

To Our Shareholders

November 21, 2011

In the three months ended September 30, 2011, U.S. and Global equities markets endured their worst quarter in three years. The overall volatility of equity markets and the continued decline in interest rates in the U.S. has affected the convertible securities market. Reducing debt and fixed charges has become an important goal for many corporations; consequently, we have seen a drop in issuance of convertible securities as potential issuers are reluctant to come to market.

Although the convertible securities market is still a good place to find appropriate investments, it has become narrower in scope. As a result of this trend, Ellsworth Fund has been expanding its exposure to common stocks with significant dividend yields. We anticipate that convertible securities will continue to make up the vast majority of our holdings for the foreseeable future (they are currently over 85%); however, we expect to also continue using dividend paying common stocks to broaden the portfolio's exposure to companies and industries with poor convertible securities exposure.

As of October 31, 2011 the cumulative value of the Bank of America Merrill Lynch All U.S. Convertibles Index (BAML Index) was \$201 billion, down from \$232 billion at year end 2010. The Index added 30 new issues worth \$8.2 billion over the six months ended October 31, 2011. There are 525 issues in the BAML Index which represent approximately 89% of the dollar-denominated U.S. convertible securities market. The index has an average current yield of 3.53% and a premium-to-conversion value of 52%. The average equity sensitivity measure (parity delta) of the index has dropped further to 0.58, implying the index is less sensitive to stock price movements. We believe that convertible securities, taken in the aggregate, are fairly valued. There are, however, numerous issues that appear undervalued.

Performance for the Fund's fourth fiscal quarter of 2011 (ended September 30) was enhanced by exposure to the Utilities and Financial Services industries. Performance was held back, however, by the Fund's exposure to the Energy and Transportation industries.

The Fund's net asset value (NAV) outperformed the BAML Index for the calendar year-to-date, one- and five-year periods, but underperformed for the ten-year period ended September 30, 2011 (when the NAV is adjusted for the fiscal 2004 rights offering and the fact that the Index does not include expenses). The Fund's market return outperformed the BAML Index for the five years ended September 30, 2011 but underperformed for the calendar year-to-date, one- and ten-year periods.

Ellsworth seeks to provide total returns to shareholders that compare favorably to those provided by equity markets, but with less volatility. We therefore note that the Fund's NAV and shares outperformed equities, as represented by the S&P 500® Index, for the five- and ten- year periods presented; the NAV did so with lower 10-year volatility, as measured by standard deviation, than that experienced by the S&P 500® Index. The Fund's NAV return was also less volatile than the BAML Index for the 10 years, as measured by standard deviation.

We have put an updated version of our White Paper on Convertible Securities on our website. This document is intended to provide a solid introduction to the U.S. convertible securities market.

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To Our Shareholders (continued)

At its October 17, 2011 meeting, the Board of Trustees declared a distribution of \$0.061 per share, consisting of undistributed net investment income. The distribution is payable on November 23, 2011 to shareholders of record on October 28, 2011.

The 2012 annual meeting of shareholders will be held on January 13, 2012. Information about the location of the meeting will be included in the proxy statement, scheduled to be mailed to shareholders on November 28, 2011. All shareholders are welcome to attend and we hope to see you there.



Thomas H. Dinsmore
Chairman of the Board

