month end, the gross deal spread was approximately 14.5%, which annualizes to approximately 12.3%, assuming a December 31, 2027 close.

The strategic value of Norfolk Southern is tied to its extensive eastern U.S. freight network, connecting major manufacturing centers, ports, and distribution markets. Union Pacific's acquisition would combine its western rail network with Norfolk Southern's eastern operations, creating the first U.S. transcontinental railroad spanning more than 50,000 route miles across 43 states. The strategic rationale centers on providing single-line service across the country, reducing interchange delays and improving transit times while making rail transportation more competitive with trucking. The companies estimate approximately $2.75 billion in annualized synergies through revenue opportunities and operating efficiencies.

The broader freight rail sector is characterized by substantial capital requirements, established geographic networks, and significant regulatory oversight. While combining complementary networks could improve service and create new transportation alternatives, consolidation among major railroads also raises concerns about competition, pricing, and access for customers served by competing carriers. The STB's review will evaluate whether the proposed combination serves the public interest, including its effects on competition and service reliability. In September, the STB denied motions seeking early dismissal of the application, allowing the review to proceed without reaching a determination on the merits. The extended regulatory

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process remains a central consideration for merger arbitrage investors, contributing to the attractive remaining spread while introducing meaningful approval and timing risks.

A similar dynamic has played out in telecommunications, where acquisitions have enabled operators to combine complementary networks, expand geographic coverage, and offer more integrated services to customers. Like freight rail, telecommunications relies on extensive physical networks that require substantial investment and can benefit from greater connectivity across markets. Strategic buyers have pursued consolidation to extend their existing footprints, improve service capabilities, and capture operating efficiencies, while navigating regulatory reviews focused on competition and consumer access.

This was also reflected in a transaction we previously owned in the portfolio, Verizon Communications Inc.'s acquisition of Frontier Communications Parent, Inc., which closed in January 2026. Frontier was a leading provider of fiber broadband services to residential and business customers across the United States. Under terms of the agreement announced in September 2024, Frontier shareholders received $38.50 per share in cash, valuing the transaction at approximately $20 billion. The acquisition expanded Verizon's fiber broadband footprint to nearly 30 million fiber passings across 31 states and Washington, D.C., strengthening its ability to offer integrated wireless and broadband services. The transaction closed following an extended regulatory review, including approval from the California Public Utilities Commission.

Together, Norfolk Southern and Frontier illustrate how strategic buyers across different sectors are using M&A to connect complementary networks, improve service offerings, and strengthen competitive positioning, while regulatory oversight remains an important consideration in determining transaction outcomes.

The terms of the NSC transaction and implied return profile are summarized below:

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NSC Transaction Summary and Return Profile

NSC - Deal Price	$88.820
+ 1 shares of UNP Stock (as of October 31, 2026)	$304.000
- Net Dividends	-0.350
Net Consideration	392.470
NSC Stock Price (as of October 31, 2026)	342.640
+ Transaction Costs	0.005
Net Purchase Cost	342.645
Gross Profit ($)	49.825
Gross Profit (%)	14.54%
Holding Period (Expected Close December 31, 2027)	426
Annualized Rate of Return	12.34%

We remain constructive on the opportunity set and believe the current environment supports continued deployment across a growing pipeline of strategic transactions. The Fund is currently accepting new subscriptions, and we have reopened capacity for institutional separately managed accounts (SMAs). We welcome engagement from investors seeking bespoke merger arbitrage mandates.

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