

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

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### FILER

#### PRUDENTIAL EQUITY INCOME FUND

CIK: **803191** | IRS No.: **133376646** | State of Incorporation: **MA** | Fiscal Year End: **1031**  
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Prudential Mutual Funds  
BUILDING YOUR FUTURE  
(LOGO)  
ON OUR STRENGTH

LETTER TO SHAREHOLDERS

December 6, 1993

Dear Shareholder:

Stocks with above-average dividend yields, the kind typically purchased by the Prudential Equity Income Fund, have been strong performers in the past year. During this time, declining interest rates and the slow growth economy strengthened prices of common stocks and convertible securities that pay above-average dividends, contributing to your Fund's solid performance.

Stock Market Performance

In the past 12 months, the economic environment has been positive for stocks with above-average dividend yields. These companies often perform well when overall economic growth is modest. The rally in bond prices also gave these stocks a boost.

The recession of 1990 and 1991, followed by three years of lackluster growth, has led many American companies to pare employees and improve productivity through automation. The low interest rate environment has also helped numerous corporations trim debt levels and strengthen their balance sheets. We believe many companies will emerge from this kind of adversity with stronger earnings and stock prices--one of the apparent reasons these stocks have done well this year despite the economy.

In addition to these factors, we believe that natural gas, aerospace/defense and insurance companies should be strong earners in the next few years. These industries boast companies with the potential to generate higher than average discretionary cash flow, arising mostly from pricing flexibility or low research and development costs. While we have had some gains in aerospace/defense and insurance already this year, we still view these as promising sectors.

Looking to 1994

Barring any unexpected market shocks, the U.S. economy appears to be settling into an extended period of steady--but slow--growth. Although there are signs inflation may be creeping back in the picture, new U.S. taxes in 1993 and 1994 may dampen both growth and inflation. If the current economic environment continues, however, the market's strong performance of the past few years could be maintained. On the other hand, a substantial downturn in economic growth in the U.S. and/or abroad could weaken stock prices.

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Once again, we are pleased to have you as a Prudential Equity Income Fund shareholder and to take the opportunity to report our activities to you.

Sincerely,

Lawrence C. McQuade  
Chairman

Warren E. Spitz  
Portfolio Manager

Company Highlights

Several well-known companies have joined the Prudential Equity Income Fund's list of largest holdings. Stocks like Westinghouse and Tenneco Inc. fit into

our growing emphasis on cyclicals. In addition, although the Fund has taken profits in aerospace/defense and insurance, these sectors still figure prominently in its portfolio.

Westinghouse Electric. The electronics giant recently divested itself of a troublesome consumer finance unit and has recaptured its core industrial focus. We believe new management is likely to continue aggressive cost-cutting measures.

Northrop Corp., Thiokol Corp., Martin Marietta Corp. These defense contractors may begin to pay out the "peace dividend" in the form of higher than expected earnings, since they don't need to spend astronomical sums on research and development anymore.

Cigna Corp., Aetna Life & Casualty. These insurance companies, which combined comprise 3.7% of the portfolio, should have increased pricing flexibility in coming years. Overall, most insurers should receive authorization to increase premiums in the wake of the string of disasters that hurt their balance sheets this year.

Following is an interview with Warren Spitz, portfolio manager of the Prudential Equity Income Fund.

Q. Why is the Fund's dividend yield lower than comparable funds?

A. Although the Fund concentrates on sectors that are traditionally known for high dividends, I manage it to produce both current income and capital appreciation. In other words, I concentrate on companies that have the potential to increase their sales and earnings, along with their stock prices. This emphasis leads me to many "special situations"--companies that look positioned to improve. I won't invest in companies for potential yield if it comes at too high a price in terms of potential capital gains.

Q. Do you plan to maintain your 34% weighting in electric utilities?

A. Traditional electric utilities powered their way to substantial returns during the 1980s, but I don't believe they'll fare as well in the 1990s, so I've begun to trim my exposure and will continue to do so. In their place, I'm purchasing telecommunications and natural gas utilities, especially companies overseas. These industries should continue to grow during the coming decade. I'm very bullish, for instance, on Canadian natural gas producers and pipelines. New supply levels in this industry have been stagnant, and gas prices should benefit from an increase in demand brought on by higher oil prices due to the new U.S. tax.

<TABLE>  
<CAPTION>

Shares	Description	Value (Note 1)
<C>	<S>	<C>
	LONG-TERM INVESTMENTS--82.5%	
	Common Stocks--67.9%	
	Aerospace/Defense--11.3%	
270,400	Alliant Techsystems, Inc.*...	\$ 7,875,400
119,500	E-Systems, Inc.....	5,422,312
184,400	Grumman Corp.....	6,845,850
107,900	Lockheed Corp.....	7,431,613
211,000	Loral Corp.....	6,699,250
169,400	Martin Marietta Corp.....	7,495,950
21,800	McDonnell Douglas Corp.....	2,043,750
35,500	Moog, Inc.....	275,125
391,900	Northrop Corp.....	13,618,525
134,400	Rockwell International Corp.....	4,821,600
337,100	Thiokol Corp.....	8,891,013
		-----
		71,420,388
		-----
	Chemicals--3.9%	

14,000	American Cyanamid Co.....	763,000
185,200	Dow Chemical Co.....	10,278,600
55,600	Imperial Chemical Industries, ADR.....	2,390,800
83,500	Monsanto Co.....	5,771,937
166,900	Potash Corp. Saskatchewan, Inc.....	3,233,687
111,000	Union Carbide Corp.....	2,192,250
		-----
		24,630,274
		-----
	Computer Hardware--3.9%	
425,700	Digital Equipment Corp.*.....	15,165,562
207,600	International Business Machines Corp.....	9,549,600
		-----
		24,715,162
		-----
	Computer Software & Services--0.1%	
25,200	Shared Medical Systems Corp.....	630,000
		-----
	Drugs & Medical Supplies--1.1%	
34,200	Allergan, Inc.....	782,325
194,200	Upjohn Co.....	6,335,775
		-----
		7,118,100
		-----
	Electrical Equipment--3.2%	
1,402,400	Westinghouse Electric Corp.....	\$ 20,334,800
		-----
	Electric Utilities--1.7%	
26,200	Central Hudson Gas & Electric Co.....	835,125
47,000	Central Louisiana Electric Co.....	1,239,625
28,500	Northeast Utilities Co.....	748,125
33,300	Philadelphia Electric Co.....	1,040,625
222,200	PSI Resources, Inc.....	5,916,075
38,000	SCE Corp.....	798,000
		-----
		10,577,575
		-----
	Electronics--1.6%	
236,300	Esterline Technologies Corp.....	1,772,250
87,600	Harris Corp.....	4,051,500
40,000	IMO Inds., Inc.....	305,000
272,400	Newport Corp.....	1,736,550
116,800	Pacific Scientific Co.....	2,190,000
		-----
		10,055,300
		-----
	Energy Equipment & Services--3.1%	
697,800	Baroid Corp.....	5,756,850
180,600	Smith International*.....	2,009,175
152,700	Sonat Offshore Drilling, Inc.....	3,149,438
146,400	USX Corp.....	5,490,000
403,600	Varco International, Inc.....	3,178,350
		-----
		19,583,813
		-----
	Financial Services--1.3%	
167,500	American Express Co.....	5,401,875
92,500	GFC Financial Corp.....	2,879,062
		-----
		8,280,937
		-----
	Forest Products--0.3%	
27,300	Georgia-Pacific Corp.....	1,754,025
		-----

</TABLE>

-6- See Notes to Financial Statements.

<TABLE>  
<CAPTION>

Shares	Description	Value (Note 1)
<C>	<S>	<C>
	Gas Distribution--2.5%	
82,100	British Gas plc., ADS.....	\$ 4,392,350
76,400	Equitable Resources, Inc.....	2,989,150
237,450	KN Energy, Inc.....	6,529,875
58,450	Yankee Energy System, Inc....	1,680,437
		-----
		15,591,812
		-----
	Gas Pipelines--4.8%	
158,500	Enserch Corp.....	3,150,187
450,000	Panhandle Eastern Corp.....	10,687,500
103,600	Sonat, Inc.....	3,224,550
410,000	TransCanada Pipelines, Ltd.....	6,252,500
228,900	Transco Energy Co.....	3,691,013
54,100	Williams Cos., Inc.....	3,212,188
		-----
		30,217,938
		-----
	Insurance--8.7%	
179,100	Aetna Life & Casualty Co.....	11,775,825
265,900	Alexander & Alexander Services, Inc.....	5,484,187
45,600	American Reinsurance Corp.*.....	1,316,700
173,400	CIGNA Corp.....	11,639,475
309,200	Continental Corp.....	10,087,650
59,600	Lincoln National Corp.....	2,711,800
42,700	Ohio Casualty Corp.....	2,764,825
56,300	SAFECO Corp.....	3,265,400
75,600	Selective Insurance Group, Inc.....	2,324,700
109,000	Travelers Corp.....	3,842,250
		-----
		55,212,812
		-----
	Integrated Producers--6.9%	
164,500	British Petroleum Ltd., plc, ADS.....	10,240,125
3,600	Exxon Corp.....	235,350
19,000	Kerr-McGee Corp.....	957,125
33,300	Mobil Corp.....	2,713,950
236,000	Occidental Petroleum Corp....	4,366,000
53,800	Petroleum Heat & Power, Inc.....	511,100
531,700	Quaker State Corp.....	7,377,337
49,100	Royal Dutch Petroleum Co.....	5,192,325
158,700	Sun Co., Inc.....	4,959,375
39,400	Texaco, Inc.....	\$ 2,684,125
33,200	Unocal Corp.....	971,100
184,200	USX Marathon Group.....	3,407,700
		-----
		43,615,612
		-----
	Machinery--0.4%	
21,400	Gerber Scientific, Inc.....	299,600
277,300	Terex Corp.....	2,114,413
		-----
		2,414,013
		-----
	Media--1.9%	
121,300	Foote Cone & Belding Communications, Inc.....	4,624,562
132,700	Pulitzer Publishing Co.....	4,462,038
1,056,200	WPP Group, plc, ADS.....	3,036,575
		-----
		12,123,175
		-----
	Miscellaneous Industrial--3.2%	
107,900	Ametek, Inc.....	1,483,625
60,900	Fischer And Porter Co.....	966,787
60,000	Hanson plc, ADR.....	1,207,500
90,300	Kollmorgen Corp.....	699,825
282,500	Tenneco, Inc.....	14,407,500
27,200	Textron, Inc.....	1,519,800
		-----
		20,285,037
		-----

188,000	Railroads--0.5%	
	Southern Pacific Rail Corp.....	3,360,500
		-----
24,600	Realty Investment Trust--2.9%	
73,500	Carr Realty Corp.....	571,950
	Equity Residential Property Trust.....	2,544,937
41,700	Kimco Realty Corp.....	1,527,263
386,742	Property Trust of America...	7,783,183
83,500	Vornado Realty Trust.....	3,256,500
69,600	Weingarten Realty Investors, Inc.....	2,784,000
		-----
		18,467,833
		-----
60,700	Recreation--0.6%	
	Eastman Kodak Co.....	3,824,100
		-----

</TABLE>

-7- See Notes to Financial Statements.

<TABLE>  
<CAPTION>

Shares <C>	Description <S>	Value (Note 1) <C>
	Retail--0.1%	
23,700	Petrie Stores Corp.....	\$ 690,263
		-----
	Steel--0.3%	
59,000	Athlone Industries, Inc.....	1,017,750
50,000	Bethlehem Steel Corp.*.....	837,500
		-----
		1,855,250
		-----
	Telecommunication Services--2.9%	
6,800	Ameritech Corp.....	576,300
24,300	BellSouth Corp.....	1,524,825
65,900	GTE Corp.....	2,619,525
105,200	NYNEX Corp.....	4,444,700
232,100	Sprint Corp.....	8,355,600
11,600	U.S. West, Inc.....	581,450
		-----
		18,102,400
		-----
	Tobacco--0.7%	
136,300	American Brands, Inc.....	4,702,350
		-----
	Total common stocks (cost \$373,214,402).....	429,563,469
		-----
	Preferred Stocks--7.9%	
	Electric Utilities--0.3%	
2,100	Gulf States Utilities Co. Class E.....	165,900
12,304	Gulf States Utilities Co. Class K.....	1,267,312
		-----
		1,433,212
		-----
	Energy Systems--1.2%	
100,000	McDermott International, Inc., Conv., Ser C.....	5,225,000
77,800	Reading & Bates Corp., Conv. \$1.63.....	2,489,600
		-----
		7,714,600
		-----
	Insurance--0.9%	
102,200	Alexander & Alexander Services, Inc., Conv. \$3.63, Ser. A.....	\$ 5,020,575
12,700	USF & G Corp., Conv. \$4.10, Ser A.....	650,875
		-----
		5,671,450
		-----

	Integrated Producers--1.5%	
49,000	Unocal Corp., Conv. \$3.50....	2,976,750
118,900	USX Marathon Group, Conv.....	6,569,225
		-----
		9,545,975
		-----
	Mining--1.1%	
100,000	Echo Bay Finance Corp., Conv.	
	\$1.75, Ser A.....	4,225,000
60,000	Hecla Mining Co., Conv., Ser	
	B.....	3,015,000
		-----
		7,240,000
		-----
	Retail--0.6%	
72,700	K-Mart Corp., Conv., PERCS...	3,598,650
		-----
	Steel--1.9%	
230,000	Bethlehem Steel Corp., Conv.	
	\$3.50.....	12,132,500
		-----
	Trucking--0.4%	
122,100	Consolidated Freightways,	
	Inc., Conv., PERCS.....	2,716,725
		-----
	Total preferred stocks	
	(cost \$47,765,607).....	50,053,112
		-----

</TABLE>

-8- See Notes to Financial Statements.

<TABLE>

<CAPTION>

Moody's Rating (Unaudited) <S>	Principal Amount (000) <C>	Description <C>	Value (Note 1) <C>
		Convertible Bonds--6.7%	
		Computer Hardware--2.0%	
		Conner Peripherals, Inc., Sub. Deb.,	
B1	\$ 2,300	6.75%, 3/1/01.....	\$ 1,966,500
B2	5,250	Quantum Corp., Deb., 6.375%, 4/1/02.....	5,171,250
B2	3,407	Seagate Technology, Sub. Deb., 6.75%, 5/1/12.....	3,083,335
B2	2,200	Storage Technology Corp., Sub. Deb., 8.00%, 5/31/15.....	2,301,750
			-----
			12,522,835
			-----
		Energy System--1.2%	
A3	12,375	Baker Hughes, Inc., Zero Coupon, 5/5/08.....	7,486,875
			-----
		Fertilizer--0.7%	
B3	4,500	IMC Fertilizer Group, Deb., 6.25%, 12/1/01.....	4,218,750
			-----
		Integrated Oil--0.7%	
Aa3	339	Amoco Canada Petroleum Co., Sub. Exch. Deb., 7.375%, 9/1/13.....	419,513
B2	2,034	Cross Timbers Oil Co., Deb., 5.25%, 11/1/03.....	2,074,680
B1	2,121	Oryx Energy Co., Sub. Deb., 7.50%, 5/15/14.....	2,179,328
			-----
			4,673,521
			-----
		Mining--1.3%	

		Coeur D'Alene Mines Corp., Deb., 7.00%, 11/30/02.....	4,275,000
B2	3,000	Freeport McMoran, Inc., Deb., 6.55%, 1/15/01.....	897,500
Ba3	1,000	Hecla Mining Co., Sub. Deb., Zero Coupon, 6/14/04.....	3,045,000
B3	7,000		-----
			8,217,500
			-----
		Miscellaneous Industrial--0.7% Terex Corp., Deb., 13.00%, 8/1/96.....	\$ 4,491,750
NR	\$ 5,650		-----
		Steel--0.1% USX Corp., Sub. Deb., 7.00%, 6/15/17.....	686,925
BB+**	710		-----
		Total convertible bonds (cost \$41,304,676)...	42,298,156
			-----
		Total long-term investments (cost \$462,284,685).....	521,914,737
			-----
		SHORT-TERM INVESTMENTS--17.2% Joint Repurchase Agreement Account, 2.93%, 11/1/93 (cost \$108,387,000; Note 5).....	108,387,000
	108,387		-----
		Total Investments--99.7% (cost \$570,671,685; Note 4).....	630,301,737
		Other assets in excess of liabilities--0.3%...	1,583,139
			-----
		Net Assets--100%.....	\$631,884,876
			-----
			-----

<FN>

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\* Non-income producing security.  
\*\* Standard & Poor's rating.  
ADR--American Depository Receipt.  
ADS--American Depository Shares.  
PERCS--Preferred Equity Redemption Cumulative Stock.  
The Fund's current Statement of Additional Information contains a description of Moody's ratings.  
NR--Not rated by Moody's or Standard & Poor's.  
</TABLE>

-9- See Notes to Financial Statements.

PRUDENTIAL EQUITY INCOME FUND  
Statement of Assets and Liabilities

<TABLE> <CAPTION> Assets	October 31, 1993
<S>	<C>
Investments, at value (cost \$570,671,685).....	\$630,301,737
Receivable for Fund shares sold.....	8,182,867
Receivable for investments sold.....	3,570,287
Dividends and interest receivable.....	1,789,722
Deferred expenses and other assets.....	5,567
	-----
Total assets.....	643,850,180
	-----



Liabilities	
Bank overdraft.....	1,022,722
Payable for investments purchased.....	9,786,128
Due to Distributors.....	444,629
Due to Manager.....	307,579
Accrued expenses.....	218,480
Payable for Fund shares reacquired.....	158,837
Foreign withholding tax payable.....	26,929
	-----
Total liabilities.....	11,965,304
	-----
Net Assets.....	\$631,884,876
	-----
Net assets were comprised of:	
Shares of beneficial interest, at par.....	\$ 440,210
Paid-in capital in excess of par.....	544,286,685
	-----
	544,726,895
Undistributed net investment income.....	2,542,710
Accumulated net realized gains.....	24,985,219
Net unrealized appreciation.....	59,630,052
	-----
Net assets, October 31, 1993.....	\$631,884,876
	-----
Class A:	
Net asset value and redemption price per share (\$104,016,660 / 7,235,274 shares of beneficial interest issued and outstanding).....	\$14.38
Maximum sales charge (5.25% of offering price).....	.80
Maximum offering price to public.....	\$15.18
Class B:	
Net asset value, offering price and redemption price per share (\$527,868,216 / 36,785,745 shares of beneficial interest issued and outstanding).....	\$14.35

</TABLE>

See Notes to Financial Statements.

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PRUDENTIAL EQUITY INCOME FUND  
Statement of Operations

<TABLE>

<CAPTION>

	Year Ended October 31, 1993
	-----
Net Investment Income	
	<C>
Income	
Dividends (net of foreign withholding taxes of \$167,410).....	\$14,326,125
Interest and discount earned.....	2,446,136
	-----
Total income.....	16,772,261
	-----
Expenses	
Distribution fee--Class A.....	141,790
Distribution fee--Class B.....	3,048,976
Management fee.....	2,254,755
Transfer agent's fees and expenses.....	583,000
Custodian's fees and expenses.....	143,000
Registration fees.....	97,000
Reports to shareholders.....	54,000
Trustees' fees.....	45,000
Audit fee.....	36,000
Legal fees.....	26,000
Franchise taxes.....	22,000
Miscellaneous.....	16,616
	-----
Total expenses.....	6,468,137
	-----
Net investment income.....	10,304,124
	-----
Realized and Unrealized	
Gain on Investments	
Net realized gain on:	
Investment transactions.....	24,810,840

Financial futures contracts.....	423,450
	-----
	25,234,290
	-----
Net change in unrealized appreciation of investments.....	45,035,883
	-----
Net gain on investments.....	70,270,173
	-----
Net Increase in Net Assets Resulting from Operations.....	\$80,574,297
	-----
	-----

</TABLE>

PRUDENTIAL EQUITY INCOME FUND  
Statement of Changes in Net Assets

<TABLE>

<CAPTION>

Increase (Decrease) in Net Assets	Year Ended October 31,	
	1993	1992
	-----	-----
<S>	<C>	<C>
Operations		
Net investment income.....	\$ 10,304,124	\$ 5,878,222
Net realized gain on investment transactions.....	25,234,290	9,228,512
Net change in unrealized appreciation of investments.....	45,035,883	447,132
	-----	-----
Net increase in net assets resulting from operations.....	80,574,297	15,553,866
	-----	-----
Net equalization credits.....	1,785,921	217,876
	-----	-----
Dividends and distributions (Note 1)		
Dividends to shareholders from net investment income		
Class A.....	(2,383,733)	(659,875)
Class B.....	(8,100,377)	(5,206,396)
	-----	-----
	(10,484,110)	(5,866,271)
	-----	-----
Distributions to shareholders from net realized gains on investment transactions		
Class A.....	(1,901,042)	(177,489)
Class B.....	(7,217,743)	(6,139,444)
	-----	-----
	(9,118,785)	(6,316,933)
	-----	-----
Fund share transactions (Note 6)		
Proceeds from shares subscribed.....	398,239,834	131,072,403
Net asset value of shares issued to shareholders in reinvestment of dividends and distributions.....	17,714,556	10,978,645
Cost of shares reacquired.....	(88,837,779)	(59,179,985)
	-----	-----
Net increase in net assets from Fund share transactions.....	327,116,611	82,871,063
	-----	-----
Total increase.....	389,873,934	86,459,601
Net Assets		
Beginning of year.....	242,010,942	155,551,341
	-----	-----
End of year.....	\$631,884,876	\$ 242,010,942
	-----	-----
	-----	-----

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PRUDENTIAL EQUITY INCOME FUND  
Notes to Financial Statements

Prudential Equity Income Fund (the ``Fund'') is registered under the Investment Company Act of 1940 as a diversified, open-end management investment company. The Fund was organized as an unincorporated business trust in Massachusetts on September 18, 1986 and had no operations until December 22, 1986 when 10,309 shares of beneficial interest were sold at \$9.70 per share to Prudential Securities Incorporated (``PSI''). Investment operations commenced on January 22, 1987. The investment objective of the Fund is both current income and capital appreciation. It seeks to achieve this objective by investing primarily in common stocks and convertible securities that provide investment income returns above those of the Standard & Poor's 500 Stock Index or the NYSE Composite Index. The ability of the issuers of the debt securities held by the Fund to meet their obligations may be affected by economic developments in a specific industry or region.

Note 1. Accounting Policies  
The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Securities Valuation: Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last sale price on such exchange on the day of valuation or, if there was no sale on such day, the mean between the last bid and asked prices quoted on such day. Corporate bonds (other than convertible debt securities) and U.S. Government securities that are actively traded in the over-the-counter market, including listed securities for which the primary market is believed to be over-the-counter, are valued on the basis of valuations provided by a pricing service which uses information with respect to transactions in bonds, quotations from bond dealers, agency ratings, market transactions in comparable securities and various relationships between securities in determining value. Convertible debt securities that are actively traded in the over-the-counter market, including listed securities for which the primary market is believed to be over-the-counter, are valued at the mean between the most recently quoted bid and asked prices provided by principal market makers. Other securities are valued at the mean between the most recently quoted bid and asked prices. Securities which are otherwise not readily marketable or securities for which market quotations are not readily available are valued in good faith at fair value in accordance with procedures adopted by the Fund's Board of Trustees.

Short-term securities which mature in more than 60 days are valued based upon current market quotations. Short-term securities which mature in 60 days or less are valued at amortized cost which approximates market value.

In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the value of which exceeds the principal amount of the repurchase transaction, including accrued interest. If the seller defaults and the value of the collateral declines or if bankruptcy proceedings are commenced with respect to the seller of the security, realization of the collateral by the Fund may be delayed or limited.

Financial Futures Contracts: A financial futures contract is an agreement to purchase (long) or sell (short) an agreed amount of securities at a set price for delivery on a future date. Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or other amounts equal to a certain percentage of the contract amount. This is known as the ``initial margin''. Subsequent payments, known as ``variation margin'', are made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded for financial statement purposes on a daily basis as unrealized gain or loss until the contracts expire or are closed, at which time the gain or loss is reclassified to realized gain or loss. The Fund invests in financial futures contracts solely for the purpose of hedging its existing portfolio securities or securities the Fund intends to purchase against fluctuations in value caused by changes in prevailing market conditions. Should market conditions move unexpectedly, the Fund may not achieve the anticipated benefits of the financial futures contracts and may realize a loss. The use of futures transactions involves the risk of imperfect correlation in movements in the price of futures contracts, interest rates and the underlying hedged assets.

Securities Transactions and Investment Income: Securities transactions are

recorded on the trade date. Realized gains and losses on sales of investments are calculated on the identified cost basis. Dividend income is

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recorded on the ex-dividend date; interest income is recorded on the accrual basis.

Net investment income (other than distribution fees) and unrealized and realized gains or losses are allocated daily to each class of shares of the Fund based upon the relative proportion of net assets of each class at the beginning of the day.

Equalization: The Fund follows the accounting practice known as equalization by which a portion of the proceeds from sales and costs of reacquisitions of Fund shares, equivalent on a per share basis to the amount of distributable net investment income on the date of the transaction, is credited or charged to undistributed net investment income. As a result, undistributed net investment income per share is unaffected by sales or reacquisitions of the Fund's shares.

Federal Income Taxes: It is the Fund's policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income to its shareholders. Therefore, no federal income tax provision is required.

Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rates.

Dividends and Distributions: The Fund expects to pay dividends out of net investment income quarterly and make distributions at least annually of any net capital gains. Dividends and distributions are recorded on the ex-dividend date.

Income distributions and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for wash sales.

Reclassification of Capital Accounts: Effective November 1, 1992, the Fund began accounting and reporting for distributions to shareholders in accordance with Statement of Position 93-2; Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies. The effect caused by adopting this statement was to decrease paid-in capital by \$2,048, increase undistributed net investment income by \$577 and increase accumulated net realized gains on investments by \$1,471 with respect to amounts reported through October 31, 1993. Net investment income, net realized gains and net assets were not affected by this change.

Note 2. Agreements                      The Fund has a management agreement with Prudential Mutual Fund Management, Inc. ('PMF'). Pursuant to this agreement, PMF has responsibility for all investment advisory services and supervises the subadviser's performance of such services. PMF has entered into a subadvisory agreement with The Prudential Investment Corporation ('PIC'); PIC furnishes investment advisory services in connection with the management of the Fund. PMF pays for the cost of the subadviser's services, the compensation of officers of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other costs and expenses.

The management fee paid PMF is computed daily and payable monthly at an annual rate of .60 of 1% of the average daily net assets of the Fund up to \$500 million and .50 of 1% of the average daily net assets in excess of \$500 million.

The Fund has distribution agreements with Prudential Mutual Fund Distributors, Inc. ('PMFD'), which acts as the distributor of the Class A shares of the Fund and PSI, which acts as distributor of the Class B shares of the Fund (collectively, the 'Distributors'). To reimburse the Distributors for their expenses incurred in distributing and servicing the Fund's Class A and B shares, the Fund, pursuant to plans of distribution, pays the Distributors a reimbursement, accrued daily and payable monthly.

Pursuant to the Class A Plan, the Fund reimburses PMFD for its expenses with respect to Class A shares at an annual rate of up to .30 of 1% of the average daily net assets of the Class A shares. Such expenses under the Class A Plan were .20 of 1% of the average daily net assets of the Class A shares for the fiscal year ended October 31, 1993. PMFD pays various broker-dealers, including PSI and Pruco Securities Corporation ('Prusec'), affiliated broker-dealers, for account servicing fees and other expenses incurred by such broker-dealers.

Pursuant to the Class B Plan, the Fund reimburses PSI for its distribution-related expenses with respect to Class B shares at an annual rate of up to 1% of the average daily net assets of the Class B shares.

The Class B distribution expenses include commission credits for payment of commissions and account servicing fees to financial advisers and an allocation for overhead and other distribution-related expenses, interest and/or carrying charges, the cost of printing and mailing prospectuses to potential investors and of advertising incurred in connection with the distribution of shares.

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The Distributors recover the distribution expenses and account servicing fees incurred through the receipt of reimbursement payments from the Fund under the plans and the receipt of initial sales charges (Class A only) and contingent deferred sales charges (Class B only) from shareholders.

PMFD has advised the Fund that it has received approximately \$1,497,600 in front-end sales charges resulting from sales of Class A shares during the fiscal year ended October 31, 1993. From these fees, PMFD paid such sales charges to dealers (PSI and Prusec) which in turn paid commissions to salespersons.

With respect to the Class B Plan, at any given time, the amount of expenses incurred by PSI in distributing the Fund's shares and not recovered through the imposition of contingent deferred sales charges in connection with certain redemptions of shares may exceed the total payments made by the Fund pursuant to the Class B Plan. PSI has advised the Fund that for the fiscal year ended October 31, 1993, it received approximately \$538,500 in contingent deferred sales charges imposed upon certain redemptions by investors. PSI, as distributor, has also advised the Fund that at October 31, 1993, the amount of distribution expenses incurred by PSI and not yet reimbursed by the Fund or recovered through contingent deferred sales charges approximated \$10,271,700. This amount may be recovered through future payments under the Class B Plan or contingent deferred sales charges.

In the event of termination or noncontinuation of the Class B Plan, the Fund would not be contractually obligated to pay PSI, as distributor, for any expenses not previously reimbursed or recovered through contingent deferred sales charges.

PMFD is a wholly-owned subsidiary of PMF; PSI, PMF and PIC are indirect, wholly-owned subsidiaries of The Prudential Insurance Company of America.

Note 3. Other Transactions with Affiliates Prudential Mutual Fund Services, Inc. ('PMFS'), a wholly-owned subsidiary of PMF, serves as the Fund's transfer agent and during the fiscal year ended October 31, 1993, the Fund incurred fees of approximately \$549,900 for the services of PMFS. As of October 31, 1993, approximately \$63,800 of such fees were due to PMFS. Transfer agent fees and expenses in the Statement of Operations include certain out-of-pocket expenses paid to non-affiliates.

For the fiscal year ended October 31, 1993, PSI earned approximately \$193,100 in brokerage commissions from portfolio transactions executed on behalf of the Fund.

Note 4. Portfolio Securities Purchases and sales of investment securities, other than short-term investments, for the fiscal year ended October 31, 1993 were \$413,063,973 and \$193,859,516, respectively.

The federal income tax basis of the Fund's investments, at October 31, 1993 was \$571,009,768 and, accordingly, net unrealized appreciation for federal income tax purposes was \$59,291,969 (gross unrealized appreciation--\$68,087,576; gross unrealized depreciation--\$8,795,607).

Note 5. Joint Repurchase Agreement Account The Fund, along with other affiliated registered investment companies, transfers uninvested cash balances into a single joint account, the daily aggregate balance of which is invested in one or more repurchase agreements collateralized by U.S. Treasury or Federal agency obligations. As of October 31, 1993, the Fund has an 8.0% undivided interest in the repurchase agreements in the joint account. The undivided interest for the Fund represents \$108,387,000 in principal amount. As of such date, each repurchase agreement in the joint account and the collateral therefor were as follows:

CS First Boston Corp., 2.93%, in the principal amount of \$360,000,000, repurchase price \$360,087,900, due 11/1/93, collateralized by \$47,400,000 U.S. Treasury Notes, 6.75%, due 2/28/97; \$40,000,000 U.S. Treasury Notes, 11.25%, due

2/15/95; \$100,000,000 U.S. Treasury Bonds, 7.50%, due 11/15/16; \$50,000,000 U.S. Treasury Bonds, 10.375%, due 11/15/12 and \$50,000,000 U.S. Treasury Bonds, 12.00%, due 5/15/05; aggregate value including accrued interest--\$368,368,052.

Goldman Sachs & Co., 2.93%, in the principal amount of \$450,154,000, repurchase price \$450,263,913, due 11/1/93, collateralized by \$104,915,000 U.S. Treasury Bonds, 12.00%, due 8/15/13 and \$200,000,000 U.S. Treasury Bonds, 10.75%, due 8/15/05; aggregate value including accrued interest--\$462,739,932.

Kidder, Peabody & Co. Inc., 2.95%, in the principal amount of \$305,000,000, repurchase price \$305,074,979, due 11/1/93, collateralized by \$210,030,000 U.S. Treasury Bonds, 9.875%, due 11/15/15; value including accrued interest--\$311,527,136.

Nomura Securities International, Inc., 2.90%, in the principal amount of \$60,889,000, repurchase price \$60,903,715, due 11/1/93, collateralized by \$8,280,000 U.S. Treasury Notes, 7.75%, due 2/15/95; \$25,000,000 U.S. Treasury

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Notes, 7.375%, due 5/15/96 and \$22,775,000 U.S. Treasury Notes, 8.875%, due 2/15/96; aggregate value including accrued interest--\$62,140,276.

Smith Barney Shearson, Inc., 2.94%, in the principal amount of \$175,000,000, repurchase price \$175,042,875, due 11/1/93, collateralized by \$4,465,000 U.S. Treasury Bonds, 12.00%, due 5/15/05; \$11,435,000 U.S. Treasury Notes, 9.125%, due 5/15/99; \$75,000,000 U.S. Treasury Bonds, 8.125%, due 8/15/19 and \$50,000,000 U.S. Treasury Bonds, 8.00%, due 11/15/21; aggregate value including accrued interest--\$178,771,706.

Note 6. Capital

The Fund offers both Class

A and Class B shares. Class A shares are sold with a front-end sales charge of up to 5.25%. Class B shares are sold with a contingent deferred sales charge which declines from 5% to zero depending on the period of time the shares are held. Both classes of shares have equal rights as to earnings, assets and voting privileges except that each class bears different distribution expenses and has exclusive voting rights with respect to its distribution plan.

The Fund has authorized an unlimited number of shares of beneficial interest at \$.01 par value divided into two classes, designated Class A and Class B.

Transactions in shares of beneficial interest were as follows:

<TABLE>

<CAPTION>

Class A	Shares	Amount
<S>	<C>	<C>
Year ended October 31, 1993:		
Shares sold.....	3,950,176	\$ 53,801,595
Shares issued in reinvestment of dividends and distributions.....	308,487	3,893,566
Shares reacquired.....	(1,232,317)	(16,658,314)
Increase in shares outstanding.....	3,026,346	\$ 41,036,847

<CAPTION>

	Shares	Amount
<S>	<C>	<C>
Year ended October 31, 1992:		
Shares sold.....	534,597	\$ 6,385,385
Shares issued--merger.....	3,584,907	42,652,014
Shares issued in reinvestment of dividends and distributions.....	63,805	755,032
Shares reacquired.....	(307,736)	(3,704,537)
Increase in shares outstanding.....	3,875,573	\$ 46,087,894

<CAPTION>

Class B		
<S>	<C>	<C>
Year ended October 31, 1993:		
Shares sold.....	25,419,549	\$344,438,239
Shares issued in reinvestment of dividends and distributions.....	1,098,086	13,820,990
Shares reacquired.....	(5,453,744)	(72,179,465)
Increase in shares outstanding.....	21,063,891	\$286,079,764
Year ended October 31, 1992:		
Shares sold.....	6,854,296	\$ 82,035,004
Shares issued in reinvestment of dividends and distributions.....	891,406	10,223,613
Shares reacquired.....	(4,623,152)	(55,475,448)
Increase in shares outstanding.....	3,122,550	\$ 36,783,169

</TABLE>

Note 7. Dividends On December 9, 1993, the Board of Trustees of the Fund declared ordinary income dividends of \$0.07 per Class A share and \$0.045 per Class B share and a \$0.345 long-term capital gain distribution and a \$0.18 short-term capital gain distribution for both Class A and Class B shares payable on December 22, 1993 to shareholders of record on December 15, 1993.

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PRUDENTIAL EQUITY INCOME FUND  
Financial Highlights

<TABLE>  
<CAPTION>

	Class A					Class B				
	Year Ended October 31,			January 22, 1990+ through October 31, 1990	Year Ended October 31,					
	1993	1992	1991		1993	1992	1991	1990	1989	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
PER SHARE OPERATING PERFORMANCE:										
Net asset value, beginning of period.....	\$ 12.16	\$ 12.04	\$ 9.53	\$10.59	\$ 12.14	\$ 12.03	\$ 9.53	\$ 10.89	\$ 9.63	
Income from investment operations										
Net investment income.....	.47	.47	.38	.25	.37	.37	.30	.28	.32	
Net realized and unrealized gain (loss) on investment transactions.....	2.65	.60	2.50	(1.01)	2.64	.59	2.49	(1.32)	1.26	
Total from investment operations.....	3.12	1.07	2.88	(.76)	3.01	.96	2.79	(1.04)	1.58	
Less distributions										
Dividends from net investment income.....	(.46)	(.47)	(.37)	(.30)	(.36)	(.37)	(.29)	(.32)	(.32)	
Distributions from net realized gains.....	(.44)	(.48)	--	--	(.44)	(.48)	--	--	--	
Total distributions.....	(.90)	(.95)	(.37)	(.30)	(.80)	(.85)	(.29)	(.32)	(.32)	

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Net asset value, end of period.....	\$ 14.38	\$ 12.16	\$12.04	\$ 9.53	\$ 14.35	\$ 12.14	\$ 12.03	\$ 9.53	\$ 10.89
TOTAL RETURN#.....	26.93%	9.50%	30.62%	(7.36)%	25.93%	8.55%	29.58%	(9.77)%	16.68%
RATIOS/SUPPLEMENTAL DATA:									
Net assets, end of period									
(000).....	\$104,017	\$51,165	\$4,013	\$1,098	\$527,868	\$190,846	\$151,538	\$120,032	\$143,169
Average net assets (000).....	\$ 70,895	\$21,931	\$2,084	\$ 752	\$304,898	\$169,524	\$136,602	\$142,179	\$ 84,157
Ratios to average net assets:									
Expenses, including									
distribution fees.....	1.07%	1.22%	1.37%	1.59%*	1.87%	2.02%	2.17%	2.22%	2.08%
Expenses, excluding									
distribution fees.....	.87%	1.02%	1.17%	1.39%*	.87%	1.02%	1.17%	1.22%	1.12%
Net investment income.....	3.44%	3.22%	3.43%	3.12%*	2.58%	3.05%	2.67%	2.70%	2.89%
Portfolio turnover.....	57%	43%	64%	58%	57%	43%	64%	58%	60%

</TABLE>

\* Annualized.

+ Commencement of offering of Class A shares.

# Total return does not consider the effects of sales loads. Total return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and includes reinvestment of dividends and distributions. Total returns for periods of less than a full year are not annualized.

See Notes to Financial Statements.

INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Trustees  
Prudential Equity Income Fund

We have audited the accompanying statement of assets and liabilities of Prudential Equity Income Fund, including the portfolio of investments, as of October 31, 1993, the related statements of operations for the year then ended and of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of the securities owned as of October 31, 1993 by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights present fairly, in all material respects, the financial position of Prudential Equity Income Fund as of October 31, 1993, the results of its operations, the changes in its net assets and the financial highlights for the respective stated periods in conformity with generally accepted accounting principles.

Deloitte & Touche  
New York, New York  
December 9, 1993

FEDERAL INCOME TAX INFORMATION

We are required by the Internal Revenue Code to advise you within 60 days of the Fund's fiscal year end (October 31, 1993) as to the federal income tax status of dividends paid by the Fund during such fiscal year. Accordingly, we are advising you that during its fiscal year ended October 31, 1993, the Fund paid distributions for Class A shares totaling \$0.90 per share, comprised of \$0.532 per share ordinary income and short-term capital gains which are taxable



as ordinary income and \$0.368 per share long-term capital gains which is taxable as such. The Fund paid distributions for Class B shares totaling \$0.80 per share, comprised of \$0.432 per share ordinary income and short-term capital gains which are taxable as ordinary income and \$0.368 per share long-term capital gains which is taxable as such. Further, we wish to advise you that 71% of the dividends (excluding short-term and long-term capital gains) paid in the fiscal year ended October 31, 1993 qualified for the corporate dividends received deduction available to corporate taxpayers.

In January 1994, you will be advised on IRS Form 1099, DIV or substitute Form 1099, as to the federal tax status of the distributions received by you in calendar 1993. The amounts that will be reported on such Form 1099 DIV will be the amounts to use on your 1993 federal income tax return and will differ from the amounts which we must report for the Fund's fiscal year ended October 31, 1993.

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Trustees

Edward D. Beach  
Donald D. Lennox  
Douglas H. McCorkindale  
Lawrence C. McQuade  
Thomas T. Mooney  
Richard A. Redeker  
Louis A. Weil, III

Officers

Lawrence C. McQuade, President  
Robert F. Gunia, Vice President  
Susan C. Cote, Treasurer  
S. Jane Rose, Secretary  
Marguerite E.H. Morrison, Assistant Secretary

Manager

Prudential Mutual Fund Management, Inc.  
One Seaport Plaza  
New York, NY 10292

Investment Adviser

The Prudential Investment Corporation  
Prudential Plaza  
Newark, NJ 07101

Distributors

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Prudential Securities Incorporated  
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New York, NY 10292

Custodian

State Street Bank and Trust Company  
One Heritage Drive  
North Quincy, MA 02171

Transfer Agent

Prudential Mutual Fund Services, Inc.  
P.O. Box 15005  
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Independent Accountants

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New York, NY 10019

Legal Counsel

Gardner, Carton & Douglas  
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Chicago, IL 60610

One Seaport Plaza  
New York, NY 10292  
Toll free (800) 225-1852  
Collect (201) 417-7555

This report is not authorized for distribution to prospective investors unless preceded or accompanied by a current prospectus.

I. Prudential Equity Income Fund

Chart entitled Prudential Mutual Funds: Risk/Reward Spectrum.

The chart shows a graphic representation of the spectrum of risks of various categories of Prudential Mutual Funds including stock funds, tax-exempt bond funds, taxable bond funds and global taxable bond funds. The chart rates the risk of individual Prudential Mutual Funds relative to other Prudential Mutual Funds in each category.

Under the category of stock funds, the chart lists from low risk to high risk the following funds (beginning at the low end of the spectrum):

- FlexiFund (The Conservatively Managed Portfolio)
- IncomeVertible Fund
- FlexiFund (The Strategy Portfolio)
- Equity Income Fund
- Utility Fund
- Global Utility Fund
- Equity Fund
- Growth Fund
- Global Fund
- Nicholas-Applegate Growth Equity Fund
- Growth Opportunity Fund
- Multi-Sector Fund
- Global Natural Resources Fund
- Global Genesis Fund
- Pacific Growth Fund

Under the category of tax-exempt bond funds, the chart lists from low risk to high risk the following funds (beginning at the low end of the spectrum):

- Municipal Bond Fund (Modified Term Series)
- Municipal Bond Fund (Insured Series)
- National Municipals Fund
- Municipal Series Fund (State Series Fund)
- California Municipal Fund (California Income Series)
- Municipal Bond Fund (High Yield Series)

Under the category of taxable bond funds, the chart lists from low risk to high risk the following funds (beginning at the low end of the spectrum):

- Adjustable Rate Securities Fund
- The BlackRock Government Income Fund
- Structured Maturity Fund (Income Portfolio)
- Government Securities Trust (Intermediate Term Series)
- GNMA Fund
- Government Plus Fund
- U.S. Government Fund
- High Yield Fund

Under the category of global taxable bond funds, the chart lists from low risk to high risk the following funds (beginning at the low end of the spectrum):

- Short-Term Global Income Fund (Global Assets Portfolio)
- Short-Term Global Income Fund (Short-Term Global Income Portfolio)
- Intermediate Global Income Fund

II. Prudential Equity Income Fund

Performance Charts

A. Historical Investment Results

The chart shows comparative historical investment results for the

one-year, five-year and since inception periods ended October 31, 1993 for the Class A shares of the Fund, the Class B shares of the Fund, the Lipper Equity Income Average and the S&P 500 Index, without taking into account front-end or contingent deferred sales charges.

#### B. Average Annual Total Returns

The chart also shows the average annual total returns for the one-year, five-year and since inception periods ended September 30, 1993 for Class A and Class B shares taking into account any applicable sales charges.

### III. Prudential Equity Income Fund

#### Mountain Charts

Two mountain charts show the growth of an assumed investment of \$10,000 in Prudential Pacific Growth Fund. The charts represent historical performance and are not a guarantee of future performance of Class A shares or Class B shares.

#### A. Class A shares

The chart shows the growth of a \$10,000 investment in Class A shares from inception on January 22, 1990 through September 30, 1993, and assumes a front-end sales charge of 5.25%. The chart shows the value of the investment as of September 30, 1993 (i) with the reinvestment of dividends and distributions in additional shares of the Fund and (ii) with all dividends and distributions taken in cash.

#### B. Class B shares

The chart shows the growth of a \$10,000 investment in Class B shares from inception on January 20, 1987 through September 30, 1993, and does not assume the effect of a contingent deferred sales charge on redemptions. The chart shows the value of the investment as of September 30, 1993 (i) with the reinvestment of dividends and distributions in additional shares of the Fund and (ii) with all dividends and distributions taken in cash.

### IV. Prudential Equity Income Fund

Bar chart showing the Fund's five largest industries as a percent of net assets as of October 31, 1993. The industries are Aerospace/Defense, 11.3%; Insurance, 9.6%; Integrated Producers, 8.4%; Computer Hardware, 5.9%; and Gas Pipeline, 4.8%.

### V. Prudential Equity Income Fund

#### SEC Required Charts

The following two charts compare a \$10,000 investment in Class A shares and Class B shares, with a similar investment in the Morgan Stanley Pacific Index. Included in the charts are the average annual total returns for Class A for the one-year and since inception periods with and without sales charges and Class B for the one-year, five year and since inception periods with and without sales charges.