

ELLSWORTH FUND LTD
Form N-CSR
December 06, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-04656

ELLSWORTH FUND LTD.

(Exact name of registrant as specified in charter)

65 Madison Avenue, Morristown, New Jersey 07960-7308

(Address of principal executive offices) (Zip code)

Thomas H. Dinsmore

ELLSWORTH FUND LTD.

65 Madison Avenue

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Morristown, New Jersey 07960-7308

(Name and address of agent for service)

Copy to:

Steven B. King, Esq.

Ballard Spahr LLP

1735 Market Street, 51st Floor

Philadelphia, PA 19103-7599

Registrant's telephone number, including area code: (973) 631-1177

Date of fiscal year end: September 30, 2010

Date of reporting period: September 30, 2010

ITEM 1. REPORTS TO STOCKHOLDERS.

Ellsworth Fund Ltd.

**2010 Annual Report
September 30, 2010**

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*2010 Annual Report
September 30, 2010*

Ellsworth Fund Ltd. operates as a closed-end, diversified management investment company and invests primarily in convertible securities, with the objectives of providing income and the potential for capital appreciation; which objectives the Fund considers to be relatively equal, over the long-term, due to the nature of the securities in which it invests.

Highlights

Performance through September 30, 2010 with dividends reinvested

	Calendar YTD	1 Year	Annualized		10 Year Volatility *
			5 Years	10 Years	
Ellsworth market price	12.67%	21.88%	7.75%	4.34%	14.63%
Ellsworth net asset value	8.69	16.44	3.25	2.30	12.70
Bank of America/Merrill Lynch All Convertibles Index	8.68	15.17	4.30	2.87	16.90
S&P 500 Index	3.91	10.18	0.64	(0.28)	18.33
Barclays Aggregate Bond Total Return Index	10.77	12.27	9.08	7.85	6.06

Bank of America/Merrill Lynch All Convertibles Index and S&P 500 Index performance in the table above are from Bloomberg L.P. pricing service. Barclays Aggregate Bond Total Return Index is from Barclays Capital.

Ellsworth's performance in the table above has not been adjusted for the fiscal 2004 rights offering; net asset value dilution was 2.21%. Performance data represents past results and does not reflect future performance.

* Volatility is a measure of risk based on the standard deviation of the return. The greater the volatility, the greater the chance of a profit or risk of a loss.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
12/31/09	\$7.56	\$7.02	\$7.54	\$6.57	\$5.93	\$6.56
3/31/10	7.82	7.24	7.77	6.89	6.22	6.84
6/30/10	8.02	7.31	7.33	7.16	6.31	6.39
9/30/10	7.96	7.28	7.95	7.17	6.35	7.17

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total	Corporate Deduction #
10/22/09	11/25/09	\$ 0.0985	\$	\$0.0985	20%
2/11/10	2/25/10	0.0675		0.0675	25

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5/13/10	5/27/10	0.0675	0.0675	25
8/12/10	8/26/10	0.0675	0.0675	25
		\$ 0.3010	\$	\$0.3010

Percentage of each ordinary income distribution qualifying for the corporate dividend received tax deduction.

To Our Shareholders

November 10, 2010

As we have discussed in prior letters, periods of economic uncertainty and recovery usually see robust issuance of convertible securities because CFOs see their equity prices as too low and the risk premia demanded by bond buyers to be too high. This combination often induced the CFOs of companies looking to add to their capital to issue convertible securities because they could be viewed as both lower cost senior capital (debt or preferred stock) and higher priced common stock. Forward looking companies have often repaired or even expanded their balance sheets using convertible securities as recoveries unfold.

This recovery is different, however. Some companies are choosing not to expand their capital structures at this time and are actually looking to reduce their overall debt. Indeed, the belief that many companies have too much leverage has taken hold in the financial community as several industries (especially banks and insurance companies) are actively seeking to improve their equity to total assets ratio. Many companies are improving this ratio through such measures as buying in their debt from capital generated by reducing their fixed costs and capital expenditures rather than just by issuing new equity securities. We still anticipate that convertible securities will be issued to fill these needs, but the yields are likely to continue to decline. There is clearly a demand for these securities despite the current reluctance of potential issuers.

The process of reducing debt levels across the American financial landscape of corporations, households and government is likely to take years. Further, new regulations such as those contained in the Basel III accords will require higher equity ratios in all banks, which will effectively reduce debt available through banks. Higher equity ratios among financial firms imply slower, but perhaps more sustainable, growth rates, low interest rates, and low inflation rates.

The convertible securities market is strong and healthy as it continues to provide more than competitive performance against equities. It has been projected by Citi that there will be between 90 and 100 new issues of convertible securities issued in 2010, a reasonable number, but that many of these issues are smaller than average. While dollars raised by new issuance may be low, the market capitalization of the Bank of America/ Merrill Lynch Convertible Index (BAML Index) still rose to \$229.8 billion, well above the year-end 2008 capitalization of \$177.4 billion and modestly above the year-end 2009 capitalization of \$220.9 billion. With 574 issues in the Index, there is a diversity of available securities for us to work with. The average current yield on the BAML Index has fallen to 3.47% from 3.71% at the end of 2009; the average premium to conversion value has fallen to 56.8% from 68.3% while the measured delta, a measure of sensitivity to stock price movements, has remained unchanged at 0.569.

Performance for the Fund's fiscal year was enhanced by its exposure to Computer Hardware, Healthcare and Automotive industries. Performance was held back, however, by the Fund's exposure to Aerospace and Defense, as well as to the Transportation industry.

The Fund's market return outperformed the BAML Index for the year-to-date, one-, five- and ten years ended September 30, 2010. The Fund's net asset value (NAV) outperformed the BAML Index for the year-to-date, one- and ten-year periods, and performed almost as well as the BAML Index for the five-year period, also ended September 30, 2010 (when the NAV is

continued on the following page

To Our Shareholders (continued)

adjusted for the fiscal 2004 rights offering and the fact that the Index does not include expenses). For the ten-year performance, the volatility of the Fund's NAV and market return, as measured by standard deviation, were lower than that of the BAML Index. The Fund has sought to provide total returns to shareholders that compare favorably to those provided by the equity markets, but with less volatility. It is therefore worth noting that the Fund's shares and the Fund's NAV outperformed equities as represented by the S&P 500® Index for all periods presented and did so with lower 10-year volatility as measured by standard deviation.

At its October 11, 2010 meeting, the Board of Trustees declared a distribution of \$0.071 per share, consisting of undistributed net investment income. The distribution is payable on November 24, 2010 to shareholders of record on October 21, 2010.

The 2011 annual meeting of shareholders will be held on January 14, 2011. Time and location will be included in the proxy statement, scheduled to be mailed to shareholders on November 29, 2010. All shareholders are welcome to attend and we hope to see you there.

Thomas H. Dinsmore
Chairman of the Board

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Largest Investment Holdings by underlying common stock

	Value (Note 1)	% Total Net Assets
Equinix, Inc. Equinix provides core Internet exchange services to networks, Internet infrastructure companies, enterprises and content providers.	\$ 2,741,338	2.6%
EMC Corp. EMC and its subsidiaries develop, deliver and support the information technology (IT) industry's range of information infrastructure technologies and solutions.	2,624,375	2.5
Vale S.A. Vale produces and sells iron ore, pellets, manganese, alloys, gold, bauxite and alumina. The company is based in Brazil, where it owns and operates railroads and maritime terminals.	2,271,923	2.1
Nuance Communications, Inc. Nuance is a provider of speech, imaging and keypad solutions for businesses, organizations and consumers worldwide. The company's solutions are used for tasks and services, such as requesting information from a phone-based, self-service solution, dictating medical records, searching the mobile Web by voice, entering a destination into a navigation system, or working with portable document format (PDF) documents.	2,182,500	2.0
SunPower Corp. SunPower is an integrated solar products and services company that designs, manufactures and markets high-performance solar electric power technologies.	2,084,475	2.0
Intel Corp. Intel is a semiconductor chip maker. The company is engaged in developing advanced integrated digital technology products, primarily integrated circuits, for industries such as computing and communications.	2,076,875	2.0
SBA Communications Corp. SBA owns and operates wireless communications infrastructure in the United States. The company offers both site leasing and site development services.	2,035,000	1.9
Old Republic International Corp. Old Republic is a holding company engaged in the business of insurance underwriting. The company conducts its operations through a number of regulated insurance company subsidiaries organized into three segments: General (property and liability insurance), Mortgage Guaranty, and Title Insurance Groups.	1,959,375	1.8
Wells Fargo & Company Wells Fargo is a diversified financial services company, providing retail, commercial and corporate banking services through banking stores located in 39 states and the District of Columbia.	1,760,500	1.7
Total	\$ 19,736,361	18.6%

Major Industry Exposure

	% Total Net Assets
Energy	14.6%
Telecommunications	13.9
Pharmaceuticals	11.1
Healthcare	7.9
Financial Services	5.3
Metals and Mining	5.3
Computer Software	4.4
Semiconductors	3.9
Banking/Savings and Loan	3.7
Computer Hardware	3.2
Total	73.3%

Major Portfolio Changes by underlying common stock
Six months ended September 30, 2010

ADDITIONS

Amgen
 Apache
 Charles River Laboratories Int l
 Chesapeake Energy
 Cubist Pharmaceuticals
 Ford Motor Co.
 Gilead Sciences
 GT Solar International
 Integra LifeSciences Holdings
 Micron Technology
 National Financial Partners
 NII Holdings
 Owens-Brockway Glass Container
 SanDisk
 Transocean

REDUCTIONS

Blackboard
 Celanese
 Central European Distribution
 Chesapeake Energy
 Euronet Worldwide
 Finisar
 Freeport-McMoRan
 NII Holdings
 Oil States International
 Salesforce.com
 SAVVIS
 Sybase
 TeleCommunications Systems
 The Walt Disney Company
 Whiting Petroleum

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ELLSWORTH FUND LTD. 2010 ANNUAL REPORT TO SHAREHOLDERS

Portfolio of Investments September 30, 2010

	Principal Amount	Identified Cost	Value (Note 1)
CONVERTIBLE BONDS AND NOTES - 69.3%			
Aerospace and Defense - 1.0%			
Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	\$ 1,000,000	\$ 1,001,875	\$ 1,016,250
Automotive - 1.0%			
Titan International, Inc. 5.625%, due 2017 cv. sr. sub. notes (NR)	750,000	773,788	1,110,000
Computer Hardware - 3.2%			
EMC Corp. 1.75%, due 2013 cv. sr. notes (A-)	1,900,000	2,101,703	2,624,375
NETAPP, Inc. 1.75%, due 2013 cv. sr. notes (NR)	500,000	429,988	815,625
		2,531,691	3,440,000
Computer Software - 4.4%			
GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR)	1,000,000	1,001,627	1,085,000
Microsoft Corp. 0%, due 2013 cv. sr. notes (Aaa) (1,2)	500,000	500,000	515,000
Nuance Communications Inc. 2.75%, due 2027 cv. sr. deb. (B-)	2,000,000	2,137,718	2,182,500
Rovi Corp. 2.625%, due 2040 cv. sr. notes (NR) (2)	750,000	759,878	933,750
		4,399,223	4,716,250
Construction Material - 0.9%			
CEMEX, S.A.B. de C.V. 4.875%, due 2015 cv. sub. notes (NR) (exchangeable for ADS representing common shares) (2)	1,000,000	1,037,850	967,500
Consumer Goods - 0.7%			
Regis Corp. 5%, due 2014 cv. sr. notes (NR)	500,000	500,000	705,625
Containers - 0.9%			
Owens-Brockway Glass Container, Inc. 3%, due 2015 exch. sr. notes (BB+) (2)	1,000,000	1,000,000	985,000
Data Processing - 0.9%			
CSG Systems International, Inc. 3%, due 2017 cv. sr. sub. notes (NR) (2)	1,000,000	1,037,997	992,500
Energy - 7.6%			
Covanta Holding Corp. 1%, due 2027 cv. sr. deb. (Ba3) (3)	1,750,000	2,105,723	1,699,688
Goodrich Petroleum Corp. 5%, due 2029 cv. sr. notes (NR)	1,000,000	1,014,533	915,000
McMoRan Exploration Co. 5.25%, due 2011 cv. sr. notes (NR)	590,000	561,801	682,188
Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	500,000	495,908	774,375
SunPower Corp. 1.25%, due 2027 cv. sr. deb. (NR)	1,500,000	1,508,506	1,383,750
SunPower Corp. 4.5%, due 2015 sr. cash cv. deb. (NR) (2)	750,000	750,000	700,725
Transocean Inc. 1.5%, due 2037 cv. sr. notes (Baa3)	1,000,000	921,432	961,250
Trina Solar Ltd. 4%, due 2013 cv. sr. notes (NR) (exchangeable for ADS representing common shares)	500,000	500,000	951,875

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7,857,903 8,068,851

Financial Services - 5.3%

CBIZ, Inc. 4.875%, due 2015 cv. sr. sub. notes (NR) (2)	125,000	125,000	133,825
Coinstar, Inc. 4%, due 2014 cv. sr. notes (BB+)	500,000	500,755	651,250
Old Republic International Corp. 8%, due 2012 cv. sr. notes (Baa1)	1,500,000	1,545,193	1,959,375
Euronet Worldwide, Inc. 3.5%, due 2025 cv. deb. (B+) (3)	1,000,000	1,289,592	981,250
Knight Capital Group, Inc. 3.5%, due 2015 cash cv. sr. sub. notes (NR) (2)	1,000,000	1,001,779	918,125
National Financial Partners Corp. 4% due 2017 cv. sr. notes (NR) (2)	750,000	750,000	888,750
Tower Group Inc. 5% due 2014 cv. sr. notes (NR) (2)			