

Bancroft Fund Ltd.

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

First Quarter Update - January 31, 2007 (unaudited)

Financial Highlights

Market price 01/31/07	\$19.80
Net asset value (NAV) 01/31/07	\$22.70
Market discount to NAV	(12.78)%
12-Month income distribution	\$0.805
Yield on market price	4.07%
Ratio of expenses to avg. net assets	1.08%*
Ratio of net income to avg. net assets	4.05%*
Portfolio turnover	16.22%
Shares outstanding	5,733,016

* Annualized

Largest Investment Holdings as of 01/31/07

by underlying common stock	% of Net Assets
The Walt Disney Company	3.8
Nuveen Investments, Inc.	2.6
The St. Paul Travelers Companies, Inc.	2.6
Celanese Corp.	2.3
LSB Industries, Inc.	2.3
Prudential Financial, Inc.	2.3
Bristol-Myers Squibb Co.	2.0
Chesapeake Energy Corp.	2.0
EchoStar Communications Corp.	2.0
U.S. Bancorp	2.0

Major Industry Exposure as of 01/31/07

	% of Net Assets
Insurance	12.7
Pharmaceuticals	10.5
Semiconductors	10.5
Energy	9.2
Banking/Savings and Loan	6.7
Entertainment	5.8
Multi-Industry	5.2
Aerospace and Defense	4.8
Computer Hardware	4.0
Chemicals	3.7

Performance through 01/31/07 with dividends reinvested

	Calendar		Annualized		10 Year
	YTD	1 Year	5 Years	10 Years	Volatility
Bancroft market price	1.54%	13.65%	4.38%	8.13%	11.18%
Bancroft net asset value	1.38	8.95	6.10	7.04	8.70
Closed-end cv. fund avg. (NAV)	1.46	11.08	7.52	7.14	8.52
S&P 500	1.51	14.51	6.81	7.92	19.21
Merrill Lynch All Convertibles Index	2.16	10.71	8.55	8.46	14.50
Lehman Aggregate Bond Total Return Index	(0.04)	4.28	4.88	6.20	4.57

The above data is from Bloomberg L.P. pricing service, with the exception of the Lehman Aggregate Bond Total Return Index which is from Lipper, Inc. *Closed-End Fund Performance Analysis*, dated January 31, 2007.

Bancroft's performance in the table above has not been adjusted for the fiscal 2004 rights offering. Performance data represent past results and do not reflect future performance.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Apr. 06	\$22.23	\$21.69	\$22.20	\$18.90	\$18.41	\$18.69
Jul. 06	22.38	21.05	21.72	18.93	18.08	18.32
Oct. 06	22.63	21.58	22.55	19.33	18.34	19.30
Jan. 07	22.98	22.24	22.70	19.84	19.06	19.80

Total Fund Investments as of 01/31/07

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 80,591	61.9
Convertible Preferred Stocks	22,589	17.4
Mandatory Convertible Securities	21,152	16.3
Common Stocks	18	—
Short-Term Securities	4,598	3.5
Other Assets	1,182	0.9
Net Assets	<u>\$130,130</u>	<u>100.0%</u>

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
3/16/06	3/30/06	\$0.180	—	\$0.180
6/15/06	6/29/06	0.180	—	0.180
9/14/06	9/28/06	0.180	—	0.180
12/01/06	12/26/06	0.265	\$0.466	0.731
		<u>\$0.805</u>	<u>\$0.466</u>	<u>\$1.271</u>

The portfolio holdings and industry exposure are as of January 31, 2007 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.

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To Our Shareholders:

In past letters to our shareholders we have tried to inform investors of the evolution of the convertible market place. In line with this practice we wish to discuss the development of structured securities. Structured securities are an important and growing component of the current convertible market. These are usually issued by banks or brokerage firms. The most common forms fall into two categories: principal-protected exchangeable notes and non-principal-protected exchangeable notes.

The principal-protected type of note is very similar to a traditional convertible bond. It is debt guaranteed by the issuer with a fixed maturity, a yield and a call on the value of a specified common stock or basket of common stocks.

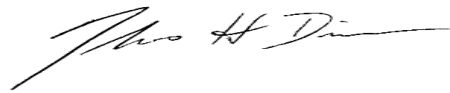
The non-principal-protected notes are similar to a type of mandatory convertible security. While it is still debt guaranteed by the issuer, at maturity the holder receives the value of the underlying common stock or basket of common stocks, usually subject to a cap. For this added risk, the yield is often substantially higher than it would be for a more traditional issue. Also maturities tend to be much shorter than traditional convertibles, typically 6 to 12 months. Bancroft has owned both types of these securities over the last few years. The development of structured securities broadens the availability of stocks and industries to the convertible investor.

Performance for the first quarter of 2007 was enhanced by the Fund's exposure to the Chemical and Insurance industries. Among the better performing issues in the portfolio were LSB Industries (Multi-Industry), Celanese (Chemical Industry) and Alleghany Corp. (Financial and Insurance Industry.) Performance was held back by some holdings in the Energy Industry and the Software Industry.

For the one-year period ended January 31, 2007 Bancroft's market return outperformed the Merrill Lynch All Convertibles Index while underperforming for the five- and ten-year periods. The Fund's net asset value underperformed for those one-, five- and ten-year periods, but when fund expenses are taken into account (the index includes no expenses) the one- and ten-year performances were close to this index. For that ten-year period, the Fund's volatility as measured by the standard deviation was lower than that of the Merrill Lynch All Convertibles Index. Many market professionals consider the volatility of past returns to be a useful approximation of the past levels of risk. A higher volatility level equates to a higher measure of risk. This measure of historic results may not reflect future performance but we believe that it is informative.

At the annual meeting of shareholders, Gordon F. Ahalt, Jane D. O'Keeffe and Nicolas W. Platt were re-elected to the Board of Trustees for three-year terms and the appointment of Tait, Weller & Baker LLP to serve as the Fund's independent auditors for the 2007 fiscal year was ratified. We thank you for your participation and support.

At its February meeting, the Board of Trustees declared a dividend of 21 cents per share, representing a 3-cent-per share increase over the first quarter dividend of the previous fiscal year. The dividend consists of undistributed net investment income and will be payable on March 29, 2007 to shareholders of record March 15, 2007.



Thomas H. Dinsmore
Chairman of the Board
March 12, 2007

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Stock Exchange Listing

AMEX - Symbol: BCV



Portfolio of Investments January 31, 2007 (unaudited)

<u>Principal Amount</u>		<u>Value (Note 1)</u>
CONVERTIBLE BONDS AND NOTES — 61.9%		
Aerospace and Defense — 4.3%		
\$1,500,000	AAR Corp. 1.75%, due 2026 cv. sr. notes (BB)	\$1,809,375
1,000,000	Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1) (Acquired 09/07/06; Cost \$1,009,375) ⁽¹⁾	1,045,000
1,000,000	Ceradyne, Inc. 2.875%, due 2035 sr. sub. cv. notes (NR) ⁽²⁾	1,152,500
1,500,000	DRS Technologies, Inc. 2%, due 2026 cv. sr. notes (B1) (Acquired 01/30/06; Cost \$1,582,097) ^(1,2)	<u>1,640,625</u>
		<u>5,647,500</u>
Banking/Savings and Loan — 2.0%		
2,500,000	U.S. Bancorp floating rate, due 2035 cv. sr. deb. (Aa2)	<u>2,568,750</u>
Computer Hardware — 4.0%		
1,000,000	C&D Technologies, Inc. 5.25%, due 2025 cv. sr. notes (NR) (Acquired 11/16/05; Cost \$1,000,000) ⁽¹⁾	973,750
2,000,000	Credit Suisse First Boston (USA), Inc. 15.55%, due 2007 equity-linked notes (Aa3) (exchangeable for Corning Inc. common stock)	2,014,000
500,000	EMC Corp. 1.75%, due 2011 cv. sr. notes (BBB+) (Acquired 11/14/06 - 01/23-07; Cost \$512,245) ⁽¹⁾	534,375
500,000	EMC Corp. 1.75%, due 2013 cv. sr. notes (BBB+) (Acquired 11/14/06; Cost \$500,000) ⁽¹⁾	533,125
1,000,000	Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR)	<u>1,107,500</u>
		<u>5,162,750</u>
Computer Software — 2.9%		
1,500,000	Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (A1) (performance linked to Microsoft Corp. common stock) ⁽²⁾	1,590,750
1,000,000	Sybase, Inc. 1.75%, due 2025 cv. sub. notes (NR)	1,157,500
1,000,000	Symantec Corp. 1%, due 2013 cv. sr. notes (NR)	<u>1,085,000</u>
		<u>3,833,250</u>
Consumer Goods — 1.2%		
1,000,000	Church & Dwight Co., Inc. 5.25%, due 2033 cv. sr. deb. (Ba1)	<u>1,527,500</u>
Energy — 5.3%		
1,000,000	Cameron International Corp. 2.50%, due 2026 cv. sr. notes (Baa1)	1,063,750
1,500,000	Covanta Holding Corp. 1% 2027 sr. cv. deb. (B1) (Acquired 01/25/07 - 01/26/07; Cost \$1,523,750) ^(1,2)	1,541,250
1,500,000	Nabors Industries, Inc. 0.94%, due 2011 sr. exchangeable notes (A-) (exchangeable for Nabors Industries Ltd. common stock)	1,441,875
1,225,000	Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	1,433,250
1,250,000	Rentech, Inc. 4%, due 2013 cv. sr. notes (NR)	<u>1,367,975</u>
		<u>6,848,100</u>
Entertainment — 5.8%		
2,500,000	EchoStar Communications Corp. 5.75%, due 2008 cv. sub. notes (B1)	2,553,125
4,000,000	The Walt Disney Company 2.125%, due 2023 cv. sr. notes (A3)	<u>4,995,000</u>
		<u>7,548,125</u>
Financial Services — 1.6%		
2,000,000	Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (NR) ⁽²⁾	<u>2,102,500</u>
Foods — 0.8%		
1,000,000	Lehman Brothers Holdings Inc. 3%, due 2012 medium-term notes (A1) (performance linked to General Mills, Inc. common stock) ⁽²⁾	<u>1,044,000</u>

Portfolio of Investments January 31, 2007 (continued)

Principal Amount		Value (Note 1)
CONVERTIBLE BONDS AND NOTES — continued		
Health Care — 2.9%		
\$1,000,000	China Medical Technologies, Inc. 3.5%, due 2011 cv. sr. sub. notes (NR) (Acquired 11/15/06 - 01/23/07; Cost \$1,022,953) ⁽¹⁾	\$ 1,022,500
1,500,000	Manor Care, Inc. 2.125%, due 2035 cv. sr. notes (Baa3)	1,871,250
1,000,000	Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B2) ⁽²⁾	877,500
		<u>3,771,250</u>
Insurance — 2.3%		
3,000,000	Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3) (Acquired 12/08/06 - 01/25/07; Cost \$2,973,500) ⁽¹⁾	2,983,830
Multi-Industry — 5.2%		
2,000,000	Citigroup Funding, Inc. 1%, due 2010 medium-term notes (Aa1) (exchangeable for the cash value of a basket of technology stocks) ⁽²⁾	1,946,200
1,590,000	FTI Consulting, Inc. 3.75%, due 2012 cv. sr. sub. notes (B1)	1,816,575
1,450,000	LSB Industries, Inc. 7%, due 2011 cv. sr. sub. deb. (NR)	2,965,250
		<u>6,728,025</u>
Pharmaceuticals — 9.6%		
2,000,000	Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock)	1,845,000
1,250,000	Amgen Inc. 0.125%, due 2011 cv. sr. notes (A2)	1,248,438
500,000	Amgen Inc. 0.375%, due 2013 cv. sr. notes (A2)	501,250
2,500,000	Bristol-Myers Squibb Co. floating rate, due 2023 cv. sr. deb. (A2)	2,553,125
1,000,000	Ivax Corp. 4.5%, due 2008 cv. sr. sub. notes (NR) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR and cash)	1,010,000
750,000	MedImmune, Inc. 1.375%, due 2011 cv. sr. notes (BBB)	887,813
750,000	MedImmune, Inc. 1.625%, due 2013 cv. sr. notes (BBB)	901,875
2,000,000	Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	1,895,000
1,500,000	Wyeth floating rate, due 2024 cv. sr. deb. (A3)	1,611,450
		<u>12,453,951</u>
Real Estate — 1.2%		
500,000	Archstone-Smith Operating Trust 4%, due 2036 exchangeable sr. notes (Baa1) (exchangeable into Archstone-Smith Trust common stock)	560,000
1,000,000	United Dominion Realty Trust, Inc. 3.625%, due 2011 cv. sr. notes (NR) (Acquired 10/06/06; Cost \$986,875) ⁽¹⁾	1,010,000
		<u>1,570,000</u>
Retail — 1.1%		
1,500,000	Amazon.com, Inc. 4.75%, due 2009 cv. sub. notes (Ba3)	1,477,500
Semiconductors — 9.2%		
2,000,000	Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (B1)	2,055,000
1,000,000	Conexant Systems, Inc. 4%, due 2026 cv. sub. notes (NR)	885,000
2,000,000	Fairchild Semiconductor Corp. 5%, due 2008 cv. sr. sub. notes (B) (exchangeable into Fairchild Semiconductor International, Inc. common stock) ...	1,992,500
2,000,000	Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) ⁽²⁾	1,840,000
2,250,000	International Rectifier Corp. 4.25%, due 2007 cv. sub. notes (B1)	2,247,188
1,500,000	LSI Logic Corp. 4%, due 2010 cv. sub. notes (B)	1,567,500
1,400,000	Vishay Intertechnology, Inc. 3.625%, due 2023 cv. sub. notes (B3)	1,396,500
		<u>11,983,688</u>

Portfolio of Investments January 31, 2007 (continued)

Principal Amount		Value (Note 1)
	CONVERTIBLE BONDS AND NOTES — continued	
	Telecommunications — 1.1%	
\$1,000,000	Time Warner Telecom Inc. 2.375%, due 2026 cv. sr. deb. (Caa1)	\$ 1,420,000
	Utilities — 1.5%	
1,500,000	CMS Energy Corp. 2.875%, due 2024 cv. sr. notes (Ba3)	1,920,000
	TOTAL CONVERTIBLE BONDS AND NOTES	\$80,590,719
	CONVERTIBLE PREFERRED STOCKS — 17.4%	
	Aerospace and Defense — 0.4%	
40,000	Ionatron, Inc. 6.5% Series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost \$1,000,000) ⁽¹⁾	520,000
	Banking/Savings and Loan — 4.7%	
20,000	National Australia Bank Ltd. 7.875% exch. capital units (NR)	1,024,000
46,679	New York Community Bancorp, Inc. 6% BONUSES units (Baa2)	2,182,243
25,000	Sovereign Capital Trust IV 4.375% PIERS (Baa2) (exchangeable for Sovereign Bancorp, Inc. common stock) ⁽²⁾	1,250,000
30,000	Washington Mutual Capital Trust 5.375% PIERS units (BBB) (exchangeable for Washington Mutual, Inc. common stock)	1,693,200
		6,149,443
	Building Products — 1.1%	
20,000	TXI Capital Trust I 5.5% SPuRS (B2) (exchangeable for Texas Industries, Inc. common stock)	1,440,000
	Chemicals — 2.3%	
85,000	Celanese Corp. 4.25% cv. perpetual pfd. (NR)	3,043,850
	Energy — 2.6%	
25,000	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+)	2,393,500
5,000	SEMCO Energy, Inc. 5% Series B cv. cum. pfd. (B-)	953,125
		3,346,625
	Insurance — 5.6%	
75,000	Citigroup Funding Inc. variable rate exch. notes (Aa1) (exchangeable for Genworth Financial, Inc. common stock)	2,467,500
20,000	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2)	1,465,000
132,500	The St. Paul Travelers Companies, Inc. 4.5%, due 2032 cv. jr. sub. notes (Baa1) ..	3,413,200
		7,345,700
	Telecommunications — 0.6%	
100	Medis Technologies Ltd 7.25% Series A cum. cv. perpetual pfd. (NR) (Acquired 11/10/06; Cost \$1,000,000) ⁽¹⁾	743,500
	TOTAL CONVERTIBLE PREFERRED STOCKS	\$22,589,118

Portfolio of Investments January 31, 2007 (continued)

Shares		Value (Note 1)
MANDATORY CONVERTIBLE SECURITIES — 16.3% ⁽³⁾		
Chemicals — 1.4%		
40,000	Huntsman Corp. 5% mandatory cv. pfd., due 02/16/08 (NR)	\$ 1,766,800
Energy — 1.4%		
30,000	Bristow Group Inc. 5.5% mandatory cv. pfd., due 09/15/09 (B)	1,552,500
1,000	Chesapeake Energy Corp. 6.25% mandatory cv. pfd., due 06/15/09 (B+)	256,500
		<u>1,809,000</u>
Finance — 2.6%		
30,000	Merrill Lynch & Co., Inc. 6.75% mandatorily exchangeable securities, due 10/15/07 (Aa3) (exchangeable for Nuveen Investments, Inc. common stock)	1,335,000
45,500	Morgan Stanley, Inc. 5.875% mandatorily exchangeable securities, due 10/15/08 (Aa3) (exchangeable for Nuveen Investments, Inc. common stock)	1,984,938
		<u>3,319,938</u>
Financial Services — 1.4%		
59,500	E*TRADE Financial Corp. 6.125% equity units, due 11/18/08 (Ba3)	1,833,790
Foods — 0.8%		
40,000	Lehman Brothers Holdings Inc. 6.25% PIES, due 10/15/07 (A1) (exchangeable for General Mills, Inc. common stock)	1,094,800
Insurance — 4.8%		
7,000	Alleghany Corp. 5.75% mandatory cv. pfd., due 06/15/09 (BBB-)	2,352,000
80,000	MetLife, Inc. 6.375% common equity units, due 08/15/08 (BBB+)	2,513,600
52,500	XL Capital, Ltd. 7% equity security units, due 02/15/09 (A3)	1,339,275
		<u>6,204,875</u>
Pharmaceuticals — 0.9%		
20,000	Schering-Plough Corp. 6% mand. cv. pfd., due 09/14/07 (Baa3)	1,179,000
Semiconductors — 1.3%		
98,850	The Goldman Sachs Group, Inc. 14.75% mandatory exchangeable notes, due 06/22/07 (NR) (exchangeable for Advanced Micro Devices, Inc. common stock) (Acquired 06/14/06; Cost \$2,500,411) ⁽¹⁾	1,701,703
Telecommunications — 1.7%		
30,000	Credit Suisse First Boston (USA), Inc. 5.5% SAILS, due 11/15/08 (Aa3) (exchangeable for Equinix, Inc. common stock)	2,242,200
	TOTAL MANDATORY CONVERTIBLE SECURITIES ⁽³⁾	<u>\$21,152,106</u>
COMMON STOCKS — 0.0%		
Aerospace and Defense — 0.0%		
3,444	Ionatron, Inc. (Acquired 01/15/07; Cost \$16,250) ^(1,4)	17,771

Portfolio of Investments January 31, 2007 (continued)

Principal Amount		Value (Note 1)
	SHORT-TERM SECURITIES — 3.5%	
	Commercial Paper — 3.5%	
\$4,600,000	American Express Credit Corp. 5.13%, due 02/01/07 (P1)	\$ 4,598,034
	Total Convertible Bonds and Notes — 61.9%	\$ 80,590,719
	Total Convertible Preferred Stocks — 17.4%	22,589,118
	Total Mandatory Convertible Securities — 16.3%	21,152,106
	Total Common Stocks — 0.0%	17,771
	Total Short-Term Securities — 3.5%	4,598,034
	Total Investments — 99.1%	128,947,748
	Other assets and liabilities, net — 0.9%	1,182,377
	Total Net Assets — 100.0%	<u>\$130,130,125</u>

- (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, 2007 was \$14,267,429 which represented 11.0% of the Fund's net assets.
- (2) Contingent payment debt instrument which accrues contingent interest. See Note 2.
- (3) 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.
- (4) Non-income producing security.

ADR	American Depositary Receipts.
BONUSES	Bifurcated Option Note Unit Securities.
PIES	Premium Income Exchangeable Securities.
PIERS	Preferred Income Equity Redeemable Securities.
SAILS	Shared Appreciation Income Linked Securities.
SPuRS	Shared Preference Redeemable Securities.

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

Notes to Financial Statements (unaudited)

Bancroft Fund Ltd. (established in 1971) (the “Fund”), is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company.

Note 1. Security Valuation — Investments in securities traded on a national securities exchange are valued at market using the last reported sales price as of the close of regular trading. Listed securities, for which no sales were reported, are valued at the mean between closing reported bid and asked prices as of the close of regular trading. Unlisted securities traded in the over-the-counter market are valued using an evaluated quote provided by an independent pricing service. The independent pricing service derives an evaluated quote by obtaining dealer quotes, analyzing the listed markets, reviewing trade execution data and employing sensitivity analysis. Evaluated quotes may also reflect appropriate factors such as individual characteristics of the issue, communications with broker-dealers, and other market data. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith by management pursuant to procedures approved by the Board of Trustees. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

Note 2. Securities Transactions and Related Investment Income — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis, including accretion of discounts and amortization of non-equity premium. For certain securities, known as “contingent payment debt instruments,” Federal tax regulations require the Fund to record non-cash “contingent” interest income in addition to interest income actually received.

At January 31, 2007 unrealized appreciation (depreciation) of investment securities on a tax basis were as follows:

Unrealized appreciation	\$12,007,808
Unrealized depreciation	<u>(3,502,912)</u>
Net unrealized appreciation	8,504,896
Cost for federal income tax purposes	\$120,442,849