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Gabelli Value Plus+ Trust PLC
27 June 2019

# Gabelli Value Plus+ Trust Plc

# Annual Report and Accounts 2019

# OVERVIEW AND PERFORMANCE

## AT A GLANCE

GABELLI VALUE PLUS+ TRUST PLC ("GVP" or the "Company") was launched in February 2015 to invest in U.S. equities. Trading on the London Stock Exchange under the symbol GVP, the Company brings the "best of" Gabelli Funds through an actively managed fund investing in U.S. companies, giving UK investors direct access to the Gabelli value investment methodology. It incorporates a portfolio of Gabelli Funds all cap U.S. equity ideas with selective deployment of their classic merger arbitrage approach. The merger arbitrage approach aims to earn absolute returns in excess of short term interest rates, non-correlated with the overall equity markets.

Through its Manager, Gabelli Funds, LLC ("Gabelli Funds"), the Company provides access to Gabelli's core methodology, which has delivered annualised outperformance of the Standard & Poor's 500 Index of 5% since inception of the Gabelli business in 1977. The Company's investment portfolio is diversified across securities, capitalisations, sectors, and event time horizons; it is flexible through various market cycles and opportunistic where appropriate.

The Company is part of the lineage of Gabelli Closed-End Funds. The Gabelli Fund complex currently includes fourteen U.S.-based closed-end funds, two funds based in the UK, twenty-four open-end funds and a SICAV, which includes two sub-funds.

## FINANCIAL HIGHLIGHTS

| **Performance (unadjusted for distributions)** | **As at 31 March 2019** | As at 31 March 2018 |
|---|---|---|
| Net asset value per share (cum income) | **137.9p** | 129.5p |
| Net asset value per share (ex income) | **137.2p** | 128.9p |
| Share price | **122.5p** | 116.0p |
| Discount relative to the NAV (cum income) | **11.2%** | 10.4% |
| Exchange Rate (US$/£) | **1.30** | 1.40 |

| **Total returns** | **Year ended 31 March 2019** | Year ended 31 March 2018 |
|---|---|---|
| Net asset value per share# | **6.9%** | (6.5%) |
| Russell 3000 Value Index (£) | **13.6%** | (4.5%) |
| Standard & Poor's 500 Index (£) | **18.2%** | 2.0% |
| Share price† | **6.1%** | (12.8%) |
| | ========= | ========= |
| **Income** | | |
| Revenue return per share | **0.76p** | 0.59p |
| | ========= | ========= |
| **Ongoing charges*** | | |
| Annualised ongoing charges** | **1.36%** | 1.35% |
| | ========= | ========= |

Source: Manager, verified by the Administrator, State Street Bank and Trust Company.

# The net asset value ("NAV") total return for the year reflects the movement in the NAV, adjusted for the reinvestment of any dividends paid.

† The total share price return for the year to 31 March reflects the movement in the share price during the year, adjusted to reflect the reinvestment of any dividends paid.

* Ongoing charges are calculated as a percentage of shareholders' funds using the average net assets over the year and calculated in line with the AIC's recommended methodology.

** The annualised ongoing charges are the recurring operating and investment management costs of the Company, expressed as a percentage of the average net assets. The breakdown is set out in the following table. Portfolio transaction charges are shown for transparency, although they do not form part of the ongoing charges under the AIC's recommended methodology.

| | **£000** | **Year ended 31 March 2019 % of average net assets** | £000 | Year ended 31 March 2018 % of average net assets |
|---|---|---|---|---|
| Revenue expenses | **625** | **0.45** | 532 | 0.39 |
| Investment management fees | **1,247** | **0.91** | 1,293 | 0.96 |
| | --- | --- | --- | --- |
| | **1,872** | **1.36** | 1,825 | 1.35 |
| Transaction costs | **135** | **0.10** | 91 | 0.07 |
| | ========= | ========= | ========= | ========= |

# CHAIRMAN'S STATEMENT

## INTRODUCTION

The Gabelli Value Plus+ Trust's (the "Company" or "GVP") objective is to create value for shareholders by investing predominantly in the equity securities of U.S. companies. Our differentiated investment approach adopts the "Private Market Value with a Catalyst" strategy employed by our Manager, Gabelli Funds, LLC, details of which were set out in the Prospectus and are explained in the Manager's Report which follows this statement.

This is the Company's fourth annual report to shareholders since we listed on the London Stock Exchange in 2015 and covers the 12 month period to 31 March 2019. The Board is always receptive to feedback, so if shareholders have any questions or comments, please do get in touch via the Company Secretary.

## Principal developments during the year

The past year has experienced a somewhat more volatile market, particularly a substantial setback in the last quarter of 2018, followed by a strong rally in the first quarter of 2019. Interest rate hikes by the Federal Reserve started to show signs of having an effect on sentiment, and the inversion of the yield curve caused more consternation and debates as to its importance amongst the cognoscenti. The Fed Chairman's interview in early January improved sentiment and created a strong rally into our last quarter. Whilst value stocks performed well in the first part of the rally, growth stocks took the lead again in the latter part of the quarter. It is disappointing to find value stocks continuing to lag growth stocks. Regrettably, no one can predict when this will change. The Board remains confident that a reversion to the mean is inevitable at some time in the future.

GVP's net asset value (NAV) total return for the year was positive with an increase of 8.4 pence per share from 129.53 pence to 137.93 pence. However, this increase was all created by a decline in the value of the Pound Sterling against the U.S. Dollar. The Company continued to perform disappointingly, in pound sterling terms, against the Standard & Poor's 500 Index, which delivered a positive total return of 18.16% and the Russell 3000 Value Index which returned 13.6%. The share price total return of 6.08% was also impacted by a slight widening of the discount during the year.

The Company responded to the widening discount by buying 244,308 shares into treasury during the financial year at an average discount of 9.61%. Shares held in treasury may only be reissued at a premium to the prevailing net asset value. The Company has not bought any additional shares since the commencement of this financial year.

GVP will continue to buy back shares when they are at a significant discount to NAV and when this is in shareholders' interests to do so, taking account of market conditions.

The Board is keenly aware that, despite the positive returns achieved by the portfolio since listing, performance has fallen short of the gains in the wider market in part due to technology stocks continuing to attract most investor interest whilst value stocks continue to be derated. The recent IPOs in the USA have been dominated by stocks such as Uber making huge losses with little clarity as to when or if profitability can ever be achieved. There will come a time when value stocks become recognised as preferred investment opportunities with their solid earnings and dividend payments which typify many of the companies in our portfolio.

The Board closely monitors and questions the performance of the Manager at each Board meeting and continues to believe that the investment policy carried out is consistent with its initial prospectus and that it will prove its worth over a full market cycle.

The Manager's interests are aligned in two specific respects - the management fee is levied on market capitalisation, which means the fee is reduced when the shares trade at a discount to net asset value. Secondly, the Gabelli affiliate Associated Capital Group is our largest shareholder, with approximately 27% of the Company's shares.

The Board remains motivated to increase the number of shares in issue, to diversify the shareholder base, and spread the fixed costs, whilst improving liquidity should the opportunity arise. The Board continues to keep this under review but the present discount and relative performance of the Company makes it unlikely that this will occur in the near future.

### Gearing

The Board continues to monitor opportunities for the use of borrowing as a means to boost returns. It is envisaged that any borrowings would not normally exceed 15% of net assets at the time of investment and where appropriate, a net cash position may be held.

### Dividend

The Company's portfolio is constructed with total return in mind rather than any envisaged split between income and capital return. The portfolio is likely to vary considerably relative to that of the U.S. stock market, according to the investment stock selections. Revenue earnings per share during the year were 0.76 pence per the Statement of Comprehensive Income, which compares with 0.59 pence in the previous year.

The Directors recommend a final dividend of 0.75 pence per share (2018: 0.60 pence). The proposed final dividend will be paid on 9 August 2019 to shareholders on the register at the close of business on 5 July 2019. The ex- dividend date is 4 July 2019.

### Board

As recorded in my interim report, Andrew Bell stepped down as Chairman at the last AGM, following which Christopher Mills joined the Board. Rudolf Bohli has decided not to seek re-election to the Board at this year's AGM because of other commitments. Rudolf has been a great contributor to our Board and we wish him well for the future. The Board has decided not to look for a replacement at this time. Richard Fitzalan Howard has kindly agreed to become the Chair of the Nomination Committee.

### Outlook

The only significant trend that I can see is the continuing acceleration of politics in investment decisions, thereby increasing the risk agenda for investors. The rise of populism in the Americas and Europe continues apace with political outcomes uncertain, but likely to be negative in the medium term. China is, of course, the elephant in the room with a lack of clarity as to the future course of its relationship with the U.S. and its neighbours.

However I remain confident that our Manager will be able to find excellent investment opportunities in these challenging conditions.

**Jonathan Davie**
**Chairman of the Board**
26 June 2019

## MANAGER'S REVIEW

### GABELLI METHODOLOGY

Gabelli Funds would like to thank our investors for entrusting a portion of their assets to the Gabelli Value Plus+ Trust Plc ("GVP"). We appreciate the confidence and trust you have offered our organisation through an investment in GVP. Today, as we have for over 40 years, we remain vigilant in the application of our investment philosophy and in our search for opportunities. In this context, let us outline our investment methodology and the investment environment during the year to 31 March 2019.

Since the inception of the GVP portfolio, the top 10 holdings have consistently represented approximately 30% of the total portfolio. Likewise since inception, the top 20 holdings have consistently represented approximately 50% of the total portfolio. It is expected that at any one time the portfolio will consist of between 40 and 60 core holdings. Despite this consistency in concentration, during the past 12 months the overall number of holdings in the portfolio has decreased as we have exited many smaller positions.

We at Gabelli are active, bottom up, value investors, and seek to achieve real capital appreciation (relative to inflation) over the long term, regardless of market cycles. We achieve returns through investing in businesses utilising our proprietary Private Market Value ("**PMV**") with a Catalyst™ methodology. PMV is the value that we believe an informed buyer would be willing to pay to acquire an entire company in a private transaction. Our team arrives at a PMV valuation by a rigorous assessment of fundamentals from publicly available information and judgement gained from our comprehensive, accumulated knowledge of a variety of sectors. We focus on the balance sheet, earnings, free cash flow, and the management of prospective companies. We are not index benchmarked, and construct portfolios agnostic of market capitalisation and index weightings. We have invested this way since 1977.

Our research process identifies differentiated franchise businesses, typically with strong organic cash flow characteristics, balance sheet opportunities, and operational flexibility. We seek to identify businesses whose securities trade in the public markets at a significant discount to our estimates of their PMV, or "Margin of Safety." Having identified such securities, we look to identify one or more "catalysts" that will narrow or eliminate the discount associated with that "Margin of Safety." Catalysts can come in many forms including, but not limited to, corporate restructurings (such as demergers and asset sales), operational improvements, regulatory or managerial changes, special situations (such as liquidations), and mergers and acquisitions.

It is through this process of bottom up stock selection and the implementation of disciplined portfolio construction that we expect to create value for our shareholders.

## IN REVIEW

During the first quarter of 2019, the stock market had its best quarter in roughly a decade, with the S&P 500 Index up over 13% on a total return basis. This, of course, was after a very weak fourth quarter, when the market was down by about 13%. As has been the case for many years now, growth stocks have continued to outperform value stocks. In the first quarter of 2019, growth stocks, as measured by the S&P 500/ Citigroup Growth Index, were up 15% on a total return basis. Value stocks, on the other hand, were up by about 12% in the quarter, as measured by the S&P 500/ Citigroup Value Index. The good news is that, although value investing has been out of favor for many years now, we feel the market is poised to start favoring value stocks once again and we believe the portfolio is well positioned to benefit when that rotation occurs. During the last few years, large caps stocks have also outperformed small and mid-cap stocks in the U.S. Since "trees do not grow to the sky" and smaller cap quality stocks tend to have better growth prospects, we expect our bias towards small and mid-cap value stocks will start to pay off in the years ahead.

## THE ECONOMY

The U.S. economy is in its 117th month of expansion, just four months short of the record. Just as impressive, the bull market in U.S. equities recently celebrated its 10th anniversary. Although both of these statistics are reaching records in terms of longevity, it is important to note that the expansion and bull market have both been somewhat muted in terms of strength. We continue to believe the U.S. economy will expand, although at a somewhat slower pace. The economy grew in real

terms at approximately a 3% pace in calendar year 2018 - in calendar year 2019, we expect the economy will grow by approximately 2%, still a healthy growth rate but down slightly year over year. Unemployment in the U.S. is near all-time lows, and wage inflation is slowly starting to pick up, which we think is a good thing. Against this backdrop, we believe bottom-up, fundamental stock selection of the type we have practiced for over forty years remains more important than ever.

**THE POLITICAL - ECONOMIC CONTEXT 2019**

The salient issue for the market is growth - with corporate tax cuts behind us and little slack left in the economy, growth will almost certainly slow from the approximately 3% posted in 2018. That does not necessarily imply a recession is on the immediate horizon. How far above or below the 2% real growth trend line we have been experiencing over the past few years depends on many factors, including what we have described variously as the Three T's: Trade, Treasuries, and Trump.

**TRADE**

President Trump made "fair trade" the centerpiece of his election campaign, and he has thus far made good on his promise to challenge the prevailing post-war "free trade" orthodoxy (however illusory that reality might have been). Negotiations with China continue to be at the heart of new trade deals and, until a new trade deal is signed, the stock market will be jumpy and continue to have a lot of volatility. We remain hopeful that, after all the posturing and negotiations, a deal can be reached, which will force China to comply with the World Trade Organization deal it signed years ago and reduce barriers, spurring economic growth in both the U.S. and China. If the U.S. can bring down trade barriers and cut down on the theft of intellectual property, we feel the stock market will respond positively to such a trade settlement with China.

**TREASURIES**

Also critical to the outlook for the economy and stocks are the level and trajectory of interest rates. Since the Federal Reserve began its taper over four years ago in October 2014, the 10-year U.S. Treasury rate breached 3% in mid-2018, and drifted down to about 2.4% at fiscal year-end on 31 March 2019. All else equal, higher rates reduce the value of risk assets by making the alternative home for capital, "riskless" Treasuries, more attractive. Some other major economies of the world, such as Japan and Germany, have ten year government bond yields of essentially zero. The Federal Reserve has moved to a "pause" approach to further interest rate increases, but the administration and some pundits have started to suggest the next move in U.S. short term rates should be down instead of up. Part of the reason for the big dip in the stock market during the calendar fourth quarter was that the Fed indicated the balance sheet runoff was on "autopilot", and another interest rate hike was coming. However, the Fed quickly pivoted in another direction in December 2018 to soothe the markets, and indicated they would be patient and flexible. Most Fed observers now expect no more interest rate hikes in 2019.

**TRUMP**

While there has always been a healthy interplay between markets and political figures, President Trump's Twitter habit and other actions make him a major player for the markets. With the House of Representatives now under the control of the Democrats, many issues will be front and center and have an impact on the markets, not the least of which will be various investigations the Democrats will initiate against the President and his administration. Even though the Mueller report found no evidence of collusion or conspiracy regarding the Russians and Trump, the Democrats will no doubt continue to push for various investigations against the administration, all of which add instability to the markets. In short, we should expect another year of volatility in the U.S. market.

**PERFORMANCE SUMMARY 2018/19**

During the year our best five contributors to our returns were our holdings in the shares of E.W. Scripps, Republic Services, Twenty-First Century Fox, Tribune Media, and Mueller Industries. By contrast, our holdings in HERC Holdings, State Street, PNC Financial, Newall Brands, and MGM Resorts detracted from returns.

**LET'S TALK STOCKS:**

**Bank of New York Mellon Corp.** (BK -$50.43 (as of 31 March, 2019) - NYSE) is a global leader in providing financial services to institutions and individuals. The company operates in more than one hundred markets worldwide and strives to be the global provider of choice for investment management and investment services. As of December 2018, the firm had $33.1 trillion in assets under custody and $1.7 trillion in assets under management. Going forward, we expect BK to benefit from rising global incomes and the cross border movement of financial transactions. We believe BK is also well positioned to grow earnings in a rising interest rate environment, given its large customer cash deposits and significant loan book.

**Liberty Braves Group** (BATRK/ BATRA - $27.74/$27.90 - NASDAQ), located in Cobb County, Georgia, was founded in 1871 and is the oldest continuously operating professional sports franchise in the U.S. The Atlanta Braves' new season has opened, with attendance increasing 6% to 33,503 at the 41,500 seat SunTrust Park after a 2% increase in their second year. Forbes' April 2019 Braves valuation increased 5% to $1.7 billion, as the team made the playoffs for the first time since 2013. Revenue jumped to ninth in the second season from fifteenth in 2016, and 21 year old Ronald Acuña was named National League Rookie of the Year. Forbes' average team valuation increased 8% in value to $1.78 billion as broadcast rights continue to increase, with Fox's new seven year deal beginning 2022 increasing 50% to $730 million, and with TBS and Disney's ESPN having to re-sign at the end of their 2021 deal. DAZN subscription video streaming service is also paying for streaming rights for $100 million a season. The 30 MLB teams increased revenue 4.8% (on average) to $330 million a team, while player costs remained flat at $157 million, suggesting some rationality in the team's business models. Previous Forbes discussions have suggested that the Braves return to winning form should further help their valuation. In addition, legal sports (PAPSA) betting revenue could increase ratings as well as generate data feed fees. We also assume more potential buyers, with the NFL rule change lifting the cross-ownership rule prohibiting ownership of a non-NFL sports team in cities that have an NFL franchise. London will host Europe's first-ever MLB games on June 29 and 30, as MLB moves to increase international interest.

**MGM Resorts International** (MGM - $25.66 - NYSE) is based in Las Vegas, owns and operates seventeen casino resorts, 73% of its associated REIT MGM Growth Properties, 56% of MGM China and 50% of CityCenter Las Vegas. Following a weak 2018, MGM is set for strong performance in 2019, boosted by the openings of expansion and new-build projects in Las Vegas and Massachusetts, acquisitions in New York and Ohio, and the ramp up of VIP operations at its second Macau casino, MGM Cotai. An inflection in free cash flow generation began in the first quarter of 2019, which we believe is the key to closing a large gap between the current stock price and our Private Market Value estimate, based on a sum-of-the-parts valuation of its market-leading assets.

**Republic Services Inc.** (RSG - $80.39 - NYSE), based in Phoenix, Arizona, became the second largest solid waste company in North America after its acquisition of Allied Waste Industries in December 2008. Republic provides nonhazardous solid waste collection services for commercial, industrial, municipal, and residential customers in forty states and Puerto Rico. Republic serves more than 2,800 municipalities and operates 190 landfills, 207 transfer stations, 349 collection operations, and 91 recycling facilities. Since the Allied merger, Republic has benefited from synergies driven by route density, beneficial use of acquired assets, and reduction in redundant corporate overhead. Republic is committed to its core solid waste business. While other providers have strayed into alternative waste resource technologies and strategies, we view Republic's plan to remain steadfast in the traditional solid waste business positively. We expect continued solid waste growth acquisitions, earnings improvement, and incremental route density and internalization growth in already established markets to generate real value in the near to medium term, highlighting the company's potential.

**Viacom Inc.** (VIA/VIAB - $32.39/$28.07 - NASDAQ) is a pure-play content company that owns a global stable of cable networks, including MTV, Nickelodeon, Comedy Central, VH1, BET, and the Paramount movie studio. Viacom's cable networks generate revenue from advertising sales, fixed monthly subscriber fees, and ancillary revenue from toy licensing. We believe a low valuation and M&A potential outweigh the secular risks of subscriber losses.

**Gabelli Funds, LLC**
26 June 2019

# PORTFOLIO

## PORTFOLIO SUMMARY

### PORTFOLIO DISTRIBUTION AS AT 31 MARCH 2019 (%)*

| | Portfolio of GVP | **S&P 500** | Russell 3000 Value |
|---|---|---|---|
| Communication Services | 10.2 | 10.1 | 6.7 |
| Consumer Discretionary | 16.1 | 10.1 | 5.6 |
| Consumer Staples | 2.7 | 7.3 | 7.5 |
| Energy | 0.9 | 5.4 | 9.4 |
| Financials | 16.1 | 12.8 | 22.0 |
| Health Care | 6.9 | 14.6 | 14.5 |
| Industrials | 31.5 | 9.5 | 8.0 |
| Information Technology | 6.6 | 21.2 | 9.9 |
| Materials | 5.3 | 2.6 | 4.0 |
| Real Estate | 0.8 | 3.1 | 5.9 |
| Software & Services | 0.4 | - | - |
| Telecommunication Services | 0.5 | - | - |
| Telecommunications | 0.2 | - | - |
| Utilities | 1.8 | 3.3 | 6.5 |
| **Total** | **100.0** | **100.0** | **100.0** |

* Excludes cash and short term investments.

### BY ASSET CLASS (%)

| | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Equities | 99.4 | 94.9 |
| Cash and short term investments | 0.6 | 5.1 |
| **Total** | **100.0** | **100.0** |

### PORTFOLIO HOLDINGS

| | As at 31 March 2019 | |
|---|---|---|
| | Market value £000 | % of total portfolio |
| Republic Services Inc | 7,773 | 5.7 |

| | | |
|---|---|---|
| Bank Of New York Mellon Corp | 4,644 | 3.4 |
| PNC Financial Services Group | 4,331 | 3.2 |
| Navistar International Corp | 4,163 | 3.0 |
| Liberty Media Corp Braves | 3,875 | 2.8 |
| Red Hat Inc | 3,646 | 2.6 |
| Herc Holdings Inc | 3,636 | 2.6 |
| Mueller Industries Inc | 3,555 | 2.6 |
| GCP Applied Technologies | 3,407 | 2.5 |
| Newell Brands Inc | 3,249 | 2.4 |
| Johnson Controls International | 3,117 | 2.3 |
| USG Corp | 3,092 | 2.2 |
| Tribune Media Co | 3,038 | 2.2 |
| Allergan Plc | 3,033 | 2.2 |
| Enpro Industries Inc | 2,967 | 2.2 |
| Flowserve Corp | 2,945 | 2.1 |
| MGM Resorts International | 2,757 | 2.0 |
| Myers Industries Inc | 2,700 | 2.0 |
| Discovery Inc | 2,612 | 1.9 |
| Bunge Ltd | 2,607 | 1.9 |
| **Sub-total - top 20 holdings** | **71,146** | **51.9** |
| **Sub-total - top 21 - 40 holdings** | **37,151** | **27.1** |
| **Sub-total - top 41 - 60 holdings** | **18,970** | **13.8** |
| **Sub-total - remaining holdings** | **9,877** | **7.2** |
| **Total holdings* : 88 positions** | **137,144** | **100.0** |

* Excludes cash and short term investments.

All holdings are ordinary shares.

# GOVERNANCE

## STRATEGIC REPORT

The Directors present the Strategic Report of the Company for the year ended 31 March 2019. The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the Company during the year under review.

### BUSINESS REVIEW

### STRUCTURE AND OBJECTIVE OF THE COMPANY

Gabelli Value Plus+ Trust PLC (GVP or the Company) is an investment trust company that has a premium listing on the London Stock Exchange.

The Company's strategy is to generate returns for its shareholders by pursuing its investment objective while mitigating shareholder risk, by investing in a diversified spread of equity investments. Through a process of bottom-up stock selection and the implementation of disciplined portfolio construction, the Company aims to create value for its shareholders.

In seeking to achieve its investment objective the Company has contractually delegated the management of the investment portfolio to Gabelli Funds, LLC, the Manager. Gabelli Funds, LLC is also the Company's Alternative Investment Fund Manager.

The Company's existing investment objective and investment policy are set out below.

## INVESTMENT POLICY, RESTRICTIONS AND GUIDELINES

The Company will seek to meet its investment objective by investing predominantly in equity securities of U.S. Companies, of any market capitalisation.

In selecting such securities the Manager will utilise its proprietary Private Market Value ("**PMV**") with a Catalyst™ methodology. PMV is the value that the Manager believes an informed industrial buyer would be willing to pay to acquire an entire company. The Manager arrives at a PMV valuation by a rigorous assessment of fundamentals (focusing on the balance sheet, earnings and free cash flow) from publicly available information and judgement gained from its comprehensive, accumulated knowledge of a variety of sectors.

The Manager's fundamental research seeks to identify investments typically featuring, but not limited to, differentiated franchise businesses with organic cash flow, balance sheet opportunities and operational flexibility. The Manager will seek to identify businesses whose securities trade in the public markets at a significant discount to their PMV estimate which the Manager refers to as a "Margin of Safety".

Having identified such securities, the Manager will seek to identify one of more "catalysts" that will help to narrow or eliminate the Margin of Safety. Catalysts can come in many forms including, but not limited to, corporate restructurings (such as demergers and asset sales), operational improvements, regulatory or managerial changes, special situations (such as liquidations) and mergers and acquisitions.

The Manager seeks value creation through its process of bottom-up stock selection and its implementation of a disciplined portfolio construction process.

Once fully invested, the Company anticipates having a portfolio consisting typically of between 40 to 60 holdings. It is anticipated that these holdings will represent the majority of the portfolio. The Company may have more or fewer holdings from time to time depending upon the nature of the portfolio and market conditions.

In addition to equity securities of U.S. Companies, the Company may (subject to the investment restrictions set out below) also invest in other securities from time to time including non-U.S. securities, convertible securities, fixed interest securities, preferred stock, non-convertible preferred stock, depositary receipts, warrants and other rights. Subject to the investment restrictions set out below, there is no limitation on the number of investments which may be exposed to any one type of catalyst event, including demergers, restructurings or announced mergers and acquisitions.

The Company may invest through derivatives for efficient portfolio management and for investment purposes. Any use of derivatives for efficient portfolio management and for investment purposes will be subject to the investment restrictions set out below.

## RISK DIVERSIFICATION

### General

Portfolio risk will be mitigated by investing in a diversified spread of investments. In particular, the Company will observe the following investment restrictions:

- no single investment shall, at the time of investment, account for more than 10 per cent. of the Gross Assets;
- no more than 15 per cent. of the Gross Assets, at the time of investment, shall be invested in securities issued by companies other than U.S. Companies; and
- no more than 25 per cent. of the Gross Assets, at the time of investment, shall be exposed to any one industry (as defined by the MSCI industry groups according to the GICS (global industry classification standards) categorisation).

The Company may adopt a temporary defensive position where it determines that adverse market conditions exist and invest some or all of the portfolio in:

- cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
- any "government and public securities" as defined for the purposes of the FCA Handbook.

In addition, uninvested cash or surplus capital or assets may be invested on a temporary basis in such assets.

### Derivatives and short selling

If the Company invests in derivatives and/or structured financial instruments for investment purposes and/or for efficient portfolio management purposes, the total notional value of derivatives and/or structured financial instruments at the time of investment will not exceed, in aggregate, 10 per cent. of its Gross Assets. The Company may take both long and short positions. The Company may short up to a limit of 10 per cent. of its Gross Assets. For shorting purposes, the Company may use indices or individual stocks.

When investing via derivatives and/ or structured financial instruments (whether for investment purposes and/ or for efficient portfolio management purposes), the Company will seek to mitigate and/or spread its counterparty risk exposure by collateralisation and/ or contracting with a potential range of counterparty banks, as appropriate, each of whom shall, at the time of entering into such derivatives and/or structured financial instruments, have a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency.

In the event of a breach of the investment guidelines and restrictions set out above, the Manager will inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service and the Manager will look to resolve the breach with the agreement of the Board.

## BORROWING POLICY

The Company may borrow up to 15 per cent. of Net Asset Value (calculated at the time of draw down). Borrowings may be used for investment and/or working capital purposes.

In accordance with the requirements of the UK Listing Authority, any material change to the Company's investment policy will require the approval of Shareholders by way of an ordinary resolution at a general meeting.

There has been no change to the investment policy since the launch of the Company in February 2015.

## PERFORMANCE

Details of the Company's performance during the year are provided in the Chairman's Statement. The Investment Management Report includes a review of developments during the year as well as information on investment activity within the portfolio.

## TOTAL RETURN, REVENUE AND DIVIDENDS

The Company's revenue earnings for the year amounted to 0.76 pence per share (2018: 0.59 pence).

The Company intends to pay dividends annually. Dividend yield is a by-product of the investment process as part of the total return sought. Investors should have no expectation that the Company will pay dividends as anticipated or at all and past dividends are not an indication of future dividend payments.

The Directors recommend a final dividend of 0.75 pence (2018: 0.60 pence) per ordinary share payable on 9 August 2019 to holders on the register at the close of business on 5 July 2019.

## KEY PERFORMANCE INDICATORS ("KPIS")

The Board recognizes that it is share price performance that is most important to the Company's shareholders. Fundamental to share price performance is the performance of the Company's net asset value. The central priority is to generate returns for the Company's shareholders through net asset value and share price total return, and managing any discount or premium at which the Company's shares trade. The principal KPIs are described below:

- **Performance**
  At each meeting the Board reviews the performance of the portfolio as well as the net asset value and share price. Although the Company does not have a benchmark the Board reviews performance in the context of the performance of the S&P 500 and Russell 3000 Value indices.

- **Performance attribution**
  The purpose of performance attribution analysis is to assess how the Company achieved its performance and to understand the impact on the Company's relative performance of the various components such as stock selection.

- **Share price discount to net asset value per share**
  The Board operates a share repurchase programme that seeks to address imbalances in supply and demand for the Company's shares within the market and thereby reduce the volatility of the discount to NAV per share at which the Company's shares trade. In the year to 31 March 2019, the discount ranged between 1.61% and 13.84% based on daily data. Details of shares bought back during the year are given in the Chairman's Statement.

  The Board at its regular meetings, undertakes reviews of marketing and investor sentiment.

- **Ongoing charges**
  The ongoing charges represent the Company's management fee and all other recurring operating expenses expressed as a percentage of average net assets. The ongoing charges for the year ended 31 March 2019 were 1.36% (2018: 1.35%).

The following table sets out the key KPIs for the Company. These KPIs fall within the definition of "Alternative Performance Measures" (APMs) under guidance issued by the European Securities and Markets Authority (ESMA) and additional information explaining how these are calculated is set out in the Glossary contained in the Annual Report and Financial Statements.

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| Net asset value total return[1] | 6.9% | (6.5%) |
| Share price total return[1] | 6.1% | (12.8%) |
| Discount to net asset value[2] | 11.2% | 10.4% |

[1] This measures the Company's NAV and share price total returns, which assumes dividends paid by the Company have been reinvested.

[2] This is the difference between the share price and the cum-income NAV per share at the year end.

## PRINCIPAL RISKS

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency or liquidity.

With the assistance of the Manager, the Board has produced a risk matrix which identifies the Company's key risks. In assessing these risks and how they can be mitigated, the Board has given particular attention to those issues that threaten the viability of the Company. These key risks remain unchanged since last year and are set out below, together with details of how these have been mitigated or managed, where appropriate.

## INVESTMENT PORTFOLIO RISKS

One of the main risks of an investment in GVP is a decline in the U.S. equity markets. This is best mitigated by investing in a diversified portfolio and by adhering to a carefully monitored series of investment restrictions, enabled by automated pre-trade compliance features and daily review of trade tickets. These strictures mandate that no single security purchase can, at the time of investment, account for more than 10% of the gross assets of the Company; no more than 15% of the gross assets, at the time of purchase, can be invested in securities issued by companies other than U.S. companies; and no more than 25% of the gross assets, at the time of purchase, can be exposed to any one industry as defined by the Morgan Stanley Capital Industry groups according to the GICS (Global Industry Classification Standards) categorisations. In addition, the Board meets the portfolio management team quarterly at the Board meetings to review the risk factors and their effect on the portfolio, and a thorough analysis of the investment strategy is completed.

## GLOBAL MACRO EVENT RISKS

Global instability or events could undermine the overall markets and therefore affect the Company's share price and NAV. To this end, global economic, geopolitical, and financial conditions are constantly monitored. Diversification of Company assets is incorporated into the investment strategy, and if disruptive events occur, the Manager may be prepared to adopt a temporary defensive position and invest some or all of the Company's portfolio in cash or cash equivalents, money market instruments, bonds, commercial paper, or other debt obligations with banks or other counterparties, with appropriate ratings as determined by an internationally recognised rating agency and approved by the Board. Another option is the investment in "government and public securities" as defined for the purposes of the Financial Conduct Authority Handbook.

## OPERATIONAL RISKS

The operational functions of the Company are outsourced to third parties, which include Computershare (registrar and receiving agent), State Street Bank and Trust Company (custodian, administrator, and depositary), Maitland Administration Services Limited (company secretary), and Peel Hunt (shareholder communications). Disruptions to the systems at these companies or control failures could impact the Company. All of these third parties report to the Company on a regular basis and their reports and representations are reviewed by the Board and the Manager.

## CORPORATE GOVERNANCE AND REGULATORY RISKS

The Company can suffer damage to its reputation through poor corporate governance. The Board actively performs self-assessments of compliance with best governance practices. Also, shareholder discontent due to a lack of appropriate communications and/ or inadequate financial reporting could cause shareholders to reduce or liquidate their positions, which could impact the market price of the shares. The Board is in contact with its major shareholders on a regular basis, and it monitors shareholder sentiment. In addition, regulatory risks, in the form of failure to comply with mandatory regulations, could have an impact on the Company's continuity. The Company receives, and responds to, guidance from both its outside and internal advisors on compliance with the Listing Rules, and Disclosure and Transparency Rules, as well as other applicable regulations.

## TAX RISKS

In order to qualify as an investment trust, the Company must comply with Section 1158-59 of the Corporation Tax Act 2010. A breach of these sections could result in the Company losing investment trust status and, as a consequence, capital gains realised within the Company's portfolio would be subject to Corporation Tax. The criteria are monitored by both the Board and the Manager.

## MARKET PRICE OF THE SHARES MAY TRADE AT A DISCOUNT TO NET ASSET VALUE

The market price of the Company may fall below the NAV. To address a discount, the Company has made use of share buy-backs, through which shares are repurchased when trading at a discount from NAV, up to a maximum percentage of 14.99% of its issued share capital. In addition, as discussed under "Corporate Governance and Regulatory Risks," the Company has increased its shareholder communications programmes to increase its visibility and interaction with existing and potential investors.

## MERGER AND EVENT DRIVEN RISKS

This risk is inherent to the mergers and acquisitions component of the Company's strategy and addresses the possibility that a deal does not go through, is delayed beyond the original closing date, or that the terms of the proposed transactions change adversely. This risk is addressed by the portfolio management team's careful selection and active monitoring of mergers and acquisitions deals, and maintaining a thorough knowledge of the selected securities in the portfolio.

For discussion of additional risks, please refer to Note 11 to the financial statements.

## VIABILITY STATEMENT

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months referred to in the 'Going Concern' guidelines.

The Board conducted this review for a period of five years. This period was selected as it is aligned with the Company's investment objective of achieving capital appreciation and the Company's long-term investment horizon. In making this assessment the Board also considered the Company's principal risks.

Investment trusts in the UK operate in a well established and robust regulatory environment and the Directors have assumed that:

- Investors will continue to want to invest in closed-end investment trusts because the fixed capitalisation structure is better suited to pursuing the Manager's proprietary long term PMV investment strategy;

- The Company's remit of investing predominantly in the securities of U.S. listed companies will continue to be an activity to which investors will wish to have exposure. (Many closed-end funds were originally created in the UK to facilitate investment in the "New World.")

As with all investment vehicles, there is a risk that the performance of individual investments will vary and that capital may be lost, but this is not regarded as a threat to the viability of the Company. Operationally, the Company retains title to all assets, and cash and securities are held with a custodian bank approved by the Manager and the Board.

The nature of the Company's investments means that solvency and liquidity risks are low because the Company's portfolio is invested mainly in readily realisable, listed securities;

- The closed-end nature of the Company means that, unlike an open-ended fund, it does not need to realise investments when shareholders wish to sell their shares; and

- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position.

Taking these factors into account, the Directors confirm that they have a reasonable expectation that the Company will continue to operate and meet its expenses as they fall due over the next five years.

The Company's portfolio consists of North American investments, accordingly, the Company believes that the "Brexit" process will not materially affect the prospects for the Company, but the Board and Manager will continue to keep developments under review.

## FUTURE DEVELOPMENTS

The future of the Company is dependent upon the success of the investment strategy. The outlook for the Company is discussed in the Chairman's Statement and Manager's report.

## BOARD DIVERSITY

When recruiting a new Director, the Board's policy is to appoint individuals on merit. The Board believes diversity is important in bringing an appropriate range of skills, knowledge and experience to the Board and gives that consideration when recruiting new Directors.

As at 31 March 2019 there were four male Directors and one female Director on the Board.

## EMPLOYEES, SOCIAL, COMMUNITY AND HUMAN RIGHTS ISSUES

As an investment vehicle the Company has no direct social or community responsibilities. However, the Company believes that it is in shareholders' interests to consider human rights issues, environmental, social and governance factors when selecting and retaining investments.

The Chairman's Statement, the Manager's Report and the portfolio analysis also form part of this Strategic Report.

The Strategic Report was approved by the Board on 26 June 2019.

On behalf of the board

**Jonathan Davie**
**Chairman**
26 June 2019

### RELATED PARTY TRANSACTIONS

Gabelli Funds, LLC is the Company's Alternative Investment Fund Manager ("AIFM"). Therefore, the Company is an externally managed European Economic Area ("EEA") domiciled Alternative Investment Fund ("AIF") for the purposes of the Alternative Investment Fund Managers' Directive ("AIFMD"). As a non-EEA AIFM Gabelli Funds, LLC is only required to make certain financial and non-financial disclosures.

Under the terms of the Management Agreement between the Company and Gabelli Funds, LLC (the Agreement), the Manager is entitled to a management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The Manager is entitled to a management fee accrued daily but payable monthly in arrears equal to 1% per annum of the market capitalisation. The Agreement may be terminated by the Company or the Manager giving the other party at least 24 months' notice in writing, such notice not to be given earlier than the fourth anniversary of the Company's admission to trading on the London Stock Exchange.

The investment management fee payable for the year ended 31 March 2019 amounted to £1,247,000 (2018: £1,293,000). During the year to 31 March 2019 the Company paid brokerage commissions on securities trades of £128,191 (2018: £61,201) to G.research, LLC, an affiliate of the Manager.

Disclosures of the Directors' interests in the ordinary shares of the Company and fees and expenses payable to the Directors are set out in the Directors' Remuneration Report contained within the 2019 Annual Report. At 31 March 2019.

The Board consists of five non-executive Directors, all of whom are considered to be independent by the Board. None of the Directors has a service contract with the Company. For the year ended 31 March 2019, the Chairman received an annual fee of £35,000 and each other Director received an annual fee of £25,000. The Chairman of the Audit and Management Engagement Committee received an additional annual fee of £7,500 and the Chairman of the Nomination Committee received an additional annual fee of £2,500.

As at 25 June 2019, the following members of the Board held shares in the Company: Richard Fitzalan Howard held 36,000 ordinary shares and Kasia Robinski held 150,000 ordinary shares.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## DIRECTORS' CONFIRMATIONS

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In the case of each Director in office at the date the Director's Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

**Jonathan Davie**
**Chairman of the Board**

26 June 2019

## STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 March 2019 | | | Year ended 31 March 201 | |
|---|---|---|---|---|---|---|
| | | Revenue | Capital | Total | Revenue | Capital |
| | Note | £000 | £000 | £000 | £000 | £000 |
| Dividend income | | 1,941 | - | 1,941 | 1,743 | - |
| Interest on deposits | | 17 | - | 17 | 23 | - |
| Interest on fixed income securities | | - | - | - | 5 | - |
| **Total dividends and interest** | | **1,958** | **-** | **1,958** | **1,771** | **-** |
| Net realised and unrealised gains/(losses) on investments | 2 | - | 8,236 | 8,236 | - | (7,321) |
| **Net realised and unrealised currency gains/(losses)** | | **-** | **949** | **949** | **(24)** | **(1,274)** |
| Investment management fee | 3 | (312) | (935) | (1,247) | (323) | (970) |
| Other expenses | 3 | (621) | (15) | (636) | (532) | (13) |
| **Net return on ordinary activities before finance costs and taxation** | | **1,025** | **8,235** | **9,260** | **892** | **(9,578)** |
| Interest expense and similar charges | | (4) | - | (4) | (49) | - |
| **Net return on ordinary activities before taxation** | | **1,021** | **8,235** | **9,256** | **843** | **(9,578)** |
| Taxation on ordinary activities | 5 | (263) | - | (263) | (251) | - |
| **Net returns attributable to shareholders** | | **758** | **8,235** | **8,993** | **592** | **(9,578)** |
| **Net returns per ordinary share - basic and diluted** | **6** | **0.76p** | **8.25p** | **9.01p** | **0.59p** | **(9.58)p** |

The total columns of this statement are the profit and loss accounts of the Company.

The revenue and capital items are presented in accordance with the AIC's Statement of Recommended Practice ('SORP') 2014, and updated 2018.

All revenue and capital items in the above statement derive from continuing operations.

No operations were acquired or discontinued in the year ended 31 March 2019.

The notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

| Year ended 31 March 2019 | Note | Called up Share Capital £000 | Special Distributable Reserve* £000 | Capital Reserve £000 | Revenue Reserve* £000 | Total £000 |
|---|---|---|---|---|---|---|
| Net assets as at 1 April 2018 | | 1,001 | 98,006 | 29,645 | 785 | 129,437 |
| Realised gains on investments at fair value | | - | - | 10,573 | - | 10,573 |
| Capital distributions received | | - | - | 50 | - | 50 |
| Unrealised losses on investments at fair value | | - | - | (2,387) | - | (2,387) |
| Realised currency gains | | - | - | 949 | - | 949 |
| Capital expenses | | - | - | (950) | - | (950) |
| Ordinary shares bought back into treasury | | - | (307) | - | - | (307) |
| Transfer to revenue reserve for the year | | - | - | - | 758 | 758 |
| Dividends paid | 4 | - | - | - | (599) | (599) |
| **Net assets as at 31 March 2019** | **6** | **1,001** | **97,699** | **37,880** | **944** | **137,524** |
| **Year ended 31 March 2018** | | | | | | |
| Net assets as at 1 April 2017 | | 1,001 | 98,200 | 39,223 | 1,394 | 139,818 |
| Realised gains on investments at fair value | | - | - | 4,906 | - | 4,906 |
| Capital distributions received | | - | - | 23 | - | 23 |
| Unrealised losses on investments at fair value | | - | - | (12,250) | - | (12,250) |
| Realised currency losses | | - | - | (1,274) | - | (1,274) |
| Capital expenses | | - | - | (983) | - | (983) |
| Ordinary shares bought back into treasury | | - | (194) | - | - | (194) |
| Transfer to revenue reserve for the year | | - | - | - | 592 | 592 |
| Dividends paid | 4 | - | - | - | (1,201) | (1,201) |
| **Net assets as at 31 March 2018** | **6** | **1,001** | **98,006** | **29,645** | **785** | **129,437** |

* These reserves are distributable.

The notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 March 2019 £000 | £000 | As at 31 March 2018 £000 | £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments held at fair value through profit or loss | 2 | | 137,144 | | 124,757 |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | 789 | | 6,661 | |
| Receivables | 8 | 470 | | 278 | |
| | | 1,259 | | 6,939 | |
| **Current liabilities** | | | | | |
| Payables | 9 | (879) | | (2,259) | |
| **Net current assets** | | | **380** | | **4,680** |
| **Net assets** | | | **137,524** | | **129,437** |
| **Capital and reserves** | | | | | |
| Called-up share capital | 10 | 1,001 | | 1,001 | |
| Special distributable reserve* | | 97,699 | | 98,006 | |
| Capital reserve | | 37,880 | | 29,645 | |
| Revenue reserve* | | 944 | | 785 | |
| **Total shareholders' funds** | | | **137,524** | | **129,437** |
| **Net asset value per ordinary share** | **6** | | **137.9p** | | **129.5p** |

* These reserves are distributable.

Gabelli Value Plus+ Trust Plc is registered in England and Wales under Company number 9361576.

The financial statements were approved by the Board of Directors on 26 June 2019 and signed on its behalf by

**Jonathan Davie**
Chairman

The notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

(a) **Basis of preparation** - For the year ended 31 March 2019, the Company applied FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland, which forms part of the revised Generally Accepted Accounting Practice (UK GAAP) issued by the Financial Reporting Council ('FRC') in 2015.

These financial statements have been prepared on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, FRS 102 issued by the FRC in September 2015, the revised Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" (SORP) issued by the AIC in November 2014 and updated in February 2018 and Companies Act 2006.

**Going concern** - Having assessed the principal risks and the other matters discussed in connection with the viability statement, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

**Statement of estimation uncertainty** - In the application of the Company's accounting policies, the Manager is required to make judgements, estimates, and assumptions about carrying values of assets and liabilities that are not always readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may vary from these estimates. There have been no significant judgements, estimates, or assumptions for the year.

**Cash flow statement** - The statement of cash flows has not been included in the financial statements as the Company meets the conditions set out in paragraph 7.1A of FRS 102, which state that a statement of cashflows is not required to be provided by investment funds that meet all of the following conditions:

(i) substantially all of the entity's investments are highly liquid;

(ii) substantially all of the entity's investments are carried at market value; and

(iii) the entity provides a statement of changes in net assets.

(b) **Income recognition** - Revenue from investments (other than special dividends), including taxes deducted at source, is included in revenue by reference to the date on which the investment is quoted ex-dividend, or where no ex-dividend date is quoted, when the Company's right to receive payment is established. Franked investment income is stated net of the relevant tax credit. Other income includes any taxes deducted at source. Special dividends are credited to capital or revenue, according to the circumstances. Scrip dividends are treated as unfranked investment income; any excess in value of the shares received over the amount of the cash dividend is recognised as a capital item in the Statement of Comprehensive Income. Dividends are accounted for in accordance with Section 29 of FRS 102 on the basis of income actually receivable.

(c) **Expenses** - The management fees are allocated seventy-five percent to capital and twenty-five percent to revenue in the Statement of Comprehensive Income in accordance with the Board's expected long term split of returns in the form of capital gains and revenue, respectively. Interest receivable and payable and management expenses are treated on an accruals basis. All other expenses are charged to revenue except where they directly relate to the acquisition or disposal of an investment, in which case, they are added to the cost of the investment or deducted from the sale proceeds.

(d) **Cash and cash equivalents** - Cash comprises cash on hand and on demand deposits. Cash equivalents are short-term, highly liquidate investments that are readily convertible to known amounts of cash.

(e) **Investments** - Investments have been designated upon initial recognition at fair value through profit or loss. Investments are recognised and de-recognised at trade date where a purchase or sale is under a contract whose terms require delivery within the time frame established by the market concerned, and are initially measured at fair value. Subsequent to initial recognition, investments are valued at fair value. Movements in the fair value of investments and gains/losses on the sale of investments are taken to the Statement of Comprehensive Income as capital items. The Company's investments are classified as held at fair value through profit or loss in accordance with Section 11 and Section 12 of FRS 102.

The Company's listed investments are fair valued using the closing bid price of the valuation date.

(f) **Foreign currency** - Foreign currencies are translated at the rates of exchange prevailing on the year end date. Revenue received/receivable and expenses paid/payable in foreign currencies are translated at the rates of exchange prevailing at the transaction date.

(g) **Fair value** - All financial assets and liabilities are recognised in the financial statements at fair value.

(h) **Dividends payable** - Interim dividends are recognised in the period in which they are paid. Final dividends are not recognised until approved by the shareholders in the general meeting.

(i) **Capital reserve** - Capital distributions received, realised gains or losses on investments that are readily convertible to cash, and capital expenses are transferred to the capital reserve. Share buybacks are funded through the capital reserve, with details of buy backs disclosed in note 10.

(j) **Taxation** - The tax effect of different items of income/gains and expenditure/losses is allocated between revenue and capital on the same basis as the particular item to which it relates, under the marginal method, using the Company's effective rate of tax. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the period end date where transactions of events that result in an obligation to pay more or a right to pay less tax in future have occurred at the period end date measured on an undiscounted basis and based on enacted tax rates. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods.

(k) **Functional and presentation currency** - The functional and presentation currency of the Company is GBP sterling.

(l) Alternative Performance Measures ("APM's")
The Company's APMs are set out in the glossary contained in the Annual Report and Financial Statements.

## 2 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| Opening valuation | 124,757 | 116,671 |
| Opening unrealised gains on investments | (10,999) | (23,249) |
| Opening cost | 113,758 | 93,422 |
| Add: additions at cost | 110,191 | 101,922 |

| | | |
|---|---|---|
| Less: disposals at cost | (95,417) | (81,586) |
| Closing cost | 128,532 | 113,758 |
| Closing unrealised gains on investments | 8,612 | 10,999 |
| **Closing valuation** | **137,144** | **124,757** |

## Fair value hierarchy

The Company has adopted the 'Amendments to FRS 102 - Fair value hierarchy disclosure', where an entity is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable, i.e., developed using market data, for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable, i.e., for which market data is unavailable, for the asset or liability.

The financial assets measured at fair value through profit or loss in the financial statements are grouped into the fair value hierarchy as follows:

| | As at 31 March 2019 | | | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| **Financial assets at fair value through profit or loss** | | | | |
| Quoted equities | 137,144 | - | - | 137,144 |
| **Net fair value** | **137,144** | **-** | **-** | **137,144** |

| | As at 31 March 2018 | | | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| **Financial assets at fair value through profit or loss** | | | | |
| Quoted equities | 124,757 | - | - | 124,757 |
| **Net fair value** | **124,757** | **-** | **-** | **124,757** |

## Net realised and unrealised gains/(losses) on investments

| | Year ended 31 March 2019 £000 | Year ended 31 March 2018 £000 |
|---|---|---|
| Realised gains on investments | 10,573 | 4,906 |

| | | |
|---|---|---|
| Capital distributions received from investments | 50 | 23 |
| Movement in unrealised gains on investments | (2,387) | (12,250) |
| **Net realised and unrealised gains/(losses) on investments** | **8,236** | **(7,321)** |

## Transaction costs

During the year commissions (paid mostly to G.research, LLC, an affiliate of the Manager) and other expenses were incurred in acquiring or disposing of investments classified at fair value through profit or loss. These have been expensed through capital and are within gains/(losses) in the Statement of Comprehensive Income. The total costs were as follows:

| | Year ended 31 March 2019 £000 | Year ended 31 March 2018 £000 |
|---|---|---|
| Purchases | 83 | 71 |
| Sales | 51 | 20 |
| **Total** | **134** | **91** |

## 3 MANAGEMENT FEES AND OTHER EXPENSES

| | Year ended 31 March 2019 £000 | Year ended 31 March 2018 £000 |
|---|---|---|
| **Revenue expenses** | | |
| Other expenses: | | |
| Directors' remuneration | 145** | 156* |
| Accounting fees | 57 | 52 |
| Custody fees | 15 | 14 |
| Registrar - Computershare | 26 | 17 |
| Marketing and advertisement | 24 | 38 |
| Company secretary fees | 70 | 81 |
| Broker retainer | 36 | 40 |
| Auditors' remuneration (inclusive of VAT) | 34 | 34 |
| Directors' insurance | 11 | 17 |
| Miscellaneous | 203 | 83 |
| **Sub total** | **621** | **532** |

* Includes an amount of £11,000 which relates to employer costs of National Insurance.
** Includes an amount of £3,000 which relates to employer costs of National Insurance.

| | | |
|---|---|---|
| **Management Fees** | | |
| Manager fee - Revenue | 312 | 323 |
| Manager fee - Capital | 935 | 970 |
| **Total** | **1,247** | **1,293** |
| **Capital expenses** | | |
| Transaction charges | 15 | 13 |
| **Total** | **15** | **13** |

Details of the contract between the Company and Gabelli Funds, LLC for provision of investment management services are given in the Directors' Report contained in the Annual Report and Financial Statements.

## 4 DIVIDENDS

| | Year ended 31 March 2019 £000 | Year ended 31 March 2018 £000 |
|---|---|---|
| Final dividend | 599 | 1,201 |
| **Total** | **599** | **1,201** |

## 5 TAXATION ON ORDINARY ACTIVITIES

| | Year ended 31 March 2019 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| **Analysis of the charge in the year** | £000 | £000 | £000 |
| Foreign withholding taxes on dividends | 253 | - | 253 |
| Foreign withholding taxes on REIT | 10 | - | 10 |
| **Total** | **263** | **-** | **263** |

| | Year ended 31 March 2018 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| **Analysis of the charge in the year** | £000 | £000 | £000 |
| Foreign withholding taxes on dividends | 237 | - | 237 |
| Foreign withholding taxes on REIT | 14 | - | 14 |
| **Total** | **251** | **-** | **251** |

The effective corporation tax rate was 19% (2018:19%). The tax charge for the year differs from the charge resulting from applying the standard rate of corporation tax in the UK for an investment trust company. The differences are explained below.

| | Year ended 31 March 2019 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| **Factors affecting the tax charge for the year** | £000 | £000 | £000 |
| Net return before taxation | 1,021 | 8,235 | 9,256 |
| UK Corporation tax at effective rate of 19% | 194 | 1,565 | 1,759 |
| **Effects of:** | | | |
| Non taxable UK dividend income | - | - | - |
| Gains on investments held at fair value through profit or loss | - | (1,565) | (1,565) |
| Overseas tax expensed | (3) | - | (3) |
| Expenses not allowable for tax purposes | - | 3 | 3 |
| (Losess) gains on foreign currencies | - | (180) | (180) |
| Non taxable overseas dividends | (356) | - | (356) |
| Foreign withholding taxes on dividends | (263) | - | (263) |
| Increase in excess management and overdraft expenses | 165 | 177 | 342 |
| **Total** | **(263)** | **-** | **(263)** |

| | Year ended 31 March 2018 | | |
|---|---|---|---|
| | Revenue | Capital | Total |
| **Factors affecting the tax charge for the year** | £000 | £000 | £000 |
| Net return before taxation | 843 | (983) | (140) |
| UK Corporation tax at effective rate of 19% | 160 | (187) | (27) |
| **Effects of:** | | | |
| Overseas tax expensed | (4) | - | (4) |
| Expense not allowable for tax purposes | - | 3 | 3 |
| Non taxable overseas dividends | (303) | - | (303) |
| Foreign withholding taxes on dividends and on REIT | (251) | - | (251) |
| Increase in excess management and overdraft expenses | 147 | 184 | 331 |
| **Total** | **(251)** | **-** | **(251)** |

At the year end, after offset against income taxable on receipt, there is a potential deferred tax asset of £1,117,083 (2018: £819,140) in relation to surplus tax reliefs. It is unlikely that the Company will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised.

Due to the Company's status as an investment trust and the intention to continue to meet the conditions required to obtain approval in the foreseeable future, the Company has not provided deferred tax on capital gains and losses arising on the revaluation or disposal of investments.

## 6 RETURN PER ORDINARY SHARE AND NET ASSET VALUE

The return and net asset value per ordinary share are calculated with reference to the following amounts:

| | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|
| **Revenue return** | | |
| Revenue return attributable to ordinary shareholders | £758,000 | £592,000 |
| Weighted average number of shares in issue during year | 99,805,730 | 100,025,735 |
| **Total revenue return per ordinary share** | **0.76p** | **0.59p** |
| **Capital return** | | |
| Capital return attributable to ordinary shareholders | £8,235,000 | (£9,578,000) |
| Weighted average number of shares in issue during year | 99,805,730 | 100,025,735 |
| **Total capital return per ordinary share** | **8.25p** | **(9.58p)** |
| Total return | | |
| **Total return per ordinary share** | **9.01p** | **(8.99p)** |

| **Net asset value per share** | As at 31 March 2019 | As at 31 March 2018 |
|---|---|---|
| Net assets attributable to shareholders | £137,524,000 | £129,437,000 |
| Number of shares in issue at year end | 99,706,693 | 99,951,001 |
| **Net asset value per share** | 137.9p | 129.5p |

## 7 CASH AND CASH EQUIVALENTS

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| GBP Sterling | 369 | 126 |
| U.S. Dollar | 420 | 6,535 |
| **Total** | **789** | **6,661** |

## 8 RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| Dividends receivable | 184 | 260 |
| Due from brokers | 286 | 2 |
| Other debtors | - | 16 |
| **Total** | **470** | **278** |

None of the Company's receivables were past due or impaired as at the year end date.

## 9 PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| Due to brokers | 545 | 1,990 |
| Due to Manager (Gabelli Funds, LLC) | 105 | 104 |
| Other payables | 229 | 165 |
| **Total** | **879** | **2,259** |

## 10 CALLED UP SHARE CAPITAL

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| ***Authorised:*** | | |
| 250,000,000 Ordinary shares of 1p each - equity | 2,500 | 2,500 |
| ***Allotted, called up and fully paid:*** | | |
| 99,706,693 (2018: 99,951,001) Ordinary shares of 1p each - equity | 997 | 999 |
| 394,308 (2018: 150,000) Ordinary shares of 1p each - equity | 4 | 2 |
| **Total shares** | **1,001** | **1,001** |

During the year ended 31 March 2019, 244,308 shares (31 March 2018: 150,000) were bought back into treasury at a cost of £307,432 (31 March 2018: £193,744).

## 11 FINANCIAL RISK MANAGEMENT

The Company's financial instruments comprise securities and other investments, cash balances, receivables, and payables that arise directly from its operations; for example, in respect of sales and purchases awaiting settlement, and receivables for accrued income. The Company also has the ability to enter into derivative transactions in the form of forward foreign currency contracts, futures, and options, for the purpose of managing currency and market risks arising from the Company's activities. No derivatives transactions were undertaken during the year.

The main risks the Company faces from its financial instruments are (i) market price risk (comprising interest rate risk, currency risk, and other price risk), (ii) liquidity risk, and (iii) credit risk.

The Board regularly reviews, and agrees upon, policies for managing each of these risks. The Manager's policies for managing these risks are summarised below and have been applied throughout the year. The numerical disclosures exclude short term receivables and payables, other than for currency disclosures.

### (i) Market price risk

The fair value or future cash flows of a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - interest rate risk, currency risk, and other price risk.

### Interest rate risk

Interest rate movements may affect the level of income receivable and payable on cash deposits.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

### Interest risk profile

The interest rate risk profile of the portfolio of financial assets and liabilities at the year end date was as follows:

| | As at 31 March 2019 | | | |
|---|---|---|---|---|
| | Interest rate % | Local currency 000 | Foreign exchange rate | Sterling equivalent £000 |
| Assets: | | | | |
| GBP Sterling | 0.07 | 369 | 1.00 | 369 |
| U.S. Dollar | 0.50 | 549 | 1.30 | 420 |
| **Total** | | | | **789** |

| | As at 31 March 2018 | | | |
|---|---|---|---|---|
| | Interest rate % | Local currency 000 | Foreign exchange rate | Sterling equivalent £000 |
| Assets: | | | | |
| GBP Sterling | 0.10 | 126 | 1.00 | 126 |
| U.S. Dollar | 0.28 | 9,167 | 1.40 | 6,535 |
| **Total** | | | | **6,661** |

## Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the year end date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year in the case of instruments that have floating rates.

If interest rates had been 75 (2018: 50) basis points higher or lower and all other variables were held constant, the Company's profit or loss for the reporting year to 31 March 2019 would increase/decrease by £6,000 (2018: £33,000). This is mainly attributable to the Company's exposure to interest rates on its floating rate cash balances.

As at 31 March 2019 an interest rate of 0.75% is used, given the prevailing Bank of England base rate of 0.75%. This level is considered possible based on observations of market conditions and historic trends.

## Foreign currency risk

The Company's investment portfolio is invested mainly in foreign securities and the year end can be significantly affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk on a continuing basis but the Company may, from time to time, match specific overseas investments with foreign currency borrowings.

The revenue account is subject to currency fluctuation arising from overseas income.

Foreign currency risk exposure by currency of denomination:

| | As at 31 March 2019 | | |
|---|---|---|---|
| | Investments £000 | Net monetary assets £000 | Total currency exposure £000 |
| **U.S. Dollar** | **137,144** | **161** | **137,305** |
| | ======== | ======== | ======== |

| | As at 31 March 2018 | | |
|---|---|---|---|
| | Investments £000 | Net monetary assets £000 | Total currency exposure £000 |
| **U.S. Dollar** | **124,757** | **4,545** | **129,302** |
| | ======== | ======== | ======== |

The asset allocation between specific markets can vary from time to time based on the Manager's opinion of the attractiveness of the individual markets.

## Foreign currency sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on net return before tax and equity shareholders' funds. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| **U.S. Dollar** | **42** | **654** |
| | ======== | ======== |

## Other price risk

Other price risks, i.e., changes in market prices other than those arising from interest rate or currency risk, may affect the value of the quoted investments.

The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly to review investment strategy. The investments held by the Company are listed on recognised stock exchanges.

## Other price risk sensitivity

If market prices at the year end date had been 15% higher or lower while all other variables remained constant, the return attributable to ordinary shareholders for the year ended 31 March 2019 would have increased/decreased by £20,572,000. The calculations are based on the portfolio valuations as at the year end date, and are not representative of the year as a whole.

## (ii) Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. All creditors are payable within three months.

Liquidity risk is not considered to be significant as the Company's assets comprise mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

## (iii) Credit risk

This is the risk of failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is managed as follows:

- Investment transactions are carried out mainly with one broker, G.research, LLC, whose credit ratings are reviewed periodically by the Manager.
- Most transactions are made delivery versus payment on recognised exchanges.
- Cash is held only with reputable banks.

The maximum credit risk exposure as at 31 March 2019 was £1,260,000 (2018: £6,940,000). This was due to cash and receivables as per notes 7 and 8.

## 12 CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are:

- to ensure that the Company will be able to continue as a going concern; and
- to maximise the revenue and capital return to its equity shareholders through an appropriate balance of equity capital and debt.

The Board monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes the nature and planned level of gearing, which takes account of the Investment Manager's views on the market and the extent to which revenue in excess of that which is required to be distributed under the investment trust rules should be retained.

The analysis of shareholders' funds is as follows:

| | As at 31 March 2019 £000 | As at 31 March 2018 £000 |
|---|---|---|
| Equity share capital | 1,001 | 1,001 |
| Special distributable reserve* | 97,699 | 98,006 |
| Capital reserve | 37,880 | 29,645 |
| Revenue reserve* | 944 | 785 |
| **Total** | **137,524** | **129,437** |

* These reserves are distributable.

## 13 ALTERNATIVE INVESTMENT FUND MANAGERS ("AIFM") DIRECTIVE

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company is an Alternative Investment Fund ("AIF") and has appointed Gabelli Funds, LLC as its Alternative Investment Fund Manager (the "AIFM") to provide portfolio management and risk management services to the Company in accordance with the investment management agreement.

The Company is categorised as an externally managed European Economic Area ("EEA") domiciled AIF for the purposes of the AIFMD. Since the Manager is a non-EEA AIFM, the Manager is only subject to the AIFMD to the extent that it markets an EEA AIF in the EEA. Accordingly, the Manager is required to make only certain financial and non financial disclosures.

The Company's maximum leverage levels at 31 March 2019 are shown below:

| Leverage Exposure | Gross method | Commitment method |
|---|---|---|
| **Maximum permitted limit** | **40%** | **0%** |

======== ========

The leverage limits are set by the AIFM and approved by the Board and are in line with the maximum leverage levels permitted in the Company's Articles of Association. The AIFM is also required to comply with the gearing parameters set by the Board in relation to borrowings.

## 14 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2019, with the exception of Investment Management fees, Directors' remuneration, Directors' shareholdings, secretarial fees, and other administrative fees, the Company paid brokerage commissions on security trades of £128,191 (2018: £61,201) to G.research, LLC, an affiliate of the Manager.

Further details of related parties and transactions are disclosed within the Directors' Remuneration Report contained in the Annual Report and Financial Statements.

## 15 CONTINGENT LIABILITIES AND COMMITMENTS

As at the year ended 31 March 2019, the Company had no contingent liabilities or commitments (31 March 2018: Nil)



END