

# Bancroft Fund Ltd.

~ successor to Bancroft Convertible Fund ~

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

## First Quarter Update - January 31, 2006 (unaudited)

### Financial Highlights

Market price 01/31/06	\$18.62
Net asset value (NAV) 01/31/06	\$22.06
Market discount to NAV	(15.59)%
12-Month income distribution	\$0.753
Yield on market price	4.04%
Ratio of expenses to avg. net assets	1.15%*
Ratio of net income to avg. net assets	4.96%*
Portfolio turnover	19.67%
Shares outstanding	5,625,134

\* Annualized

### Largest Investment Holdings as of 01/31/06

by underlying common stock	% of Net Assets
The Walt Disney Company	3.3
Teva Pharmaceutical Industries Ltd.	2.7
Nuveen Investments, Inc.	2.5
The St. Paul Travelers Companies, Inc.	2.5
Freeport-McMoRan Copper and Gold, Inc.	2.2
International Rectifier Corp.	2.2
Washington Mutual, Inc.	2.2
Celanese Corp.	2.1
The TJX Companies, Inc.	2.1
Chesapeake Energy Corp.	2.0

### Major Industry Exposure as of 01/31/06

	% of Net Assets
Financial and Insurance	17.1
Technology	11.2
Energy	9.9
Pharmaceuticals	9.7
Banking/Savings and Loan	8.5
Aerospace and Defense	5.9
Entertainment	4.5
Health Care	4.3
Telecommunications	4.1
Retail	3.8

### Performance through 01/31/06 with dividends reinvested

	Calendar		Cumulative	
	YTD	1 Year	5 Years	10 Years
Bancroft market price (a,b)	3.16%	4.99%	8.18%	124.54%
Bancroft net asset value (b,c,d)	4.11	10.09	15.75	113.41
Closed-end conv. fund avg. (d)	3.66	8.99	22.75	104.17
S&P 500 (a)	2.65	10.38	1.85	136.55
Merrill Lynch All Convertibles Index (a)	4.12	7.53	20.55	135.57
Lehman Aggregate Bond Total Return Index (d)	0.01	1.80	30.89	80.70

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

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

(b) Performance is not adjusted for dilution due to the rights offering.

(c) Net asset value dilution resulting from the Fund's 2003 rights offering was 2.38%.

(d) From Lipper, Inc. Closed-End Fund Performance Analysis, January 31, 2006.

### Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Apr. 05	\$21.28	\$19.86	\$19.92	\$18.60	\$16.95	\$16.95
Jul. 05	21.26	19.72	21.26	18.25	16.99	18.25
Oct. 05	21.75	20.79	21.05	18.55	17.52	17.77
Jan. 06	22.06	20.90	22.06	18.65	17.53	18.62

### Total Fund Investments as of 01/31/06

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 64,091	51.7
Convertible Preferred Stocks	29,613	23.9
Mandatory Convertible Securities	22,023	17.7
Common Stock	1,296	1.0
Short-Term Securities	6,707	5.4
Other Assets	385	0.3
Net Assets	<u>\$124,115</u>	<u>100.0%</u>

### Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
3/16/05	3/30/05	\$0.170	—	\$0.170
6/15/05	6/29/05	0.170	—	0.170
9/15/05	9/29/05	0.170	—	0.170
12/02/05	12/27/05	0.243	—	0.243
		<u>\$0.753</u>		<u>\$0.753</u>

The portfolio holdings and industry exposure are as of January 31, 2006 and subject to change without notice. Detailed portfolio information is available on our website (www.bancroftfund.com). Contact us by e-mail at info@bancroftfund.com or call us at (973) 631-1177.

---

# Bancroft Fund Ltd.

~ successor to Bancroft Convertible Fund ~

65 Madison Avenue Suite 550 • Morristown, New Jersey 07960-7308 • [www.bancroftfund.com](http://www.bancroftfund.com)

---

**To Our Shareholders:**

March 14, 2006

From the summer of 1999 until the summer of 2002, Merrill Lynch measured the US domestic convertible market as being theoretically undervalued by 2% to 4%. By the spring of 2004 Merrill Lynch measured the convertible market as overvalued by nearly 1%. Finally, at the end of February 2006, this theoretical measure had moved to an undervaluation of nearly 1%. So, by this latest measure, the convertible market appears fairly valued. That being said, the Fund has generally looked to the relative attractiveness of the common stocks that underlie the convertible securities. Further, the stock market is at the lowest price-earnings ratio that it has been in the last ten years. The average price-earnings ratio for the S&P 500 Index based on trailing twelve months earnings is under 18. If earnings growth and productivity growth continue at their current annual rates and interest rates do not make a sudden jump above expected levels then we believe the current stock market is attractive.

In the last twelve months the performance of the Fund was affected by its industry exposure. As we have indicated in previous reports, the energy exposure of the Fund provided the strongest returns. While we still think that energy is undervalued in the stock market, we also believe that this value will be realized over a longer period of time. Energy inventories and the weather will affect short term investor sentiment in this sector.

The industry that held the Fund back the most was telecommunications. However, we believe this industry should grow as more broadband internet access is made available for telephony and video. Unfortunately the industry has become very competitive and any legacy expenses (pensions, retiree health care, older inventories, etc.) seriously hamper the ability of some of these companies to keep up with new entrants to this market.

For the quarter, one-year and ten-year periods ended January 31, 2006 Bancroft's NAV outperformed the average of the closed-end convertible fund category tracked by Lipper, Inc. and published in the *Lipper Closed-End Performance Analysis*. However, for the three and five years ended January 31, 2006, the Fund underperformed the average of the eleven funds in its category. Of these eleven funds, only four, including the Fund, remain unleveraged convertible funds and only five, including the Fund, have more than 65% of their assets in convertible securities. We believe these factors contributed to the difference in performance between Bancroft and many of the other funds in the group.

Visit our website, [www.bancroftfund.com](http://www.bancroftfund.com), for additional information on the Fund. The website has a monthly update as well as a quarterly update that can be found under Financial Reports. Further, press releases often have a financial update included with the dividend announcement.

At the annual meeting of shareholders held in February 2006, directors Elizabeth C. Bogan, Ph.D. and Robert J. McMullan were re-elected to three year terms. The new Investment Advisory Agreement was approved, the proposal concerning the reorganization of the Fund to a Delaware statutory trust was approved and the appointment of Tait, Weller & Baker LLP to serve as the Fund's independent auditors for the 2006 fiscal year was ratified. We thank you for your support.

At its February meeting, the Board of Directors declared a dividend of 18 cents per share. The dividend is payable on March 30, 2006 to shareholders of record on March 16, 2006.



Thomas H. Dinsmore  
Chairman of the Board

---

**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  
65 Madison Avenue  
Morristown, NJ 07960-7308  
(973) 631-1177  
[www.bancroftfund.com](http://www.bancroftfund.com)  
email: [info@bancroftfund.com](mailto:info@bancroftfund.com)

**Stock Exchange Listing**

AMEX - Symbol: BCV



# Portfolio of Investments January 31, 2006 (unaudited)

<u>Principal Amount</u>		<u>Value</u>
	<b>CONVERTIBLE BONDS AND NOTES — 51.7%</b>	
	<b>Aerospace and Defense — 4.7%</b>	
\$1,000,000	AAR Corp. 1.75% 2026 cv. sr. notes (BB-) (Acquired 01/26/06 - 01/27/06; Cost \$1,014,063) <sup>(1)</sup> .....	\$1,016,250
1,000,000	Ceradyne, Inc. 2.875% 2035 sr. sub. cv. notes (NR) <sup>(2)</sup> .....	1,218,750
2,000,000	DRS Technologies, Inc. 2% 2026 cv. sr. notes (B2) (Acquired 01/30/06; Cost \$2,000,000) <sup>(1,2)</sup> .....	2,012,500
1,500,000	L-3 Communications Holdings, Inc. 3% 2035 CODES (Ba3) <sup>(2)</sup> .....	<u>1,548,750</u>
		<u>5,796,250</u>
	<b>Automotive — 1.5%</b>	
4,000,000	Lear Corp. 0% 2022 cv. sr. notes (Ba2) .....	<u>1,810,000</u>
	<b>Banking/Savings and Loan — 2.0%</b>	
2,500,000	U.S. Bancorp floating rate 2035 cv. sr. deb. (Aa2) .....	<u>2,487,500</u>
	<b>Consumer Goods — 1.4%</b>	
1,375,000	Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. (Ba2) .....	<u>1,789,219</u>
	<b>Energy — 2.4%</b>	
1,125,000	Maverick Tube Corp. 1.875% 2025 cv. sr. sub. notes (NR) (Acquired 11/09/05 - 11/11/05; Cost \$1,128,750) <sup>(1)</sup> .....	1,486,406
1,000,000	Oil States International, Inc. 2.375% 2025 contingent cv. sr. notes (NR) .....	<u>1,466,250</u>
		<u>2,952,656</u>
	<b>Entertainment — 4.5%</b>	
1,500,000	EchoStar Communications Corp. 5.75% 2008 cv. sub. notes (B2) .....	1,477,500
4,000,000	The Walt Disney Company 2.125% 2023 cv. sr. notes (Baa1) .....	<u>4,110,000</u>
		<u>5,587,500</u>
	<b>Financial and Insurance — 2.2%</b>	
500,000	E*TRADE Financial Corp. 6% 2007 cv. sub. notes (B-) .....	523,125
1,125,000	FTI Consulting, Inc. 3.75% 2012 cv. sr. sub. notes (Ba3) .....	1,245,938
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds (A1) (conv. into Swiss Reinsurance Company common stock) (Acquired 11/15/01 - 12/05/01; Cost \$1,007,750) <sup>(1)</sup> .....	945,950
		<u>2,715,013</u>
	<b>Financial Services — 0.9%</b>	
1,000,000	Euronet Worldwide, Inc. 3.50% 2025 cv. deb. (NR) <sup>(2)</sup> .....	<u>1,057,500</u>
	<b>Foods — 0.8%</b>	
1,000,000	Lehman Brothers Holdings, Inc. 3% 2012 medium-term notes (A1) (performance linked to General Mills, Inc. common stock) <sup>(2)</sup> .....	<u>981,700</u>
	<b>Health Care — 3.6%</b>	
2,000,000	Manor Care, Inc. 2.125% 2035 cv. sr. notes (Baa3) .....	2,045,000
1,000,000	Omnicare, Inc. 3.25% 2035 cv. sr. deb. (B1) <sup>(2)</sup> .....	933,750
1,500,000	St. Jude Medical, Inc. 2.8% 2035 cv. sr. deb. (BBB+) <sup>(2)</sup> .....	<u>1,503,750</u>
		<u>4,482,500</u>

# Portfolio of Investments January 31, 2006 (continued)

Principal Amount		Value
<b>CONVERTIBLE BONDS AND NOTES — continued</b>		
<b>Multi-Industry — 0.7%</b>		
\$1,000,000	Lehman Brothers Holdings, Inc. 1% 2011 medium-term notes (A1) (performance linked to Cendant Corp. common stock) <sup>(2)</sup> .....	\$ 858,750
<b>Pharmaceuticals — 7.8%</b>		
2,000,000	Alza Corp. 0% 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock) .....	1,590,000
2,000,000	Amgen, Inc. 0% 2032 LYONs (A2) <sup>(2)</sup> .....	1,535,000
1,000,000	Cephalon, Inc. 2% 2015 cv. sr. sub. notes (B-) .....	1,621,250
1,250,000	Encysive Pharmaceuticals, Inc. 2.5% 2012 cv. sr. notes (NR) .....	1,125,000
1,000,000	Ivax Corp. 4.5% 2008 cv. sr. sub. notes (NR) (exch. for Teva Pharmaceutical Industries Ltd. ADR and cash) .....	1,023,750
1,000,000	Teva Pharmaceutical Finance Co., LLC 0.25% 2026 cv. sr. deb. (Baa2) (exch. for Teva Pharmaceutical Industries Ltd. ADR) .....	1,025,000
1,750,000	Teva Pharmaceutical Finance Co. B.V. 1.75% 2026 cv. sr. deb. (Baa2) (exch. for Teva Pharmaceutical Industries Ltd. ADR) .....	1,774,063
		<u>9,694,063</u>
<b>Retail — 3.8%</b>		
1,000,000	Amazon.com, Inc. 4.75% 2009 cv. sub. notes (B2) .....	971,250
1,250,000	Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes (NR) .....	1,171,875
3,000,000	The TJX Companies, Inc. 0% 2021 LYONs (Baa1) .....	2,580,000
		<u>4,723,125</u>
<b>Technology — 9.9%</b>		
1,000,000	C&D Technologies, Inc. 5.25% 2025 cv. sr. notes (NR) (Acquired 11/16/05; Cost \$1,000,000) <sup>(1)</sup> .....	1,162,500
2,000,000	Citigroup Funding, Inc. 1% 2010 medium-term notes (Aa1) (exch. for the cash equivalent of a basket of technology stocks) <sup>(2)</sup> .....	1,867,200
1,500,000	Intel Corp. 2.95% 2035 jr. sub. cv. deb. (NR) (Acquired 12/14/05 - 01/26/06; Cost \$1,461,700) <sup>(1,2)</sup> .....	1,370,625
2,750,000	International Rectifier Corp. 4.25% 2007 cv. sub. notes (B2) .....	2,708,750
1,500,000	LSI Logic Corp. 4% 2010 cv. sub. notes (B) .....	1,524,375
1,000,000	Richardson Electronics, Ltd. 8% 2011 cv. sr. sub. notes (NR) (Acquired 11/21/05; Cost \$1,000,000) <sup>(1)</sup> .....	1,050,000
1,500,000	Sybase, Inc. 1.75% 2025 cv. sub. notes (NR) .....	1,531,875
1,000,000	Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes (B3) .....	1,033,750
		<u>12,249,075</u>
<b>Telecommunications — 4.1%</b>		
250,000	Comverse Technology, Inc. 0% 2023 ZYPS (BB-) <sup>(3)</sup> .....	387,188
1,000,000	Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (B1) .....	1,008,750
500,000	Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (B1) .....	516,250
1,250,000	Nortel Networks Corp. 4.25% 2008 cv. sr. notes (B3) .....	1,192,188
2,000,000	Tekelec, Inc. 2.25% 2008 sr. sub. cv. notes (NR) .....	2,037,500
		<u>5,141,876</u>
<b>Utilities — 1.4%</b>		
1,500,000	CMS Energy Corp. 2.875% 2024 cv. sr. notes (B1) .....	1,764,375
	<b>TOTAL CONVERTIBLE BONDS AND NOTES</b> .....	<u>\$64,091,102</u>

# Portfolio of Investments January 31, 2006 (continued)

Shares		Value
<b>CONVERTIBLE PREFERRED STOCKS — 23.9%</b>		
<b>Aerospace and Defense — 1.2%</b>		
60,000	Ionatron, Inc. 6.5% series A cv. pfd. (NR) (Acquired 10/27/05; Cost \$1,500,000) <sup>(1)</sup> .....	\$ 1,530,000
<b>Banking/Savings and Loan — 6.6%</b>		
40,000	National Australia Bank Ltd. 7.875% exch. capital units (NR) .....	1,707,600
45,000	New York Community Bancorp, Inc. 6% BONUSES units (Baa2) .....	2,120,850
35,000	Sovereign Capital Trust IV 4.375% PIERS (Ba1) (exch. for Sovereign Bancorp, Inc. common stock) <sup>(2)</sup> .....	1,588,125
50,000	Washington Mutual Capital Trust 5.375% PIERS units (BBB) (exch. for Washington Mutual, Inc. common stock) .....	2,690,000
		<u>8,106,575</u>
<b>Building Products — 0.9%</b>		
20,000	TXI Capital Trust I 5.5% SPuRS (B2) (exch. for Texas Industries, Inc. common stock) .....	1,095,000
<b>Chemicals — 2.0%</b>		
85,000	Celanese Corp. 4.25% cv. perp. pfd. (NR) .....	2,518,125
<b>Energy — 4.1%</b>		
4,000	Chesapeake Energy Corp. 5% cum. cv. pfd. (B) .....	603,500
20,000	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B) .....	2,035,000
13,000	Semco Energy, Inc. 5% series B cv. cum. pfd. (B-) .....	2,398,500
		<u>5,037,000</u>
<b>Financial and Insurance — 6.9%</b>		
75,000	Citigroup Funding, Inc. variable rate exch. notes (Aa1) (exch. for Genworth Financial, Inc. common stock) .....	2,369,250
20	Fannie Mae 5.375% non-cumulative cv. pfd. (Aa3) (Acquired 12/29/04 - 01/11/05; Cost \$2,078,125) <sup>(1)</sup> .....	1,929,965
20,000	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2) .....	1,217,500
120,000	The St. Paul Travelers Companies, Inc. 4.5% 2032 cv. jr. sub. notes (Baa1) .....	3,096,000
		<u>8,612,715</u>
<b>Mining — 2.2%</b>		
2,000	Freeport-McMoRan Copper and Gold, Inc. 5.5% cv. perpetual pfd. (B-) .....	2,713,750
	<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b> .....	<u>\$29,613,165</u>

# Portfolio of Investments January 31, 2006 (continued)

Shares		Value
<b>MANDATORY CONVERTIBLE SECURITIES — 17.7% <sup>(4)</sup></b>		
<b>Chemicals — 1.5%</b>		
40,000	Huntsman Corp. 5% mand. cv. pfd. 02/16/08 (NR) .....	\$ 1,855,000
<b>Consumer Goods — 1.1%</b>		
35,000	Constellation Brands, Inc. dep. shs. representing 5.75% series A mand. cv. pfd. 09/01/06 (B) .....	1,400,000
<b>Energy — 3.1%</b>		
15,000	Amerada Hess Corp. 7% mand. cv. pfd. ACES 12/01/06 (Ba3) .....	1,963,125
15,000	Valero Energy Corp. 2% mand. cv. pfd. 07/01/06 (BB) .....	1,860,000
		<u>3,823,125</u>
<b>Financial and Insurance — 8.0%</b>		
25,000	The Chubb Corp. 7% equity units 08/16/06 (A2) <sup>(2)</sup> .....	839,500
43,500	E*TRADE Financial Corp. 6.125% equity units 11/18/08 (B3) .....	1,375,688
30,000	Merrill Lynch & Co., Inc. 6.75% mandatory exch. securities 10/15/07 (Aa3) (exch. for Nuveen Investments, Inc. common stock) .....	1,291,140
80,000	MetLife, Inc. 6.375% common equity units 08/15/08 (BBB+) .....	2,220,000
42,500	Morgan Stanley, Inc. 5.875% mandatory exch. securities 10/15/08 (Aa3) (exch. for Nuveen Investments, Inc. common stock) .....	1,850,705
40,000	The PMI Group, Inc. 5.875% HITS units 11/15/06 (A1) <sup>(2)</sup> .....	1,025,000
45,000	XL Capital, Ltd. 6.5% equity security units 05/15/07 (A3) .....	1,022,400
10,000	XL Capital, Ltd. 7% equity security units 02/15/09 (A3) .....	256,600
		<u>9,881,033</u>
<b>Foods — 0.8%</b>		
40,000	Lehman Brothers Holdings, Inc. 6.25% PIES 10/15/07 (A1) (exch. for General Mills, Inc. common stock) .....	1,050,000
<b>Pharmaceuticals — 1.8%</b>		
45,000	Schering-Plough Corp. 6% mand. cv. pfd. 09/14/07 (Baa3) .....	2,307,600
<b>Technology — 1.4%</b>		
37,500	Credit Suisse First Boston (USA), Inc. 5.5% SAILS 11/15/08 (Aa3) (exch. for Equinix, Inc. common stock) .....	1,706,250
	<b>TOTAL MANDATORY CONVERTIBLE SECURITIES <sup>(4)</sup></b> .....	<u>\$22,023,008</u>
<b>COMMON STOCKS — 1.0%</b>		
<b>Energy — 0.3%</b>		
18,860	The Williams Companies, Inc. ....	449,622
<b>Health Care — 0.7%</b>		
23,253	Community Health Systems, Inc. <sup>(3)</sup> .....	846,177
	<b>TOTAL COMMON STOCKS</b> .....	<u>\$ 1,295,799</u>

# Portfolio of Investments January 31, 2006 (continued)

Principal Amount		Value
	<b>SHORT-TERM SECURITIES — 5.4%</b>	
	<b>Commercial Paper — 5.4%</b>	
\$6,700,000	American Express Credit Corp. (P1) (4.30% maturing 02/01/06) .....	\$ 6,695,999
	<b>U.S. Government Obligations — 0.0%</b>	
11,000	U.S. Treasury notes 2.25% 04/30/06 (Aaa) <sup>(5)</sup> .....	10,942
	<b>TOTAL SHORT-TERM SECURITIES</b> .....	<b>6,706,941</b>
	<b>Total Convertible Bonds and Notes — 51.7%</b> .....	64,091,102
	<b>Total Convertible Preferred Stocks — 23.9%</b> .....	29,613,165
	<b>Total Mandatory Convertible Securities — 17.7%</b> .....	22,023,008
	<b>Total Common Stocks — 1.0%</b> .....	1,295,799
	<b>Total Short-Term Securities — 5.4%</b> .....	6,706,941
	<b>Total Investments — 99.7%</b> .....	123,730,015
	<b>Other assets and liabilities, net — 0.3%</b> .....	385,445
	<b>Total Net Assets — 100.0%</b> .....	<b>\$124,115,460</b>

- (1) Security not registered under the Securities Act of 1933, as amended (e.g., the security was purchased in a Rule 144A or a Reg D transaction). The security may be resold only pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The Fund generally has no rights to demand registration of these securities. The aggregate market value of these securities at January 31, 2006 was \$12,504,196 which represented 10.1% of the Fund's net assets.
- (2) Contingent payment debt instrument which accrues contingent interest. See Note 1(b) Annual Report to Shareholders dated October 31, 2005.
- (3) Non-income producing security.
- (4) These securities are required to be converted on the dates listed; they generally may be converted prior to these dates at the option of the holder.
- (5) Collateral for a letter of credit.

ACES	Automatic Convertible Equity Securities.
ADR	American Depositary Receipts.
BONUSES	Bifurcated Option Note Unit Securities.
CODES	Convertible Contingent Debt Securities.
HITS	Hybrid Income Term Security.
LYONS	Liquid Yield Option Notes.
PIES	Premium Income Exchangeable Securities.
PIERS	Preferred Income Equity Redeemable Securities.
SAILS	Shared Appreciation Income Linked Securities.
SPuRS	Shared Preference Redeemable Securities.
ZYPS	Zero Yield Puttable Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's. NR is used whenever a rating is unavailable.