

# Bancroft Convertible Fund, Inc.

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

## First Quarter Update - January 31, 2004 (unaudited)

### Financial Highlights

Market value 01/31/04	\$19.59
Net asset value (NAV) 01/31/04	\$21.51
Market discount to NAV	(8.93)%
12-Month income distribution	\$0.71
Yield on market value	3.62%
Ratio of expenses to avg. net assets	1.03%*
Ratio of net income to avg. net assets	3.98%*
Portfolio turnover	16.30%
Shares outstanding	5,557,138

\* Annualized.

### Change in Net Asset Value (NAV)

	Per Share
Beginning NAV (10/31/03)	<u>\$20.84</u>
Changes in NAV from Operations:	
Net Investment Income	0.19
Realized Gain	0.18
Increase in Unrealized Gain	<u>0.51</u>
Total Change from Operations	0.88
Distributions:	
Net Investment Income	(0.21)
Capital Gains	<u>(0.00)</u>
Total Change from Distributions	<u>(0.21)</u>
Total Change	<u>0.67</u>
Ending NAV (01/31/04)	<u>\$21.51</u>

### Major Industry Exposure as of 01/31/04

	% of Net Assets
Telecommunications	11.0
Financial & Insurance	10.8
Banking/Savings & Loan	10.3
Pharmaceuticals	10.2
Retail	9.0
Technology	9.0
Energy	8.6
Health Care	5.2
Entertainment	3.9
Aerospace & Defense	3.4

The portfolio holdings and industry exposure are as of January 31, 2004 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 01/31/04 with dividends reinvested

	3 Months	1 Year	5 Years	10 Years
Bancroft market value (a)	0.56%	10.48%	41.80%	161.20%
Bancroft net asset value (b)	4.25	18.55	22.35	141.07
Closed-end conv. fund avg. (b)	8.67	33.91	39.38	113.70
S&P 500 (a)	8.12	34.57	(5.00)	181.17
Russell 2000 (a)	10.26	58.06	45.91	117.91(c)
Lehman Aggregate Bond Total Return Index (b)	2.07	4.85	37.93	94.70

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, 2004.

(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. 03	\$19.55	\$18.17	\$19.55	\$19.25	\$17.68	\$18.95
Jul. 03	20.58	19.55	20.02	19.85	18.95	19.80
Oct. 03	20.84	19.61	20.84	19.70	19.05	19.70
Jan. 04	21.75	20.73	21.51	20.14	18.59	19.59

### Total Fund Investments as of 01/31/04

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 70,753	59.1
Convertible Preferred Stocks	22,473	18.8
Mandatory Convertible Securities	20,789	17.4
Short-Term Securities	5,711	4.8
Other Assets	(167)	(0.1)
Net Assets	<u>\$119,559</u>	<u>100.0%</u>

### Largest Investment Holdings as of 01/31/04

	% of Net Assets
New York Community Bancorp, Inc.	2.7
Teva Pharmaceuticals Industries Ltd.	2.6
Washington Mutual, Inc.	2.3
Amerada Hess Corp.	2.2
Travelers Property Casualty Corp.	2.1
Capital One Financial Corp.	2.0
Lucent Technologies, Inc.	2.0
Reinsurance Group of America, Inc.	2.0
Affiliated Computer Services, Inc.	1.9
Church & Dwight Co., Inc.	1.9

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## **To Our Shareholders:**

March 11, 2004

The U.S. economic recovery still appears to be moving ahead, but less robustly than it had. While economic growth still seems to be on track at 4%, job creation is not growing as expected. The severity and length of the slow economy and tough government regulations have made many employers reluctant to hire new workers when they can expand the productivity of their current labor force first. With capacity utilization still well below its average of the last decade, the economy will have to grow substantially before employers will need to expand their capacity or hire new workers. We still believe the economy will have a sustained period of growth around 4% per year, but some segments of the economy will take longer to grow. Further, with a year of a growing stock market behind us, this uneven economic growth combined with high energy prices is likely to produce an equally uneven stock market.

Bancroft Convertible Fund is the oldest closed-end convertible fund. Founded in 1971, the Fund's strategy has remained consistent, as an equity investment that uses convertible securities to reduce risk and volatility. This strategy tends to outperform in bear markets and lag in bull markets. For the ten year period ended January 31, 2004 the Fund outperformed its peers within the category of closed-end convertible funds followed in the *Lipper Closed-End Performance Analysis* survey (this category consists of seven funds for the ten year period and currently consists of fourteen funds). Fund performance for the first quarter 2004 (January 31, 2004) has lagged its peers as we may have moved in to a bull market and our peers have changed. Of the fourteen closed-end convertible funds in the *Lipper* survey, eight are now leveraged, six have recently had more than one third of their portfolios in non-convertible debt (mostly high yield securities) and one has half in common stock and warrants. Only four funds remain unleveraged convertible funds (greater than 80% of investments in convertible securities). The addition of leverage usually makes portfolios more volatile and the addition of non-convertible debt increases exposure to interest rate risk.

The Fund's website ([www.bancroftfund.com](http://www.bancroftfund.com)) now contains a new Monthly Portfolio Summary. It also has 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-end funds.\* Based upon data through February 29, 2004, Morningstar \*\* now rates the Fund's performance at four stars (above average) overall as measured on the "Quicktake Report" on their website. In addition, shareholders who wish to obtain a copy of the most recent report on the Fund issued by Standard and Poor's should contact us.

At the annual meeting of shareholders, held in February, Gordon F. Ahalt, Jane D. O'Keeffe, and Nicolas W. Platt were elected to three-year terms as directors of the Fund. PricewaterhouseCoopers, LLP was ratified as the Fund's independent auditors for the 2004 fiscal year. We thank you for your participation and support.

At its February meeting, the Board of Directors declared a dividend of 17 cents per share. The dividend consists of undistributed net investment income. This dividend will be payable on March 30, 2004 to shareholders of record on March 16, 2004.



Thomas H. Dinsmore  
Chairman of the Board

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


\*\* Morningstar is a mutual fund analysis and statistical reporting service that reports on and rates most mutual funds. It is solely responsible for the content of its website.

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

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### **Stock Exchange Listing**

AMEX - Symbol: BCV



# Portfolio of Investments January 31, 2004 (unaudited)

Principal Amount or Shares		Value
	<b>ADVERTISING — 0.9%</b>	
\$1,000,000	Lamar Advertising Company 2.875% 2010 cv. sub. notes (B2) .....	<u>\$ 1,056,250</u>
	<b>AEROSPACE &amp; DEFENSE — 3.4%</b>	
1,500,000	The Goldman Sachs Group, Inc. 1.00% 2009 exch. equity-linked notes * (Aa3) (exch. for General Dynamics Corp. common stock) .....	1,429,185
15,000 shs	Northrop Grumman Corp. 7.25% equity units ** (NR) .....	1,562,250
20,000 shs	RC Trust I 8.25% equity security units **, ** (BB) (exch. for Raytheon Co. class B common stock) .....	1,073,750
		<u>4,065,185</u>
	<b>AUTOMOTIVE — 2.9%</b>	
50,000 shs	General Motors Corp. 6.25% series C cv. sr. deb. (Baa1) .....	1,546,875
2,500,000	Lear Corp. 0% 2022 cv. sr. notes 144A (Ba1) .....	1,370,313
1,000,000	Lear Corp. 0% 2022 cv. sr. notes (Ba1) .....	548,125
		<u>3,465,313</u>
	<b>BANKING/SAVINGS &amp; LOAN — 10.3%</b>	
2,078,000	Bear Stearns Cos., Inc. 0.25% 2010 medium term notes * (A1) (exch. for Fifth Third Bancorp common stock) .....	2,219,512
20,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	1,321,250
40,000 shs	National Australia Bank Ltd. 7.875% exch. capital units (NR) .....	1,569,200
40,000 shs	New York Community Bancorp, Inc. 6% BONUS units (Baa2) .....	3,244,680
5,000 shs	State Street Corp. 6.75% treasury backed ACES ** (NR) .....	1,250,313
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	2,108,750
10,000 shs	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	602,500
		<u>12,316,205</u>
	<b>CONSUMER GOODS — 2.8%</b>	
2,000,000	Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. 144A (B1) .....	2,329,300
35,000 shs	Constellation Brands, Inc. dep. shs. representing 5.75% series A mandatory cv. pfd. ** (B) .....	1,076,250
		<u>3,405,550</u>
	<b>DATA-PROCESSING SERVICES — 2.2%</b>	
965,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR) .....	965,000
285,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes (NR) .....	285,000
875,000	Pegasus Solutions, Inc. 3.875% 2023 cv. sr. notes 144A (NR) .....	815,938
625,000	Pegasus Solutions, Inc. 3.875% 2023 cv. sr. notes (NR) .....	582,813
		<u>2,648,751</u>
	<b>ENERGY — 8.6%</b>	
45,000 shs	Amerada Hess Corp. 7% mandatory cv. pfd. ACES ** (Ba2) .....	2,584,350
12,500 shs	Chesapeake Energy Corp. 6% cum. cv. pfd. 144A (B3) .....	890,125
7,500 shs	Chesapeake Energy Corp. 6% cum. cv. pfd. (B3) .....	534,075
3,750 shs	Chesapeake Energy Corp. 5% cv. pfd. (B3) .....	394,453
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (Baa2) (conv. into ChevronTexaco Corp. common stock) .....	1,032,500
1,900,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa3) .....	2,048,352
30,000 shs	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa3) (exch. for Devon Energy Corp. common stock) .....	1,455,300
20,000 shs	The Williams Cos., Inc. 5.50% 2033 jr. sub. cv. deb. 144A (B-) .....	1,340,000
		<u>10,279,155</u>

# Portfolio of Investments January 31, 2004 (continued)

Principal Amount or Shares		Value
	<b>ENTERTAINMENT — 3.9%</b>	
\$ 500,000	Alloy, Inc. 5.375% 2023 cv. sr. deb (NR) .....	\$ 490,000
22,500 shs	Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caa1) .....	1,116,563
2,500,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADS representing The News Corp. Limited common stock) .....	1,432,813
1,500 shs	Radio One, Inc. 6.50% HIGH TIDES (B3) .....	<u>1,585,875</u>
		<u>4,625,251</u>
	<b>FINANCIAL &amp; INSURANCE — 10.8%</b>	
45,000 shs	Capital One Financial Corp. 6.25% Upper DECS ***(Baa3) .....	2,385,000
15,000 shs	The Chubb Corp. 7% equity units ***(A) .....	437,250
54,000 shs	The Chubb Corp. 7% equity units ***(A) .....	1,572,750
40,000 shs	Platinum Underwriters Holdings, Ltd. 7% equity security units ***(NR) .....	1,344,000
40,000 shs	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2) .....	2,399,000
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds 144A (Aa1) (conv. into Swiss Reinsurance Company common stock) .....	972,813
100,000 shs	Travelers Property Casualty Corp. 4.50% 2032 cv. jr. sub. notes (A3) .....	2,565,500
1,500,000	XL Capital, Ltd. 0% 2021 cv. deb. 144A * (A2) .....	960,000
500,000	XL Capital, Ltd. 0% 2021 cv. deb. * (A2) .....	<u>320,000</u>
		<u>12,956,313</u>
	<b>HEALTH CARE — 5.2%</b>	
750,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes 144A (B1) .....	881,438
250,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes (B1) .....	293,813
1,000,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3) .....	1,108,750
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes 144A (B3) .....	531,875
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes (B3) .....	531,875
875,000	Mentor Corp. 2.75% 2024 cv. deb. 144A (NR) .....	1,016,094
19,000 shs	Omnicare Capital Trust I 4% PIERS * (Ba3) (exch. for Omnicare, Inc. common stock) .....	1,254,000
100,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes 144A (B1) .....	129,063
400,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes (B1) .....	<u>516,250</u>
		<u>6,263,158</u>
	<b>MACHINERY — 0.5%</b>	
550,000	AGCO Corp. 1.75% cv. sr. sub. notes 144A (B1) .....	<u>616,688</u>
	<b>OFFICE EQUIPMENT — 1.6%</b>	
1,750,000	IOS Capital, LLC 5% 2007 cv. sub. notes 144A (Ba2) (exch. for IKON Office Solutions, Inc. common stock) .....	<u>1,899,844</u>
	<b>PAPER &amp; PAPER PRODUCTS — 0.9%</b>	
20,000 shs	Temple-Inland, Inc. 7.50% Upper DECS ***(Baa3) .....	<u>1,101,800</u>
	<b>PHARMACEUTICALS — 10.2%</b>	
2,000,000	Alza Corp. 0% 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock) .....	1,490,000
2,000,000	Amgen, Inc. 0% 2032 LYONS * (A2) .....	1,512,960
26,500 shs	Baxter International, Inc. 7% equity units ***(A3) .....	1,364,353
750,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes 144A (B-) .....	730,781
250,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes (B-) .....	243,594
1,000,000	Gilead Sciences, Inc. 2% 2007 cv. sr. notes 144A (NR) .....	1,309,600
250,000	Gilead Sciences, Inc. 2% 2007 cv. sr. notes (NR) .....	<u>327,400</u>

# Portfolio of Investments January 31, 2004 (continued)

Principal Amount or Shares		Value
	<b>PHARMACEUTICALS — continued</b>	
\$ 500,000	Ivax Corp. 4.50% 2008 cv. sr. sub. notes (NR) .....	\$ 510,200
1,500,000	Ivax Corp. 5.50% 2007 cv. sr. sub. notes (NR) .....	1,554,375
750,000	Teva Pharmaceutical Finance B.V. 0.75% 2021 cv. sub. deb. (BBB) (exch. for Teva Pharmaceuticals Industries Ltd. ADR) .....	1,103,438
1,000,000	Teva Pharmaceutical Finance II, LLC series A 0.50% 2024 cv. sr. deb. (BBB) (exch. for Teva Pharmaceuticals Industries Ltd. ADR) .....	1,016,250
1,000,000	Teva Pharmaceutical Finance II, LLC series B 0.25% 2024 cv. sr. deb. (BBB) (exch. for Teva Pharmaceuticals Industries Ltd. ADR) .....	1,030,000
		<u>12,192,951</u>
	<b>RETAIL — 9.0%</b>	
500,000	Barnes & Noble, Inc. 5.25% 2009 cv. sub. notes (B1) .....	538,125
750,000	Brinker International, Inc. 0% 2021 cv. sr. deb. (Baa2) .....	522,720
1,500,000	Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes 144A (NR) .....	1,458,750
1,500,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes 144A (B2) .....	1,500,938
250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes (B2) .....	250,156
2,000,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3) .....	1,707,500
750,000	J.C. Penney, Inc. 5% 2008 cv. sub. notes (B1) .....	819,375
550,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (B+) .....	664,290
250,000	School Specialty, Inc. 6% 2008 cv. sub. notes (B+) .....	301,950
2,000,000	The TJX Companies, Inc. 0% 2021 LYONs (Baa1) .....	1,711,250
30,000 shs	Toys “R” Us, Inc. 6.25% equity securities units ***(NR) .....	1,275,000
		<u>10,750,054</u>
	<b>TECHNOLOGY — 9.0%</b>	
250,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa2) .....	319,725
1,500,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes (Baa2) .....	1,918,350
1,500,000	Axcelis Technologies, Inc. 4.25% 2007 cv. sub. notes (NR) .....	1,537,500
2,378,000	Hewlett-Packard Co., Inc. 0% 2017 LYONS (Baa1) .....	1,358,433
2,000,000	International Rectifier 4.25% 2007 cv. sub. notes (B2) .....	1,992,500
2,000,000	STMicroelectronics, N.V. 0% 2013 sr. cv. bonds 144A # (A3) .....	2,182,500
1,000,000	Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes 144A (B3) .....	1,428,360
		<u>10,737,368</u>
	<b>TELECOMMUNICATIONS — 11.0%</b>	
550,000	Commonwealth Telephone Enterprises, Inc. 3.25% 2023 cv. notes * (NR) .....	556,875
750,000	Comverse Technology, Inc. 0% 2023 ZYPS 144A # (BB-) .....	878,438
750,000	Comverse Technology, Inc. 0% 2023 ZYPS # (BB-) .....	878,438
27,700 shs	The Goldman Sachs Group, Inc. 7.30% mandatory exchangeable notes ** (Aa3) (exch. for Verizon Communications, Inc. common stock) .....	1,031,991
1,000,000	Level 3 Communications, Inc. 2.875% 2010 cv. sub. notes (Caa2) .....	1,105,810
1,000,000	Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (Caa1) .....	1,593,720
500,000	Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (Caa1) .....	845,240
500,000	NII Holdings, Inc. 2.875% 2034 cv. sr. notes 144A * (NR) .....	494,375
1,000,000	Nextel Communications, Inc. 2.875% 2010 cv. sr. notes (B2) .....	1,187,500
1,250,000	Nortel Networks Corp. 4.25% 2008 cv. sr. notes (B3) .....	1,334,375
750,000	Tekelec, Inc. 2.25% 2008 cv. sub. discount notes 144A (NR) .....	988,125
500,000	Tekelec, Inc. 2.25% 2008 cv. sub. discount notes (NR) .....	658,750
1,000,000	UTStarcom, Inc. 0.875% 2008 cv. notes (NR) .....	1,580,000
		<u>13,133,637</u>

# Portfolio of Investments January 31, 2004 (continued)

Principal Amount or Shares		Value
	<b>TRANSPORTATION — 1.0%</b>	
\$ 750,000	Continental Airlines, Inc. 4.50% 2007 cv. notes (Caa2) .....	\$ 668,138
250,000	ExpressJet Holdings, Inc. 4.25% 2023 cv. notes 144A (NR) .....	279,390
250,000	ExpressJet Holdings, Inc. 4.25% 2023 cv. notes (NR) .....	279,390
		<u>1,226,918</u>
	<b>UTILITIES — 1.1%</b>	
50,000 shs	DTE Energy Co. 8.75% equity security units *,** (BBB) .....	<u>1,274,500</u>
	<b>SHORT-TERM SECURITIES — 4.8%</b>	
5,700,000	American Express Credit Corp. (P1) (0.95% maturing 02/03/04) .....	5,699,398
11,000	U.S. Treasury notes 3.375% 4/30/04 † (Aaa) .....	11,065
		<u>5,710,463</u>
	<b>Total Convertible Bonds and Notes — 59.1%</b> .....	70,753,188
	<b>Total Convertible Preferred Stocks — 18.8%</b> .....	22,472,846
	<b>Total Mandatory Convertible Securities — 17.4%</b> .....	20,788,857
	<b>Total Short-Term Securities — 4.8%</b> .....	<u>5,710,463</u>
	<b>Total Investments — 100.1%</b> .....	119,725,354
	<b>Other assets and liabilities, net — (0.1)%</b> .....	<u>(166,734)</u>
	<b>Total Net Assets — 100.0%</b> .....	<u><u>\$119,558,620</u></u>

- \* Contingent payment debt instrument. See Note 1(b) Annual Report to Shareholders, dated October 31, 2003.
- \*\* Mandatory convertible. See Note 1(e) Annual Report to Shareholders, dated October 31, 2003.
- # Non-income producing security.
- † Collateral for a letter of credit.

ACES	Automatic Convertible Equity Securities.
ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BONUSES	Bifurcated Option Note Unit Securities.
DECS	Debt Exchangeable for Common Stock.
HIGH TIDES	Remarketable Term Income Deferrable Equity Securities.
LYONs	Liquid Yield Option Notes.
PIERS	Preferred Income Equity Redeemable Securities.
ZYPS	Zero Yield Puttable Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's, a division of McGraw-Hill Companies, Inc. NR is used whenever a rating is unavailable.