

Ellsworth Fund Ltd.

~ successor to Ellsworth Convertible Growth and Income Fund ~

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

Third Quarter Update - June 30, 2006 (unaudited)

Financial Highlights

Market price 06/30/06	\$7.95
Net asset value (NAV) 06/30/06	\$9.29
Market discount to NAV	(14.42)%
12-Month income distribution	\$0.3075
Yield on market price	3.87%
Ratio of expenses to avg. net assets	1.26%*
Ratio of net income to avg. net assets	3.55%*
Portfolio turnover	51.69%
Shares outstanding	12,429,083

* Annualized

Largest Investment Holdings as of 06/30/06

by underlying common stock	% of Net Assets
The Walt Disney Company	3.6
Nuveen Investments, Inc.	2.5
Advanced Micro Devices, Inc.	2.2
Chesapeake Energy Corp.	2.2
Celanese Corp.	2.1
Euronet Worldwide, Inc.	2.1
Genworth Financial, Inc.	2.1
The St. Paul Travelers Companies, Inc.	2.1
The TJX Companies, Inc.	2.1
Manor Care, Inc.	1.9

Major Industry Exposure as of 06/30/06

	% of Net Assets
Technology	18.0
Financial and Insurance	15.5
Pharmaceuticals	10.2
Energy	9.3
Banking/Savings and Loan	5.7
Entertainment	5.3
Aerospace and Defense	4.7
Health Care	4.3
Retail	4.1
Telecommunications	3.6

Performance through 06/30/06 with dividends reinvested

	Calendar		Cumulative	
	YTD	1 Year	5 Years	10 Years
Ellsworth market price (a)	3.70%	6.82%	11.84%	136.36%
Ellsworth net asset value (b)	3.62	9.28	21.74	108.43
Closed-end conv. fund avg. (b)	4.26	9.30	31.20	98.15
S&P 500 (a)	2.71	8.63	13.09	122.31
Merrill Lynch All Convertibles Index (a)	4.54	9.37	31.05	123.17
Lehman Aggregate Bond Total Return Index (b)	(0.72)	(0.81)	27.46	82.80

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

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

(b) From Lipper, Inc. Closed-End Fund Performance Analysis, June 30, 2006.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Sep. 05	\$9.29	\$8.82	\$9.29	\$7.90	\$7.57	\$7.84
Dec. 05	9.29	8.82	9.10	7.89	7.42	7.80
Mar. 06	9.52	9.19	9.51	8.19	7.72	8.14
Jun. 06	9.64	9.06	9.29	8.17	7.76	7.95

Total Fund Investments as of 06/30/06

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 66,965	58.0
Convertible Preferred Stocks	21,328	18.5
Mandatory Convertible Securities	19,704	17.1
Common Stock	3,794	3.3
Short-Term Securities	1,210	1.0
Other Assets	2,437	2.1
Net Assets	<u>\$115,438</u>	<u>100.0%</u>

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
8/16/05	8/30/05	\$0.0700	—	\$0.0700
10/27/05	11/23/05	0.0975	—	0.0975
2/13/06	2/27/06	0.0700	—	0.0700
5/16/06	5/30/06	0.0700	—	0.0700
		<u>\$0.3075</u>		<u>\$0.3075</u>

The portfolio holdings and industry exposure are as of June 30, 2006 and subject to change without notice. Detailed portfolio information is available on our website (www.ellsworthfund.com). Contact us by e-mail at info@ellsworthfund.com or call us at (973) 631-1177.

Ellsworth Fund Ltd.

~ successor to *Ellsworth Convertible Growth and Income Fund* ~

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

To Our Shareholders:

June 27, 2006 marked Ellsworth's 20th anniversary. The Fund was founded during the bull market of the 1980's when almost all convertible securities fit the classic definition of a bond or preferred stock that is convertible into common stock at the holder's option. We have survived many changes in our market as well as the crash of '87 and the bursting of the Internet bubble. In 1986, most buyers of convertible securities held the issues for yield and the potential for capital gains; today most purchasers are hedge funds. We look forward to many more years of convertible investing, and thank our shareholders for voting this past January to allow the Fund the investment flexibility to fit into the 21st century convertible market.

During recent years the convertible market has reflected some of the split performance characteristics of the overall equity markets. Just as the Russell 2000 (an index consisting of the smallest 2000 stocks in the Russell 3000 Index) has outperformed the Russell 1000 (the 1000 stocks with the largest market capitalization in the Russell 3000 Index), over the last five years the Merrill Lynch Speculative Grade Convertibles Index has outperformed the Merrill Lynch Investment Grade Index. According to Bloomberg L.P. Pricing Service, the five year cumulative performance ended June 30, 2006 for the Russell 2000 was 50.97%, while the Russell 1000 was 16.92% for the same period. For the one year ended June 30, 2006 the Russell 2000 outperformed the Russell 1000, 14.68% to 9.18%. The Merrill Lynch Speculative Grade Convertible Index outperformed their Investment Grade Convertible Index 48.48% to 13.97% cumulative performance for the five years, and 11.81% to 5.93% for the one year. It is our observation that periods in which capital is inexpensive (1998 to 2001 in the equity markets and from 2003 to 2005 in the debt markets), smaller capitalization companies tend to fare better. Periods of expensive capital hurt all companies, as experienced in the 1970's, while periods of average capital costs, as seen currently, can favor larger capitalization companies.

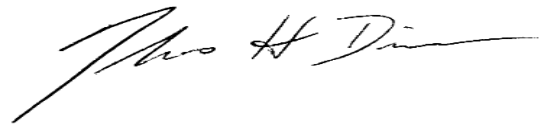
For many years the Fund's substantial exposure to investment grade convertible securities helped strengthen performance, while in recent years that exposure caused a drag on relative performance. We expect this divide in performance to narrow as the overall cost of capital goes up.

The Fund's performance based on industry exposure continues to be helped by its exposure to energy and energy-related issues as well as retail, banking and entertainment issues. Exposure to the chemical industry and some technology issues have held back performance.

For the one-month and ten-year periods ended June 30, 2006, Ellsworth's net asset value (NAV) had outperformed the average NAV performance of the closed-end funds included in the closed-end convertible fund category tracked by Lipper, Inc. and published in the *Lipper Closed-End Performance Analysis*. However, for the quarter, one-year, three years and five years ended June 30, 2006, the Fund underperformed the average NAV of the ten funds in its category.

Visit our website, www.ellsworthfund.com, for additional information on the Fund, such as a monthly portfolio summary which lists the Fund's largest holdings. Quarterly updates may be found in the Financial Reports section, and other financial data is often included in press releases.

At its July meeting, the Board of Trustees declared a dividend of 7 cents per share payable August 30, 2006 to shareholders of record August 16, 2006.



Thomas H. Dinsmore
Chairman of the Board

August 11, 2006

Shareholder Services and Transfer Agent

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

Investment Adviser

Davis-Dinsmore Management Company
65 Madison Avenue
Morristown, NJ 07960-7308
(973) 631-1177
www.ellsworthfund.com
email: info@ellsworthfund.com

Stock Exchange Listing

AMEX - Symbol: ECF



Portfolio of Investments June 30, 2006 (unaudited)

<u>Principal Amount</u>		<u>Value (Note 1)</u>
CONVERTIBLE BONDS AND NOTES — 58.0%		
Aerospace and Defense — 3.9%		
\$1,500,000	AAR Corp. 1.75% 2026 cv. sr. notes (BB-)	\$ 1,445,625
1,000,000	Ceradyne, Inc. 2.875% 2035 sr. sub. cv. notes (NR) ⁽¹⁾	1,106,250
2,000,000	DRS Technologies, Inc. 2% 2026 cv. sr. notes (B2) (Acquired 01/30/06; Cost \$2,044,792) ^(1,2)	<u>1,985,000</u>
		<u>4,536,875</u>
Banking/Savings and Loan — 1.3%		
1,500,000	U.S. Bancorp floating rate 2035 cv. sr. deb. (Aa2)	<u>1,501,875</u>
Consumer Goods — 1.5%		
1,375,000	Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. (Ba2)	<u>1,739,375</u>
Energy — 5.6%		
1,000,000	Cameron International Corp. 2.50% 2026 cv. sr. notes (Baa1) (Acquired 05/23/06; Cost \$991,250) ⁽²⁾	990,000
1,500,000	Nabors Industries, Inc. 0.94% 2011 sr. exchangeable notes (A-) (exchangeable for Nabors Industries Ltd. common stock) (Acquired 05/18/06 - 06/02/06; Cost \$1,490,615) ⁽²⁾	1,456,875
1,500,000	Oil States International, Inc. 2.375% 2025 contingent cv. sr. notes (NR)	1,944,375
1,500,000	Rentech, Inc. 4% 2013 cv. sr. notes (NR)	<u>2,029,680</u>
		<u>6,420,930</u>
Entertainment — 5.3%		
2,000,000	EchoStar Communications Corp. 5.75% 2008 cv. sub. notes (B2)	1,970,000
3,750,000	The Walt Disney Company 2.125% 2023 cv. sr. notes (A3)	<u>4,148,438</u>
		<u>6,118,438</u>
Financial and Insurance — 1.1%		
1,125,000	FTI Consulting, Inc. 3.75% 2012 cv. sr. sub. notes (Ba3)	<u>1,257,188</u>
Financial Services — 2.1%		
2,000,000	Euronet Worldwide, Inc. 3.50% 2025 cv. deb. (NR) ⁽¹⁾	<u>2,377,500</u>
Foods — 0.9%		
1,000,000	Lehman Brothers Holdings, Inc. 3% 2012 medium-term notes (A1) (performance linked to General Mills, Inc. common stock) ⁽¹⁾	<u>1,000,000</u>
Health Care — 3.7%		
1,000,000	American Medical Systems Holdings, Inc. 3.25% 2036 cv. sr. sub. notes (B3) ⁽¹⁾ ..	1,068,750
2,000,000	Manor Care, Inc. 2.125% 2035 cv. sr. notes (Baa3)	2,250,000
1,000,000	Omnicare, Inc. 3.25% 2035 cv. sr. deb. (B1) ⁽¹⁾	911,250
		<u>4,230,000</u>
Multi-Industry — 3.0%		
1,500,000	LSB Industries, Inc 7% 2011 cv. sr. sub. deb. (NR)	1,627,500
1,000,000	Lehman Brothers Holdings, Inc. 1% 2011 medium-term notes (A1) (performance linked to Cendant Corp. common stock) ⁽¹⁾	832,500
1,000,000	Trinity Industries, Inc. 3.875% 2036 cv. sub. notes (Ba3) ⁽¹⁾	<u>1,042,500</u>
		<u>3,502,500</u>

Portfolio of Investments June 30, 2006 (continued)

Principal Amount		Value (Note 1)
CONVERTIBLE BONDS AND NOTES — continued		
Pharmaceuticals — 7.1%		
\$1,250,000	Amgen, Inc. 0.125% 2011 cv. sr. notes (A2) (Acquired 02/14/06 - 02/15/06; Cost \$1,253,750) ⁽²⁾	\$ 1,175,000
500,000	Amgen, Inc. 0.375% 2013 cv. sr. notes (A2) (Acquired 02/14/06; Cost \$500,000) ⁽²⁾	466,875
1,000,000	Bristol-Myers Squibb Co. floating rate 2023 cv. sr. deb. (A1)	1,003,130
1,000,000	Cephalon, Inc. 2% 2015 cv. sr. sub. notes (B-)	1,411,250
1,000,000	Ivax Corp. 4.5% 2008 cv. sr. sub. notes (NR) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR and cash)	1,010,000
750,000	MedImmune, Inc. 1.375% 2011 cv. sr. notes (BBB) (Acquired 06/23/06; Cost \$750,000) ⁽²⁾	755,625
750,000	MedImmune, Inc. 1.625% 2013 cv. sr. notes (BBB) (Acquired 06/23/06; Cost \$750,000) ⁽²⁾	756,563
1,750,000	Teva Pharmaceutical Finance Co. B.V. 1.75% 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	<u>1,603,438</u>
		<u>8,181,881</u>
Retail — 4.1%		
1,000,000	Amazon.com, Inc. 4.75% 2009 cv. sub. notes (B2)	963,750
1,250,000	Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes (NR)	1,332,813
3,000,000	The TJX Companies, Inc. 0% 2021 LYONs (Baa1)	<u>2,392,500</u>
		<u>4,689,063</u>
Technology — 14.5%		
1,000,000	C&D Technologies, Inc. 5.25% 2025 cv. sr. notes (NR) (Acquired 11/16/05; Cost \$1,000,000) ⁽²⁾	1,118,750
2,000,000	Citigroup Funding, Inc. 1% 2010 medium-term notes (Aa1) (exchangeable for the cash equivalent of a basket of technology stocks) ⁽¹⁾	1,802,000
1,000,000	Coherent, Inc. 2.75% 2011 cv. sub. notes (NR) (Acquired 03/07/06 - 03/08/06; Cost \$1,012,500) ⁽²⁾	1,085,000
1,000,000	Conexant Systems, Inc. 4% 2026 cv. sub. notes (NR)	921,250
2,000,000	Intel Corp. 2.95% 2035 jr. sub. cv. deb. (A-) ⁽¹⁾	1,692,500
1,750,000	International Rectifier Corp. 4.25% 2007 cv. sub. notes (B2)	1,728,125
1,500,000	LSI Logic Corp. 4% 2010 cv. sub. notes (B)	1,531,875
1,500,000	Lehman Brothers Holdings, Inc. 1% 2009 medium-term notes (A1) (performance linked to Microsoft Corp. common stock) ⁽¹⁾	1,408,950
1,000,000	Richardson Electronics, Ltd. 8% 2011 cv. sr. sub. notes (NR) (Acquired 11/21/05; Cost \$1,000,000) ⁽²⁾	1,000,000
1,100,000	SanDisk Corp. 1% 2013 cv. sr. notes (BB-) (Acquired 05/09/06 - 05/10/06; Cost \$1,108,875) ⁽²⁾	976,250
1,500,000	Sybase, Inc. 1.75% 2025 cv. sub. notes (NR)	1,451,250
1,000,000	Symantec Corp. 1% 2013 cv. sr. notes (NR) (Acquired 06/13/06; Cost \$992,500) ⁽²⁾	975,000
1,000,000	Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes (B3)	<u>1,042,500</u>
		<u>16,733,450</u>
Telecommunications — 2.7%		
1,500,000	Tekelec, Inc. 2.25% 2008 sr. sub. cv. notes (NR)	1,453,125
1,556,000	Time Warner Telecom, Inc. 2.375% 2026 cv. sr. deb (Caa1)	<u>1,616,295</u>
		<u>3,069,420</u>
Utilities — 1.4%		
1,500,000	CMS Energy Corp. 2.875% 2024 cv. sr. notes (B1)	<u>1,606,875</u>
	TOTAL CONVERTIBLE BONDS AND NOTES	<u>\$66,965,370</u>

Portfolio of Investments June 30, 2006 (continued)

Shares		Value (Note 1)
CONVERTIBLE PREFERRED STOCKS — 18.5%		
Aerospace and Defense — 0.8%		
40,000	Ionatron, Inc. 6.5% series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost \$970,253) ⁽²⁾	\$ 900,000
Banking/Savings and Loan — 4.4%		
40,000	National Australia Bank Ltd. 7.875% exch. capital units (NR)	1,699,600
20,000	New York Community Bancorp, Inc. 6% BONUSES units (Baa2)	939,000
35,000	Sovereign Capital Trust IV 4.375% PIERS (Baa2) (exchangeable for Sovereign Bancorp, Inc. common stock) ⁽¹⁾	1,592,500
15,000	Washington Mutual Capital Trust 5.375% PIERS units (BBB) (exchangeable for Washington Mutual, Inc. common stock)	853,200
		<u>5,084,300</u>
Building Products — 1.6%		
35,000	TXI Capital Trust I 5.5% SPuRS (B2) (exchangeable for Texas Industries, Inc. common stock)	1,855,000
Chemicals — 2.1%		
80,000	Celanese Corp. 4.25% cv. perp. pfd. (NR)	2,384,800
Energy — 3.5%		
25,000	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+)	2,336,500
9,000	Semco Energy, Inc. 5% series B cv. cum. pfd. (B-)	1,676,250
		<u>4,012,750</u>
Financial and Insurance — 6.1%		
75,000	Citigroup Funding, Inc. variable rate exch. notes (Aa1) (exchangeable for Genworth Financial, Inc. common stock)	2,467,500
10	Fannie Mae 5.375% non-cumulative cv. pfd. (Aa3) (Acquired 01/11/05; Cost \$1,048,750) ⁽²⁾	929,470
20,000	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2)	1,242,500
100,000	The St. Paul Travelers Companies, Inc. 4.5% 2032 cv. jr. sub. notes (Baa1)	2,452,000
		<u>7,091,470</u>
	TOTAL CONVERTIBLE PREFERRED STOCKS	\$21,328,320
MANDATORY CONVERTIBLE SECURITIES — 17.1% ⁽⁴⁾		
Chemicals — 1.3%		
40,000	Huntsman Corp. 5% mand. cv. pfd. 02/16/08 (NR)	1,554,000
Consumer Goods — 1.1%		
35,000	Constellation Brands, Inc. dep. shs. representing 5.75% series A mand. cv. pfd. 09/01/06 (B)	1,299,200
Energy — 0.2%		
1,000	Chesapeake Energy Corp. 6.25% mand. cv. pfd. 06/15/09 (NR)	259,970

Portfolio of Investments June 30, 2006 (continued)

Shares		Value (Note 1)
MANDATORY CONVERTIBLE SECURITIES — continued ⁽⁴⁾		
Financial and Insurance — 8.2%		
7,000	Alleghany Corp. 5.75% mandatory cv. pfd. 06/15/09 (BBB-)	\$ 1,949,500
43,500	E*TRADE Financial Corp. 6.125% equity units 11/18/08 (Ba3)	1,302,390
30,000	Merrill Lynch & Co., Inc. 6.75% mandatory exch. securities 10/15/07 (Aa3) (exchangeable for Nuveen Investments, Inc. common stock)	1,177,500
80,000	MetLife, Inc. 6.375% common equity units 08/15/08 (BBB+)	2,205,600
42,500	Morgan Stanley, Inc. 5.875% mandatory exch. securities 10/15/08 (Aa3) (exchangeable for Nuveen Investments, Inc. common stock)	1,691,925
45,000	XL Capital, Ltd. 6.5% equity security units 05/15/07 (A3)	944,775
10,000	XL Capital, Ltd. 7% equity security units 02/15/09 (A3)	238,000
		<u>9,509,690</u>
Foods — 0.9%		
40,000	Lehman Brothers Holdings, Inc. 6.25% PIES 10/15/07 (A1) (exchangeable for General Mills, Inc. common stock)	1,044,800
Pharmaceuticals — 1.7%		
40,000	Schering-Plough Corp. 6% mand. cv. pfd. 09/14/07 (Baa3)	2,013,200
Technology — 3.5%		
30,000	Credit Suisse First Boston (USA), Inc. 5.5% SAILS 11/15/08 (Aa3) (exchangeable for Equinix, Inc. common stock)	1,532,400
98,850	The Goldman Sachs Group, Inc. 14.75% mandatory exch. notes 06/22/07 (NR) (exchangeable for Advanced Micro Devices, Inc. common stock) (Acquired 06/14/06; Cost \$2,500,411) ⁽²⁾	2,490,328
		<u>4,022,728</u>
	TOTAL MANDATORY CONVERTIBLE SECURITIES ⁽⁴⁾	\$19,703,588
COMMON STOCKS — 3.3%		
Aerospace and Defense — 0.0%		
2,643	Ionatron, Inc. (Acquired 04/17/05; Cost \$29,747) ^(2,3)	16,783
Health Care — 0.6%		
21,115	LifePoint Hospitals, Inc. ⁽³⁾	678,425
Multi-Industry — 0.4%		
25,000	Cendant Corp.	407,250
Pharmaceuticals — 1.4%		
26,300	Johnson & Johnson	1,575,896
Telecommunications — 1.0%		
40,000	AT&T Inc.	1,115,600
	TOTAL COMMON STOCKS	\$ 3,793,954

Portfolio of Investments June 30, 2006 (continued)

Principal Amount		Value (Note 1)
	SHORT-TERM SECURITIES — 1.0%	
	Commercial Paper — 1.0%	
\$1,200,000	American Express Credit Corp. 4.98% 07/03/06 (P1)	\$ 1,199,336
	U.S. Government Obligations — 0.0%	
11,000	U.S. Treasury notes 3.625% 04/30/07 (Aaa) ⁽⁵⁾	10,852
	TOTAL SHORT-TERM SECURITIES	<u>1,210,188</u>
	Total Convertible Bonds and Notes — 58.0%	66,965,370
	Total Convertible Preferred Stocks — 18.5%	21,328,320
	Total Mandatory Convertible Securities — 17.1%	19,703,588
	Total Common Stocks — 3.3%	3,793,954
	Total Short-Term Securities — 1.0%	<u>1,210,188</u>
	Total Investments — 97.9%	113,001,420
	Other assets and liabilities, net — 2.1%	<u>2,436,491</u>
	Total Net Assets — 100.0%	<u><u>\$ 115,437,911</u></u>

- (1) Contingent payment debt instrument which accrues contingent interest. See Note 2.
- (2) Security not registered under the Securities Act of 1933, as amended (e.g., the security was purchased in a Rule 144A or a Reg D transaction). The security may be resold only pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The Fund generally has no rights to demand registration of these securities. The aggregate market value of these securities at June 30, 2006 was \$17,077,519 which represented 14.8% of the Fund's net assets.
- (3) Non-income producing security.
- (4) These securities are required to be converted on the dates listed; they generally may be converted prior to these dates at the option of the holder.
- (5) Collateral for a letter of credit.

ADR	American Depositary Receipts.
BONUSES	Bifurcated Option Note Unit Securities.
LYONs	Liquid Yield Option Notes.
PIES	Premium Income Exchangeable Securities.
PIERS	Preferred Income Equity Redeemable Securities.
SAILS	Shared Appreciation Income Linked Securities.
SPuRS	Shared Preference Redeemable Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's. NR is used whenever a rating is unavailable.

Notes to Financial Statements (unaudited)

Ellsworth Fund Ltd. (successor to Ellsworth Convertible Growth and Income Fund, Inc. (established in 1986)) (the “Fund”), is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company. On February 17, 2006, the Fund was reorganized as a Delaware statutory trust from a Maryland corporation.

Note 1. Security Valuation — Investments in securities traded on a national securities exchange are valued at market using the last reported sales price as of the close of regular trading. Listed securities for which no sales were reported, are valued at the mean between closing reported bid and asked prices as of the close of regular trading. Unlisted securities traded in the over-the-counter market are valued using an evaluated quote provided by an independent pricing service. The independent pricing service derives an evaluated quote by obtaining dealer quotes, analyzing the listed markets, reviewing trade execution data and employing sensitivity analysis. Evaluated quotes may also reflect appropriate factors such as individual characteristics of the issue, communications with broker-dealers, and other market data. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith by management pursuant to procedures approved by the Board of Trustees. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

Note 2. Securities Transactions and Related Investment Income — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis, including accretion of discounts and amortization of non-equity premium. For certain securities, known as “contingent payment debt instruments,” Federal tax regulations require the Fund to record non-cash, “contingent” interest income in addition to interest income actually received.

At June 30, 2006 unrealized appreciation (depreciation) of investment securities on a tax basis were as follows:

Unrealized appreciation	\$ 6,281,732
Unrealized depreciation	<u>(4,539,502)</u>
Net unrealized appreciation	1,742,230
Cost for federal income tax purposes	\$110,059,854