

# Ellsworth Convertible Growth and Income Fund, Inc.

65 Madison Avenue Suite 550 • Morristown, New Jersey 07960-7308 • www.ellsworthfund.com

## First Quarter Update - December 31, 2003 (unaudited)

### Financial Highlights

Market value 12/31/03	\$8.00
Net asset value (NAV) 12/31/03	\$8.91
Market discount to NAV	(10.21)%
12-Month income distribution	\$0.32
Yield on market value	4.00%
Ratio of expenses to avg. net assets	1.15%*
Ratio of net income to avg. net assets	3.81%*
Portfolio turnover	14.55%
Shares outstanding	12,298,127

\*Annualized

### Change in Net Asset Value (NAV)

	Per Share
Beginning NAV (9/30/03)	\$ 8.58
Changes in NAV from Operations:	
Net Investment Income	0.08
Realized Gain	0.02
Increase in Unrealized Gain	0.34
Total Change from Operations	0.44
Distributions:	
Net Investment Income	(0.11)
Capital Gains	0.00
Total Change from Distributions	(0.11)
Total Change	0.33
Ending NAV (12/31/03)	\$ 8.91

### Major Industry Exposure as of 12/31/03

	% of Net Assets
Retail	10.3
Pharmaceuticals	10.0
Financial & Insurance	9.7
Energy	8.9
Technology	8.8
Telecommunications	8.7
Banking/Savings & Loan	8.6
Health Care	6.4
Aerospace & Defense	4.6
Entertainment	4.0

The portfolio holdings and industry exposure are as of December 31, 2003 and subject to change without notice.

Detailed portfolio information is available on our website (www.ellsworthfund.com). Visit us there or contact us by e-mail at info@ellsworthfund.com or call us at (973) 631-1177.

### Performance through 12/31/03 *with dividends reinvested*

	3 Months	1 Year	5 Years	10 Years
Ellsworth market value (a)	0.70%	11.78%	36.96%	170.44%
Ellsworth net asset value (b)	5.09	16.57	24.14	142.97
Closed-end conv. fund avg. (b)	7.97	29.18	38.68	112.79
S&P 500 (a)	12.18	28.68	(2.81)	185.49
Russell 2000 (a)	14.53	47.29	41.64	115.36(c)
Lehman Aggregate Bond Total Return Index (b)	0.32	4.10	37.80	95.76

Performance data represent past results and do not reflect future performance.

(a) From Bloomberg L.P. pricing service.

(b) From Lipper, Inc. Closed-End Fund Performance Analysis, December 31, 2003.

(c) Simple appreciation of index.

### Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Mar. 03	\$8.16	\$7.69	\$7.90	\$7.96	\$7.41	\$7.52
Jun. 03	8.71	7.95	8.58	8.42	7.52	8.31
Sept. 03	8.71	8.35	8.58	8.51	7.97	8.05
Dec. 03	8.92	8.58	8.91	8.22	7.80	8.00

### Total Fund Investments as of 12/31/03

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 60,976	55.7
Convertible Preferred Stocks	21,646	19.8
Mandatory Convertible Securities	19,632	17.9
Common Stock	1,687	1.5
Short-Term Securities	2,311	2.1
Other Assets	3,315	3.0
Net Assets	\$109,567	100.0%

### Largest Investment Holdings as of 12/31/03

	% of Net Assets
Amerada Hess Corp.	2.5
Washington Mutual, Inc.	2.3
Reinsurance Group of America, Inc.	2.2
Church & Dwight Co., Inc.	2.1
Lucent Technologies, Inc.	2.1
Affiliated Computer Services, Inc.	2.0
STMicroelectronics, N.V.	2.0
Ivax Corp.	1.9
Teva Pharmaceuticals Industries Ltd.	1.8
Travelers Property Casualty Corp.	1.8

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## **To Our Shareholders:**

February 12, 2004

The US economy is finally beginning to grow at rates that are historically strong. Many of the deleterious effects of the bursting of the Internet Bubble in 2000 and the murderous attack on America in 2001 have washed through the financial markets and the economy. Time, productivity gains, lower tax rates and American resiliency have started to move us forward again. Sustained Gross Domestic Product growth in 2004 is expected to be between 4 and 5%, which compares favorably with the growth rates experienced in the 1990's. While job creation and consumer confidence often lag new economic growth, they do tend to catch up over time.

Ellsworth Convertible Growth and Income Fund, Inc. was founded in 1986. The Fund's strategy has consistently been to use convertible securities as an equity alternative to reduce risk and volatility. This strategy tends to outperform in bear markets and lag in bull markets. For the ten year period ended December 31, 2003, the Fund won the Lipper Performance Achievement Certificate within the category of closed-end convertible funds (such category included seven funds for the ten year period). Fund performance for calendar 2003 has lagged its peers as we have had a bull market and our peers have changed. Of the fifteen closed-end convertible funds in the Lipper Closed-End Performance Analysis survey, nine are now leveraged funds, nine have recently had more than one third of their portfolios in non-convertible debt (mostly high yield securities) and one has half of its portfolio in common stock and warrants. Only four funds remain unleveraged convertible funds (greater than 80% of investments in convertible securities). The addition of leverage usually makes portfolios more volatile and the addition of non-convertible debt increases exposure to interest rate risk.

The open-end mutual fund industry has been caught up in a financial scandal involving market timing and late trading, which may adversely affect long-term investors in the funds implicated in the scandal. The publicly-traded closed-end fund format prevents the kind of trading activity at the center of the scandal from affecting the assets or diluting the interests of the shareholders in closed-end funds. Readers should note this is another positive attribute of the closed-end fund structure.

The Fund's website ([www.ellsworthfund.com](http://www.ellsworthfund.com)) contains press releases, dividend information and daily net asset values. The Closed-End Fund Association ([www.cefa.com](http://www.cefa.com)), of which the Fund is a member, is another source of information on many closed-end funds.\* Based upon data through January 31, 2004, Morningstar \*\* has rated the Fund's performance at three stars (average) overall and four stars (above average) for the ten year period as measured on the "Quicktake Report" on their website. In addition, shareholders who wish to obtain a copy of the most recent report on the Fund issued by Standard and Poor's should contact us.

At its January meeting the Board of Directors declared a dividend of 7 cents per share. The dividend consists of undistributed net investment income. This dividend will be payable on February 26, 2004 to shareholders of record on February 12, 2004.



Thomas H. Dinsmore  
Chairman of the Board


\* The Closed-End Fund Association is solely responsible for the content of its website.

\*\* Morningstar is a mutual fund analysis and statistical reporting service that reports on and rates most mutual funds. It is solely responsible for the content of its website.

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### **Shareholder Services and Transfer Agent**

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10007  
(800) 937-5449  
[www.amstock.com](http://www.amstock.com)

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### **Investment Adviser**

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### **Stock Exchange Listing**

AMEX - Symbol: ECF



# Portfolio of Investments December 31, 2003 (unaudited)

<u>Principal Amount or Shares</u>		<u>Value</u>
	<b>ADVERTISING — 0.9%</b>	
\$1,000,000	Lamar Advertising Company 2.875% 2010 cv. sub. notes (B2) .....	<u>\$1,025,000</u>
	<b>AEROSPACE &amp; DEFENSE — 4.6%</b>	
1,500,000	The Goldman Sachs Group, Inc. 1.00% 2009 exch. equity-linked notes * (Aa3) (exch. for General Dynamics Corp. common stock) .....	1,425,090
750,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes 144A (Ba3) ..	946,406
15,000 shs	Northrop Grumman Corp. 7.25% equity units ** (NR) .....	1,555,500
20,000 shs	RC Trust I 8.25% equity security units ** (BB) (exch. for Raytheon Co. class B common stock) .....	<u>1,085,600</u>
		<u>5,012,596</u>
	<b>AUTOMOTIVE — 3.4%</b>	
60,000 shs	General Motors Corp. 6.25% series C cv. sr. deb. (Baa1) .....	1,923,750
2,500,000	Lear Corp. 0% 2022 cv. sr. notes 144A (Ba1) .....	1,315,625
1,000,000	Lear Corp. 0% 2022 cv. sr. notes (Ba1) .....	526,250
		<u>3,765,625</u>
	<b>BANKING/SAVINGS &amp; LOAN — 8.6%</b>	
15,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. 144A (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	922,500
5,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	307,500
4,000 shs	Doral Financial Corp. 4.75% perpetual cumulative cv. pfd. 144A (BB) .....	1,034,000
40,000 shs	National Australia Bank Ltd. 7.875% exch. capital units (NR) .....	1,528,000
25,000 shs	New York Community Bancorp, Inc. 6% BONUSSES units (Baa2) .....	1,907,325
5,000 shs	State Street Corp. 6.75% treasury backed ACES ** (NR) .....	1,219,922
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	1,960,000
10,000 shs	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	560,000
		<u>9,439,247</u>
	<b>CONSUMER GOODS — 3.2%</b>	
2,000,000	Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. 144A (B1) .....	2,320,720
40,000 shs	Constellation Brands, Inc. dep. shs. representing 5.75% series A mandatory cv. pfd. ** (B) .....	<u>1,231,200</u>
		<u>3,551,920</u>
	<b>DATA-PROCESSING SERVICES — 2.4%</b>	
965,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR) .....	955,350
285,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes (NR) .....	282,150
875,000	Pegasus Solutions, Inc. 3.875% 2023 cv. sr. notes 144A (NR) .....	803,906
625,000	Pegasus Solutions, Inc. 3.875% 2023 cv. sr. notes (NR) .....	574,219
		<u>2,615,625</u>
	<b>ENERGY — 8.9%</b>	
50,000 shs	Amerada Hess Corp. 7% mandatory cv. pfd. ACES ** (Ba2) .....	2,742,000
12,500 shs	Chesapeake Energy Corp. 6% cum. cv. pfd. 144A (B3) .....	934,500
6,250 shs	Chesapeake Energy Corp. 5% cv. pfd. (B3) .....	685,547
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (Baa2) (conv. into ChevronTexaco Corp. common stock) .....	1,026,250
1,500,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa3) .....	1,588,110
30,000 shs	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa3) (exch. for Devon Energy Corp. common stock) .....	1,497,000
20,000 shs	The Williams Cos., Inc. 5.50% 2033 jr. sub. cv. deb. 144A (B-) .....	<u>1,305,000</u>
		<u>9,778,407</u>

# Portfolio of Investments December 31, 2003 (continued)

Principal Amount or Shares		Value
	<b>ENTERTAINMENT — 4.0%</b>	
\$ 500,000	Alloy, Inc. 5.375% 2023 cv. sr. deb (NR) .....	\$ 482,500
22,500 shs	Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caa1) .....	1,127,813
2,500,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADS representing The News Corp. Limited common stock) .....	1,419,375
1,250 shs	Radio One, Inc. 6.50% HIGH TIDES (B3) .....	1,342,344
		<u>4,372,032</u>
	<b>FINANCIAL &amp; INSURANCE — 9.7%</b>	
27,800 shs	Capital One Financial Corp. 6.25% Upper DECS ***(Baa3) .....	1,332,732
52,000 shs	The Chubb Corp. 7% equity units ***(A1) .....	1,498,640
40,000 shs	Platinum Underwriters Holdings, Ltd. 7% equity security units ***(NR) .....	1,239,600
40,000 shs	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2) .....	2,365,000
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds 144A (Aa1) (conv. into Swiss Reinsurance Company common stock) .....	947,500
80,000 shs	Travelers Property Casualty Corp. 4.50% 2032 cv. jr. sub. notes (A3) .....	1,958,000
1,500,000	XL Capital, Ltd. 0% 2021 cv. deb. 144A * (A1) .....	956,250
500,000	XL Capital, Ltd. 0% 2021 cv. deb. * (A1) .....	318,750
		<u>10,616,472</u>
	<b>HEALTH CARE — 6.4%</b>	
750,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes 144A (B1) .....	901,500
250,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes (B1) .....	300,500
1,000,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3) .....	1,074,600
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes 144A (B3) .....	503,125
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes (B3) .....	503,125
625,000	Mentor Corp. 2.75% 2024 cv. deb. 144A (NR) .....	672,266
28,000 shs	Omnicare Capital Trust I 4% PIERS * (Ba3) (exch. for Omnicare, Inc. common stock) .....	1,785,000
600,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes 144A (B1) .....	746,625
400,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes (B1) .....	497,750
		<u>6,984,491</u>
	<b>MACHINERY — 0.6%</b>	
550,000	AGCO Corp. 1.75% cv. sr. sub. notes 144A (B1) .....	620,125
	<b>OFFICE EQUIPMENT — 1.5%</b>	
1,500,000	IOS Capital, LLC 5% 2007 cv. sub. notes 144A (Ba2) (exch. for IKON Office Solutions, Inc. common stock) .....	1,591,875
	<b>PAPER &amp; PAPER PRODUCTS — 1.1%</b>	
20,000 shs	Temple-Inland, Inc. 7.50% Upper DECS ***(Baa3) .....	1,162,400
	<b>PHARMACEUTICALS — 10.0%</b>	
2,000,000	Amgen, Inc. 0% 2032 LYONS * (A2) .....	1,513,780
31,500 shs	Baxter International, Inc. 7% equity units ***(A3) .....	1,743,525
750,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes 144A (B-) .....	717,188
250,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes (B-) .....	239,063
1,000,000	Gilead Sciences, Inc. 2% 2007 cv. sr. notes 144A (NR) .....	1,371,100
250,000	Guilford Pharmaceuticals, Inc. 5% 2008 cv. sub. notes 144A (NR) .....	325,785
500,000	Ivax Corp. 4.50% 2008 cv. sr. sub. notes (NR) .....	503,800
1,500,000	Ivax Corp. 5.50% 2007 cv. sr. sub. notes (NR) .....	1,558,125
18,300 shs	Johnson & Johnson common stock .....	945,378
1,500,000	Teva Pharmaceutical Finance B.V. 0.75% 2021 cv. sub. deb. (BBB) (exch. for Teva Pharmaceuticals Industries Ltd. ADRs) .....	2,017,500
		<u>10,935,244</u>

# Portfolio of Investments December 31, 2003 (continued)

Principal Amount or Shares		Value
<b>RETAIL — 10.3%</b>		
\$1,000,000	Barnes & Noble, Inc. 5.25% 2009 cv. sub. notes (B1) .....	\$ 1,085,000
500,000	Brinker International, Inc. 0% 2021 cv. sr. deb. (Baa2) .....	338,270
1,500,000	Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes 144A (NR) .....	1,477,500
1,250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes 144A (B2) .....	1,207,031
250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes (B2) .....	241,406
2,000,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3) .....	1,706,600
500,000	Dave & Buster's, Inc. 5% 2008 cv. sub. notes Reg.D with warrants attached (NR) .....	588,125
750,000	J.C. Penney, Inc. 5% 2008 cv. sub. notes (B1) .....	823,125
550,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (B+) .....	639,177
250,000	School Specialty, Inc. 6% 2008 cv. sub. notes (B+) .....	290,535
2,000,000	The TJX Companies, Inc. 0% 2021 LYONs (Baa1) .....	1,683,750
30,000 shs	Toys "R" Us, Inc. 6.25% equity securities units **,* (NR) .....	1,198,500
		<u>11,279,019</u>
<b>TECHNOLOGY — 8.8%</b>		
250,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa2) ....	317,375
1,500,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes (Baa2) .....	1,904,250
1,000,000	Axcelis Technologies, Inc. 4.25% 2007 cv. sub. notes (NR) .....	972,500
2,379,000	Hewlett-Packard Co., Inc. 0% 2017 LYONS (Baa1) .....	1,315,884
1,500,000	International Rectifier 4.25% 2007 cv. sub. notes (B2) .....	1,501,875
2,000,000	STMicroelectronics, N.V. 0% 2013 sr. cv. bonds 144A # (A3) .....	2,170,000
1,000,000	Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes 144A (B3) .....	1,405,890
		<u>9,587,774</u>
<b>TELECOMMUNICATIONS — 8.7%</b>		
550,000	Commonwealth Telephone Enterprises, Inc. 3.25% 2023 cv. notes * (NR) .....	561,688
750,000	Comverse Technology, Inc. 0% 2023 ZYPS 144A # (BB-) .....	883,800
750,000	Comverse Technology, Inc. 0% 2023 ZYPS # (BB-) .....	883,800
27,700 shs	The Goldman Sachs Group, Inc. 7.30% mandatory exchangeable notes ** (Aa3) (exch. for Verizon Communications, Inc. common stock) .....	972,021
1,000,000	Level 3 Communications, Inc. 2.875% 2010 cv. sub. notes (Caa2) .....	1,044,260
1,000,000	Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (Caa1) .....	1,141,310
1,000,000	Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (Caa1) .....	1,178,720
1,000,000	Nextel Communications, Inc. 2.875% 2010 cv. sr. notes (B2) .....	1,243,750
750,000	Tekelec, Inc. 2.25% 2008 cv. sub. discount notes 144A (NR) .....	842,813
20,000 shs	UTStarcom, Inc. common stock .....	741,400
		<u>9,493,562</u>
<b>TRANSPORTATION — 0.9%</b>		
750,000	Continental Airlines, Inc. 4.50% 2007 cv. notes (Caa2) .....	673,613
250,000	ExpressJet Holdings, Inc. 4.25% 2023 cv. notes 144A (NR) .....	283,125
		<u>956,738</u>
<b>UTILITIES — 1.1%</b>		
45,000 shs	DTE Energy Co. 8.75% equity security units **,* (BBB) .....	1,152,900

# Portfolio of Investments December 31, 2003 (continued)

Principal Amount or Shares		Value
	<b>SHORT-TERM SECURITIES — 2.1%</b>	
\$2,300,000	American Express Credit Corp. (P1) (0.85% maturing 01/02/03) .....	\$ 2,299,783
11,000	U.S. Treasury notes 3.375% 4/30/04 † (Aaa) .....	11,089
		<u>2,310,872</u>
	<b>Total Convertible Bonds and Notes — 55.7%</b> .....	60,976,455
	<b>Total Convertible Preferred Stocks — 19.8%</b> .....	21,646,279
	<b>Total Mandatory Convertible Securities — 17.9%</b> .....	19,631,540
	<b>Total Common Stocks — 1.5%</b> .....	1,686,778
	<b>Total Short-Term Securities — 2.1%</b> .....	<u>2,310,872</u>
	<b>Total Investments — 97.0%</b> .....	106,251,924
	<b>Other assets and liabilities, net — 3.0%</b> .....	3,315,537
	<b>Total Net Assets — 100.0%</b> .....	<u>\$109,567,461</u>

- \* Contingent payment debt instrument. See Note 1(b) Annual Report to Shareholders, dated September 30, 2003.
- \*\* Mandatory convertible. See Note 1(e) Annual Report to Shareholders, dated September 30, 2003.
- # Non-income producing security.
- † Collateral for a letter of credit.

ACES	Automatic Convertible Equity Securities.
ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BONUSES	Bifurcated Option Note Unit Securities.
DECS	Debt Exchangeable for Common Stock.
HIGH TIDES	Remarketable Term Income Deferrable Equity Securities.
LYONS	Liquid Yield Option Notes.
PIERS	Preferred Income Equity Redeemable Securities.
ZYPS	Zero Yield Puttable Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's, a division of McGraw-Hill Companies, Inc. NR is used whenever a rating is unavailable.