

# Bancroft Convertible Fund, Inc.

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

## First Quarter Update - January 31, 2002 (unaudited)

### Financial Highlights

Market value 1/31/02	\$20.00
Net asset value (NAV) 1/31/02	\$20.65
Market discount to NAV	(3.15)%
12-Month income distribution	\$1.07
Yield on market value	5.35%
Capital gains distribution 12/27/01	\$0.00
Ratio of expenses to avg. net assets	1.11%*
Ratio of net income to avg. net assets	3.66%*
Portfolio turnover	31.93%
Shares outstanding	4,684,470

\* Annualized.

### Change in Net Asset Value (NAV)

	Per Share
Beginning NAV (10/31/01)	\$20.72
Changes in NAV from Operations:	
Net Investment Income	0.19
Realized Loss	(0.06)
Decrease in Unrealized Loss	0.18
Total Change from Operations	0.31
Distributions:	
Net Investment Income	(0.38)
Capital Gains	(0.00)
Total Change from Distributions	(0.38)
Total Change	(0.07)
Ending NAV (1/31/02)	\$20.65

### Major Industry Exposure as of 1/31/02

	% of Net Assets
Pharmaceuticals	9.6
Telecommunications	9.3
Financial & Insurance	9.2
Technology	9.1
Energy	7.4
Health Care	6.9
Aerospace	5.9
Banking	4.9
Retail	4.5
Cable	4.2

The portfolio holdings and industry exposure are as of January 31, 2002 and subject to change without notice.

Detailed portfolio information is available on our website (www.bancroftfund.com). Visit us there or contact us by e-mail at info@bancroftfund.com or call us at (973)631-1177.

### Performance through 1/31/02 with dividends reinvested

	3 Months	1 Year	5 Years	10 Years
Bancroft market value (a)	8.71%	(0.89)%	76.49%	257.09%
Bancroft net asset value (b)	1.48	(6.24)	46.96	181.29
Closed-end conv. fund avg. (b)	3.97	(4.03)	33.30	156.64
S&P 500 (a)	4.62	(16.61)	54.19	238.62
Russell 2000 (a)	11.47	(3.61)	40.23	135.47(c)
Lehman Aggregate Bond Total Return Index (b)	(1.21)	7.56	43.80	105.45

Performance data represent past results and do not reflect future performance.

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

(b) From Lipper, Inc. Closed-End Fund Performance Analysis, January 31, 2002.

(c) Simple appreciation of index.

### Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Apr. 01	\$23.14	\$20.72	\$22.25	\$21.99	\$19.10	\$20.45
Jul. 01	22.66	21.18	21.61	21.55	20.40	20.85
Oct. 01	21.76	19.84	20.72	22.35	18.70	18.75
Jan. 02	21.22	20.45	20.65	20.80	18.75	20.00

### Total Fund Investments as of 1/31/02

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 67,896	70.1
Convertible Preferred Stocks	21,964	22.7
Common Stock	60	0.1
Short-term Investments	4,599	4.8
Other Assets	2,222	2.3
Net Assets	\$ 96,741	100.0%

### Largest Investment Holdings as of 1/31/02

by underlying common stock	% of Net Assets
L-3 Communications Holdings, Inc.	2.6
Washington Mutual, Inc.	2.3
National Data Corp.	2.2
Telecom Corp. of New Zealand	2.1
Apache Corp.	1.9
Reinsurance Group of America, Inc.	1.9
School Specialty, Inc.	1.9
ICN Pharmaceuticals, Inc.	1.8
Anixter International, Inc.	1.7
Johnson & Johnson	1.7

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## **To Our Shareholders:**

March 14, 2002

The U.S. economy and financial markets have made strides toward recovery from both the downturn that began a year ago and from the attack of September 11. Productivity gains and improved consumer sentiment point to better days ahead. The war against terrorism appears to be going well, but the roughest part may still lie ahead. Further, neither the stock market nor the bond market appear particularly cheap by historical measures. Finally, investor confidence in corporate accounting has suffered as questionable practices have been revealed by recent bankruptcies.

Looking forward, if productivity gains and consumer sentiment remain positive, earnings can begin to grow again. If the war succeeds, a more peaceful world is likely to be conducive to economic growth and trade. Finally, the accounting scandals may well lead to better accounting practices and more thorough reporting of corporate activities which would lead to both higher investor confidence and enhanced corporate governance.

We are optimistic going forward and believe that convertible bonds and preferred stocks continue to provide a vehicle by which investors can participate with the equity market movement while dampening volatility and receiving greater income than they do on most equities.

For shareholders who have access to the Internet, the Fund's website, [www.bancroftfund.com](http://www.bancroftfund.com), contains press releases, dividend information and daily net asset values. The Closed-End Fund Association ([www.cefa.com](http://www.cefa.com)), of which the Fund is a member, is another source of information on many closed-fund funds.\* Based upon data through February 28, 2002, Morningstar has continued to rate Bancroft's performance at four stars (above average) overall as shown on their website.\*\* Shareholders who wish a copy of the most recent report on the Fund issued by Standard and Poor's should contact us.

At its February meeting the Board of Directors declared a dividend of 20 cents per share. This dividend will be payable on March 27, 2002 to shareholders of record on March 13, 2002.

At the February meeting of shareholders, Donald M. Halsted, Jr., Duncan O. McKee and Thomas H. Dinsmore were elected to three-year terms as directors of the company. Shareholders also ratified the choice of PriceWaterhouseCoopers, LLP as the Company's independent accountants for the 2003 fiscal year. We thank you for your participation and support.



Thomas H. Dinsmore  
Chairman of the Board

\* The Closed-End Fund Association is solely responsible for the content of its website.

\*\* Morningstar, an analytical and statistical reporting service, reports on and rates most mutual funds. It is solely responsible for the content of its website.

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Information contained within the letter to Shareholders constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements which reflect the intent, belief or expectations of the Fund and its management regarding the anticipated effect of events, circumstances and trends should be considered forward-looking statements. These forward-looking statements are not guarantees of future performance and there are a number of meaningful factors which could cause the Fund's results to vary materially from those indicated by any such statements. Factors which could cause actual results to differ from expectations include, among others, changes in (or failure to change) accounting standards and practices, changes in the Federal Reserve Board's interest rate policy, military action and acts of terrorism, flat or declining productivity, a decline in global trading, a prolonged recession, declining consumer confidence, increased volatility of securities in general as well as those purchased by the Fund, changes to foreign and domestic markets in general or changes to the market for convertible securities.

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### **Shareholder Services and Transfer Agent**

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

### **Investment Adviser**

Davis-Dinsmore Management Company  
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### **Stock Exchange Listing**

AMEX - Symbol: BCV



Printed on recycled paper

# Portfolio of Investments January 31, 2002 (unaudited)

Principal Amount or Shares		Value
	<b>ADVERTISING — 2.8%</b>	
\$1,300,000	The Interpublic Group Cos., Inc. 1.80% 2004 cv. sub. notes (NR) .....	\$ 1,212,250
1,600,000	Young & Rubicam, Inc. 3% 2005 cv. sub. notes (Baa1) .....	<u>1,522,272</u>
		<u>2,734,522</u>
	<b>AEROSPACE — 5.9%</b>	
1,000,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes 144A (Ba3) ..	1,415,000
1,000,000	L-3 Communications Holdings, Inc. 4% 2011 sr. sub. cv. CODES 144A * (Ba3)	1,130,000
12,500 shs	Northrop Grumman Corp. 7.25% equity units **,* (Baa3) .....	1,517,188
20,000 shs	RC Trust I 8.25% equity security units **,* (Ba2) (exch. for Raytheon Co. class B common stock) .....	1,285,000
705,000	SPACEHAB, Inc. 8% 2007 cv. sub. notes 144A (NR) .....	<u>352,500</u>
		<u>5,699,688</u>
	<b>AUTOMOTIVE — 1.1%</b>	
20,000 shs	Ford Motor Co. Capital Trust II 6.50% cv. pfd. (Baa2) (exch. for Ford Motor Co. common stock) .....	<u>1,072,500</u>
	<b>BANKING — 4.9%</b>	
40,000 shs	National Australia Bank Ltd. 7.875% exch. capital units (A2) .....	1,281,200
20,000 shs	Sovereign Capital Trust II 7.50% trust PIERS (B2) (exch. for Sovereign Bancorp, Inc. common stock) .....	1,464,200
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1) (exch. for Washington Mutual Inc. common stock) .....	1,771,875
5,000 shs	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual Inc. common stock) .....	<u>253,125</u>
		<u>4,770,400</u>
	<b>CABLE — 4.2%</b>	
5,000 shs	Adelphia Communications Corp. 5.50% series D cv. pfd. (Caa1) .....	478,750
800,000	Adelphia Communications Corp. 6% 2006 cv. sub. notes (B3) .....	689,656
1,000,000	Verizon Global Funding Corp. 4.25% 2005 euro. sr. exch. notes * (A1) (exch. for cash equiv. of Cable & Wireless Communications plc & NTL, Inc. common stocks) .....	1,013,125
1,000,000	Charter Communications, Inc. 5.75% 2005 cv. sr. notes (B3) .....	897,000
3,850 shs	Cox Communications, Inc. 7% FELINE PRIDES ** (Baa2) .....	194,425
22,500 shs	Equity Securities Trust II 6.25% ** (NR) (exch. for Rainbow Media Group Class A tracking stock of Cablevision Systems Corp.) .....	585,000
11,598 shs	UnitedGlobalCom, Inc. common stock .....	60,310
19,000 shs	UnitedGlobalCom, Inc. dep. shs. representing 7% series D sr. cum. cv. pfd. (C) .	<u>112,575</u>
		<u>4,030,841</u>
	<b>CAPITAL GOODS — 1.3%</b>	
1,500,000	CS First Boston, Inc. 2% 2010 sr. medium-term exch. notes * (Aa3) (exch. for General Electric Corp. common stock) .....	<u>1,231,875</u>
	<b>DATA-PROCESSING SERVICES — 3.7%</b>	
1,000,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR) .....	1,146,293
2,000,000	National Data Corp. 5% 2003 cv. sub. notes (Ba3) .....	2,091,840
550,000	Online Resources & Communications Corp. 8% 2005 cv. sub. notes 144A (NR)	<u>385,000</u>
		<u>3,623,133</u>
	<b>ENERGY — 8.3%</b>	
40,800 shs	Apache Corp. \$2.015 dep. shs. representing ACES pfd. ** (Baa2) .....	1,803,360
500,000	Devon Energy Corp. 4.90% 2008 cv. sub. deb. * (BBB) (conv. into Chevron Corp. common stock) .....	493,580
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (BBB) (conv. into Chevron Corp. common stock) .....	990,910

# Portfolio of Investments January 31, 2002 (continued)

Principal Amount or Shares		Value
	<b>ENERGY — continued</b>	
\$3,300,000	El Paso Corp. 0% cv. deb. 144A (Baa2) .....	\$ 1,363,313
1,300,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa3) .....	1,447,186
30,000	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa2) (exch. for Devon Energy Corp. common stock) .....	<u>1,059,375</u>
		<u>7,157,724</u>
	<b>ENTERTAINMENT — 2.5%</b>	
1,750,000	AOL Time Warner, Inc. 0% 2019 cv. sub. notes (Baa2) .....	940,625
3,000,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADSs representing The News Corp. Limited common stock) .....	<u>1,433,370</u>
		<u>2,373,995</u>
	<b>FINANCIAL &amp; INSURANCE — 9.2%</b>	
15,000 shs	ACE Limited 8.25% FELINE PRIDES ** (Baa1) .....	1,177,500
1,500,000	Exchangeable Certificate Corp. 0.625% 2005 exch. certificates 144A (Aaa)(exch. for American Express Company common stock) .....	1,368,750
25,000 shs	PartnerRe Ltd. 8% PEPS units ** (Baa1) .....	1,369,500
17,500 shs	Prudential Financial Capital Trust I 6.25% Equity Security Units ***(A3) (exch. for Prudential Financial, Inc. common stock) .....	961,625
40,000 shs	Reinsurance Group of America, Inc. 5.75% PIERS (Baa1) .....	1,820,000
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds 144A (Aa1) (conv. into Swiss Reinsurance Company common stock) .....	929,450
1,500,000	XL Capital, Ltd. 0% 2021 cv. deb. 144A * (A1) .....	949,688
500,000	XL Capital, Ltd. 0% 2021 cv. deb. * (A1) .....	<u>316,563</u>
		<u>8,893,076</u>
	<b>HEALTH CARE — 6.9%</b>	
1,000,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes 144A (Ba3) .....	1,434,900
1,500,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3) .....	1,449,750
1,000,000	Invitrogen, Inc. 5.50% 2007 cv. sub. notes (NR) .....	969,375
1,000,000	Medtronic, Inc. 1.25% 2021 cv. deb. * (A1) .....	1,047,950
1,250,000	Province Healthcare Company 4.25% 2008 cv. sub. notes 144A (B3) .....	1,318,750
500,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes 144A (B-) .....	<u>485,000</u>
		<u>6,705,725</u>
	<b>HOME BUILDING — 1.1%</b>	
2,500,000	Masco Corp. 0% 2031 cv. sr. notes * (Baa1) .....	<u>1,056,100</u>
	<b>MULTI-INDUSTRY — 1.9%</b>	
2,000,000	Lehman Brothers Holdings, Inc. 0.25% 2006 BASES notes * (A3) (based on the value of the performance of the 10 Uncommon Values Index †) ..	<u>1,850,000</u>
	<b>PHARMACEUTICALS — 9.6%</b>	
2,000,000	Alza Corp. 0% 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock) .....	1,625,000
1,000,000	Baxter International Inc. 1.25% 2021 cv. deb. * (A3) .....	1,041,250
750,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes 144A (NR) .....	748,125
1,000,000	Elan Finance Corporation Ltd. 0% 2018 LYONs 144A (Baa3) (exch. for ADRs representing Elan Corporation, plc common stock) .....	578,450
700,000	Elan Finance Corporation Ltd. 0% 2018 LYONs (Baa3) (exch. for ADRs representing Elan Corporation, plc common stock) .....	404,915
1,500,000	ICN Pharmaceuticals, Inc. 6.50% 2008 cv. sub. notes 144A (B+) .....	1,711,875

# Portfolio of Investments January 31, 2002 (continued)

Principal Amount or Shares		Value
	<b>PHARMACEUTICALS — continued</b>	
\$1,250,000	Ivax Corp. 5.50% 2007 cv. sr. sub. notes (NR) .....	\$ 1,228,125
1,315,000	Roche Holdings, Inc. 0% 2015 LYONs 144A (NR) (exch. for Genentech, Inc. common stock) .....	946,800
1,000,000	Sepracor, Inc. 7% 2005 cv. sub. deb. 144A (CCC+) .....	980,000
		9,264,540
	<b>RETAIL — 4.5%</b>	
1,750,000	Brinker International, Inc. 0% 2021 cv. sr. deb. 144A (Baa2) .....	1,210,720
500,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes 144A (A3) .....	527,430
750,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3) .....	791,145
1,500,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (B+) .....	1,543,920
250,000	School Specialty, Inc. 6% 2008 cv. sub. notes (B+) .....	257,320
		4,330,535
	<b>TECHNOLOGY — 9.1%</b>	
750,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa2) .....	957,938
1,000,000	Anadigics, Inc. 5% 2006 cv. sr. notes 144A (NR) .....	900,000
1,250,000	Analog Devices, Inc. 4.75% 2005 cv. sub. notes 144A (Baa1) .....	1,191,406
1,000,000	Brooks Automation, Inc. 4.75% 2008 cv. sub. notes 144A (NR) .....	1,000,000
250,000	Brooks Automation, Inc. 4.75% 2008 cv. sub. notes (NR) .....	250,000
1,500,000	CS First Boston, Inc. 1% 2006 medium-term exch. notes * (Aa3) (exch. for Microsoft Corp. common stock) .....	1,352,813
51,000 shs	CS First Boston, Inc. 10% 2002 medium-term notes ** (Aa3) (exch. for Sun Microsystems, Inc. common stock) .....	570,563
500,000	Emulex Corp. 1.75% 2007 cv. sub. notes 144A (NR) .....	550,000
500,000	Extreme Networks, Inc. 3.50% 2006 cv. sub. notes 144A (NR) .....	481,953
500,000	Kulicke & Soffa Industries, Inc. 4.75% 2006 cv. sub. notes (B3) .....	467,500
500,000	Rational Software Corp. 5.00% 2007 cv. sub. notes (NR) .....	494,550
1,150,000	Soletron Corp. 0% 2020 LYONs (Ba1) .....	539,063
		8,755,786
	<b>TELECOMMUNICATIONS — 9.3%</b>	
700,000	American Tower Corp. 2.25% 2009 cv. notes (B3) .....	420,000
4,000,000	Anixter International, Inc. 0% 2020 LYONs 144A (Ba3) .....	1,130,000
1,700,000	Anixter International, Inc. 0% 2020 LYONs (Ba3) .....	480,250
2,000,000	Bell Atlantic Financial Services, Inc. 5.75% 2003 sr. exch. notes 144A * (A1) (exch. for cash equiv. Telecom Corp. of New Zealand, Ltd. common stock) .....	2,032,000
1,000,000	Exchangeable Certificate Corp. 0.25% 2006 exch. certificates 144A (Aaa)(exch. for specific telephone and cable common stocks ††) .....	870,000
1,000 shs	Lucent Technologies, Inc. 8% redeemable cv. pfd. (B3) .....	1,150,348
25,000	MediaOne Group, Inc. 7% 2002 PIES ** (Baa3) (exch. for ADRs representing Vodafone AirTouch plc common stock) .....	585,938
500,000	Nortel Networks Corp. 4.25% 2008 cv. sr. notes 144A (Baa2) .....	488,438
30,000 shs	Sprint Corp. 7.125% equity units **,** (Baa1) (exch. for Sprint PCS Group common stock) .....	558,000
1,500,000	Tecnost International, N.V. 1% 2005 ADBs 144A (Baa2) (exch. for ADRs representing Telecom Italia S.p.A. common stock) .....	1,298,550
		9,013,524
	<b>TRANSPORTATION — 3.7%</b>	
1,000,000	Continental Airlines, Inc. 4.50% 2007 cv. notes (B) .....	982,160
1,000,000	GATX Corp. 7.50% 2007 cv. sr. notes 144A (Baa2) .....	1,086,250
1,500,000	United Parcel Service, Inc. 1.75% 2007 cash-settled cv. sr. notes (Aaa) .....	1,485,000
		3,553,410

# Portfolio of Investments January 31, 2002 (continued)

Principal Amount		Value
	<b>UTILITIES — 3.9%</b>	
\$1,250,000	AES Corp. 4.50% 2005 cv. jr. sub. deb. (Ba2) .....	\$ 1,023,438
29,200 shs	Calpine Capital Trust II 5.50% HIGH TIDES (Ba2) (exch. for Calpine Corp. common stock) .....	941,700
250,000	Calpine Corp. 4% 2006 cv. sr. notes (Ba1) .....	230,938
37,500 shs	TECO Capital Trust II ***(A-) (exch. for TECO Energy, Inc. common stock) .....	903,750
13,750 shs	TXU Corp. equity units ***(Baa3) .....	691,367
		<u>3,791,193</u>
	<b>U.S. TREASURY NOTES — 0.0%</b>	
11,000	6.50% 3/31/02 # .....	11,079
	<b>CORPORATE SHORT-TERM NOTES — 4.8%</b>	
4,600,000	American Express Credit Corp. (P1) (1.67% maturing 2/1/02) .....	4,599,360
	<b>Total Convertible Bonds and Notes — 70.1%</b> .....	67,895,785
	<b>Total Convertible Preferred Stocks — 22.7%</b> .....	21,963,551
	<b>Total Common Stocks — 0.1%</b> .....	60,310
	<b>Total Corporate Short-Term Notes — 4.8%</b> .....	4,599,360
	<b>Total Investments — 97.7%</b> .....	94,519,006
	<b>Other assets and liabilities, net — 2.3%</b> .....	2,221,901
	<b>Total Net Assets — 100.0%</b> .....	<u>\$ 96,740,907</u>

\* Contingent payment debt instrument which accrues contingent interest income. See Note 1(b) Annual Report to Shareholders, dated October 31, 2001.

\*\* Mandatory convertible. See Note 1(e) Annual Report to Shareholders, dated October 31, 2001.

† Ticker symbols: AA, BBY, CEFT, CMCSK, CSCO, HDI, LMG/A, MIR, WM & WMI.

†† Ticker symbols: CSCO, CMCSK, AOL, IBM, LMGa and WCOM.

# Collateral for a letter of credit.

ACES	Automatically Convertible Equity Securities.
ADB	American Depositary Bonds.
ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BASES	Basket Adjusting Structured Equity Securities.
CODES	Contingent Debt Securities.
DECS	Debt Exchangeable for Common Stock.
FELINE	Family of Equity-Linked Income Securities.
HIGH TIDES	Remarketable Term Income Deferrable Equity Securities.
LYONS	Liquid Yield Option Notes.
PIERS	Preferred Income Equity Redeemable Securities.
PIES	Premium Income Exchangeable Securities.
PRIDES	Preferred Redeemable Increased Dividend Equity Securities.
TIDES	Term Income Deferrable Equity Securities.