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# Bancroft Fund Ltd.

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

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## To Our Shareholders:

In 2008 convertible securities did not perform as well as expected relative to some equity indices. Historically convertibles outperform common stocks in down markets. Contributing to the poor 2008 performance of convertible securities was the nearly indiscriminate selling of these securities by hedge funds. That selling pressure appears to be much reduced in 2009. This year, in fact, convertible securities have started acting like convertibles again as they have fallen substantially less, only 2.45% through January and February, while both the Dow Jones Industrials and the S&P 500 each fell over 18%.

There are many reasons that convertible securities should outperform equities in a bear market. The structure of convertible securities has characteristics that should give them advantages in volatile and uncertain markets. Among these characteristics are: seniority in the issuer's capital structure (because convertibles are usually issued as bonds or preferred shares); they generally have a yield advantage over the dividend paid by the common shares; and many convertible bonds have a maturity date or a "put" feature that allows the holders to get their money back on a specific date, often within a few years of issue.

Bancroft Fund's management believes that there are currently many convertible issues in the market that are undervalued. From these we have put together a portfolio that has a current yield of 5.89% and a yield to put or maturity (whichever is earlier) of over 10% when combined with the yield of our preferred and mandatory shares. If there are no defaults, this portfolio should be able to provide significant returns through its current yield and accretion to par value for maturity (or put) even if the equity and bond markets do not move up. Further, although the average conversion premium is high by historical standards, we judge that many issues in this portfolio will participate in a portion of any upward move from the underlying common stock if the market assumes that a higher stock price implies a more creditworthy issuer.

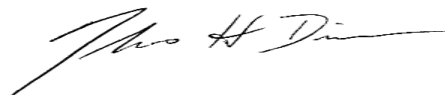
It is our current outlook that the March rally in stocks has been a normal rebound in a bear market. It appears to us that a new bull market is not about to begin and that it will be many years before the market returns to the levels of 2007. That said, we expect positive returns from stocks and convertible securities over the next year.

Performance for the quarter was enhanced by the Fund's exposure to the pharmaceutical and consumer goods industries. Performance was hurt by the Fund's exposure to the financial sector.

As indicated in the Performance chart of this First Quarter Update, the Fund's market return outperformed the Merrill Lynch All Convertibles Index for the fiscal year-to-date, five- and ten-year periods, and was in line with the Index for the one-year period. The Fund's net asset value (NAV), after adjustment for fund expenses (the Index includes no expenses) and for the Fund's fiscal 2004 rights offering and recent tender offer, performed in line with the Index over the five-year period, and underperformed for the year-to-date, one-, and ten-year periods ended January 31, 2009. Volatility of the Fund's NAV and market price for the ten-year period, 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 the past levels of risk. A higher volatility level equates to a higher measure of risk. The measure of historic results may not reflect future performance but we believe it is informative.

At the annual meeting of shareholders, Kinchen C. Bizzell and Elizabeth C. Bogan 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 2009 fiscal year was ratified. We thank you for your participation and support.

At its February meeting, the Board of Trustees declared a dividend of \$0.17 per share. The dividend consists of undistributed net investment income and will be payable on March 26, 2009 to shareholders of record on March 12, 2009.



Thomas H. Dinsmore  
Chairman of the Board  
March 16, 2009

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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

### **Investment Adviser**

Dinsmore Capital Management Co.  
65 Madison Avenue  
Morristown, NJ 07960-7308  
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**Stock Exchange Listing**  
NYSE Amex - Symbol: BCV



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## First Quarter Update - January 31, 2009 (unaudited)

### Financial Highlights

Market price 1/31/09	\$11.65
Net asset value (NAV) 1/31/09	\$12.63
Market discount to NAV	(7.76)%
12-Month income distribution	\$0.82
Yield on market price	7.04%
Ratio of expenses to avg. net assets	1.28%*
Ratio of net income to avg. net assets	5.55%*
Portfolio turnover	18.96%
Shares outstanding	5,235,599

\* Annualized

### Largest Investment Holdings as of 1/31/09

	% of Net Assets
Wyeth	4.6
EMC	2.9
LSB Industries	2.9
Johnson & Johnson	2.7
Blackboard	2.6
Equinix	2.6
Walt Disney	2.6
Schering-Plough	2.5
Teva Pharmaceutical Industries	2.4
Intel	2.3

### Major Industry Exposure as of 1/31/09

	% of Net Assets
Pharmaceuticals	15.8
Energy	12.9
Healthcare	9.5
Telecommunications	9.5
Computer Hardware	7.0
Banking/Savings and Loan	5.4
Semiconductors	4.6
Minerals and Mining	3.8
Foods	3.5
Computer Software	3.3

### Performance through 1/31/09 with dividends reinvested

	3 Months	1 Year	Annualized 5 Years	Annualized 10 Years	10-Year Volatility
Bancroft market price	4.95%	(34.79)%	(3.50)%	1.72%	15.68%
Bancroft net asset value	(4.06)	(35.50)	(4.57)	(0.31)	14.67
Merrill Lynch All Convertibles Index	(0.67)	(34.40)	(3.99)	1.11	19.42
S&P 500	(14.09)	(38.63)	(4.24)	(2.64)	20.94
Barclay Aggregate Bond Total Return Index	6.16	2.59	4.30	5.46	4.47

The above data is from Bloomberg L.P. pricing service, with the exception of the Barclay Aggregate Bond Total Return Index taken from Lipper's *Closed-End Fund Performance Analysis*, dated January 31, 2009, published by Lipper, Inc.

Bancroft's performance in the table above has not been adjusted for the fiscal 2004 rights offering, or the tender offer which expired earlier this year; net asset value dilution was 2.38%, and (0.85)%, respectively.

### Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
4/30/08	\$20.72	\$19.41	\$20.69	\$18.98	\$17.64	\$18.48
7/31/08	21.51	19.20	19.41	19.15	16.65	16.80
10/31/08	19.62	12.42	13.37	16.81	9.26	11.30
1/31/09	13.85	11.64	12.63	12.15	9.97	11.65

### Total Fund Investments as of 1/31/09

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$49,900	75.5
Corporate Bonds and Notes	750	1.1
Convertible Preferred Stock	4,954	7.5
Mandatory Convertible Securities	7,886	11.9
Common Stock	67	0.1
Other Assets	2,573	3.9
Net Assets	<u>\$66,130</u>	<u>100.0%</u>

### Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
3/14/08	3/28/08	\$0.21	—	\$0.21
6/12/08	6/26/08	0.21	—	0.21
9/11/08	9/25/08	0.21	—	0.21
11/28/08	12/29/08	0.19	—	0.19
		<u>\$0.82</u>	<u>—</u>	<u>\$0.82</u>

The portfolio holdings and industry exposure are as of January 31, 2009 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. Portfolio of Investments (unaudited)**  
January 31, 2009

	Principal Amount or Shares	Value (Note 1)
<b>CONVERTIBLE BONDS AND NOTES - 75.5%</b>		
<b>Aerospace and Defense - 1.5%</b>		
Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	\$ 1,000,000	\$ 1,011,250
<b>Computer Hardware - 7.0%</b>		
Credit Suisse, New York Branch 12.90%, due 2008 equity-linked notes (NR) (exchangeable for Corning Inc. common stock)	2,000,000	1,168,000
EMC Corp. 1.75%, due 2011 cv. sr. notes (A-)	1,000,000	975,000
EMC Corp. 1.75%, due 2013 cv. sr. notes (A-)	1,000,000	945,000
NETAPP, Inc. 1.75%, due 2023 sr. cv. notes (NR) (Acquired 01/15/09; Cost \$768,750) (2)	1,000,000	793,750
Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR)	1,000,000	780,000
		<u>4,661,750</u>
<b>Computer Software - 3.3%</b>		
Blackboard Inc. 3.25%, due 2027 cv. sr. notes (BB-)	2,000,000	1,697,500
GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR)	1,000,000	398,750
Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (NR) (performance linked to Microsoft Corp. common stock) (3)	1,500,000	105,000
		<u>2,201,250</u>
<b>Consumer Goods - 1.6%</b>		
Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR)	1,683,000	1,090,395
<b>Energy - 10.2%</b>		
Chesapeake Energy Corp. 2.75%, due 2035 contingent cv. sr. notes (Ba3) (1)	1,910,000	1,315,513
Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) (1)	1,500,000	1,288,125
McMoRan Exploration Co. 5.25%, due 10/06/11 cv. sr. notes (NR)	1,287,000	1,085,906
Nabors Industries, Inc. 0.94%, due 2011 sr. exchangeable notes (BBB+)	1,000,000	867,500
Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	1,325,000	1,094,781
SunPower Corp. 1.25%, due 2027 sr. cv. deb. (NR)	1,000,000	761,250
Trina Solar Ltd. 4%, due 2013 cv. sr. notes (NR) (exchangeable for ADS representing common shares)	1,000,000	358,750
		<u>6,771,825</u>
<b>Financial Services - 2.2%</b>		
Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) (1)	2,250,000	1,440,000
<b>Foods - 3.3%</b>		
Central European Distribution Corp. 3%, due 2013 cv. sr. notes (B-)	500,000	229,375
The Great Atlantic & Pacific Tea Company, Inc. 5.125%, due 2011 cv. sr. notes (Caa1)	500,000	281,250
The Great Atlantic & Pacific Tea Company, Inc. 6.75%, due 2012 cv. sr. notes (Caa1)	1,500,000	830,625
Tyson Foods, Inc. 3.25%, due 2013 cv. sr. notes (BB)	1,000,000	870,000
		<u>2,211,250</u>

**Bancroft Fund Ltd. Portfolio of Investments (continued)**

January 31, 2009

	<b>Principal Amount or Shares</b>	<b>Value (Note 1)</b>
<b>CONVERTIBLE BONDS AND NOTES - continued</b>		
<b>Healthcare - 9.5%</b>		
China Medical Technologies, Inc. 4%, due 2013 cv. sr. sub. notes (NR) (exchangeable for ADS representing common stock)	\$ 1,500,000	\$ 635,625
Greatbatch, Inc. 2.25%, due 2013 cv. sub. deb. (NR)(1)	1,250,000	989,063
Kinetic Concepts, Inc. 3.25%, due 2015 cv. sr. notes (B+) (Acquired 04/16/08 and 08/04/08; Cost \$1,965,162) (2)	2,000,000	1,347,500
Millipore Corp. 3.75%, due 2026 cv. sr. notes (BB-)(1)	1,500,000	1,372,500
Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B3) (1)	1,650,000	1,138,500
SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR)	1,000,000	797,500
		<u>6,280,688</u>
<b>Insurance - 2.2%</b>		
Prudential Financial, Inc. floating rate, due 2037 cv. sr. notes (A3)	1,500,000	<u>1,447,500</u>
<b>Media and Entertainment - 0.7%</b>		
Virgin Media Inc. 6.5%, due 2016 cv. sr. notes (B-) (Acquired 04/10/08 and 04/11/08; Cost \$995,000) (2)	1,000,000	<u>456,250</u>
<b>Multi-Industry - 3.2%</b>		
Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR) (exchangeable for Verenum Corp. common stock)	750,000	202,500
LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR)	3,000,000	1,931,250
		<u>2,133,750</u>
<b>Pharmaceuticals - 13.3%</b>		
Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1) (exchangeable for Johnson & Johnson common stock)	2,000,000	1,797,500
Endo Pharmaceuticals Holdings, Inc. 1.75%, due 2015 cv. sr. sub. notes (NR) (Acquired 01/15/09; Cost \$869,897) (2)	1,000,000	897,500
Mylan Inc. 3.75%, due 2015 cash cv. notes (B+) (Acquired 09/16/08 - 12/17/08; Cost \$1,436,997) (2)	1,500,000	1,488,750
Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	1,500,000	1,605,000
Wyeth floating rate, due 2024 cv. sr. deb. (A3)	3,000,000	3,011,100
		<u>8,799,850</u>
<b>Retail - 1.9%</b>		
RadioShack Corp. 2.5%, due 2013 cv. sr. notes (BB) (Acquired 08/13/08; Cost \$1,261,250) (2)	1,500,000	<u>1,275,000</u>
<b>Semiconductors - 4.6%</b>		
Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (BB) (exchangeable for LSI Corp.)	1,500,000	1,485,000
Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) (1)	2,000,000	1,542,500
		<u>3,027,500</u>

**Bancroft Fund Ltd. Portfolio of Investments (continued)**

January 31, 2009

	Principal Amount or Shares	Value (Note 1)
<b>CONVERTIBLE BONDS AND NOTES - continued</b>		
<b>Telecommunications - 9.5%</b>		
ADC Telecommunications Inc. floating rate, due 2013 cv. sub. notes (NR)	\$ 1,350,000	\$ 710,438
Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-)	1,250,000	864,063
Equinix, Inc. 2.5%, due 2012 cv. sub. notes (B-)	2,200,000	1,691,250
General Cable Corp. 1%, due 2012 sr. cv. notes (B1)	1,500,000	984,375
NII Holdings, Inc. 2.75%, due 2025 cv. notes (NR)	1,500,000	1,329,375
SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR)	1,250,000	679,688
		<u>6,259,189</u>
<b>Transportation - 0.8%</b>		
ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR)	800,000	<u>524,000</u>
<b>Travel and Leisure - 0.5%</b>		
Morgans Hotel Group 2.375%, due 2014 sr. sub. cv notes (NR) (Acquired 10/11/07 - 10/12/07; Cost \$1,026,250) (2)	1,000,000	<u>308,750</u>
<b>TOTAL CONVERTIBLE BONDS AND NOTES</b>		<u>49,900,197</u>
<b>CORPORATE BONDS AND NOTES - 1.1%</b>		
<b>Retail - 1.1%</b>		
Amerivon Holdings LLC 4%, due 2010 units (NR) (Acquired 06/01/07; Cost \$1,500,000) (2,3,4)	1,500,000	<u>750,000</u>
<b>CONVERTIBLE PREFERRED STOCKS - 7.5%</b>		
<b>Banking/Savings and Loan - 5.4%</b>		
Bank of America Corp. 7.25% series L non-cum. perpetual cv. pfd. (A2)	2,000	1,009,000
Fifth Third Bancorp 8.5% perpetual cv. pfd., series G (Baa1)	10,000	355,000
New York Community Bancorp, Inc. 6% BONUSSES units (Baa1)	39,179	1,361,470
Sovereign Capital Trust IV 4.375% PIERS (Baa3) (exchangeable for Sovereign Bancorp, Inc. common stock) (1)	14,000	252,000
Webster Financial Corp. 8.5% perpetual cv. pfd (BB+)	1,500	<u>575,625</u>
		<u>3,553,095</u>
<b>Chemicals - 0.9%</b>		
Celanese Corp. 4.25% cv. perpetual pfd. (NR)	40,000	<u>610,000</u>
<b>Minerals and Mining - 1.2%</b>		
Freeport-McMoRan Copper & Gold Inc. 5.5% cv. perpetual pfd. (BB)	1,200	<u>790,800</u>
<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b>		<u>4,953,895</u>
<b>MANDATORY CONVERTIBLE SECURITIES - 11.9% (5)</b>		
<b>Consumer Goods - 1.3%</b>		
Avery Dennison Corp. 7.875%, due 11/15/10 mandatory cv. pfd. (BB+)	30,000	<u>870,000</u>

**Bancroft Fund Ltd. Portfolio of Investments (continued)**

January 31, 2009

	Principal Amount or Shares	Value (Note 1)
<b>MANDATORY CONVERTIBLE SECURITIES - continued</b>		
<b>Energy - 2.6%</b>		
Bristow Group Inc. 5.5%, due 09/15/09 mandatory cv. pfd. (B)	20,000	\$ 692,000
Merrill Lynch & Co., Inc. 5.4%, due 09/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock)	2,000	1,052,250
		<u>1,744,250</u>
<b>Foods - 0.1%</b>		
Lehman Brothers Holdings Inc. 6%, due 10/12/10 PIES (NR) (exchangeable for General Mills, Inc. common stock) (3)	50,000	87,500
<b>Insurance - 0.1%</b>		
XL Capital Ltd. 7%, due 02/15/09 equity security units due 02/15/09 (Baa1)	72,500	88,450
<b>Media and Entertainment - 2.6%</b>		
Deutsche Bank AG 4.9%, due 04/28/09 mandatory exchangeable notes (NR) (exchangeable for The Walt Disney Company common stock) (Acquired 04/16/08; Cost \$2,501,301) (2)	82,500	1,727,963
<b>Minerals and Mining - 2.6%</b>		
Freeport-McMoRan Copper & Gold Inc. 6.75%, due 05/01/10 mandatory cv. pfd. (BB)	10,000	466,000
Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (BBBH) (exchangeable for ADS representing Companhia Vale do Rio Doce common stock)	30,000	934,500
Vale Capital Ltd. 5.5%, due 06/15/10 mandatory convertible notes (BBBH) (exchangeable for ADS representing Companhia Vale do Rio Doce Preference A Shares)	10,000	314,600
		<u>1,715,100</u>
<b>Pharmaceuticals - 2.5%</b>		
Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3)	9,500	1,653,095
<b>TOTAL MANDATORY CONVERTIBLE SECURITIES (5)</b>		<u>7,886,358</u>
<b>COMMON STOCKS - 0.1%</b>		
<b>Aerospace and Defense - 0.1%</b>		
Applied Energetics, Inc.	237,636	66,538
<b>Total Convertible Bonds and Notes - 75.5%</b>		\$ 49,900,197
<b>Total Corporate Bonds and Notes - 1.1%</b>		750,000
<b>Total Convertible Preferred Stocks - 7.5%</b>		4,953,895
<b>Total Mandatory Convertible Securities - 11.9%</b>		7,886,358
<b>Total Common Stocks - 0.1%</b>		<u>66,538</u>
<b>Total Investments - 96.1%</b>		63,556,988
<b>Other assets and liabilities, net - 3.9%</b>		<u>2,573,272</u>
<b>Total Net Assets - 100.0%</b>		<u>\$ 66,130,260</u>

**Bancroft Fund Ltd. Portfolio of Investments (continued)**

January 31, 2009

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(1) Contingent payment debt instrument. See Note 2 on the following page.

(2) Security not registered under the Securities Act of 1933, as amended (e.g., 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 such securities. The aggregate market value of these unregistered securities at January 31, 2009 was \$9,045,463, which represented 13.7% of the Fund's net assets.

(3) Investment is 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 market value of these securities amounted to \$942,500 at January 31, 2009, which represented 1.4% of the Fund's net assets.

(4) Restricted securities include securities that have not been registered under the Securities Act of 1933, as amended, and securities that are subject to restrictions on resale. The Fund may invest in restricted securities that are consistent with the Fund's investment objective and investment strategies. As of January 31, 2009, the Fund was invested in the following restricted securities:

Amerivon Holdings LLC 4% units containing a convertible promissory note and warrants due 2010, acquired June 1, 2007.

(5) 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.

Investment Abbreviations:

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 Increased 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

(Excludes equity securities and cash)

AA - 3%

A - 16%

BBB - 12%

BB - 18%

B - 19%

CCC - 2%

Not Rated - 30%

See accompanying notes.

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**Bancroft Fund Ltd. Selected Notes to Financial Statements (unaudited)**

Bancroft Fund Ltd. (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, supplied by an independent pricing service, 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 the 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. Contingent interest income amounted to approximately 3 cents per share for the three months ended January 31, 2009. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At January 31, 2009, there were unrealized losses of approximately 65 cents per share on contingent payment debt instruments.

At January 31, 2009, unrealized appreciation (depreciation) of investment securities on a tax basis were as follows:

Unrealized appreciation	\$	495,489
Unrealized depreciation		(29,274,614)
Net unrealized depreciation		<u>(28,779,125)</u>
Cost for federal income tax purposes	\$	<u>92,336,110</u>