

# 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**  
Type: **N-30D** | Act: **40** | File No.: **811-04864** | Film No.: **95500977**

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Letter to Shareholders

December 8, 1994

Dear Shareholder:

In the past year, the stock market has provided both good and bad times for mutual fund investors. Stock market returns slowed at the end of 1993, and despite a short summer rally, they have been modest all during 1994. We are pleased to announce that despite the ups and downs of this difficult stock market, the Prudential Equity Income Fund earned above-average returns.

#### Our Objective

The Prudential Equity Income Fund seeks to provide both current income and capital appreciation through a portfolio of common stocks and convertible securities that provide investment income returns above those of the Standard & Poor's 500 Index or the NYSE Composite Index. The Fund may hold up to 30% of assets in securities of foreign issue and up to 35% of assets in bonds. We may also use derivatives like options to hedge risk, although we have not done so during this reporting period.

#### Strong Earnings & Rising Rates Battle It Out

As strong corporate earnings reports and steadily rising interest rates battled for dominance of the financial headlines this year, the U.S. stock market reacted to each in turn. While the rounds of favorable earnings reports bolstered stock prices, the Federal Reserve's course of interest rate hikes shook investor confidence. To weather this turbulence, we have been emphasizing stocks of companies expected to benefit from economic recovery--like industrial and technology stocks.

#### Benefitting from Industrial Strength--Steel, Paper and Chemicals

Stocks of industrial companies, representing almost one-quarter of Fund assets, comprised the largest concentration of holdings as of October 31, 1994. This significant position represents the Fund's strategy of emphasizing companies we believe will benefit from increasing economic activity around the globe. In keeping with its value investment philosophy, the Fund has sought stocks that seem to be bargains, especially after recent price declines within the steel, paper and chemical industries.

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#### Finance: Opportunities in Real Estate, Financial Services & Insurance

Rising U.S. interest rates may have created value investment opportunities in the finance sector. Accordingly, finance represents the second largest sector of the Fund's holdings as of October 31, 1994, approximately one-fifth of Fund assets. Within this sector, the Fund holds real estate investment trusts (REITs) and traditional high dividend stocks of insurance and financial services firms, such as securities brokerages. REITs, trusts invested in commercial real estate like office buildings and retail malls, are currently the Fund's largest financial holding. We believe they may offer the potential for above-average dividend and price appreciation. Of course, to finance these payouts, REITs rely on financing sources; a robust stock market is the key to their continued growth.

#### Utilities and Energy

Stocks of two other traditional high dividend industries, utilities and energy, continue to be important areas for the Fund although our emphasis in utilities may decline over the long haul. Increasing demand spurred by an upswing in economic activity should help raise oil and natural gas prices and such price increases tend to benefit stocks of companies in these industries and the energy sector in general. Over the short term, selected utility stocks may represent value opportunities; this sector has also suffered dramatic price declines as a result of increasing U.S. interest rates. For the long run, we believe some areas of the utility sector may have good growth potential, like telecommunications services, the Fund's second largest industry holding, which is benefitting from increasing cellular phone usage and expansion overseas. Of course, stocks in these sectors also traditionally offer attractive yields.

#### Outlook

The strengthening global economy, rising interest rates and the specter of

returning inflation have made 1994 a difficult year for equity mutual fund investors. Despite the volatility seen throughout the first three quarters of the year, we expect that the strong earnings of U.S. corporations and the fundamental soundness of the U.S. economy will help keep inflation at bay and allow the U.S. stock market to post modest positive returns for the full

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year 1994. Selection of individual securities will be increasingly important in such an environment, and we will continue to focus on the sectors and the stocks we expect to weather the changing market well.

Thank you for selecting the Prudential Equity Income Fund for the portion of your portfolio devoted to high dividend stocks.

Sincerely,

Lawrence C. McQuade  
President

Warren E. Spitz  
Portfolio Manager

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PORTFOLIO Q&A

(PICTURE)

Warren Spitz

We talked with portfolio manager Warren Spitz about his favorite sectors.

Q: Why do you expect industrial stocks to continue to outperform consumer stocks?

A. Many of industrial companies manufactured goods at levels far below their maximum output potential--known as capacity utilization--during the 1980s. Now that the economy is expanding at a healthy clip, that situation has reversed itself and many are reaching their peak capacity. That gives them pricing power, or the ability to charge higher prices because their goods are becoming more valuable, and higher prices should translate to higher stock prices. As long as the U.S. economy keeps expanding this way, I expect companies in the industrial sector, particularly in chemicals, paper and steel, to benefit. At the same time, consumer-oriented companies are still feeling the pricing pressure that will keep their stock prices in check for the near future. Of course, if the stock market stumbles, my outlook for this sector will be less optimistic.

Q. What opportunities do you see in Real Estate Investment Trusts (REITs)?

A. In the current market environment, where rising interest rates have put pressure on traditional high dividend sectors, REITs offer one of the best opportunities for above-average dividend and price appreciation. Rising interest rates have also brought price reductions to this sector, which created some good opportunities to buy securities that are undervalued. We also expect an increase in the amount of REITs issued will be readily absorbed by pension funds and insurers. Traditionally, these companies bought real estate directly, but after being burned by falling prices in the 1980s and early 1990s, they're beginning to prefer this more-liquid real estate investment option. Once again, a strong stock market is key to my outlook for REITs.

Q: What's your outlook for energy stocks?

A. I think energy companies have drastically reduced their budgets for research and development, especially in oil exploration and production, for the past five or ten years. Growing demand and stagnant supply levels, mostly as a result of this underinvestment, may in the near future put upward pressure on energy prices. The most direct beneficiaries? I believe it will be oil exploration and oil services stocks; consequently, I continue to explore opportunities in these industries.

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PRUDENTIAL EQUITY INCOME FUND

Portfolio of Investments  
October 31, 1994

<TABLE>

<CAPTION>

Shares <C>	Description <S>	Value (Note 1) <C>
	LONG-TERM INVESTMENTS--93.6%	
	Common Stocks--68.9%	
	Aerospace/Defense--5.9%	
91,800	Alliant Techsystems, Inc.*.....	\$ 3,155,625
159,500	E-Systems, Inc.....	6,619,250
35,500	Moog, Inc.*.....	297,313
583,600	Northrop Grumman Corp.....	25,605,450
134,400	Rockwell International Corp.....	4,687,200
1,006,400	Thiokol Corp.....	24,782,600
		-----
		65,147,438
		-----
	Automobiles & Trucks--0.5%	
150,000	General Motors Corp.....	5,925,000
		-----
	Banking--0.1%	
15,100	First Fidelity Bancorp.....	679,500
		-----
	Chemicals--0.6%	
180,100	Potash Corp. Saskatchewan, Inc.....	6,371,037
		-----
	Computer Hardware--2.9%	
93,900	Digital Equipment Corp.*....	2,875,688
390,900	International Business Machines Corp.....	29,122,050
		-----
		31,997,738
		-----
	Computer Software & Services--0.7%	
831,100	Intergraph Corp.*.....	7,168,238
25,200	Shared Medical Systems Corp.....	743,400
		-----
		7,911,638
		-----
	Conglomerate--0.7%	
88,300	ITT Corp.....	7,792,475
		-----
	Drugs & Medical Supplies--0.9%	
400,000	Baxter International, Inc.....	10,400,000
		-----
	Electrical Equipment--1.6%	
1,220,100	Westinghouse Electric Corp.....	17,233,913
		-----
	Electric Utilities--3.1%	
81,000	Central & South West Corp.....	1,822,500
26,200	Central Hudson Gas & Electric Co.....	641,900
47,000	Central Louisiana Electric Co.....	1,016,375
227,311	CINergy Corp.....	5,256,558
457,800	Entergy Corp.....	\$ 10,701,075
116,900	NIPSCO Industries, Inc.....	3,258,587
170,700	Pinnacle West Capital Corp.....	3,179,288
100,000	Public Service Enterprise, Inc.....	2,625,000
280,600	SCE Corp.....	3,893,325
75,000	Texas Utilities Co.....	2,446,875
		-----
		34,841,483
		-----
	Electronics--1.5%	
348,900	Esterline Technologies Corp.*.....	4,317,638
462,800	IMO Industries, Inc.*.....	4,396,600
5,400	Kollmorgen Corp.....	35,100
379,400	Newport Corp.....	2,892,925
114,100	Pacific Scientific Co.....	5,419,750
		-----
		17,062,013
		-----
	Energy Equipment & Services--2.0%	
101,000	Smith International,	

	Inc.*.....	1,691,750
375,400	Sonat Offshore Drilling, Inc.....	7,461,075
218,300	USX Corp.....	8,186,250
740,300	Varco International, Inc....	5,182,100
		-----
		22,521,175
		-----
	Energy Systems--8.4%	
773,700	Baker Hughes, Inc.....	15,860,850
683,100	Dresser Industries, Inc....	14,430,488
595,000	Halliburton Co.....	22,015,000
954,500	McDermott International, Inc.....	24,459,063
1,025,000	Morrison Knudsen Corp.....	16,015,624
		-----
		92,781,025
		-----
	Financial Services--5.9%	
147,900	Alex Brown, Inc.....	4,085,738
800,000	Bear Stearns Cos., Inc.....	13,000,000
330,900	Edwards (A.G.), Inc.....	6,121,650
111,600	Legg Mason, Inc.....	2,343,600
1,169,600	Lehman Brothers Holdings, Inc.....	18,128,800
300,000	Merrill Lynch & Co., Inc....	11,812,500
150,000	Morgan Stanley Group, Inc.....	9,806,250
		-----
		65,298,538
		-----

</TABLE>

-5- See Notes to Financial Statements.

PRUDENTIAL EQUITY INCOME FUND

<TABLE>

<CAPTION>

Shares <C>	Description <S>	Value (Note 1) <C>
	Gas Distribution--2.0%	
259,800	British Gas plc., ADS (United Kindom).....	\$ 12,308,025
76,400	Equitable Resources, Inc....	2,330,200
237,450	KN Energy, Inc.....	5,847,206
58,450	Yankee Energy System, Inc.....	1,307,819
		-----
		21,793,250
		-----
	Gas Pipelines--2.4%	
462,000	Panhandle Eastern Corp.....	10,857,000
208,300	Sonat, Inc.....	6,769,750
410,000	TransCanada Pipelines, Ltd.....	5,330,000
228,900	Transco Energy Co.....	3,290,438
		-----
		26,247,188
		-----
	Insurance--5.1%	
175,400	Aetna Life & Casualty Co....	8,090,325
981,100	Alexander & Alexander Services, Inc.....	19,867,275
138,700	Allstate Corp.....	3,346,138
548,200	Continental Corp.....	8,291,525
113,400	Jefferson-Pilot Corp.....	6,151,950
49,000	Lincoln National Corp.....	1,776,250
85,400	Ohio Casualty Corp.....	2,497,950
56,300	SAFECO Corp.....	2,822,037
140,100	Selective Insurance Group, Inc.....	3,537,525
		-----
		56,380,975
		-----
	Integrated Producers--5.5%	
19,000	Kerr-McGee Corp.....	933,375
33,300	Mobil Corp.....	2,863,800
544,300	Occidental Petroleum Corp.....	11,906,562
49,800	Petroleum Heat & Power, Inc.....	460,650
382,800	Quaker State Corp.....	5,215,650

469,170	Societe Nationale ELF Aquitaine, ADR (France).....	17,183,351
158,700	Sun Co., Inc.....	5,098,238
39,400	Texaco, Inc.....	2,575,775
762,000	USX Marathon Group.....	14,287,500
		-----
		60,524,901
		-----
277,300	Machinery--0.2% Terex Corp.*.....	\$ 2,149,075
		-----
132,700	Media--0.4% Pulitzer Publishing Co.....	4,744,025
		-----
60,000	Miscellaneous Industrial--1.9% Hanson plc., ADR (United Kingdom).....	1,117,500
452,000	Tenneco, Inc.....	20,001,000
		-----
		21,118,500
		-----
271,000	Realty Investment Trust--10.5% AMLI Residential Property Trust.....	5,149,000
315,000	Avalon Properties, Inc.....	6,142,500
231,200	Beacon Properties.....	4,363,900
24,600	Carr Realty Corp.....	479,700
68,100	Charles E. Smith Residential Realty, Inc.....	1,685,474
611,000	Crescent Real Estate Equities.....	16,497,000
776,900	Equity Residential Property Trust.....	23,209,887
161,900	First Union Real Estate Equity & Mortgage Investments.....	1,254,725
457,700	Gables Residential Trust....	9,840,550
300,000	Glimcher Realty Trust.....	5,812,500
400,000	Irvine Apartment Communities, Inc.....	7,100,000
96,000	JP Realty, Inc.....	1,884,000
41,700	Kimco Realty Corp.....	1,527,262
230,000	Malan Realty Investors, Inc.....	3,450,000
300,000	Manufactured Home Communities, Inc.....	5,587,500
386,742	Property Trust of America...	6,236,215
285,700	Simon Property Group, Inc.....	6,821,087
196,200	Vornado Realty Trust.....	6,180,300
69,600	Weingarten Realty Investors, Inc.....	2,383,800
		-----
		115,605,400
		-----
13,100	Retail Bradlees, Inc.....	201,413
		-----
59,600	Steel Tubos De Acero De Mexico, S.A., ADR*(Mexico).....	312,900
		-----

</TABLE>

-6- See Notes to Financial Statements.

PRUDENTIAL EQUITY INCOME FUND

<TABLE>

<CAPTION>

Shares	Description	Value
<C>	<S>	(Note 1)
	<C>	
	Telecommunication Services--6.1%	
13,600	Ameritech Corp.....	\$ 549,100
100,000	BellSouth Corp.....	5,325,000
165,900	GTE Corp.....	5,101,425
196,700	NYNEX Corp.....	7,720,475
885,800	Telefonos de Mexico, S.A., ADR (Mexico).....	48,829,725
11,600	U.S. West, Inc.....	436,450
		-----

		67,962,175	
	Total common stocks		-----
	(cost \$733,942,598).....	763,002,775	-----
	Preferred Stocks--14.8%		
	Aluminum--1.3%		
422,500	Kaiser Aluminum Corp.,		
	Conv. \$8.25.....	4,753,125	
193,500	Reynolds Metals Co., Conv.		
	\$3.31.....	10,158,750	
		-----	
		14,911,875	-----
	Automobiles & Trucks--2.7%		
118,000	Chrysler Corp., Conv.		
	\$4.63.....	16,077,500	
143,000	Ford Motor Co., Conv.		
	\$4.20.....	13,835,250	
		-----	
		29,912,750	-----
	Electrical Equipment--2.3%		
1,743,000	Westinghouse Electric Corp.,		
	Conv. \$1.30.....	25,491,375	
		-----	
	Electric Utilities--0.1%		
2,100	Gulf States Utilities Co.,		
	\$5.08, Class E.....	120,093	
11,205	Gulf States Utilities Co.,		
	\$8.08, Class K.....	1,131,705	
		-----	
		1,251,798	-----
	Energy Systems--0.7%		
100,000	McDermott International,		
	Inc., Conv. \$5.75, Ser.		
	C.....	4,262,500	
149,300	Reading & Bates Corp.,*		
	Conv. \$1.63.....	3,639,187	
		-----	
		7,901,687	-----
	Insurance--0.5%		
102,200	Alexander & Alexander		
	Services, Inc.,		
	Conv. \$3.63, Ser. A.....	\$ 4,394,600	
12,700	USF & G Corp., Conv. \$4.10,		
	Ser. A.....	590,550	
		-----	
		4,985,150	-----
	Integrated Producers--1.0%		
110,000	Noble Drilling Corp.,*		
	Conv. \$1.50.....	2,695,000	
49,000	Unocal Corp., Conv. \$3.50...	2,707,250	
118,900	USX Marathon Group, Conv.		
	6.5%.....	5,989,587	
		-----	
		11,391,837	-----
	Mining--0.6%		
100,000	Echo Bay Finance Corp.,		
	Conv. \$1.75 Ser. A.....	3,737,500	
60,000	Hecla Mining Co.		
	Conv. 7%, Ser. B.....	3,015,000	
		-----	
		6,752,500	-----
	Oil & Gas Exploration & Production--0.4%		
85,000	Parker & Parsley Capital,		
	Conv. 6.25%.....	4,430,625	
		-----	
	Paper--1.3%		
181,800	Bowater, Inc., Conv. 7%,		
	Ser. B.....	4,726,800	
451,200	James River Corp., Conv.		
	\$9.00.....	9,926,400	
		-----	
		14,653,200	-----
	Realty Investment Trust--0.1%		
54,600	Property Trust of America,		

	Conv. \$1.75, Ser. A.....	1,180,725
	-----	
228,000	Steel--1.1% Bethlehem Steel Corp., Conv. \$3.50.....	12,255,000
	-----	
4,400,000	Tobacco--2.7% RJR Nabisco Holdings, Inc., Conv. \$0.60, PERCS.....	30,250,000
	-----	
	Total preferred stocks (cost \$162,231,512).....	165,368,522
	-----	

</TABLE>

-7- See Notes to Financial Statements.

PRUDENTIAL EQUITY INCOME FUND

<TABLE>

<CAPTION>

Moody's Rating (Unaudited) <C>	Principal Amount (000) <C>	Description <S>	Value (Note 1) <C>
B2	\$ 2,300	Convertible Bonds--4.7% Computer Hardware--1.8% Conner Peripherals, Inc., Sub. Deb., 6.75%, 3/1/01...	\$ 1,799,750
B2	5,250	Quantum Corp., Deb., 6.375%, 4/1/02.... Seagate Technology, Deb., 6.75%, 5/1/12...	5,197,500
B1	3,407		2,912,985
B1	9,000	Sub. Deb., 5.00%, 11/1/03.....	9,767,610
			----- 19,677,845 -----
Caa	4,500	Fertilizer--0.4% IMC Fertilizer Group, Deb., 6.25%, 12/1/01....	4,117,500
Aa3	339	Integrated Oil--0.4% Amoco Canada Petroleum Co., Sub. Exch. Deb., 7.375%, 9/1/13.....	419,513
B2	2,583	Cross Timbers Oil Co., Deb., 5.25%, 11/1/03....	2,208,465
B1	2,121	Oryx Energy Co., Sub. Deb., 7.50%, 5/15/14....	1,619,914
			----- 4,247,892 -----
Baa3	14,299	Integrated Producers--1.3% Noble Affiliates, Inc., Sub. Notes, 4.25%, 11/1/03.....	13,870,030
CCC+**	3,000	Mining--0.4% Coeur D'Alene Mines Corp., Sub. Deb., 7.00%, 11/30/02.....	3,810,000
Ba3	1,000	Freeport McMoran, Inc., Deb., 6.55%, 1/15/01.....	903,130
			----- 4,713,130 -----



NR	\$	3,800	Real Estate--0.3% Malan Reality Investors, Inc., Sub. Deb., 9.50%, 7/15/04.....	\$	3,458,000
BB-**		710	Steel--0.1% USX Corp., Sub Deb., 7.00%, 6/15/17....		628,350
			Total convertible bonds (cost \$55,293,712)....		50,712,747
		71,500	U. S. Government Securities--5.2% United States Treasury Bonds, 6.25%, 8/15/23 (cost \$60,751,449)....		57,222,185
			Total long-term investments (cost \$1,012,219,269)..		1,036,306,229
		48,057	SHORT-TERM INVESTMENTS--4.3% Joint Repurchase Agreement Account, 4.77%, 11/1/94 (cost \$48,057,000; Note 5).....		48,057,000
			Total Investments--98.0% (cost \$1,060,276,269; Note 4).....		1,084,363,229
			Other assets in excess of liabilities--2.0%...		22,615,858
			Net Assets--100%..		\$1,106,979,087

</TABLE>

\* 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.

-8- See Notes to Financial Statements.

PRUDENTIAL EQUITY INCOME FUND  
Statement of Assets and Liabilities

<TABLE>

<CAPTION>

Assets	October 31, 1994
<S>	<C>
Investments, at value (cost \$1,060,276,269).....	\$1,084,363,229
Cash.....	232,809
Receivable for investments sold.....	33,723,970
Dividends and interest receivable.....	4,896,197
Receivable for Fund shares sold.....	3,213,254
Deferred expenses and other assets.....	10,495
Total assets.....	1,126,439,954
Liabilities	
Payable for investments purchased.....	15,333,395
Payable for Fund shares reacquired.....	2,255,287
Distribution fee payable.....	828,063
Management fee payable.....	503,562
Accrued expenses.....	483,880

Foreign withholding tax payable.....	56,680
Total liabilities.....	19,460,867
Net Assets.....	\$1,106,979,087
Net assets were comprised of:	
Shares of beneficial interest, at par.....	\$ 790,642
Paid-in capital in excess of par.....	1,027,127,251
	1,027,917,893
Undistributed net investment income.....	13,861,666
Accumulated net realized gain on investments.....	41,112,568
Net unrealized appreciation of investments.....	24,086,960
Net assets, October 31, 1994.....	\$1,106,979,087
Class A:	
Net asset value and redemption price per share (\$150,501,747 / 10,729,928 shares of beneficial interest issued and outstanding).....	\$14.03
Maximum sales charge (5.00% of offering price).....	.74
Maximum offering price to public.....	\$14.77
Class B:	
Net asset value, offering price and redemption price per share (\$954,950,559 / 68,225,183 shares of beneficial interest issued and outstanding).....	\$14.00
Class C:	
Net asset value, offering price and redemption price per share (\$1,526,781 / 109,077 shares of beneficial interest issued and outstanding).....	\$14.00

</TABLE>

See Notes to Financial Statements.

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PRUDENTIAL EQUITY INCOME FUND  
Statement of Operations

<TABLE>

<CAPTION>

	Year Ended
	October 31, 1994
	-----
Net Investment Income	<C>
<S>	<C>
Income	
Dividends (net of foreign withholding taxes of \$356,524).....	\$ 30,417,969
Interest.....	6,772,275
	-----
Total income.....	37,190,244
	-----
Expenses	
Distribution fee--Class A.....	319,509
Distribution fee--Class B.....	7,840,632
Distribution fee--Class C.....	1,880
Management fee.....	5,078,246
Transfer agent's fees and expenses.....	1,448,000
Reports to shareholders.....	500,000
Registration fees.....	330,000
Custodian's fees and expenses.....	296,000
Legal fees.....	56,000
Trustees' fees.....	37,500
Audit fee.....	36,000
Insurance expense.....	15,000
Miscellaneous.....	14,965
	-----
Total expenses.....	15,973,732
	-----
Net investment income.....	21,216,512
	-----
Realized and Unrealized Gain (Loss) on Investments	
Net realized gain on	

investment transactions.....	42,485,087
Net change in unrealized appreciation/depreciation of investments.....	(35,543,092)
Net gain on investment transactions.....	6,941,995
Net Increase in Net Assets Resulting from Operations.....	\$ 28,158,507

</TABLE>

PRUDENTIAL EQUITY INCOME FUND  
Statement of Changes in Net Assets

<TABLE>

<CAPTION>

Increase (Decrease) in Net Assets	Year Ended October 31,	
	1994	1993
<S>	<C>	<C>
Operations		
Net investment income....	\$ 21,216,512	\$ 10,304,124
Net realized gain on investment transactions.....	42,485,087	25,234,290
Net change in unrealized appreciation/depreciation of investments.....	(35,543,092)	45,035,883
Net increase in net assets resulting from operations.....	28,158,507	80,574,297
Net equalization credits...	3,591,448	1,785,921
Dividends and distributions (Note 1)		
Dividends from net investment income		
Class A.....	(2,741,569)	(2,383,733)
Class B.....	(10,744,017)	(8,100,377)
Class C.....	(3,204)	--
	(13,488,790)	(10,484,110)
Distributions from net realized gains		
Class A.....	(4,073,407)	(1,901,042)
Class B.....	(22,284,545)	(7,217,743)
	(26,357,952)	(9,118,785)
Fund share transactions (Note 6)		
Proceeds from shares subscribed.....	668,069,397	398,239,834
Net asset value of shares issued in reinvestment of dividends and distributions.....	36,142,786	17,714,556
Cost of shares reacquired.....	(221,021,185)	(88,837,779)
Net increase in net assets from Fund share transactions.....	483,190,998	327,116,611
Total increase.....	475,094,211	389,873,934
Net Assets		
Beginning of year.....	631,884,876	242,010,942
End of year.....	\$ 1,106,979,087	\$631,884,876

</TABLE>

See Notes to Financial Statements.

See 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 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 country.

Note 1. Accounting  
Policies

The following is a summary  
of significant accounting poli-  
cies 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.

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 or designated subcustodians, under triparty repurchase agreements as the case may be, 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.

**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 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.

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.

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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 with Prudential Securities Incorporated ('PSI'), which acts as distributor of the Class B and Class C shares of the Fund (collectively, the 'Distributors'). The Fund compensates the Distributors for distributing and servicing the Fund's Class A, Class B and Class C shares, pursuant to plans of distribution (the 'Class A, B and C Plans'), regardless of expenses actually incurred by them. The distribution fees are accrued daily and payable monthly.

On July 19, 1994, shareholders of the Fund approved amendments to the Class A and Class B distribution plans under which the distribution plans became compensation plans, effective August 1, 1994. Prior thereto, the distribution plans were reimbursement plans, under which PMFD and PSI were reimbursed for expenses actually incurred by them up to the amount permitted under the Class A and Class B Plans, respectively. The Fund is not obligated to pay any prior or future excess distribution costs (costs incurred by the Distributors in excess of distribution fees paid by the Fund or contingent deferred sales charges received by the Distributors). The rate of the distribution fees charged to Class A and Class B shares of the Fund did not change under the amended plans of distribution. The Fund began offering Class C shares on August 1, 1994.

Pursuant to the Class A, B and C Plans, the Fund compensates the Distributors for distribution-related activities at an annual rate of up to .30 of 1%, 1% and 1%, of the average daily net assets of the Class A, B and C shares, respectively. Such expenses under the Class A Plan were charged at an effective rate of .24 of 1% of the average daily net assets of the Class A shares for the fiscal year ended October 31, 1994 and are currently charged at a rate of .25 of 1% of the average daily net assets of the Class A shares. Such expenses under the Class B and C Plans were both 1% of the average daily net assets of the Class B and C shares for the fiscal year ended October 31, 1994.

PMFD has advised the Fund that it has received approximately \$1,542,700 in front-end sales charges resulting from sales of Class A shares during the fiscal year ended October 31, 1994. From these fees, PMFD paid such sales charges to dealers which in turn paid commissions to salespersons.

PSI has advised the Fund that for the fiscal year ended October 31, 1994, it received approximately \$1,587,700 in contingent deferred sales charges imposed upon certain redemptions by Class B shareholders.

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, 1994, the Fund incurred fees of approximately \$1,198,800 for the services of PMFS. As of October 31, 1994, approximately \$116,000 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, 1994, PSI earned approximately \$177,100 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, 1994 were \$1,101,036,972 and \$594,117,341, respectively.

The federal income tax basis of the Fund's investments at October 31, 1994 was \$1,060,713,598 and, accordingly, net unrealized appreciation for federal income tax purposes was \$23,649,631 (gross unrealized appreciation--\$63,938,373; gross unrealized depreciation--\$40,288,742).

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. At October 31, 1994, the Fund had a 5.34% undivided interest in the repurchase agreements in the joint account. The undivided interest for the Fund represented \$48,057,000 in principal amount. As of such date, each repurchase agreement in the joint account and the value of the collateral therefor was as follows:

Smith Barney, Inc., 4.80%, in the principal amount of \$260,000,000, repurchase price \$260,034,667, due 11/1/94. The value of the collateral including accrued interest is \$265,200,122.

Nomura Securities International, Inc., 4.77%, in the principal amount of \$100,000,000, repurchase price \$100,013,250, due 11/1/94. The value of the collateral including accrued interest is \$102,000,391.

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Goldman, Sachs & Co., 4.75%, in the principal amount of \$275,000,000, repurchase price \$275,036,285, due 11/1/94. The value of the collateral including accrued interest is \$280,500,611.

CS First Boston Corp., 4.75%, in the principal amount of \$265,000,000,

repurchase price \$265,034,965, due 11/1/94. The value of the collateral including accrued interest is \$271,053,272.

Note 6. Capital

The Fund currently offers

Class A, Class B and Class C shares. Class A shares are sold with a front-end sales charge of up to 5.00%. 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. Class C shares are sold with a contingent deferred sales charge of 1% during the first year. Class B shares will automatically convert to Class A shares on a quarterly basis approximately seven years after purchase commencing in or about February 1995.

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

Transactions in shares of beneficial interest were as follows:

<TABLE>		
<CAPTION>		
Class A	Shares	Amount
-----		
<S>	<C>	<C>
Year ended October 31, 1994:		
Shares sold.....	6,678,218	\$ 92,227,070
Shares issued in reinvestment of dividends and distributions.....	461,830	6,268,096
Shares reacquired.....	(3,645,394)	(50,335,973)
-----		
Net increase in shares outstanding.....	3,494,654	\$ 48,159,193
-----		
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)
-----		
Net increase in shares outstanding.....	3,026,346	\$ 41,036,847
-----		
<CAPTION>		
Class B	Shares	Amount
-----		
<S>	<C>	<C>
Year ended October 31, 1994:		
Shares sold.....	41,661,976	\$574,309,044
Shares issued in reinvestment of dividends and distributions.....	2,213,613	29,871,685
Shares reacquired.....	(12,436,151)	(170,671,244)
-----		
Net increase in shares outstanding.....	31,439,438	\$433,509,485
-----		
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)
-----		
Net increase in shares outstanding.....	21,063,891	\$286,079,764
-----		
<CAPTION>		
Class C	Shares	Amount
-----		
<S>	<C>	<C>
August 1, 1994* through October 31, 1994:		
Shares sold.....	109,870	\$ 1,533,283
Shares issued in reinvestment of dividends.....	215	3,005
Shares reacquired.....	(1,008)	(13,968)
-----		

Net increase in shares		
outstanding.....	109,077	\$ 1,522,320
	-----	-----
	-----	-----

\* Commencement of offering of Class C shares.  
</TABLE>

Note 7. Dividends and Distributions  
On December 7, 1994, the Board of Trustees of the Fund declared the following dividends and distributions per share, payable on December 19, 1994 to shareholders of record on December 13, 1994:

	Class A	Class B and C
	-----	-----
<S>	<C>	<C>
Ordinary Income.....	\$ 0.200	\$ 0.175
Short-Term Capital Gains.....	\$ 0.130	\$ 0.130
Long-Term Capital Gains.....	\$ 0.395	\$ 0.395

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PRUDENTIAL EQUITY INCOME FUND  
Financial Highlights

<TABLE>  
<CAPTION>

	Class A					Class B					Class C
	Year Ended October 31,				January 22, 1990 (D) through October 31,	Year Ended October 31,				August 1, 1994 (D) (D) through October 31,	
	1994	1993	1992	1991	1990	1994	1993	1992	1991	1990	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE:											
Net asset value, beginning of period...	\$ 14.38	\$ 12.16	\$ 12.04	\$ 9.53	\$10.59	\$ 14.35	\$ 12.14	\$ 12.03	\$ 9.53	\$ 10.89	\$ 13.99
Income from investment operations											
Net investment income...	.41	.47	.47	.38	.25	.31	.37	.37	.30	.28	.08
Net realized and unrealized gain (loss) on investment transactions...	.06	2.65	.60	2.50	(1.01)	.06	2.64	.59	2.49	(1.32)	(.02)
Total from investment operations.	.47	3.12	1.07	2.88	(.76)	.37	3.01	.96	2.79	(1.04)	.06
Less distributions											
Dividends from net investment income...	(.29)	(.46)	(.47)	(.37)	(.30)	(.19)	(.36)	(.37)	(.29)	(.32)	(.05)
Distributions from net realized gains...	(.53)	(.44)	(.48)	--	--	(.53)	(.44)	(.48)	--	--	--
Total											

distributions	(.82)	(.90)	(.95)	(.37)	(.30)	(.72)	(.80)	(.85)	(.29)	(.32)	(.05)
Net asset value, end of period...	\$ 14.03	\$ 14.38	\$ 12.16	\$12.04	\$ 9.53	\$ 14.00	\$ 14.35	\$ 12.14	\$ 12.03	\$ 9.53	\$ 14.00
TOTAL RETURN#...	3.48%	26.93%	9.50%	30.62%	(7.36)%	2.73%	25.93%	8.55%	29.58%	(9.77)%	0.45%
RATIOS/SUPPLEMENTAL DATA:											
Net assets, end of period (000)...											
	\$150,502	\$104,017	\$51,165	\$4,013	\$1,098	\$954,951	\$527,868	\$190,846	\$151,538	\$120,032	\$ 1,527
Average net assets (000)...											
	\$131,398	\$ 70,895	\$21,931	\$2,084	\$ 752	\$784,063	\$304,898	\$169,524	\$136,602	\$142,179	\$ 762
Ratios to average net assets:##											
Expenses, including distribution fees...											
	1.09%	1.07%	1.22%	1.37%	1.59%*	1.85%	1.87%	2.02%	2.17%	2.22%	2.05%*
Expenses, excluding distribution fees...											
	.85%	.87%	1.02%	1.17%	1.39%*	.85%	.87%	1.02%	1.17%	1.22%	1.05%*
Net investment income...											
	2.97%	3.44%	3.22%	3.43%	3.12%*	2.21%	2.58%	3.05%	2.67%	2.70%	2.42%*
Portfolio turnover...											
	70%	57%	43%	64%	58%	70%	57%	43%	64%	58%	70%

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\* Annualized.

(D) Commencement of offering of Class A shares.

(D) (D) Commencement of offering of Class C 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.

## Because of the event referred to in (D) (D) and the timing of such, the ratios for the Class C shares are not necessarily comparable to that of Class A or B shares and are not necessarily indicative of future ratios.

See Notes to Financial Statements.

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#### 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, 1994, 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, 1994 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, 1994, the results of its operations, the changes in its net assets and its financial highlights for the respective stated periods



in conformity with generally accepted accounting principles.  
Deloitte & Touche LLP  
New York, New York  
December 7, 1994

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, 1994) 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, 1994, the Fund paid distributions for Class A shares totaling \$0.82 per share, comprised of \$0.47 per share ordinary income and short-term capital gains which are taxable as ordinary income and \$0.35 per share long-term capital gains which is taxable as such. The Fund paid distributions for Class B shares totaling \$0.72 per share, comprised of \$0.37 per share ordinary income and short-term capital gains which are taxable as ordinary income and \$0.35 per share long-term capital gains which is taxable as such. The Fund paid ordinary income dividends for Class C shares totaling \$0.053 per share. Further, we wish to advise you that 93% of the dividends (excluding long-term capital gains) paid in the fiscal year ended October 31, 1994 qualified for the corporate dividends received deduction available to corporate taxpayers.

In January 1995, you will be advised on IRS Form 1099 DIV or substitute Form 1099 DIV as to the federal tax status of the distributions received by you in calendar 1994. The amounts that will be reported on such Form 1099 DIV will be the amounts to use on your 1994 federal income tax return and will differ from the amounts which we must report for the Fund's fiscal year ended October 31, 1994.

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Past performance is not predictive of future performance and an investor's shares may be worth more or less than their original cost.

These graphs are furnished to you in accordance with SEC regulations. They compare a \$10,000 investment in Prudential Equity Income Fund (Class A, Class B and Class C) with a similar investment in the Standard & Poor's 500 Index (S&P 500) by portraying the initial account values at the commencement of operations of each class and subsequent account values at the end of each fiscal year (October 31), as measured on a quarterly basis, beginning in 1990 for Class A shares, in 1987 for Class B shares and 1994 for Class C shares. For purposes of the graphs and, unless otherwise indicated, the accompanying tables, it has been assumed that (a) the maximum sales charge was deducted from the initial \$10,000 investment in Class A shares; (b) the maximum applicable contingent deferred sales charge was deducted from the value of the investment in Class B shares and Class C shares, assuming full redemption on October 31, 1994; (c) all recurring fees (including management fees) were deducted; and (d) all dividends and distributions were reinvested. Class B shares will automatically convert to Class A shares on a quarterly basis approximately seven years after purchase. This conversion feature is expected to be implemented in or about February 1995 and is not reflected in the graph.

The S&P 500 is a capital-weighted index, representing the aggregate market value of the common equity of 500 stocks primarily traded on the New York Stock Exchange. The S&P 500 is an unmanaged index and includes the reinvestment of all dividends, but does not reflect the payment of transaction costs and advisory fees associated with an investment in the Fund. The securities which comprise the S&P 500 may differ substantially from the securities in the Fund's portfolio. The S&P 500 is not the only index which may be used to characterize performance of equity income funds and other indexes may portray different comparative performance.

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