

# Bancroft Fund Ltd.

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

## First Quarter Update - January 31, 2008 (unaudited)

### Financial Highlights

Market price 01/31/08	\$18.85
Net asset value (NAV) 01/31/08	\$20.53
Market discount to NAV	(8.18)%
12-Month income distribution	\$0.796
Yield on market price	4.22%
Ratio of expenses to avg. net assets	1.42%*
Ratio of net income to avg. net assets	3.98%*
Portfolio turnover	12.85%
Shares outstanding	6,070,029

\*Annualized

### Largest Investment Holdings as of 01/31/08

by underlying common stock	% of Net Assets
Prudential Financial, Inc.	3.1
LSB Industries, Inc.	2.8
Bristol-Myers Squibb Co.	2.4
New York Community Bancorp, Inc.	2.4
Chesapeake Energy Corp.	2.3
The Walt Disney Company	2.2
Freeport-McMoRan Copper & Gold Inc.	2.1
LSI Corp.	2.0
Companhia Vale do Rio Doce	1.9
St. Jude Medical, Inc.	1.9

### Major Industry Exposure as of 01/31/08

	% of Net Assets
Energy	13.8
Pharmaceuticals	9.9
Insurance	8.0
Semiconductors	6.2
Telecommunications	5.7
Computer Hardware	5.2
Minerals and Mining	5.2
Consumer Goods	4.5
Banking/Savings and Loan	4.1
Health Care	3.4

### Performance through 01/31/08 *with dividends reinvested*

	3 Months	1 Year	5 Years	10 Years	10 Year Volatility
Bancroft market price	(1.37)%	9.64%	7.16%	6.33%	8.51%
Bancroft net asset value	(5.71)	2.63	7.74	5.55	8.13
Merrill Lynch All					
Convertibles Index	(6.88)	0.36	9.89	6.85	14.51
S&P 500	(10.55)	(2.31)	12.02	5.13	18.48
Lehman Aggregate Bond					
Total Return Index	3.80	8.81	4.76	6.01	4.40

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, 2008.

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. 07	\$23.43	\$22.23	\$23.27	\$20.68	\$19.59	\$20.68
Jul. 07	24.19	23.24	23.25	21.80	20.65	20.95
Oct. 07	24.35	22.47	24.35	21.80	18.88	21.35
Jan. 08	24.17	19.95	20.53	21.52	18.12	18.85

### Total Fund Investments as of 01/31/08

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 67,876	54.5
Corporate Bonds and Notes	1,500	1.2
Convertible Preferred Stocks	11,887	9.5
Mandatory Convertible Securities	27,478	22.1
Common Stocks	18	0.0
Short-Term Securities	11,097	8.9
Other Assets	4,783	3.8
Net Assets	<u>\$124,639</u>	<u>100.0%</u>

### Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
3/15/07	3/29/07	\$0.210	—	\$0.210
6/14/07	6/28/07	0.210	—	0.210
9/13/07	9/27/07	0.210	—	0.210
11/29/07	12/26/07	0.166	\$2.009	2.175
		<u>\$0.796</u>	<u>\$2.009</u>	<u>\$2.805</u>

The portfolio holdings and industry exposure are as of January 31, 2008 and subject to change without notice. Detailed portfolio information is available on our website (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:

Convertible securities are hybrid instruments, usually bonds or preferred stocks that can be converted into common stocks. Because of this structure, convertible securities are often capable of providing some downside protection when their underlying stocks fall and participating on the upside when their underlying stocks rise. The convertible market in the U.S. is over \$300 billion, and according to Merrill Lynch in a report dated February 29, 2008, is currently slightly undervalued. We believe that convertibles provide an investor with significant equity exposure with reduced volatility. If we are in a recession and a bear market, then convertibles allow participation in the equity markets without the volatility of the underlying common stock.

Within the Merrill Lynch All Convertibles Index, average current yields have moved up to 3.34% as average conversion premium has also moved up to 47%. The expanding premium is evidence that the valuations of these securities are dropping at a slower pace than that of their underlying common stocks.

Performance in the Fund's first fiscal quarter was enhanced by its exposure to the consumer goods, multi-industry, and foods industries. Among the better performing issues in the portfolio were Church & Dwight Co., Inc. (consumer goods), Teva Pharmaceutical Industries Ltd. (pharmaceuticals), and Newmont Mining Corp. (minerals and mining). Performance was held back by exposure to the computer software and computer hardware industries.

As indicated in the Performance chart of this First Quarter Update, Bancroft's market return outperformed the Merrill Lynch All Convertibles Index (the "Index") for the three-month, one- and ten-year periods ended January 31, 2008, while underperforming for the five-year period. The Fund's NAV, after adjustment for fund expenses (the Index includes no expenses) and for the Fund's fiscal 2004 rights offering, outperformed over the three-month, one- and ten-year periods and was in-line for the five-year period. In addition, for that ten-year period, the Fund's NAV and market volatility, as measured by standard deviation, were lower than that

of the Index. Many market professionals consider the volatility of past returns to be a useful approximation of past levels of risk. A higher volatility level equates to a higher measure of risk, and thus the Fund's excellent results were achieved with less risk than that implied by the Index. This measure of historic results may not reflect future performance but we believe that it is informative. The Fund has sought to provide total returns to shareholders that compare favorably to those of the equity markets with less volatility. We think the Fund achieved this objective in calendar year 2007.

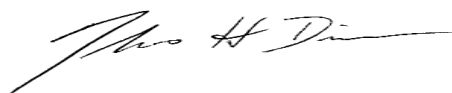
At the annual meeting of shareholders, Thomas H. Dinsmore and Daniel D. Harding were re-elected to the Board of Trustees for three-year terms, and the appointment of Tait, Weller & Baker LLP to serve as the Fund's independent auditors for the 2008 fiscal year was ratified. We thank you for your participation and support.

In the recently completed tender offer by the Fund, 2,294,566 shares were tendered and 880,154 shares were accepted.

We are sad to report that our long-time trustee, Duncan O. McKee, passed away in February. Mr. McKee was Fund counsel at its founding, in 1971, and for the next fifteen years after that. We extend our deepest sympathies to all of the McKee family.

Effective January 1, 2008, Kinchen C. Bizzell, Senior Counselor with Burson-Marsteller, was appointed to the Fund's Board of Trustees.

At its February meeting, the Board of Trustees declared a dividend of twenty-one cents per share. The dividend consists of undistributed net investment income and will be payable on March 28, 2008 to shareholders of record on March 14, 2008.



Thomas H. Dinsmore  
Chairman of the Board

March 14, 2008

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### *Shareholder Services and Transfer Agent*

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10007  
(800) 937-5449  
amstock.com

### *Investment Adviser*

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

AMEX - Symbol: BCV



# Portfolio of Investments January 31, 2008 (unaudited)

<u>Principal Amount</u>		<u>Value (Note 1)</u>
<b>CONVERTIBLE BONDS AND NOTES — 54.5%</b>		
<b>Aerospace and Defense — 2.3%</b>		
\$1,000,000	Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1) .....	\$1,257,500
1,500,000	DRS Technologies, Inc. 2%, due 2026 cv. sr. notes (B1) (Acquired 01/30/06 - 05/16/07; Cost \$1,658,682) <sup>(1,2)</sup> .....	<u>1,620,000</u>
		<u>2,877,500</u>
<b>Computer Hardware — 5.2%</b>		
1,000,000	C&D Technologies, Inc. 5.25%, due 2025 cv. sr. notes (NR) .....	1,012,500
2,000,000	Credit Suisse, New York Branch 14.00%, due 2008 equity-linked notes (NR) (exchangeable for Corning Inc. common stock) .....	2,027,400
1,000,000	EMC Corp. 1.75%, due 2011 cv. sr. notes (BBB+) .....	1,258,750
1,000,000	EMC Corp. 1.75%, due 2013 cv. sr. notes (BBB+) .....	1,270,000
1,000,000	Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR) .....	914,800
		<u>6,483,450</u>
<b>Computer Software — 2.8%</b>		
1,000,000	Blackboard Inc. 3.25%, due 2027 cv. sr. notes (B-) .....	986,250
1,000,000	GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR) .....	863,750
1,500,000	Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (A1) (performance linked to Microsoft Corp. common stock) <sup>(1)</sup> .....	<u>1,680,900</u>
		<u>3,530,900</u>
<b>Consumer Goods — 2.0%</b>		
1,000,000	Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR) .....	1,212,500
750,000	Church & Dwight Co., Inc. 5.25%, due 2033 cv. sr. deb. (Ba1) .....	<u>1,307,813</u>
		<u>2,520,313</u>
<b>Energy — 4.8%</b>		
1,000,000	Canadian Solar Inc. 6%, due 2017 cv. sr. notes (NR) (Acquired 12/04/07; Cost \$1,000,000) <sup>(2)</sup> .....	981,900
1,500,000	Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) <sup>(1)</sup> .....	1,606,875
1,325,000	Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR) .....	1,757,281
1,250,000	Rentech, Inc. 4%, due 2013 cv. sr. notes (NR) .....	762,500
1,000,000	USEC Inc. 3%, due 2014 cv. sr. notes (CCC) .....	903,750
		<u>6,012,306</u>
<b>Financial Services — 1.6%</b>		
2,000,000	Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) <sup>(1)</sup> .....	<u>1,942,500</u>
<b>Foods — 1.7%</b>		
500,000	The Great Atlantic & Pacific Tea Company, Inc. 5.125%, due 2011 cv. sr. notes (Caa1) .....	530,625
1,500,000	The Great Atlantic & Pacific Tea Company, Inc. 6.75%, due 2012 cv. sr. notes (Caa1) .....	<u>1,576,875</u>
		<u>2,107,500</u>
<b>Health Care — 2.3%</b>		
1,000,000	Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B2) <sup>(1)</sup> .....	703,750
1,000,000	SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR) .....	1,140,000
1,000,000	St. Jude Medical, Inc. 1.22%, due 2008 cv. sr. deb. (BBB+) .....	<u>1,002,500</u>
		<u>2,846,250</u>
<b>Insurance — 3.1%</b>		
3,000,000	Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3) .....	2,949,600
1,000,000	Prudential Financial, Inc. floating rate, due 2037 cv. sr. notes (A3) (Acquired 12/07/07; Cost \$988,750) <sup>(2)</sup> .....	957,700
		<u>3,907,300</u>

# Portfolio of Investments January 31, 2008 (continued)

Principal Amount		Value (Note 1)
<b>CONVERTIBLE BONDS AND NOTES — continued</b>		
<b>Media and Entertainment — 2.2%</b>		
\$2,500,000	The Walt Disney Company 2.125%, due 2023 cv. sr. notes (A2) .....	\$ 2,696,875
<b>Minerals and Mining — 1.1%</b>		
1,000,000	Newmont Mining Corp. 1.625%, due 2017 cv. sr. notes (BBB+) .....	1,398,750
<b>Multi-Industry — 3.3%</b>		
750,000	Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR) (exchangeable for Verenum Corp. common stock) .....	585,000
3,000,000	LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR) (Acquired 06/28/07; Cost \$3,000,000) <sup>(2)</sup> .....	3,495,000
		<u>4,080,000</u>
<b>Pharmaceuticals — 7.6%</b>		
2,000,000	Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1) (exchangeable for Johnson & Johnson common stock) .....	1,747,500
3,000,000	Bristol-Myers Squibb Co. floating rate, due 2023 cv. sr. deb. (A2) .....	3,003,600
1,000,000	Mylan Inc. 1.25%, due 2012 sr. cv. notes (B-) .....	942,500
1,500,000	Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR) .....	1,732,500
2,000,000	Wyeth floating rate, due 2024 cv. sr. deb. (A3) .....	2,105,220
		<u>9,531,320</u>
<b>Real Estate — 0.8%</b>		
1,000,000	ProLogis 2.25%, due 2037 cv. sr. notes (BBB+) (Acquired 03/20/07 - 04/16/07; Cost \$982,038) <sup>(2)</sup> .....	977,500
<b>Semiconductors — 6.2%</b>		
2,500,000	Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (B+) (exchangeable for LSI Corp.) .....	2,540,625
1,000,000	Cypress Semiconductor Corp. 1%, due 2009 cv. sr. notes (NR) .....	1,146,250
2,000,000	Fairchild Semiconductor Corp. 5%, due 2008 cv. sr. sub. notes (B) (exchangeable into Fairchild Semiconductor International, Inc. common stock) ...	2,002,500
2,000,000	Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) <sup>(1)</sup> .....	2,000,000
		<u>7,689,375</u>
<b>Telecommunications — 5.2%</b>		
500,000	ADC Telecommunications Inc. 3.50%, due 2015 cv. sub. notes (NR) .....	511,875
1,000,000	ADC Telecommunications Inc. 3.50%, due 2017 cv. sub. notes (NR) .....	1,012,500
1,000,000	Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-) .....	1,247,500
2,000,000	Equinix, Inc. 2.5%, due 2012 cv. sub. notes (CCC+) .....	1,967,500
1,000,000	General Cable Corp. 1%, due 2012 sr. cv. notes (B1) .....	1,023,750
1,000,000	SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR) .....	777,500
		<u>6,540,625</u>
<b>Transportation — 1.6%</b>		
2,000,000	ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR) .....	1,940,000
<b>Travel and Leisure — 0.6%</b>		
1,000,000	Morgans Hotel Group 2.375%, due 2014 sr. sub. cv notes (NR) (Acquired 10/11/07 - 10/12/07; Cost \$1,026,250) <sup>(2)</sup> .....	793,750
		<u>\$67,876,214</u>

# Portfolio of Investments January 31, 2008 (continued)

Principal Amount		Value (Note 1)
	<b>CORPORATE BONDS AND NOTES — 1.2%</b>	
	<b>Retail — 1.2%</b>	
\$1,500,000	Amerivon Holdings LLC 4%, due 2010 units (NR) (Acquired 06/01/07; Cost \$1,500,000) <sup>(2,3)</sup> .....	\$ 1,500,000
	<b>CONVERTIBLE PREFERRED STOCKS — 9.5%</b>	
	<b>Aerospace and Defense — 0.2%</b>	
40,000	Ionatron, Inc. 6.5% series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost \$1,000,000) <sup>(2)</sup> .....	300,000
	<b>Banking/Savings and Loan — 4.1%</b>	
59,179	New York Community Bancorp, Inc. 6% BONUSSES units (Baa1) .....	2,929,361
20,000	Sovereign Capital Trust IV 4.375% PIERS (Baa1) (exchangeable for Sovereign Bancorp, Inc. common stock) <sup>(1)</sup> .....	742,500
1,200	Washington Mutual, Inc. 7.75% series R non-cumulative perpetual cv. pfd. (Ba1) .....	1,399,500
		5,071,361
	<b>Chemicals — 1.5%</b>	
40,000	Celanese Corp. 4.25% cv. perpetual pfd. (NR) .....	1,931,600
	<b>Finance — 0.4%</b>	
10,000	Citigroup Inc. 6.5% depositary shares (representing series T non-cumulative cv. pfd.) (A2) .....	544,500
	<b>Energy — 2.7%</b>	
27,800	Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+) .....	2,919,000
9,000	PetroQuest Energy, Inc. 6.875% cum. cv. perpetual pfd. (NR) .....	504,000
		3,423,000
	<b>Telecommunications — 0.5%</b>	
100	Medis Technologies Ltd. 7.25% series A cum. cv. perpetual pfd. (NR) .....	616,250
	<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b> .....	<b>\$ 11,886,711</b>
	<b>MANDATORY CONVERTIBLE SECURITIES — 22.1% <sup>(4)</sup></b>	
	<b>Consumer Goods — 2.5%</b>	
30,000	Avery Dennison Corp. 7.875%, due 11/15/10 mandatory cv. pfd. (BBB-) .....	1,513,200
1,750	The Stanley Works floating rate, due 05/17/12 equity units (A2) .....	1,590,094
		3,103,294
	<b>Energy — 6.2%</b>	
30,000	Bristow Group Inc. 5.5%, due 09/15/09 mandatory cv. pfd. (B) .....	1,932,300
10,000	McMoRan Exploration Co. 6.75%, due 11/15/10 mandatory cv. pfd. (NR) .....	1,130,000
2,000	Merrill Lynch & Co., Inc. 5.4%, due 09/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock) .....	1,826,960
41,135	Merrill Lynch & Co., Inc. 12%, due 06/27/08 capped appreciation notes (NR) (linked to the performance of Tesoro Corp. common stock) .....	1,665,350
47,138	NATIXIS Financial Products Inc. 11.25%, due 10/28/08 mandatory trigger exchangeable notes (NR) (exchangeable for Nabors Industries, Inc. common stock) (Acquired 01/23/08; Cost \$1,137,906) <sup>(2)</sup> .....	1,186,275
		7,740,885

# Portfolio of Investments January 31, 2008 (continued)

Shares		Value (Note 1)
<b>MANDATORY CONVERTIBLE SECURITIES — continued</b>		
<b>Foods — 1.0%</b>		
50,000	Lehman Brothers Holdings Inc. 6%, due 10/12/10 PIES (A1) (exchangeable for General Mills, Inc. common stock) .....	\$ 1,210,000
<b>Health Care — 1.1%</b>		
33,950	NATIXIS Financial Products Inc. 9%, due 04/22/08 mandatory trigger exchangeable notes (NR) (exchangeable for St. Jude Medical, Inc. common stock) (Acquired 10/17/07; Cost \$1,533,182) <sup>(2)</sup> .....	1,414,442
<b>Insurance — 4.9%</b>		
4,000	Alleghany Corp. 5.75%, due 06/15/09 mandatory cv. pfd. (BBB-) .....	1,383,000
75,000	Citigroup Funding Inc. variable rate, due 09/27/08 exchangeable notes (Aa3) (exchangeable for Genworth Financial, Inc. common stock) .....	1,785,750
70,000	MetLife, Inc. 6.375%, due 08/15/08 common equity units (BBB+) .....	2,039,100
52,500	XL Capital Ltd. 7%, due 02/15/09 equity security units (A3) .....	899,850
		6,107,700
<b>Minerals and Mining — 4.0%</b>		
20,000	Freeport-McMoRan Copper & Gold Inc. 6.75%, due 05/01/10 mandatory cv. pfd. (B+) .....	2,646,000
30,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR) (exchangeable for Companhia Vale do Rio Doce ADS) .....	1,785,000
10,000	Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (NR) (exchangeable for Companhia Vale do Rio Doce Preference A ADS) .....	609,500
		5,040,500
<b>Pharmaceuticals — 2.3%</b>		
1,000	Mylan Inc. 6.5%, due 11/15/10 mandatory cv. pfd. (B-) .....	1,053,900
9,500	Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3) .....	1,807,755
		2,861,655
<b>TOTAL MANDATORY CONVERTIBLE SECURITIES <sup>(4)</sup> .....</b>		<b>\$27,478,476</b>
<b>COMMON STOCKS — 0.0%</b>		
<b>Aerospace and Defense — 0.0%</b>		
6,330	Ionatron, Inc. <sup>(5)</sup> .....	17,787

# Portfolio of Investments January 31, 2008 (continued)

Principal Amount		Value (Note 1)
	<b>SHORT-TERM SECURITIES — 8.9%</b>	
	<b>Commercial Paper — 8.9%</b>	
\$11,100,000	American Express Credit Corp. 3%, due 02/01/08 (P1) .....	\$ 11,097,225
	<b>Total Convertible Bonds and Notes — 54.5%</b> .....	\$ 67,876,214
	<b>Total Corporate Bonds and Notes — 1.2%</b> .....	1,500,000
	<b>Total Convertible Preferred Stocks — 9.5%</b> .....	11,886,711
	<b>Total Mandatory Convertible Securities — 22.1%</b> .....	27,478,476
	<b>Total Common Stocks — 0.0%</b> .....	17,787
	<b>Total Short-Term Securities — 8.9%</b> .....	11,097,225
	<b>Total Investments — 96.2%</b> .....	119,856,413
	<b>Other assets and liabilities, net — 3.8%</b> .....	4,782,443
	<b>Total Net Assets — 100.0%</b> .....	<u>\$124,638,856</u>

- (1) Contingent payment debt instrument which accrues contingent interest. See Note 2.
- (2) Security not registered under the Securities Act of 1933, as amended (i.e., the security was purchased in a Rule 144A or a Regulation D transaction). The security may be resold only pursuant to an exemption from registration under the Securities Act of 1933, 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, 2008 was \$13,226,567 which represented 10.6% of the Fund's net assets.
- (3) Investment is a restricted security, valued at fair value as determined in good faith in accordance with procedures adopted by the Board of Trustees. It is possible that the estimated value may differ significantly from the amount that might ultimately be realized in the near term, and the difference could be material. The fair value of this security represented 1.2% of the Fund's net assets.
- (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) Non-income producing security.

ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BONUSES	Bifurcated Option Note Unit Securities.
PIES	Premium Income Exchangeable Securities.
PIERS	Preferred Income Equity Redeemable Securities.
PRIDES	Preferred Redeemable Income Dividend Equity Securities.

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

## Summary of Portfolio Ratings

	% of Portfolio
Aa	3
A	20
Baa	17
Ba	4
B	21
Caa	5
NR	30

See accompanying notes to financial statements

# Selected 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, or, if an evaluated quote is unavailable, such securities are valued using prices received from dealers, provided that if the dealer supplies both bid and asked prices, the price to be used is the mean of the bid and asked prices. 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 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, 2008 unrealized appreciation (depreciation) of investment securities on a tax basis were as follows:

Unrealized appreciation	\$ 6,682,758
Unrealized depreciation	<u>(6,897,567)</u>
Net unrealized depreciation	<u>(214,809)</u>
Cost for federal income tax purposes	<u>\$120,071,221</u>