

# SEMIANNUAL REPORT

September 30, 2022

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## NICHOLAS EQUITY INCOME FUND, INC.

CONSISTENCY *in a* WORLD OF CHANGE



# NICHOLAS EQUITY INCOME FUND, INC.

November 2022

## Report to Fellow Shareholders:

For the six-months ended September 30, 2022, Nicholas Equity Income Fund (“Fund”) returned -15.47% versus -20.20% for the Standard & Poor’s 500 Index (“S&P 500”). For the twelve-months ended September 30, 2022, the Fund returned -9.97% compared to -15.47% for the S&P 500. The primary investment objective of the Fund is to produce reasonable income for the investor. To achieve this objective, the Fund seeks an income yield that exceeds the corporate dividend yield on the securities included in the S&P 500 Index. We are pleased to report as of September 30, 2022, the Fund had a 30-day SEC yield of 2.30%, which exceeds the S&P 500 indicated yield of 1.82%.

Returns for the Fund and selected indices are provided in the chart below for the periods ended September 30, 2022. The Fund seeks to own companies that possess a sustainable moat and the ability to earn attractive returns over their cost of capital while producing a steady stream of income. The Morningstar Large Value Category and the Lipper Equity Income Funds Objective are more income oriented and thus better reflect the objective of the Fund than the S&P 500 over longer periods of time.

	Average Annual Total Return					
	6 Month	1 Year	3 Year	5 Year	10 Year	15 Year
Nicholas Equity						
Income Fund, Inc. . . . .	-15.47%	-9.97%	5.82%	7.79%	9.59%	8.29%
Standard & Poor’s 500 Index . . .	-20.20%	-15.47%	8.16%	9.24%	11.70%	8.03%
Morningstar Large						
Value Category . . . . .	-16.54%	-9.64%	5.27%	5.75%	8.98%	5.86%
Lipper Equity Income						
Funds Objective . . . . .	-15.93%	-9.44%	4.84%	5.77%	8.65%	6.11%
Consumer Price Index . . . . .	3.15%	8.22%	4.97%	3.79%	2.54%	2.38%
Ending value of \$10,000 invested in Nicholas						
Equity Income Fund, Inc. . . . .	\$8,453	\$9,003	\$11,849	\$14,549	\$24,986	\$33,018
Fund’s Expense Ratio: (from 07/29/22 Prospectus):	0.70%					

*Performance data quoted represents past performance and is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by visiting [www.nicholasfunds.com/returns.html](http://www.nicholasfunds.com/returns.html).*

*The Fund’s returns are reduced by expenses, while the market indices are not. The ending values above illustrate the performance of a hypothetical \$10,000 investment made in the Fund over the timeframes listed. Assumes reinvestment of dividends and capital gains. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. These figures do not imply any future performance.*

As of September 30, 2022, the Fund held 63 stocks and a cash equivalents position of approximately 7%. The majority of stocks in the portfolio are expected to pay a dividend and many have regularly raised their dividend over time. The Fund’s top five holdings were Merck, Microsoft, Johnson & Johnson, Medtronic and CVS Health. These five holdings accounted for 12.04% of the Fund’s net assets. For the six-month period ended September 30, 2022, stocks that helped the Fund’s performance relative to the S&P 500 Index were Merck, Genuine Parts, ConocoPhillips, TJX Companies, and CVS Health. On a relative basis, stocks that hindered performance were Travel + Leisure, Stanley Black & Decker, Dupont de Nemours, Newell Brands and Juniper Networks.

Relative to the S&P 500, the Fund's holdings within the information technology and communications sector positively contributed to performance over the past six months, whereas holdings within health care detracted from relative performance. In terms of industry concentration, health care represented approximately 17% of the portfolio, information technology 15%, financials 15%, industrials 9%, consumer discretionary 9%, consumer staples 8%, utilities 5%, energy 4%, materials 4%, real estate 4% and communication services 1%.

After the past three calendar years ended December 31, 2021, of strong market returns by the S&P 500 of 31.49%, 18.40% and 28.71%, respectively, the market sat in bear market territory as of mid-October 2022. Driving this market reversal has been persistently high inflation and the Federal Reserve's actions to tame it. Inflation through October 2022 has averaged 8.3% versus 4.7% in 2021. An accommodative Federal Reserve, unprecedented amounts of fiscal stimulus, supply chain issues, labor shortages and high energy prices have all contributed to an inflationary environment that has worsened over the past several years. Thus, to combat inflation, the Federal Reserve began raising interest rates in early 2022 and has continued to do so at the fastest pace in a generation. While the job market remains robust with the current unemployment rate of 3.5%, the economy is already beginning to contract as Gross Domestic Product ("GDP") fell -1.6% and -0.6%, respectively for the first two quarters of the year. The outlook for 2023 is not much brighter as The Conference Board estimates GDP will show no growth next year. There is usually a long lag between interest rate hikes and the impact on the overall economy but aggressive moves by the Federal Reserve already have had an impact on housing, for example. The average 30-year fixed mortgage rate as of November 10 is 7.08%, which is the highest rate in more than two decades and more than double the rate one year ago of 2.98%. Higher borrowing costs will affect affordability and ultimately demand. Thus, one of the largest risks to the market is that the Federal Reserve over tightens and pushes the economy into a deep recession.

Additionally, worsening geo-political events and a material resurgence in COVID cases could affect the markets. Thus, management is focused on owning companies with strong balance sheets and a resilient earnings stream allowing them to pay dividends. Historically, dividends paid by companies to their shareholders have accounted for about 40% of total returns earned by common stocks, while also mitigating volatility in bear markets. During the 1970s, which the current environment shares several common characteristics, most notably rising inflation, dividend income accounted for 72% of total return. Thus, we believe, this further underscores the benefit of a dividend paying strategy. We seek to invest in management teams with strong business models and competitive advantages that have good track records of successfully navigating changing and uncertain environments. The Fund seeks to own companies that possess a defined moat and the ability to earn attractive returns over their cost of capital. We are poised to act on additional opportunities, as market volatility can potentially provide opportunities to upgrade the quality of the Fund's holdings at attractive valuations. Thank you for your continued investment in the Fund.

Sincerely,



Michael L. Shelton  
Lead Portfolio Manager



David O. Nicholas  
Co-Portfolio Manager

See important disclosures on the next page.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

The Fund may invest in small and medium sized companies, which involve additional risks. Small- and medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities such as limited liquidity and greater volatility. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. The Fund may invest in REIT's and Real Estate Securities which involve additional risks related to the real estate industry. The performance of these securities is dependent on the types and locations of the properties owned by the entities issuing the securities and how well the properties are managed.

**Earnings growth is not representative of the Fund's future performance.**

**Diversification does not assure a profit or protect against loss in a declining market.**

Please refer to the schedule of investments in the report for complete Fund holdings information. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

The S&P 500 Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. Each Morningstar Category average represents a universe of funds with similar investment objectives. The Consumer Price Index (seasonally adjusted) represents changes in prices of all goods and services purchased for consumption by urban households. One cannot invest directly in an index.

Lipper Analytical Services, Inc. is an independent mutual fund research and rating service. Each Lipper average represents a universe of funds with similar investment objectives.

**Dividend / Indicated Yield:** The annual dividends per share divided by the price per share expressed as a percentage.

**Gross Domestic Product (GDP):** The monetary value of all the finished goods and services produced within a country's borders in a specific time period.

**30-day SEC yield:** A standardized yield computed by dividing the net investment income per share earned during the past 30-day period by the share price at the end of the period.

There is no guarantee that distributions will be made.

**Must be preceded or accompanied by a prospectus.**

The Nicholas Funds are distributed by Quasar Distributors, LLC.

# Financial Highlights (NSEIX)

For a share outstanding throughout each period

	Six Months Ended 09/30/2022 (unaudited)	Years Ended March 31,				
		2022	2021	2020	2019	2018
NET ASSET VALUE,						
BEGINNING OF PERIOD . . . . .	\$21.57	\$21.75	\$15.14	\$18.87	\$20.50	\$20.70
INCOME (LOSS) FROM INVESTMENT OPERATIONS						
Net investment income <sup>(1)</sup> . . . . .	.19	.36	.36	.36	.40	.40
Net gain (loss) on securities (realized and unrealized) . . . . .	(3.47)	2.02	7.23	(1.57)	.92	.81
Total from investment operations . . . . .	(3.28)	2.38	7.59	(1.21)	1.32	1.21
LESS DISTRIBUTIONS						
From net investment income . . . . .	(.19)	(.36)	(.29)	(.28)	(.56)	(.53)
From net capital gain . . . . .	(.40)	(2.20)	(.69)	(2.24)	(2.39)	(.88)
Total distributions . . . . .	(.59)	(2.56)	(.98)	(2.52)	(2.95)	(1.41)
NET ASSET VALUE, END OF PERIOD . . . . .	<u>\$17.70</u>	<u>\$21.57</u>	<u>\$21.75</u>	<u>\$15.14</u>	<u>\$18.87</u>	<u>\$20.50</u>
TOTAL RETURN . . . . .	(15.47)% <sup>(2)</sup>	11.23%	51.18%	(8.80)%	7.88%	5.93%
SUPPLEMENTAL DATA:						
Net assets, end of period (millions) . . . . .	\$400.6	\$487.4	\$459.6	\$295.9	\$386.8	\$472.6
Ratio of expenses to average net assets . . . . .	.71% <sup>(3)</sup>	.70%	.72%	.73%	.73%	.72%
Ratio of net investment income to average net assets . . . . .	1.90% <sup>(3)</sup>	1.65%	1.92%	1.88%	2.02%	1.96%
Portfolio turnover rate . . . . .	8.46% <sup>(3)</sup>	18.11%	33.58%	32.04%	36.76%	31.66%

(1) Computed based on average shares outstanding.

(2) Not annualized.

(3) Annualized.

The accompanying notes to financial statements are an integral part of these highlights.

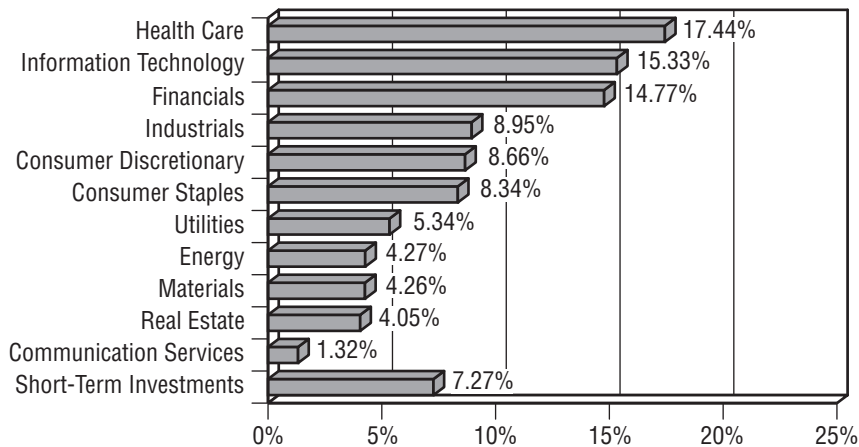
# Top Ten Equity Portfolio Holdings

September 30, 2022 (unaudited)

<b>Name</b>	<b>Percentage of Net Assets</b>
Merck & Co., Inc. ....	2.85%
Microsoft Corporation ....	2.57%
Johnson & Johnson ....	2.26%
Medtronic Plc ....	2.20%
CVS Health Corporation ....	2.16%
Sysco Corporation ....	2.15%
Analog Devices, Inc. ....	2.14%
Chubb Limited ....	2.13%
Microchip Technology Incorporated ....	2.10%
Coca-Cola Company ....	1.99%
Total of top ten ....	<u>22.55%</u>

## Sector Diversification (as a percentage of portfolio)

September 30, 2022 (unaudited)



# Fund Expenses

For the six month period ended September 30, 2022 (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees and other operating expenses. The following table is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with those of other mutual funds.

The example is based on an investment of \$1,000 made at the beginning of the period and held for the entire period.

The first line of the table below provides information about the actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as wire fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value <u>03/31/22</u>	Ending Account Value <u>09/30/22</u>	Expenses Paid During Period* <u>04/01/22 – 09/30/22</u>
Actual	\$1,000.00	\$ 845.30	\$3.28
Hypothetical (5% return before expenses)	1,000.00	1,021.44	3.60

\* Expenses are equal to the Fund's six-month annualized expense ratio of 0.71%, multiplied by the average account value over the period, multiplied by 183 then divided by 365 to reflect the one-half year period.

# Schedule of Investments

September 30, 2022 (unaudited)

Shares or Principal Amount		Value
<b>COMMON STOCKS — 92.59%</b>		
<b>Communication Services – Telecommunication Services — 1.32%</b>		
139,500	Verizon Communications Inc. ....	\$ 5,296,815
<b>Consumer Discretionary – Consumer Durables &amp; Apparel — 1.69%</b>		
87,500	M.D.C. Holdings, Inc. ....	2,399,250
315,000	Newell Brands Inc. ....	4,375,350
		<u>6,774,600</u>
<b>Consumer Discretionary – Consumer Services — 0.85%</b>		
8,646	Cedar Fair, L.P. ....	355,783
90,000	Travel + Leisure Co. ....	3,070,800
		<u>3,426,583</u>
<b>Consumer Discretionary – Retailing — 6.09%</b>		
24,000	Genuine Parts Company ....	3,583,680
26,300	Home Depot, Inc. ....	7,257,222
39,500	Target Corporation ....	5,861,405
124,000	TJX Companies Inc. ....	7,702,880
		<u>24,405,187</u>
<b>Consumer Staples – Food &amp; Staples Retailing — 2.15%</b>		
122,000	Sysco Corporation ....	8,626,620
<b>Consumer Staples – Food, Beverage &amp; Tobacco — 4.49%</b>		
142,500	Coca-Cola Company ....	7,982,850
101,500	Mondelez International, Inc. Class A ....	5,565,245
53,500	Philip Morris International Inc. ....	4,441,035
		<u>17,989,130</u>
<b>Consumer Staples – Household &amp; Personal Products — 1.69%</b>		
53,500	Procter & Gamble Company ....	6,754,375
<b>Energy – Energy — 4.27%</b>		
52,500	Chevron Corporation ....	7,542,675
60,000	ConocoPhillips ....	6,140,400
119,100	Enterprise Products Partners L.P. ....	2,832,198
20,183	Williams Companies, Inc. ....	577,839
		<u>17,093,112</u>
<b>Financials – Banks — 5.45%</b>		
160,000	First Horizon Corporation ....	3,664,000
61,500	JPMorgan Chase & Co. ....	6,426,750
52,800	PNC Financial Services Group, Inc. ....	7,889,376
85,000	Webster Financial Corporation ....	3,842,000
		<u>21,822,126</u>

The accompanying notes to financial statements are an integral part of this schedule.



# Schedule of Investments (continued)

September 30, 2022 (unaudited)

Shares or Principal Amount		Value
<b>COMMON STOCKS — 92.59% (continued)</b>		
<b>Financials – Diversified Financials — 7.16%</b>		
7,950	BlackRock, Inc. ....	\$ 4,374,726
50,500	Cohen & Steers, Inc. ....	3,162,815
82,000	Northern Trust Corporation ....	7,015,920
66,000	Raymond James Financial, Inc. ....	6,522,120
106,000	Charles Schwab Corp. ....	7,618,220
		<u>28,693,801</u>
<b>Financials – Insurance — 2.13%</b>		
47,000	Chubb Limited ....	8,548,360
<b>Health Care – Health Care Equipment &amp; Services — 6.93%</b>		
70,500	Abbott Laboratories ....	6,821,580
90,800	CVS Health Corporation ....	8,659,596
109,000	Medtronic Plc ....	8,801,750
150,000	Smith & Nephew PLC Sponsored ADR ....	3,483,000
		<u>27,765,926</u>
<b>Health Care – Pharmaceuticals, Biotechnology &amp; Life Sciences — 10.48%</b>		
49,500	AbbVie, Inc. ....	6,643,395
115,000	AstraZeneca PLC Sponsored ADR ....	6,306,600
115,000	GSK plc Sponsored ADR ....	3,384,450
55,500	Johnson & Johnson ....	9,066,480
132,500	Merck & Co., Inc. ....	11,410,900
145,000	Perrigo Co. Plc ....	5,170,700
		<u>41,982,525</u>
<b>Industrials – Capital Goods — 8.94%</b>		
43,500	Eaton Corp. Plc ....	5,801,160
32,500	Honeywell International Inc. ....	5,426,525
41,500	Illinois Tool Works Inc. ....	7,496,975
44,500	Lincoln Electric Holdings, Inc. ....	5,594,540
14,500	Lockheed Martin Corporation ....	5,601,205
23,000	Stanley Black & Decker, Inc. ....	1,729,830
8,500	W.W. Grainger, Inc. ....	4,158,115
		<u>35,808,350</u>
<b>Information Technology – Semiconductors &amp; Semiconductor Equipment — 5.96%</b>		
61,500	Analog Devices, Inc. ....	8,569,410
15,500	Broadcom Inc. ....	6,882,155
138,000	Microchip Technology Incorporated ....	8,422,140
		<u>23,873,705</u>

The accompanying notes to financial statements are an integral part of this schedule.

# Schedule of Investments (continued)

September 30, 2022 (unaudited)

Shares or Principal Amount		Value
<b>COMMON STOCKS — 92.59% (continued)</b>		
<b>Information Technology – Software &amp; Services — 5.93%</b>		
86,000	Fidelity National Information Services, Inc. ....	\$ 6,499,020
58,500	International Business Machines Corporation .....	6,950,385
44,250	Microsoft Corporation .....	10,305,825
		<u>23,755,230</u>
<b>Information Technology – Technology Hardware &amp; Equipment — 3.42%</b>		
179,000	Cisco Systems, Inc. ....	7,160,000
250,000	Juniper Networks, Inc. ....	6,530,000
		<u>13,690,000</u>
<b>Materials – Materials — 4.26%</b>		
32,750	Air Products and Chemicals, Inc. ....	7,621,908
31,500	Avery Dennison Corporation .....	5,125,050
85,500	DuPont de Nemours, Inc. ....	4,309,200
		<u>17,056,158</u>
<b>Real Estate – Real Estate — 4.05%</b>		
40,712	Digital Realty Trust, Inc. ....	4,037,816
10,750	Equinix, Inc. ....	6,115,030
86,800	W. P. Carey Inc. ....	6,058,640
		<u>16,211,486</u>
<b>Utilities – Utilities — 5.33%</b>		
89,000	CMS Energy Corporation .....	5,183,360
80,500	Dominion Energy Inc .....	5,563,355
96,500	NextEra Energy, Inc. ....	7,566,565
34,000	WEC Energy Group Inc .....	3,040,620
		<u>21,353,900</u>
	<b>TOTAL COMMON STOCKS</b>	
	(cost \$309,623,643) .....	<u>370,927,989</u>

The accompanying notes to financial statements are an integral part of this schedule.

# Schedule of Investments (continued)

September 30, 2022 (unaudited)

<u>Shares or Principal Amount</u>		<u>Value</u>
<b>SHORT-TERM INVESTMENTS — 7.25%</b>		
<b>U.S. Government Securities — 6.10%</b>		
\$5,000,000	U.S. Treasury Bill 10/06/2022, 1.424% .....	\$ 4,999,024
5,000,000	U.S. Treasury Bill 10/20/2022, 2.273% .....	4,994,091
4,500,000	U.S. Treasury Bill 11/03/2022, 2.538% .....	4,489,699
2,000,000	U.S. Treasury Bill 11/17/2022, 2.750% .....	1,992,943
4,000,000	U.S. Treasury Bill 12/01/2022, 2.850% .....	3,981,038
4,000,000	U.S. Treasury Bill 12/15/2022, 2.778% .....	3,977,295
		<u>24,434,090</u>
<b>Money Market Fund — 1.15%</b>		
4,633,196	Morgan Stanley Liquidity Funds Government Portfolio (Institutional Class) 7-day net yield, 2.81% .....	4,633,196
	<b>TOTAL SHORT-TERM INVESTMENTS</b> (cost \$29,066,964) .....	<u>29,067,286</u>
	<b>TOTAL INVESTMENTS</b> (cost \$338,690,607) — 99.84% .....	<u>399,995,275</u>
	<b>OTHER ASSETS, NET OF LIABILITIES — 0.16%</b> .....	<u>636,675</u>
	<b>TOTAL NET ASSETS</b> (basis of percentages disclosed above) — 100% .....	<u><u>\$400,631,950</u></u>

The accompanying notes to financial statements are an integral part of this schedule.

# Statement of Assets and Liabilities

September 30, 2022 (unaudited)

## ASSETS

Investments in securities at value (cost \$338,690,607) . . . . .	\$399,995,275
Receivables —	
Dividend and interest . . . . .	879,237
Capital stock subscription . . . . .	<u>45,967</u>
Total receivables . . . . .	<u>925,204</u>
Other . . . . .	<u>10,922</u>
Total assets . . . . .	<u>400,931,401</u>

## LIABILITIES

Payables —	
Due to adviser —	
Management fee . . . . .	216,988
Accounting and administrative fee . . . . .	<u>5,854</u>
Total due to adviser . . . . .	<u>222,842</u>
Capital stock redemption . . . . .	32,611
Other payables and accrued expense . . . . .	<u>43,998</u>
Total liabilities . . . . .	<u>299,451</u>
Total net assets . . . . .	<u>\$400,631,950</u>

## NET ASSETS CONSIST OF

Paid in capital . . . . .	\$343,306,129
Accumulated distributable earnings . . . . .	<u>57,325,821</u>
Total net assets . . . . .	<u>\$400,631,950</u>

NET ASSET VALUE PER SHARE (\$.0001 par value,  
250,000,000 shares authorized), offering price

and redemption price (22,640,262 shares outstanding) . . . . . \$17.70

The accompanying notes to financial statements are an integral part of this statement.

# Statement of Operations

For the six months ended September 30, 2022

INCOME	
Dividend .....	\$ 5,736,008
Interest .....	165,841
Total income .....	<u>5,901,849</u>
EXPENSES	
Management fee .....	1,383,633
Accounting and administrative fees .....	57,228
Transfer agent fees .....	46,247
Registration fees .....	27,750
Audit and tax fees .....	18,650
Directors' fees .....	11,565
Custodian fees .....	11,284
Accounting system and pricing service fees .....	8,425
Legal fees .....	7,764
Insurance .....	7,652
Printing .....	6,328
Postage and mailing .....	4,183
Other operating expenses .....	8,633
Total expenses .....	<u>1,599,342</u>
Net investment income .....	<u>4,302,507</u>
NET REALIZED GAIN (LOSS) ON INVESTMENTS .....	<u>(2,715,394)</u>
CHANGE IN NET UNREALIZED	
APPRECIATION (DEPRECIATION) ON INVESTMENTS .....	<u>(75,956,353)</u>
Net realized and unrealized gain (loss) on investments .....	<u>(78,671,747)</u>
Net increase (decrease) in net assets resulting from operations .....	<u><u>\$(74,369,240)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

# Statements of Changes in Net Assets

For the six months ended September 30, 2022 (unaudited)  
and the year ended March 31, 2022

	<b>Six Months Ended 09/30/2022 <u>(unaudited)</u></b>	<b>Year Ended 03/31/2022</b>
<b>INCREASE (DECREASE) IN</b>		
<b>NET ASSETS FROM OPERATIONS</b>		
Net investment income . . . . .	\$ 4,302,507	\$ 8,038,846
Net realized gain (loss) on investments . . . . .	(2,715,394)	32,543,996
Change in net unrealized appreciation (depreciation) on investments . . . . .	<u>(75,956,353)</u>	<u>10,411,664</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>(74,369,240)</u>	<u>50,994,506</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM</b>		
Investment operations . . . . .	<u>(13,291,179)</u>	<u>(54,978,307)</u>
<b>CAPITAL SHARE TRANSACTIONS</b>		
Proceeds from shares issued (318,272 and 1,178,040 shares, respectively) . . . . .	6,304,074	25,936,012
Reinvestment of distributions (578,739 and 2,166,520 shares, respectively) . . . . .	11,348,542	47,131,143
Cost of shares redeemed (852,578 and 1,873,879 shares, respectively) . . . . .	<u>(16,718,396)</u>	<u>(41,290,951)</u>
Change in net assets derived from capital share transactions . . . . .	<u>934,220</u>	<u>31,776,204</u>
Total increase (decrease) in net assets . . . . .	<u>(86,726,199)</u>	<u>27,792,403</u>
<b>NET ASSETS</b>		
Beginning of period . . . . .	<u>487,358,149</u>	<u>459,565,746</u>
End of period . . . . .	<u><u>\$400,631,950</u></u>	<u><u>\$487,358,149</u></u>

The accompanying notes to financial statements are an integral part of these statements.

# Notes to Financial Statements

September 30, 2022 (unaudited)

These financial statements have been prepared pursuant to reporting rules for interim financial statements. Accordingly, these financial statements do not include all of the information and footnotes required by generally accepted accounting principles (“GAAP”) for annual financial statements. These financial statements should be read in conjunction with the financial statements and financial highlights and notes in the Fund’s Annual Report on Form N-CSR for the year ended March 31, 2022.

These financial statements have not been audited. Management believes that these financial statements include all adjustments (which, unless otherwise noted, include only normal recurring adjustments) necessary for a fair presentation of the financial results for each period shown.

## **(1) Summary of Significant Accounting Policies —**

Nicholas Equity Income Fund, Inc. (the “Fund”) is organized as a Maryland corporation and is registered as an open-end, diversified management investment company under the Investment Company Act of 1940, as amended. The primary objective of the Fund is to produce reasonable income with moderate long-term growth as a secondary consideration. The following is a summary of the significant accounting policies of the Fund:

- (a) Equity securities traded on a stock exchange will ordinarily be valued on the basis of the last sale price on the date of valuation on the securities principal exchange, or if in the absence of any sale on that day, the closing bid price. For securities principally traded on the NASDAQ market, the Fund uses the NASDAQ Official Closing Price. Investments in shares of open-end mutual funds, including money market funds, are valued at their daily closing net asset value. Debt securities, excluding short-term investments, are valued at their current evaluated bid price as determined by an independent pricing service, which generates evaluations on the basis of dealer quotes for normal institutional-sized trading units, issuer analysis, bond market activity and various other factors. Short-term investments are valued using evaluated bid prices. Securities for which market quotations may not be readily available are valued at their fair value as determined in good faith by procedures adopted by the Board of Directors. The Board of Directors has delegated fair value responsibilities to Nicholas Company, Inc., the Fund’s adviser. The Fund did not maintain any positions in derivative instruments or engage in hedging activities during the year. Investment transactions for financial statement purposes are recorded on trade date.

In accordance with Accounting Standards Codification (“ASC”) 820-10, “Fair Value Measurement” (“ASC 820-10”), fair value is defined as the price that the Fund would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820-10 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, for example, the risk inherent in a particular valuation technique used to measure fair value such as a pricing model and/or the risk inherent in the inputs to the valuation technique. Inputs may be observable or

# Notes to Financial Statements (continued)

September 30, 2022 (unaudited)

unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – quoted prices in active markets for identical investments

Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, benchmark yields, bids, offers, transactions, spreads and other relationships observed in the markets among market securities, underlying equity of the issuer, proprietary pricing models, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of September 30, 2022 in valuing the Fund's investments carried at value:

<u>Valuation Inputs</u>	<u>Investments in Securities</u>
Level 1 –	
Common Stocks <sup>(1)</sup> .....	\$370,927,989
Money Market Fund .....	4,633,196
Level 2 –	
U.S. Government Securities .....	24,434,090
Level 3 –	
None .....	—
Total .....	<u>\$399,995,275</u>

(1) See Schedule of Investments for further detail by industry.

The Fund did not hold any Level 3 investments during the year.

- (b) Net realized gain (loss) on portfolio securities was computed on the basis of specific identification.
- (c) Dividend income is recorded on the ex-dividend date, and interest income is recognized on an accrual basis. Non-cash dividends, if any, are recorded at value on date of distribution. Generally, discounts and premiums on long-term debt security purchases, if any, are amortized over the expected lives of the respective securities using the effective yield method.
- (d) Provision has not been made for federal income taxes or excise taxes since the Fund has elected to be taxed as a "regulated investment company" and intends to distribute substantially all net investment income and net realized capital gains on



# Notes to Financial Statements (continued)

September 30, 2022 (unaudited)

sales of investments to its shareholders and otherwise comply with the provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies.

- (e) Dividends and distributions paid to shareholders are recorded on the ex-dividend date. Distributions from net investment income are generally declared and paid at least quarterly. Distributions of net realized capital gain, if any, are declared and paid at least annually.

The amount of distributions from net investment income and net realized capital gain are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles (“U.S. GAAP”) for financial reporting purposes. Financial reporting records are adjusted for permanent book-to-tax differences to reflect tax character.

The tax character of distributions paid during the six months ended September 30, 2022 and the year ended March 31, 2022 was as follows:

	<u>09/30/2022</u>	<u>03/31/2022</u>
Distributions paid from:		
Ordinary income . . . . .	\$ 4,205,385	\$ 7,879,246
Long-term capital gain . . . . .	9,085,794	47,099,061
Total distributions paid . . . . .	<u>\$13,291,179</u>	<u>\$54,978,307</u>

The following information for the Fund is presented on an income tax basis as of March 31, 2022.

Investment cost for federal tax purposes . . . . .	<u>\$347,736,731</u>
Unrealized appreciation . . . . .	\$147,099,721
Unrealized depreciation . . . . .	<u>(8,407,879)</u>
Net unrealized appreciation . . . . .	<u>\$138,691,842</u>

The difference between financial statement and tax-basis cost is attributable primarily to holdings in partnership interests.

The Fund had no material uncertain tax positions and has not recorded a liability for unrecognized tax benefits as of September 30, 2022. Also, the Fund recognized no interest and penalties related to uncertain tax benefits during the period ended September 30, 2022. At September 30, 2022, the fiscal years 2019 through 2022 remain open to examination in the Fund’s major tax jurisdictions.

- (f) The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (“FASB”) ASC 946, “Financial Services – Investment Companies.” U.S. GAAP guidance requires management to make estimates and assumptions that effect the amounts reported in the financial statements and accompanying notes. Actual results could differ from estimates.
- (g) In the normal course of business the Fund enters into contracts that contain general indemnification clauses. The Fund’s maximum exposure under these

# Notes to Financial Statements (continued)

September 30, 2022 (unaudited)

arrangements is unknown, as this would involve future claims against the Fund that have not yet occurred. Based on experience, the Fund expects the risk of loss to be remote.

- (h) In connection with the preparation of the Fund's financial statements, management evaluated subsequent events after the date of the Statement of Assets and Liabilities of September 30, 2022. There have been no material subsequent events since September 30, 2022 that would require adjustment to or additional disclosure in these financial statements.

## (2) Related Parties —

- (a) Investment Adviser and Management Agreement —

The Fund has an agreement with Nicholas Company, Inc. (with whom certain officers and directors of the Fund are affiliated) (the "Adviser") to serve as investment adviser and manager. Under the terms of the agreement, a monthly fee is paid to the Adviser based on an annualized fee of 0.70% of the average net asset value up to and including \$50 million and 0.60% of the average net asset value in excess of \$50 million.

The Adviser may be paid for accounting and administrative services rendered by its personnel, subject to the following guidelines: (i) up to five basis points, on an annual basis, of the average net asset value of the Fund up to and including \$2 billion and up to three basis points, on an annual basis, of the average net asset value of the Fund greater than \$2 billion, based on the average net asset value of the Fund as determined by valuations made at the close of each business day of each month, and (ii) where the preceding calculation results in an annual payment of less than \$50,000, the Adviser, in its discretion, may charge the Fund up to \$50,000 for such services.

- (b) Legal Counsel —

A director of the Adviser is affiliated with a law firm that provides services to the Fund. The Fund incurred expenses of \$4,047 for the period ended September 30, 2022 for legal services rendered by this law firm.

## (3) Investment Transactions —

For the period ended September 30, 2022, the cost of purchases and the proceeds from sales of investment securities, other than short-term obligations, aggregated \$17,977,913 and \$35,834,691, respectively.

# Historical Record

(unaudited)

	Net Asset Value Per Share	Net Investment Income Distributions Per Share	Capital Gain Distributions Per Share	Dollar Weighted Price/Earnings Ratio <sup>(2)</sup>	Growth of an Initial \$10,000 Investment <sup>(3)</sup>
November 23, 1993 <sup>(1)</sup> . . .	\$10.00	\$ —	\$ —	—	\$ 10,000
March 31, 1994 . . . . .	10.04	0.0133	—	14.4 times	10,053
March 31, 1995 . . . . .	10.56	0.2810	—	14.6	10,871
March 31, 1996 . . . . .	12.35	0.3370	—	16.8	13,111
March 31, 1997 . . . . .	12.27	0.4527	0.5483	15.9	14,138
March 31, 1998 . . . . .	14.35	0.5014	0.6586	23.0	18,072
March 31, 1999 . . . . .	12.32	0.4843	0.3278	22.0	16,509
March 31, 2000 . . . . .	11.10	0.4447	0.2392	20.6	15,816
March 31, 2001 . . . . .	11.20	0.1980	—	21.0	16,250
March 31, 2002 . . . . .	12.66	0.1697	—	22.4	18,642
March 31, 2003 . . . . .	9.02	0.1920	—	15.6	13,531
March 31, 2004 . . . . .	12.45	0.1486	—	16.1	18,933
March 31, 2005 . . . . .	13.58	0.2120	—	21.0	20,995
March 31, 2006 . . . . .	13.66	0.3843	0.4259	16.8	22,456
March 31, 2007 . . . . .	15.98	0.3663	0.2138	17.0	27,307
March 31, 2008 . . . . .	12.59	0.3377	2.0340	18.2	25,247
March 31, 2009 . . . . .	8.64	0.4188	—	11.6	17,989
March 31, 2010 . . . . .	13.64	0.3167	—	17.7	29,211
March 31, 2011 . . . . .	15.98	0.3017	0.0041	19.4	34,949
March 31, 2012 . . . . .	15.61	0.4843	0.5318	18.5	36,470
March 31, 2013 . . . . .	17.93	0.4658	0.3584	22.3	44,139
March 31, 2014 . . . . .	19.68	0.4076	0.8054	19.1	51,554
March 31, 2015 . . . . .	20.99	0.4294	0.7468	22.4	58,325
March 31, 2016 . . . . .	18.65	0.4226	0.8980	15.4	55,455
March 31, 2017 . . . . .	20.70	0.3615	0.3955	18.6	64,090
March 31, 2018 . . . . .	20.50	0.5324	0.8782	19.1	67,893
March 31, 2019 . . . . .	18.87	0.5634	2.3904	17.6	73,247
March 31, 2020 . . . . .	15.14	0.2772	2.2405	16.3	66,803
March 31, 2021 . . . . .	21.75	0.2839	0.6929	23.7	100,994
March 31, 2022 . . . . .	21.57	0.3630	2.1970	19.3	112,341
September 30, 2022 . . . .	17.70	0.1856(a)	0.4038(b)	16.5	94,967

(1) Date of Initial Public Offering.

(2) Based on latest 12 months accomplished earnings.

(3) Assuming reinvestment of all distributions.

(a) Paid \$0.0930 on May 11, 2022 to shareholders of record on May 10, 2022.

    Paid \$0.0926 on August 3, 2022 to shareholders of record on August 2, 2022.

(b) Paid \$0.4038 on May 11, 2022 to shareholders of record on May 10, 2022.

# Approval of Investment Advisory Contract

(unaudited)

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In May 2022, the Board of Directors of the Fund renewed the one-year term of the Investment Advisory Agreement by and between the Fund and the Adviser through May 2023. In connection with the renewal of the Investment Advisory Agreement, no changes to the amount or manner of calculation of the management fee or the terms of the agreement were proposed by the Adviser or adopted by the Board. For the fiscal year ended March 31, 2022, the management fee was 0.61% and the Fund's total expense ratio (including the management fee) was 0.70%. In renewing the Investment Advisory Agreement, the Board carefully considered the following factors on an absolute basis and relative to the Fund's peer group (i) the Fund's expense ratio, which was low compared to the overall peer group; (ii) the Fund's performance on a short-term and long-term basis; (iii) the Fund's management fee; (iv) the range and quality of the services offered by the Adviser. The peer group fund data included mid-, large- and small-cap blend and value focused funds with similar asset sizes and a prospectus objective of equity income. In terms of the peer group data used for performance comparisons, the Fund was ranked 13th, 4th, 7th and 7th out of 16 funds for the one-, three-, five- and ten-year periods ending March 31, 2022. The Fund had the fourth lowest expense ratio among its peer group. The Board also reviewed the twelve-month yield and Fund's risk/return profile as measured by standard deviation and the Fund's Morningstar rankings.

The Board considered the range of services to be provided by the Adviser to the Fund under the Advisory Agreement. The Board discussed the nature, extent, and quality of the services to be provided by the Adviser and concluded that the services provided were consistent with the terms of the advisory agreement and the needs of the Fund, and that the services provided were of a high quality. The Board considered the investment performance of the Fund and the Adviser. Among other things, the Board noted its consideration of the Fund's performance relative to peer funds. The Board reviewed the actual relative short-term and long-term performance of the Fund. The Board agreed that the Fund demonstrated strong long-term performance relative to benchmarks and its peers. The Board also discussed the extent to which economies of scale would be realized, and whether such economies were reflected in the Fund's fee levels and concluded that the Adviser had been instrumental in holding down Fund costs, citing consistently low fees relative to comparable funds.

The Board considered the cost of services provided by the Adviser. The Board also considered the profits realized by the Adviser in connection with the management and distribution of the Fund, as expressed by the Adviser's management in general terms. The Board expressed the opinion that given the Board's focus on performance and maintaining a low fee structure that the Adviser's profits were not relevant.

The Board determined that the Adviser had fully and adequately carried out the terms and conditions of its contract with the Fund. The Board expressed satisfaction with the Fund's performance, management's control of expenses and the rate of the management fee for the Fund and the overall level of services provided to the Fund by the Adviser.

# Liquidity Risk Management Program

(unaudited)

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The Fund has adopted and implemented a liquidity risk management program (the “Program”) in accordance with Rule 22e-4 under the 1940 Act. The Program seeks to assess and manage the Fund’s liquidity risk, i.e., the risk that the Fund is unable to satisfy redemption requests without significantly diluting remaining investors’ interests in the Fund. The Board of Directors of the Fund has designated Nicholas Company, Inc., the Fund’s investment adviser, to administer the Program. Certain aspects of the Program rely on third parties to perform certain functions, including the provision of market data and application of models.

The Program is comprised of various components designed to support the assessment and/or management of liquidity risk, including: (1) the periodic assessment (no less frequently than annually) of certain factors that influence the Fund’s liquidity risk; (2) the periodic classification (no less frequently than monthly) of the Fund’s investments into one of four liquidity categories that reflect an estimate of their liquidity under current market conditions; (3) a 15% limit on the acquisition of “illiquid investments” (as defined under Rule 22e-4); (4) for a Fund that does not invest primarily in “highly liquid investments” (as defined under Rule 22e-4), the determination of a minimum percentage of the Fund’s assets that will generally be invested in highly liquid investments (a “Highly Liquid Investment Minimum”); and (5) periodic reporting to the Board of Directors.

At a meeting of the Board of Directors on February 4, 2022, Nicholas Company, Inc. provided a written report to the Board addressing the operation, and the adequacy and effectiveness of the implementation, of the Program, including, as applicable, the operation of any Highly Liquid Investment Minimum and any material changes to the Program, for the period from January 1, 2021 through December 31, 2021 (the “Reporting Period”). Among other things, the annual report discussed: (1) the results of stress tests designed to assess liquidity under a hypothetical stressed scenario involving elevated redemptions; and (2) an assessment of the methodologies used to classify investments into one of four liquidity categories. The report concluded that the Program was reasonably designed to assess and manage liquidity risk and was adequately and effectively implemented during the Reporting Period.

There can be no assurance that the Program will achieve its objectives under all circumstances in the future. Please refer to the Fund’s prospectus for more information regarding the Fund’s exposure to liquidity risk and other risks to which it may be subject.

# Information on Proxy Voting

(unaudited)

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A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, without charge, upon request by calling 800-544-6547 or 414-276-0535. It also appears in the Fund's Statement of Additional Information, which can be found on the SEC's website, [www.sec.gov](http://www.sec.gov). A record of how the Fund voted its proxies for the most recent twelve-month period ended June 30, also is available on the Fund's website, [www.nicholasfunds.com](http://www.nicholasfunds.com), and the SEC's website, [www.sec.gov](http://www.sec.gov).

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# Quarterly Portfolio Schedule

(unaudited)

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The Fund files its complete schedule of investments with the SEC for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT. The Fund's Form N-PORT reports are available on the SEC's website at [www.sec.gov](http://www.sec.gov) and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 800-SEC-0330.

# Privacy Policy

(unaudited)

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Nicholas Equity Income Fund, Inc. respects each shareholder's right to privacy. We are committed to safeguarding the information that you provide us to maintain and execute transactions on your behalf.

We collect the following non-public personal information about you:

- \* Information we receive from you on applications or other forms, whether we receive the form in writing or electronically. This includes, but is not limited to, your name, address, phone number, tax identification number, date of birth, beneficiary information and investment selection.
- \* Information about your transactions with us and account history with us. This includes, but is not limited to, your account number, balances and cost basis information. This also includes transaction requests made through our transfer agent.
- \* Other general information that we may obtain about you such as demographic information.

WE DO NOT SELL ANY NON-PUBLIC PERSONAL INFORMATION  
ABOUT CURRENT OR FORMER SHAREHOLDERS.

INFORMATION SHARED WITH OUR TRANSFER AGENT,  
A THIRD PARTY COMPANY, ALSO IS NOT SOLD.

We may share, only as permitted by law, non-public personal information about you with third party companies. Listed below are some examples of third parties to whom we may disclose non-public personal information. While these examples do not cover every circumstance permitted by law, we hope they help you understand how your information may be shared.

We may share non-public personal information about you:

- \* With companies who work for us to service your accounts or to process transactions that you may request. This would include, but is not limited to, our transfer agent to process your transactions, mailing houses to send you required reports and correspondence regarding the Fund and its Adviser, the Nicholas Company, Inc., and our dividend disbursing agent to process fund dividend checks.
- \* With a party representing you, with your consent, such as your broker or lawyer.
- \* When required by law, such as in response to a subpoena or other legal process.

The Fund and its Adviser maintain policies and procedures to safeguard your non-public personal information. Access is restricted to employees who the Adviser determines need the information in order to perform their job duties. To guard your non-public personal information we maintain physical, electronic, and procedural safeguards that comply with federal standards.

In the event that you hold shares of the Fund with a financial intermediary, including, but not limited to, a broker-dealer, bank, or trust company, the privacy policy of your financial intermediary would govern how your non-public personal information would be shared with non-affiliated third parties.

# Automatic Investment Plan — An Update

(unaudited)

The Nicholas Family of Funds' Automatic Investment Plan provides a simple method to dollar cost average into the fund(s) of your choice.

Dollar cost averaging involves making equal systematic investments over an extended time period. A fixed dollar investment will purchase more shares when the market is low and fewer shares when the market is high. The automatic investment plan is an excellent way for you to become a disciplined investor.

The following table illustrates what dollar cost averaging can achieve. Please note that past performance is no guarantee of future results. Nicholas Company recommends dollar cost averaging as a practical investment method. It should be consistently applied for long periods so that investments are made through several market cycles.

	Nicholas Equity Income Fund	
	11/23/1993*	09/30/2012
\$1,000 initial investment on . . . . .		
Number of years investing \$100 each month following the date of initial investment . . . . .	28.9	10
Total cash invested . . . . .	\$35,700	\$13,000
Total dividend and capital gain distributions reinvested . . . . .	\$160,817	\$8,917
Total full shares owned at 09/30/2022 . . . . .	12,652	1,134
Total market value at 09/30/2022 . . . . .	\$223,957	\$20,082

The results above assume purchase on the last day of the month. The Nicholas Automatic Investment Plan actually invests on the date specified by the investor. Total market value includes reinvestment of all distributions.

\*Date of Initial Public Offering.



# Nicholas Funds Services Offered

(unaudited)

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- IRAs
  - Traditional
  - Roth
  - SIMPLE
  - SEP
- Coverdell Education Accounts
- Automatic Investment Plan
- Direct Deposit of Dividend and Capital Gain Distributions
- Systematic Withdrawal Plan
- Monthly Automatic Exchange between Funds
- Telephone Purchase and Redemption
- Telephone Exchange
- 24-hour Automated Account Information (800-544-6547)
- 24-hour Internet Account Access ([www.nicholasfunds.com](http://www.nicholasfunds.com))

Please call a shareholder representative for further information on the above services or with any other questions you may have regarding the Nicholas Funds (800-544-6547).

***Directors and Officers***

DAVID O. NICHOLAS, President and Director

JOHN A. HAUSER, Director

DAVID P. PELISEK, Director

JULIE M. VAN CLEAVE, Director

JENNIFER R. KLOEHN, Senior Vice President,  
Treasurer and Chief Compliance Officer

LAWRENCE J. PAVELEC, Senior Vice President and Secretary

MICHAEL L. SHELTON, Senior Vice President

CANDACE L. LESAK, Vice President

***Investment Adviser***

NICHOLAS COMPANY, INC.

Milwaukee, Wisconsin

[www.nicholasfunds.com](http://www.nicholasfunds.com)

414-276-0535 or 800-544-6547

***Accountant***

***Dividend Disbursing Agent***

***Transfer Agent***

U.S. BANCORP FUND SERVICES, LLC

Milwaukee, Wisconsin

414-276-0535 or 800-544-6547

***Distributor***

QUASAR DISTRIBUTORS, LLC

Milwaukee, Wisconsin

***Custodian***

U.S. BANK N.A.

Milwaukee, Wisconsin

***Independent Registered Public Accounting Firm***

DELOITTE & TOUCHE LLP

Milwaukee, Wisconsin

***Counsel***

MICHAEL BEST & FRIEDRICH LLP

Milwaukee, Wisconsin

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This report is submitted for the information of shareholders of the Fund. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.