

ELLSWORTH FUND LTD
Form N-CSR
December 08, 2009

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
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, 2009

Date of reporting period: September 30, 2009

ITEM 1. REPORTS TO STOCKHOLDERS.

Edgar Filing: ELLSWORTH FUND LTD - Form N-CSR

2009 Annual Report
September 30, 2009

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, 2009 with dividends reinvested

	Calendar		Annualized		10 Year
	YTD	1 Year	5 Years	10 Years	Volatility *
Ellsworth market price	33.72%	23.89%	1.99%	4.43%	17.05%
Ellsworth net asset value	36.19	6.13	2.47	2.81	13.32
Bank of America/Merrill Lynch All Convertibles Index	40.72	14.50	2.82	3.95	13.81
S&P 500 Index	19.27	(6.90)	1.01	(0.15)	15.42
Barclays Aggregate Bond Total Return Index	17.11	21.77	7.18	7.33	5.88

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 represent past results and do 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

Edgar Filing: ELLSWORTH FUND LTD - Form N-CSR

12/31/08	\$7.10	\$5.06	\$5.55	\$5.50	\$4.10	\$4.88
3/31/09	5.76	5.21	5.59	5.28	4.09	4.76
6/30/09	6.51	5.63	6.39	5.75	4.70	5.49
9/30/09	7.18	6.27	7.15	6.21	5.35	6.16

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total	Corporate Deduction #
10/22/08	11/26/08	\$ 0.103	\$ —	\$ 0.103	21%
2/12/09	2/26/09	0.075	—	0.075	20
5/14/09	5/28/09	0.075	—	0.075	20
8/13/09	8/27/09	0.065	—	0.065	20
		\$ 0.318	\$ —	\$ 0.318	

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

To Our Shareholders

November 16, 2009

The returns generated by convertible securities as a group so far this year were well above the expectations we had at the beginning of the year. As shown in the performance table on the opposite page, the Bank of America/Merrill Lynch All Convertibles Index (BAML Index), the Fund's portfolio and the Fund's market price have all outperformed equities as measured by the S&P 500 Index. This outperformance is not just for 2009, but for the past ten years as shown in the graph on the next page. Within the BAML Index, the greatest increase in value occurred in the most speculative (by rating) portion of the Index.

It has been the position of management at Ellsworth Fund Ltd. that convertible securities are capable of providing total returns that are competitive with equities over full market cycles with less volatility and higher income. This last decade has confirmed this capability. That being said, the strong recovery of convertible securities generated this year after the 2008 meltdown has brought convertible price levels back to a point where the convertible securities market appears more 'normal.' While the average premium to conversion value levels may be high enough at 80% on the BAML Index to make continued outperformance more difficult, we still see many attractive issues as the average has been skewed by a few issues with very high premiums. BAML and other institutions that provide convertible research continue to measure the convertible securities market as undervalued by the sum-of-the-parts method. The method takes the theoretical non-convertible bond or preferred share value, adds the theoretical value of the embedded option and compares that sum to the current price. This October the measure was undervalued by 1.6%, much closer to their measure of intrinsic value than the 5% of October 2008. While we are still positive about the potential returns from convertible securities, the obvious undervaluations are mostly gone now.

The BAML Index has expanded this year to \$208 billion from \$177.4 billion mostly due to price appreciation. While there have been \$27.9 billion of new convertible securities issued this year, \$55.6 billion have been redeemed. This is disappointing as we expected that many companies would choose to issue convertible securities to meet their capital needs. That expectation may still be met as the year winds down.

Performance for the Fund's fiscal year was enhanced by its exposure to the minerals and mining, and travel and leisure industries. Performance was hurt by its exposure to the consumer goods industry, and the oil and gas portion of the energy industry.

The Fund's net asset value (NAV) performed in line with the BAML Index over the five- and ten-year periods (this is the case when you adjust for the fiscal 2004 rights offering and the fact that the Index does not include expenses), and underperformed for the calendar year-to-date and one-year periods ended September 30, 2009. For the one-year and ten-year periods, Ellsworth's market return outperformed the Index, underperforming over the year-to-date and five-year periods. For the ten-year performance, the Fund's NAV volatility, as measured by standard deviation, was lower than that of the Index. Many market professionals consider the volatility of past returns to be a useful approximation of the past levels of risk. A higher volatility level equates to a higher measure of risk. This measure of historic results may not reflect future performance but we believe it is informative. The Fund has sought to provide total returns to shareholders that compare favorably to those provided by the equity markets, but with less volatility.

continued on the following page

Page 1

To Our Shareholders (continued)

Now posted on the Fund's website is a white paper on convertible securities. Written by Dinsmore Capital Management, this paper is a presentation on the strengths and weaknesses of convertible securities today. We believe many will find it educational.

At its October 12, 2009 meeting, the Board of Trustees declared a distribution of \$0.0985 per share, consisting of undistributed net investment income. The distribution is payable on November 25, 2009 to shareholders of record on October 22, 2009.

The 2010 annual meeting of shareholders will be held on January 15, 2010. Time and location will be included in the proxy statement, scheduled to be mailed to shareholders on November 30, 2009. All shareholders are welcome to attend and we hope to see you there.

Thomas H. Dinsmore
Chairman of the Board

Page 2

Largest Investment Holdings by underlying common stock

	Value (Note 1)	% Total Net Assets
Equinix, Inc.	\$ 2,634,375	2.8%
<p>Equinix provides core Internet exchange services to networks, Internet infrastructure companies, enterprises and content providers.</p>		
Blackboard Inc.	2,471,875	2.6
<p>Blackboard is a provider of enterprise software applications and related services to the education industry. The company serves colleges, universities, schools and other education providers, textbook publishers, student-focused merchants, corporate, and government clients.</p>		
LSB Industries	2,331,250	2.5
<p>LSB manufactures and sells chemical products for the mining, agricultural and industrial markets. The company also manufactures and sells commercial and residential climate control products.</p>		
Euronet Worldwide, Inc.	2,123,438	2.2
<p>Euronet is an electronic payments provider. The company offers automated teller machine (ATM), point-of-sale (POS) and card outsourcing services, integrated electronic financial transaction (EFT) software, network gateways, and electronic distribution of top-up services for prepaid mobile airtime and other prepaid products.</p>		
Oil States International, Inc.	2,025,844	2.1
<p>Oil States, through its subsidiaries, is a provider of specialty products and services to oil and gas drilling and production companies worldwide, operating in a number of oil and gas producing regions, including the Gulf of Mexico, United States onshore, West Africa, the North Sea, Canada, South America and Southeast and Central Asia.</p>		
Kinetic Concepts, Inc.	1,952,500	2.1

Edgar Filing: ELLSWORTH FUND LTD - Form N-CSR

Kinetic Concepts is a global medical technology company that manages advanced wound care, regenerative medicine and therapeutic surfaces.

Freeport-McMoRan Copper and Gold, Inc.	1,915,800	2.0
----------------------------------------	-----------	-----

Freeport-McMoRan is involved in mineral exploration and development, mining, and milling of copper, gold and silver. The company is also involved in smelting and refining copper concentrates.

Intel Corp.	1,883,125	2.0
-------------	-----------	-----

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.

Chattem, Inc.	1,862,240	2.0
---------------	-----------	-----

Chattem is a marketer and manufacturer of a portfolio of branded over-the-counter (OTC) healthcare products, toiletries and dietary supplements, in such categories as medicated skin care products, topical pain care, oral care, internal OTC, medicated dandruff shampoos, dietary supplements, and other OTC and toiletry products.

Total	\$ 19,200,447	20.3%
-------	---------------	-------

Major Industry Exposure

	% Total Net Assets
Energy	15.8%
Telecommunications	15.4
Pharmaceuticals	9.7
Healthcare	8.6
Computer Software	6.3
Minerals and Mining	6.2
Financial Services	4.8
Banking/Savings and Loan	4.4
Computer Hardware	4.0
Foods	3.6
Total	78.8%

Major Portfolio Changes by underlying common stock
Six months ended September 30, 2009

ADDITIONS

REDUCTIONS

ATP Oil & Gas

Agere Systems

Bunge Limited

Bank of America

Edgar Filing: ELLSWORTH FUND LTD - Form N-CSR

Cephalon

BorgWarner

Chesapeake Energy

Bristow Group

Comtech Telecommunications

Chesapeake Energy

Freeport-McMoRan Copper and Gold

Fifth Third Bancorp

Goldcorp

Freeport-McMoRan

Goodrich Petroleum

Ingersoll-Rand

Great Plains Energy

Nabors Industries

Ingersoll-Rand

National City

International Game Technology

Omnicare

Jaguar Mining

Prudential Financial

JetBlue Airways

RadioShack

National City

Rayonier TRS Holdings

Old Republic International

Schering-Plough

Regis

The Walt Disney Company

Edgar Filing: ELLSWORTH FUND LTD - Form N-CSR

Portfolio of Investments September 30, 2009

	Principal Amount	Identified Cost	Value (Note 1)
CONVERTIBLE BONDS AND NOTES - 69.4%			
Aerospace and Defense - 1.1%			
Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	\$ 1,000,000	\$ 1,003,798	\$ 1,028,750
Computer Hardware - 4.0%			
EMC Corp. 1.75%, due 2013 cv. sr. notes (A-)	1,000,000	1,020,090	1,236,250
NETAPP, Inc. 1.75%, due 2013 cv. sr. notes (NR)	1,500,000	1,245,286	1,631,250
Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR)	1,000,000	1,000,000	895,000
		3,265,376	3,762,500
Computer Software - 6.3%			
Blackboard Inc. 3.25%, due 2027 cv. sr. notes (BB-)	2,500,000	2,330,828	2,471,875
GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR)	1,500,000	1,400,782	1,338,750
Nuance Communications Inc. 2.75%, due 2027 cv. sr. notes (B-)	500,000	533,000	533,125
Sybase, Inc. 3.5%, due 2029 cv. sr. notes (NR) (1)	1,500,000	1,578,276	1,678,125
		5,842,886	6,021,875
Consumer Goods - 2.9%			
Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR)	1,808,000	1,796,363	1,862,240

Edgar Filing: ELLSWORTH FUND LTD - Form N-CSR

Regis Corp. 5%, due 2014 cv. sr. notes (NR)	750,000	750,000	931,875
		2,546,363	2,794,115
Energy - 9.0%			
Covanta Holding Corp. 1%, due 2027 cv. sr. deb. (Ba3) (2)	2,000,000	2,270,704	1,787,500
Goodrich Petroleum Corp. 5%, due 2029 cv. sr. notes (NR)			