

# Ellsworth Convertible Growth and Income Fund, Inc.

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

## Third Quarter Update - June 30, 2003 (unaudited)

### Financial Highlights

Market value 6/30/03	\$8.31
Net asset value (NAV) 6/30/03	\$8.58
Market discount to NAV	(3.15)%
12-Month income distribution	\$0.31
Yield on market value	3.73%
Ratio of expenses to avg. net assets	1.23%*
Ratio of net income to avg. net assets	3.70%*
Portfolio turnover	66.42%
Shares outstanding	10,461,994

\* Annualized.

### Change in Net Asset Value (NAV)

	Per Share
Beginning NAV (9/30/02)	\$ 7.81
Changes in NAV from Operations:	
Net Investment Income	0.22
Realized Loss	(0.05)
Increase in Unrealized Gain	0.75
Total Change from Operations	0.92
Distributions:	
Net Investment Income	(0.15)
Capital Gains	0.00
Total Change from Distributions	(0.15)
Total Change	0.77
Ending NAV (6/30/03)	\$ 8.58

### Major Industry Exposure as of 6/30/03

	% of Net Assets
Financial & Insurance	11.3
Pharmaceuticals	11.0
Banking/Savings & Loan	9.9
Energy	9.2
Retail	8.3
Technology	7.3
Health Care	6.3
Telecommunications	6.2
Aerospace & Defense	5.8
Entertainment	4.1

The portfolio holdings and industry exposure are as of June 30, 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 6/30/03 with dividends reinvested

	6 Months	1 Year	5 Years	10 Years
Ellsworth market value (a)	13.61%	4.93%	33.59%	193.00%
Ellsworth net asset value (b)	10.00	4.70	18.79	143.70
Closed-end conv. fund avg. (b)	14.67	10.07	17.52	110.62
S&P 500 (a)	11.76	0.25	(7.79)	160.19
Russell 2000 (a)	17.90	(1.63)	5.30	92.14(c)
Lehman Aggregate Bond Total Return Index (b)	3.93	10.40	43.87	100.64

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, June 30, 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
Sep. 02	\$8.38	\$7.62	\$7.81	\$8.24	\$7.00	\$7.55
Dec. 02	8.06	7.51	7.94	7.90	6.95	7.45
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

### Total Fund Investments as of 6/30/03

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 50,784	56.6
Mandatory Convertible Securities	18,433	20.5
Convertible Preferred Stocks	16,565	18.4
Common Stock	946	1.1
Short-term Investments	1,411	1.6
Other Assets	1,600	1.8
Net Assets	\$ 89,739	100.0%

### Largest Investment Holdings as of 6/30/03

	% of Net Assets
Washington Mutual, Inc.	3.0
Reinsurance Group of America, Inc.	2.5
Ivax Corp.	2.2
Anixter International, Inc.	2.1
Travelers Property Casualty Corp.	2.1
Lucent Technologies, Inc.	2.0
Offshore Logistics, Inc.	2.0
Capital One Financial Corp.	1.8
National Australia Bank Ltd.	1.7
New York Community Bancorp, Inc.	1.7

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## **To Our Shareholders:**

August 13, 2003

Since the autumn of 1981 the U.S. financial markets have experienced a secular bull market in bonds. Interest rates on the ten year Treasury Bond have fallen from a high of just under 16% in 1981 to a low of 3.1% this June. This decline in interest rates was not in a straight line as during this period there were four year-long increases in rates. In each case, interest rates eventually resumed their decline.

Since bottoming in June the interest rates on the ten year Treasury Bond moved up briefly to over 4.5%. This has caused market participants to pull back fearful that this might mark the beginning of a long term rise in rates, signalling the end of the twenty-two year secular bull market in bonds. Or perhaps, less ominously, this marks the beginning of another one year rise in rates. In either case, if there is an increase in interest rates, history suggests a poor stock market. Three of the four instances of rising rates since 1981 coincided with below average stock markets. The fourth was in 1999.

While fully aware of this history, we believe that if interest rates continue to rise, it will be because of improved economic activity which would imply better corporate earnings. If corporate earnings pick up, as we expect, the stock market should also improve.

A basic premise under which the Fund operates is that convertible securities can offer equity-like performance with less volatility over complete market cycles. As indicated on the chart on the facing Highlights page, the Fund's net asset and market values outperformed the Closed-end Convertible Fund average and the Russell 2000 Index for the five year and ten year periods ended June 30, 2003. The Fund also outperformed the S&P 500 Index for the one year and five year periods ended June 30, 2003. We believe that past outperformance of these important indices and of our peer category, while no guarantee of future returns, is an historical validation of this premise.

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 July 31, 2003, Morningstar \*\* has continued to rate the Fund's performance at four stars (above average) overall 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 July 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 August 28, 2003 to shareholders of record on August 14, 2003.



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 June 30, 2003 (unaudited)

<u>Principal Amount or Shares</u>		<u>Value</u>
	<b>ADVERTISING — 3.1%</b>	
\$1,550,000	The Interpublic Group Cos., Inc. 1.80% 2004 cv. sub. notes (NR) .....	\$1,488,310
750,000	Lamar Advertising Company 2.875% 2010 cv. sub. notes (B2) .....	756,563
500,000	Omnicom Group, Inc. 0% 2033 zero yield cv. notes 144A * (Baa1) .....	496,250
		<u>2,741,123</u>
	<b>AEROSPACE &amp; DEFENSE — 5.8%</b>	
1,500,000	The Goldman Sachs Group, Inc. 1.00% 2009 exh. equity-linked notes * (Aa3) (exch. for General Dynamics Corp. common stock) .....	1,401,855
750,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes 144A (Ba3) ..	870,000
225,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes (Ba3) .....	261,000
15,000 shs	Northrop Grumman Corp. 7.25% equity units ** (NR) .....	1,526,250
20,000 shs	RC Trust I 8.25% equity security units ** (BB) (exch. for Raytheon Co. class B common stock) .....	1,144,800
		<u>5,203,905</u>
	<b>AUTOMOTIVE — 2.4%</b>	
40,000 shs	General Motors Corp. 6.25% series C cv. sr. deb. (Baa1) .....	992,500
2,500,000	Lear Corp. 0% 2022 cv. sr. notes 144A (Ba1) .....	1,181,250
		<u>2,173,750</u>
	<b>BANKING/SAVINGS &amp; LOAN — 9.9%</b>	
15,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. 144A (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	799,688
5,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	266,563
40,000 shs	National Australia Bank Ltd. 7.875% exh. capital units (NR) .....	1,553,600
25,000 shs	New York Community Bancorp, Inc. 6% BONUSSES units (Ba1) .....	1,569,675
40,000 shs	Provident Financial Group, Inc. 9% PRIDES ** (NR) .....	1,050,000
5,000 shs	State Street Corp. 6.75% treasury backed ACES ** (NR) .....	1,031,885
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	2,065,000
10,000 shs	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	590,000
		<u>8,926,411</u>
	<b>CABLE — 1.3%</b>	
1,000,000	Charter Communications, Inc. 5.75% 2005 cv. sr. notes (Ca) .....	700,000
21,250 shs	Equity Securities Trust II 6.25% ** (NR) (exch. for Cablevision Systems Corp. common stock) .....	491,738
		<u>1,191,738</u>
	<b>CONSUMER GOODS — 1.2%</b>	
16,300 shs	Newell Financial Trust I 5.25% (Baa2) (exch. for Newell Rubbermaid, Inc. common stock) .....	772,457
	<b>DATA-PROCESSING SERVICES — 1.4%</b>	
965,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR) .....	949,319
285,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes (NR) .....	280,369
		<u>1,229,688</u>

# Portfolio of Investments June 30, 2003 (continued)

Principal Amount or Shares		Value
	<b>ENERGY — 9.2%</b>	
\$ 500,000	Devon Energy Corp. 4.90% 2008 cv. sub. deb. * (Baa2) (conv. into ChevronTexaco Corp. common stock) . . . . .	\$ 513,750
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (Baa2) (conv. into ChevronTexaco Corp. common stock) . . . . .	1,025,000
1,300,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa3) . . . . .	1,397,292
30,000 shs	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa3) (exch. for Devon Energy Corp. common stock) . . . . .	1,428,600
1,750,000	Offshore Logistics, Inc. 6% 2003 cv. sub. notes (B1) . . . . .	1,780,625
37,500 shs	ONEOK, Inc. 8.50% equity units *,** (Baa1) . . . . .	1,056,750
20,000 shs	The Williams Cos., Inc. 5.50% 2033 jr. sub. cv. deb. 144A (B-) . . . . .	1,080,000
		<u>8,282,017</u>
	<b>ENTERTAINMENT — 4.1%</b>	
22,500 shs	Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caa1) . . . . .	1,023,750
2,500,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADSs representing The News Corp. Limited common stock) . . . . .	1,384,125
1,250 shs	Radio One, Inc. 6.50% HIGH TIDES (B3) . . . . .	1,291,094
		<u>3,698,969</u>
	<b>FINANCIAL &amp; INSURANCE — 11.3%</b>	
5,000 shs	AmerUs Group Co. 6.25% equity units PRIDES ** (Baa3) . . . . .	137,813
40,000 shs	Capital One Financial Corp. 6.25% Upper DECS ***,** (Baa3) . . . . .	1,635,200
34,000 shs	The Chubb Corp. 7% equity units *,** (NR) . . . . .	873,800
40,000 shs	Platinum Underwriters Holdings, Ltd. 7% equity security units *,** (NR) . . . . .	1,170,000
40,000 shs	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2) . . . . .	2,229,600
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds 144A (Aa1) (conv. into Swiss Reinsurance Company common stock) . . . . .	938,125
80,000 shs	Travelers Property Casualty Corp. 4.50% 2032 cv. jr. sub. notes (A3) . . . . .	1,920,000
1,500,000	XL Capital, Ltd. 0% 2021 cv. deb. 144A * (A1) . . . . .	952,553
500,000	XL Capital, Ltd. 0% 2021 cv. deb. * (A1) . . . . .	317,518
		<u>10,174,609</u>
	<b>HEALTH CARE — 6.3%</b>	
750,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes 144A (Ba3) . . . . .	1,072,500
250,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes (Ba3) . . . . .	357,500
1,000,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3) . . . . .	1,002,750
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes 144A (B3) . . . . .	480,100
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes (B3) . . . . .	480,100
7,500 shs	Omnicare Capital Trust I 4% PIERS * (Ba3) (exch. for Omnicare, Inc. common stock) . . . . .	411,000
1,000,000	Province Healthcare Company 4.25% 2008 cv. sub. notes 144A (B3) . . . . .	910,000
600,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes 144A (B1) . . . . .	577,500
400,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes (B1) . . . . .	385,000
		<u>5,676,450</u>
	<b>OFFICE EQUIPMENT — 2.8%</b>	
1,500,000	IOS Capital, LLC 5% 2007 cv. sub. notes 144A (Ba2) (exch. for IKON Office Solutions, Inc. common stock) . . . . .	1,470,000
10,000 shs	Xerox Corp. 6.25% series C mandatory cv. pfd. ** (Caa1) . . . . .	1,053,000
		<u>2,523,000</u>
	<b>PAPER &amp; PAPER PRODUCTS — 1.2%</b>	
25,000 shs	Temple-Inland, Inc. 7.50% Upper DECS ***,** (Baa3) . . . . .	1,111,250

# Portfolio of Investments June 30, 2003 (continued)

Principal Amount or Shares		Value
<b>PHARMACEUTICALS — 11.0%</b>		
21,500 shs	Baxter International, Inc. 7% equity units ***(A3) .....	\$1,052,156
\$ 750,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes 144A (B-) .....	692,813
500,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes (B-) .....	461,875
1,000,000	Gilead Sciences, Inc. 2% 2007 cv. sr. notes 144A (NR) .....	1,327,310
500,000	Guilford Pharmaceuticals, Inc. 5% 2008 cv. sub. notes 144A (NR) .....	467,500
500,000	Ivax Corp. 4.50% 2008 cv. sr. sub. notes (NR) .....	495,000
1,500,000	Ivax Corp. 5.50% 2007 cv. sr. sub. notes (NR) .....	1,521,563
18,300 shs	Johnson & Johnson common stock .....	946,110
800,000	Sepracor, Inc. 7% 2005 cv. sub. deb. 144A (CCC+) .....	825,000
750,000	Tekelec, Inc. 2.25% 2008 cv. sub. discount notes 144A (NR) .....	710,625
1,000,000	Teva Pharmaceutical Finance B.V. 0.75% 2021 cv. sub. deb. (BBB-) (exch. for Teva Pharmaceuticals Industries Ltd. ADRs) .....	1,362,500
		<u>9,862,452</u>
<b>RETAIL — 8.3%</b>		
1,015,000	Barnes & Noble, Inc. 5.25% 2009 cv. sub. notes (Ba3) .....	1,028,956
500,000	Brinker International, Inc. 0% 2021 cv. sr. deb. (Baa2) .....	355,480
1,250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes 144A (B2) .....	1,142,969
250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes (B2) .....	228,594
1,750,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3) .....	1,470,070
1,225,000	Duane Reade, Inc. 2.148% 2022 cv. sr. notes 144A (Ba3) .....	634,703
750,000	J.C. Penney, Inc. 5% 2008 cv. sub. notes (B1) .....	735,000
850,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (B+) .....	955,043
250,000	School Specialty, Inc. 6% 2008 cv. sub. notes (B+) .....	280,895
15,000 shs	Toys “R” Us, Inc. 6.25% equity securities units ***(NR) .....	583,500
		<u>7,415,210</u>
<b>TECHNOLOGY — 7.3%</b>		
250,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa2) .....	295,000
1,000,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes (Baa2) .....	1,180,000
1,000,000	Hutchinson Technology, Inc. 2.25% 2010 cv. sub. notes 144A (NR) .....	1,320,230
500,000	Kulicke & Soffa Industries, Inc. 4.75% 2006 cv. sub. notes (B3) .....	398,750
1,000,000	Mercury Interactive Corp. 4.75% 2007 cv. sub. notes (NR) .....	995,000
1,500,000	STMicroelectronics N.V. 0% 2009 LYONs (Baa1) .....	1,318,125
1,000,000	Siebel Systems, Inc. 5.50% 2006 cv. sub. notes (B+) .....	1,022,500
		<u>6,529,605</u>
<b>TELECOMMUNICATIONS — 6.2%</b>		
4,000,000	Anixter International, Inc. 0% 2020 LYONs 144A (Ba3) .....	1,315,000
1,700,000	Anixter International, Inc. 0% 2020 LYONs (Ba3) .....	558,875
750,000	Comverse Technology, Inc. 0% 2023 ZYPS 144A (BB-) .....	810,938
27,700 shs	The Goldman Sachs Group, Inc. 7.30% mandatory exchangeable notes ** (Aa3) (exch. for Verizon Communications, Inc. common stock) .....	1,070,799
1,000,000	Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (Caa1) .....	909,270
1,000,000	Lucent Technologies, Inc. 2.75% 2023 series B cv. sr. deb. (Caa1) .....	923,560
		<u>5,588,442</u>
<b>TRANSPORTATION — 1.8%</b>		
750,000	Continental Airlines, Inc. 4.50% 2007 cv. notes (Caa2) .....	603,188
1,000,000	United Parcel Service, Inc. 1.75% 2007 cash-settled cv. sr. notes (Aaa) .....	1,008,125
		<u>1,611,313</u>

# Portfolio of Investments June 30, 2003 (continued)

Principal Amount or Shares		Value
	<b>UTILITIES — 2.2%</b>	
25,000 shs	American Electric Power Co., Inc. 9.25% equity units *,** (Baa3) .....	\$ 1,095,500
35,000 shs	DTE Energy Co. 8.75% equity security units *,** (Baa2) .....	920,150
		<u>2,015,650</u>
	<b>SHORT-TERM SECURITIES — 1.6%</b>	
\$1,400,000	American Express Credit Corp. (P1) (1% maturing 7/01/03) .....	1,399,844
11,000	U.S. Treasury notes 3.375% 4/30/04 # (Aaa) .....	11,217
		<u>1,411,061</u>
	<b>Total Convertible Bonds and Notes — 56.6%</b> .....	50,783,811
	<b>Total Convertible Preferred Stocks — 18.4%</b> .....	16,564,927
	<b>Total Mandatory Convertible Securities — 20.5%</b> .....	18,433,191
	<b>Total Common Stocks — 1.1%</b> .....	946,110
	<b>Total Corporate Short-Term Securities — 1.6%</b> .....	1,411,061
	<b>Total Investments — 98.2%</b> .....	<u>88,139,100</u>
	<b>Other assets and liabilities, net — 1.8%</b> .....	1,599,608
	<b>Total Net Assets — 100.0%</b> .....	<u>\$89,738,708</u>

\* Contingent payment debt instrument. See Note 1(b) Semi-Annual Report to Shareholders, dated March 31, 2003.

\*\* Mandatory convertible. See Note 1(e) Semi-Annual Report to Shareholders, dated March 31, 2003.

# Collateral for a letter of credit.

ACES	Automatic Convertible Equity Securities.
ADRs	American Depositary Receipts.
ADSs	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.
PRIDES	Preferred Redeemable Increased Dividend Equity 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.