

# BANCROFT CONVERTIBLE FUND



2003 Semi-Annual Report  
April 30, 2003

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*Bancroft Convertible Fund, Inc. (the "Fund") operates as a closed-end, diversified management investment company and invests primarily in convertible securities, with the objectives of providing income and the potential for capital appreciation -- which objectives the Fund considers to be relatively equal, over the long-term, due to the nature of the securities in which it invests.*

## *Highlights*

### **Performance through April 30, 2003** *with dividends reinvested*

	<u>4 Months</u>	<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
Bancroft market value (a) . . . . .	8.20%	5.06%	20.56%	187.28%
Bancroft net asset value (b) . . . . .	5.52	(1.56)	13.12	135.27
Closed-end Convertible Fund Average (b) . . . . .	7.52	(4.97)	7.90	108.03
S&P 500 (a) . . . . .	4.83	(13.31)	(11.54)	151.30
Russell 2000 (a) . . . . .	4.57	(20.75)	(11.35)	79.04(c)
Lehman Aggregate Bond Total Return Index (b)	2.23	10.47	44.07	101.19

*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, dated April 30, 2003.

(c) Simple appreciation of index.

### **Quarterly History of NAV and Market Price**

<u>Qtr. Ended</u>	<u>Net Asset Values</u>			<u>Market Prices (AMEX, symbol BCV)</u>		
	<u>High</u>	<u>Low</u>	<u>Close</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
Jul. 02	\$20.86	\$18.02	\$18.71	\$19.50	\$16.50	\$17.04
Oct. 02	19.11	17.82	18.55	18.40	17.05	17.54
Jan. 03	19.21	17.58	18.80	19.20	17.53	18.41
Apr. 03	19.55	18.17	19.55	19.25	17.68	18.95

### **Dividend Distributions (12 Months)**

<u>Record Date</u>	<u>Payment Date</u>	<u>Income</u>	<u>Capital Gains</u>	<u>Total</u>
6/13/02	6/27/02	\$0.180	\$ —	\$0.180
9/13/02	9/27/02	0.180	—	0.180
11/29/02	12/27/02	0.231	—	0.231
3/14/03	3/28/03	0.180	—	0.180
		<u>\$0.771</u>	<u>—</u>	<u>\$0.771</u>

## To Our Shareholders

With the passage of a stimulative tax cut package and the upward movement of the stock market, the economic slowdown of the past few years should be coming to an end. The decline in stock prices that began in March 2000 took the S&P 500 Index from over 1500, to under 800 three times, the last in March 2003. Since then, the S&P 500 has moved up to near 1000. Historically, advances of this magnitude (roughly 25%) signal that a pick up in economic activity is near. If indeed the economy picks up as we expect, then the growth that should occur in corporate earnings should help the stock market to advance further. This may also signal the end of the rise in bond prices that we have seen since January 2000.

Current economic conditions have affected the convertible securities markets. The low interest rate environment has reduced the rates paid on new issues of convertibles and, generally, the convertible market has become more interest rate sensitive and less equity sensitive. Since we believe that there is a significant probability of an interest rate rise as economic activity picks up, we have sought to reduce interest rate risk by buying convertibles that have relatively short maturities or that have “put” features that allow us to sell the bonds back to the issuer at a set price. We have also sought to increase the equity sensitivity of the portfolio by purchasing convertible issues known as “mandatories.” These issues automatically convert to common stock upon maturity.

A basic premise under which the Fund operates is that convertible securities can offer equity-like performance with less volatility over complete market cycles. As indicated on the chart on the facing Highlights page, the Fund’s net asset and market values outperformed the Closed-end Convertible Fund average and the Russell 2000 Index for the one year, five year and ten year periods ended April 30, 2003. The Fund also outperformed the S&P 500 Index for the one year and five year periods ended April 30, 2003. We believe that past outperformance of these important indices and of our peer category, while no guarantee of future returns, is an historical validation of this premise.

The Fund’s website ([www.bancroftfund.com](http://www.bancroftfund.com)) contains 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 May 31, 2003, Morningstar \*\* has continued to rate 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.

The results of the 2003 annual shareholders’ meeting are shown in the Miscellaneous Notes section of this report. Thank you for your support.

At its May meeting the Board of Directors declared a dividend of 16 cents per share. The dividend consists of undistributed net investment income. This dividend will be payable on June 27, 2003 to shareholders of record on June 13, 2003.



Thomas H. Dinsmore  
Chairman of the Board

June 12, 2003

\* 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.

# Largest Investment Holdings by underlying common stock

	Value (Note 1)	% Total Net Assets
Washington Mutual, Inc. . . . . <i>A financial services company that provides a diversified line of products and services to consumers and small to mid-sized businesses.</i>	\$ 2,576,250	2.8 %
Offshore Logistics, Inc. . . . . <i>Provides helicopter transportation services to the offshore oil and gas industry. The Company offers transportation services in oil and gas producing regions around the world.</i>	2,317,500	2.5
New York Community Bancorp, Inc. . . . . <i>A holding company for New York Community Bank, a thrift, that operates through divisional banks in New York and New Jersey.</i>	2,292,200	2.5
Commerce Bancorp, Inc. . . . . <i>A multi-bank holding company with subsidiaries in New York, New Jersey, Delaware and Pennsylvania. The banks provide retail and commercial banking services and products.</i>	2,207,500	2.4
Reinsurance Group of America, Inc. . . . . <i>An insurance holding company that is engaged in traditional life reinsurance in the United States, Canada and various international markets. The Company also provides reinsurance of asset-intensive products and financial reinsurance.</i>	2,010,000	2.2
Travelers Property Casualty Corp. . . . . <i>Provides a broad range of insurance products and services for the commercial and consumer markets.</i>	1,940,000	2.1
Anixter International, Inc. . . . . <i>Distributes communications and specialty wire and cable products. Also distributes wiring systems for voice, data, and video networks and electrical power applications.</i>	1,870,313	2.0
Capital One Financial Corp. . . . . <i>Through its subsidiaries, provides credit card products, certain consumer lending, and deposit services.</i>	1,849,000	2.0
Johnson & Johnson . . . . . <i>Manufactures health care products and provides related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. (exchangeable from Alza Corp. 0% due 2020)</i>	1,590,000	1.7
Affiliated Computer Services, Inc. . . . . <i>Provides a variety of business services including business process outsourcing, electronic commerce, technology outsourcing, and professional and systems integration services.</i>	<u>1,578,000</u>	<u>1.7</u>
Total . . . . .	<u>\$20,230,763</u>	<u>21.9 %</u>

## Major Industry Exposure

	<u>% Total Net Assets</u>
Financial & Insurance .....	11.0%
Banking/Savings & Loan .....	10.3
Retail .....	8.4
Energy .....	8.2
Technology .....	8.0
Pharmaceuticals .....	7.6
Aerospace & Defense .....	5.9
Health Care .....	5.2
Entertainment .....	4.2
Telecommunications .....	3.8
Total .....	<u>72.6%</u>

## Major Portfolio Changes

Six months ended April 30, 2003

### ADDITIONS

British Sky Broadcasting Group plc  
*(exchangeable from News Corp. Finance Trust II)*

The Chubb Corp.

Commerce Bancorp, Inc.  
*(exchangeable from Commerce Capital Trust II)*

General Mills, Inc.

New York Community Bancorp, Inc.

Offshore Logistics, Inc.

ONEOK, Inc.

Radio One, Inc.

Robbins & Myers, Inc.

Siebel Systems, Inc.

State Street Corp.

Teva Pharmaceuticals Industries Ltd.  
*(exchangeable from Teva Pharm. Finance B.V.)*

Travelers Property Casualty Corp.

Verizon Communications, Inc.  
*(exchangeable from The Goldman Sachs Group, Inc.)*

### REDUCTIONS

American Express Company  
*(exchangeable from Exchange Certificates Corp.)*

British Sky Broadcasting Group plc  
*(exchangeable from News Corp. Finance Trust II)*

GATX Corp.

General Electric Corp.  
*(exchangeable from Credit Suisse First Boston Corp.)*

General Mills, Inc.

GenCorp, Inc.

Lehman Brothers Holdings, Inc.  
*(based on the value of the 10 Uncommon Values Index)*

Microsoft Corp.  
*(exchangeable from Credit Suisse First Boston Corp.)*

Telecom Corp. of New Zealand  
*(exchangeable from Bell Atlantic Financial Services, Inc.)*

Telecom Italia S.p.A  
*(exchangeable from Tecnost International, N.V.)*

## Statement of Assets and Liabilities *(unaudited)*

	<u>April 30, 2003</u>
<b>Assets:</b>	
Investments at value (cost \$92,555,676) (Note 1) .....	\$ 91,730,631
Cash .....	101,862
Dividends and interest receivable .....	541,224
Other assets .....	39,014
Total assets .....	<u>92,412,731</u>
<b>Liabilities:</b>	
Accrued management fee (Note 2) .....	8,547
Accrued expenses .....	10,213
Total liabilities .....	<u>18,760</u>
<b>Net Assets</b> .....	<u>\$ 92,393,971</u>
<b>Net assets consist of:</b>	
Undistributed net investment income .....	\$ 415,707
Accumulated net realized loss from investment transactions .....	(8,600,241)
Unrealized depreciation on investments .....	(825,045)
Capital shares (Note 3) .....	47,255
Additional paid-in capital .....	101,356,295
<b>Net Assets</b> .....	<u>\$ 92,393,971</u>
Net asset value per share (\$92,393,971 ÷ 4,725,858 outstanding shares) .....	<u>\$ 19.55</u>

## Statement of Operations *(unaudited)*

*Six Months Ended April 30, 2003*

<b>Investment Income (Note 1):</b>	
Interest .....	\$ 915,816
Dividends .....	896,729
Total Income .....	<u>1,812,545</u>
<b>Expenses (Note 2):</b>	
Management fee .....	331,292
Custodian .....	11,453
Transfer agent .....	15,524
Professional fees .....	42,863
Directors' fees .....	53,100
Reports to shareholders .....	22,755
Treasurer's office .....	12,500
Other .....	37,668
Total Expenses .....	<u>527,155</u>
<b>Net Investment Income</b> .....	<u>1,285,390</u>
<b>Realized and Unrealized Gain on Investments:</b>	
Net realized loss from investment transactions .....	(793,963)
Net unrealized appreciation of investments .....	6,188,006
Net gain on investments .....	<u>5,394,043</u>
<b>Net Increase in Net Assets Resulting from Operations</b> .....	<u>\$ 6,679,433</u>

*See accompanying notes to financial statements.*

# Statement of Changes in Net Assets

	Six Months Ended April 30, 2003(a)	Year Ended October 31, 2002
<b>Change in net assets from operations:</b>		
Net investment income .....	\$ 1,285,390	\$ 3,705,894
Net realized loss from investment transactions .....	(793,963)	(5,477,832)
Net change in appreciation of investments .....	<u>6,188,006</u>	<u>(3,974,229)</u>
Net change in net assets resulting from operations .....	<u>6,679,433</u>	<u>(5,746,167)</u>
<b>Dividends to shareholders from:</b>		
Net investment income .....	<u>(1,932,767)</u>	<u>(4,381,151)</u>
<b>Capital share transactions (Note 3) .....</b>	<u>742,900</u>	<u>1,168,112</u>
<b>Change in net assets .....</b>	<u>5,489,566</u>	<u>(8,959,206)</u>
Net assets at beginning of period .....	<u>86,904,405</u>	<u>95,863,611</u>
<b>Net assets at end of period</b> (including undistributed net investment income of \$415,707 and \$1,077,927, respectively) .....	<u>\$ 92,393,971</u>	<u>\$ 86,904,405</u>

## Financial Highlights *Selected data for a share of common stock outstanding*

	Six Months Ended April 30, 2003(a)	Years Ended October 31,				
	2002	2001	2000	1999	1998	
<b>Operating Performance:</b>						
Net asset value, beginning of period .....	\$18.55	\$20.72	\$27.09	\$27.35	\$26.89	\$30.48
Net investment income .....	.27	.79	1.07	1.04	.78	.87
Net realized and unrealized gain (loss) ...	1.14	(2.02)	(3.23)	2.29	3.40	(.01)
Total from investment operations .....	1.41	(1.23)	(2.16)	3.33	4.18	.86
<b>Less Distributions:</b>						
Dividends from net investment income ...	(.41)	(.94)	(1.11)	(.80)	(.78)	(.88)
Distributions from realized gains .....	—	—	(3.10)	(2.90)	(2.94)	(3.57)
Total distributions .....	(.41)	(.94)	(4.21)	(3.70)	(3.72)	(4.45)
Capital share repurchases .....	—	—	—	.11	—	—
Net asset value, end of period .....	<u>\$19.55</u>	<u>\$18.55</u>	<u>\$20.72</u>	<u>\$27.09</u>	<u>\$27.35</u>	<u>\$26.89</u>
Market value, end of period .....	\$18.95	\$17.54	\$18.75	\$22.63	\$22.25	\$26.75
Total Net Asset Value Return %(b) .....	7.71	(6.29)	(8.68)	13.62	16.36	3.16
Total Investment Return %(c) .....	10.50	(1.82)	1.31	20.63	(2.96)	18.17
<b>Ratios/Supplemental Data:</b>						
Net assets, end of period (in thousands) ...	\$92,394	\$86,904	\$95,864	\$111,336	\$103,791	\$93,433
Ratio of expenses to average net assets (%)	1.2(d)	1.2	1.1	1.1	1.1	1.1
Ratio of net investment income to average net assets (%) .....	2.9(d)	4.0	4.9	3.8	3.0	3.1
Portfolio turnover rate (%) .....	39	78	83	93	72	55

(a) Unaudited.

(b) Assumes valuation of the Fund's shares, and reinvestment of dividends, at net asset values.

(c) Assumes valuation of the Fund's shares at market price and reinvestment of dividends at actual reinvestment price.

(d) Annualized.

See accompanying notes to financial statements.

# Portfolio of Investments April 30, 2003 (unaudited)

Principal Amount or Shares		Value (Note 1)
	<b>ADVERTISING — 3.3%</b>	
\$1,550,000	The Interpublic Group Cos., Inc. 1.80% 2004 cv. sub. notes (NR) .....	\$1,470,563
1,600,000	WPP Group plc 3% 2005 cv. sub. notes (Baa2) .....	<u>1,564,000</u>
		<u>3,034,563</u>
	<b>AEROSPACE &amp; DEFENSE — 5.9%</b>	
1,500,000	The Goldman Sachs Group, Inc. 1.00% 2009 exch. equity-linked notes * (Aa3) (exch. for General Dynamics Corp. common stock) .....	1,348,995
750,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes 144A (Ba3) ..	914,063
450,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes (Ba3) .....	548,438
15,000 shs	Northrop Grumman Corp. 7.25% equity units ** (NR) .....	1,533,750
20,000 shs	RC Trust I 8.25% equity security units **, ** (BB) (exch. for Raytheon Co. class B common stock) .....	<u>1,076,000</u>
		<u>5,421,246</u>
	<b>AUTOMOTIVE — 3.2%</b>	
20,000 shs	Ford Motor Co. Capital Trust II 6.50% cv. pfd. (Baa2) (exch. for Ford Motor Co. common stock) .....	875,000
40,500 shs	General Motors Corp. series B cv. sr. deb. (A3) .....	962,685
2,500,000	Lear Corp. 0% 2022 cv. sr. notes 144A (Ba1) .....	<u>1,148,438</u>
		<u>2,986,123</u>
	<b>BANKING/SAVINGS &amp; LOAN — 10.3%</b>	
20,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. 144A (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	1,103,750
20,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1) (exch. for Commerce Bancorp, Inc. common stock) .....	1,103,750
40,000 shs	National Australia Bank Ltd. 7.875% exch. capital units (NR) .....	1,460,000
40,000 shs	New York Community Bancorp, Inc. 6% BONUSES units (Ba1) .....	2,292,200
5,000 shs	State Street Corp. 6.75% treasury backed ACES ** (NR) .....	948,125
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	2,003,750
10,000 shs	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual, Inc. common stock) .....	<u>572,500</u>
		<u>9,484,075</u>
	<b>CABLE — 1.6%</b>	
1,000,000	Charter Communications, Inc. 5.75% 2005 cv. sr. notes (Ca) .....	425,000
42,500 shs	Equity Securities Trust II 6.25% ** (NR) (exch. for Cablevision Systems Corp. common stock) .....	<u>1,065,688</u>
		<u>1,490,688</u>
	<b>CONSUMER GOODS — 1.3%</b>	
16,300 shs	Newell Financial Trust I 5.25% (Baa2) (exch. for Newell Rubbermaid, Inc. common stock) .....	<u>788,676</u>
	<b>DATA-PROCESSING SERVICES — 1.3%</b>	
965,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR) .....	946,906
285,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes (NR) .....	<u>279,656</u>
		<u>1,226,562</u>

# Portfolio of Investments April 30, 2003 (continued)

Principal Amount or Shares		Value (Note 1)
	<b>ENERGY — 8.2%</b>	
\$ 500,000	Devon Energy Corp. 4.90% 2008 cv. sub. deb. * (Baa2) (conv. into ChevronTexaco Corp. common stock) .....	\$ 510,000
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (Baa2) (conv. into ChevronTexaco Corp. common stock) .....	1,022,500
1,300,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa2) .....	1,394,965
30,000 shs	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa2) (exch. for Devon Energy Corp. common stock) .....	1,272,600
2,250,000	Offshore Logistics, Inc. 6% 2003 cv. sub. notes (B2) .....	2,317,500
37,500 shs	ONEOK, Inc. 8.50% equity units **,* (Baa1) .....	<u>1,027,125</u>
		<u>7,544,690</u>
	<b>ENTERTAINMENT — 4.2%</b>	
22,500 shs	Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caa1) .....	939,375
2,500,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADSs representing The News Corp. Limited common stock) .....	1,362,500
1,500 shs	Radio One, Inc. 6.50% HIGH TIDES (B3) .....	<u>1,540,125</u>
		<u>3,842,000</u>
	<b>FINANCIAL &amp; INSURANCE — 11.0%</b>	
50,000 shs	Capital One Financial Corp. 6.25% Upper DECS **,* (Baa3) .....	1,849,000
40,000 shs	The Chubb Corp. 7% equity units **,* (NR) .....	964,000
40,000 shs	Platinum Underwriters Holdings, Ltd. 7% equity security units **,* (NR) .....	1,153,200
40,000 shs	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2) .....	2,010,000
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds 144A (Aa1) (conv. into Swiss Reinsurance Company common stock) .....	928,200
80,000 shs	Travelers Property Casualty Corp. 4.50% 2032 cv. jr. sub. notes (A3) .....	1,940,000
1,500,000	XL Capital, Ltd. 0% 2021 cv. deb. 144A * (A1) .....	963,375
500,000	XL Capital, Ltd. 0% 2021 cv. deb. * (A1) .....	<u>321,125</u>
		<u>10,128,900</u>
	<b>HEALTH CARE — 5.2%</b>	
750,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes 144A (Ba3) .....	988,463
1,000,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3) .....	987,600
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes 144A (B3) .....	469,375
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes (B3) .....	469,375
1,000,000	Province Healthcare Company 4.25% 2008 cv. sub. notes 144A (B3) .....	870,000
600,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes 144A (B1) .....	636,375
400,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes (B1) .....	<u>424,250</u>
		<u>4,845,438</u>
	<b>OFFICE EQUIPMENT — 1.3%</b>	
1,250,000	IOS Capital, LLC 5% 2007 cv. sub. notes 144A (Baa3) (exch. for IKON Office Solutions, Inc. common stock) .....	<u>1,205,625</u>
	<b>PAPER &amp; PAPER PRODUCTS — 1.3%</b>	
25,000 shs	Temple-Inland, Inc. 7.50% Upper DECS **,* (Baa3) .....	<u>1,157,500</u>

# Portfolio of Investments April 30, 2003 (continued)

Principal Amount or Shares		Value (Note 1)
	<b>PHARMACEUTICALS — 7.6%</b>	
\$2,000,000	Alza Corp. 0% 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock) .....	\$1,590,000
750,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes 144A (NR) .....	695,625
750,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes (NR) .....	695,625
500,000	Gilead Sciences, Inc. 2% 2007 cv. sr. notes 144A (NR) .....	609,063
1,500,000	Ivax Corp. 5.50% 2007 cv. sr. sub. notes (NR) .....	1,509,375
800,000	Sepracor, Inc. 7% 2005 cv. sub. deb. 144A (CCC+) .....	761,000
1,000,000	Teva Pharmaceutical Finance B.V. 0.75% 2021 cv. sub. deb. (BBB-) (exch. for Teva Pharmaceuticals Industries Ltd. ADRs) .....	1,202,500
		<u>7,063,188</u>
	<b>RETAIL — 8.4%</b>	
1,028,000	Barnes & Noble, Inc. 5.25% 2009 cv. sub. notes (Ba3) .....	1,016,435
500,000	Brinker International, Inc. 0% 2021 cv. sr. deb. 144A (Baa2) .....	346,400
750,000	Brinker International, Inc. 0% 2021 cv. sr. deb. (Baa2) .....	519,600
1,500,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes 144A (B2) .....	1,331,250
250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes (B2) .....	221,875
1,750,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3) .....	1,415,313
1,225,000	Duane Reade, Inc. 2.148% 2022 cv. sr. notes 144A (Ba3) .....	604,844
525,000	Duane Reade, Inc. 2.148% 2022 cv. sr. notes (Ba3) .....	259,219
850,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (B+) .....	841,305
250,000	School Specialty, Inc. 6% 2008 cv. sub. notes (B+) .....	247,443
500,000	Skechers U.S.A., Inc. 4.50% 2007 cv. bonds 144A (NR) .....	427,500
15,000 shs	Toys “R” Us, Inc. 6.25% equity securities units **,** (NR) .....	512,550
		<u>7,743,734</u>
	<b>TECHNOLOGY — 8.0%</b>	
250,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa2) .....	315,600
1,000,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes (Baa2) .....	1,262,400
1,250,000	Analog Devices, Inc. 4.75% 2005 cv. sub. notes 144A (Baa1) .....	1,270,313
500,000	Hutchinson Technology, Inc. 2.25% 2010 cv. sub. notes 144A (NR) .....	547,751
500,000	LSI Logic Corp. 4.25% 2004 cv. sub. notes (Ba3) .....	495,000
500,000	Kulicke & Soffa Industries, Inc. 4.75% 2006 cv. sub. notes (B3) .....	340,000
1,500,000	STMicroelectronics N.V. 0% 2009 LYONs (Baa1) .....	1,343,438
500,000	Sanmina Corp. 4.25% 2004 cv. sub. notes (B1) .....	495,000
1,300,000	Siebel Systems, Inc. 5.50% 2006 cv. sub. notes (B+) .....	1,313,000
		<u>7,382,502</u>
	<b>TELECOMMUNICATIONS — 3.8%</b>	
4,000,000	Anixter International, Inc. 0% 2020 LYONs 144A (Ba3) .....	1,312,500
1,700,000	Anixter International, Inc. 0% 2020 LYONs (Ba3) .....	557,813
27,700 shs	The Goldman Sachs Group, Inc. 7.30% mandatory exchangeable notes ** (NR) (exch. for Verizon Communications, Inc. common stock) .....	1,037,587
500,000	UTStarcom, Inc. 0.875% 2008 cv. notes 144A (NR) .....	577,813
		<u>3,485,713</u>
	<b>TRANSPORTATION — 1.8%</b>	
1,000,000	Continental Airlines, Inc. 4.50% 2007 cv. notes (Caa2) .....	608,000
1,000,000	United Parcel Service, Inc. 1.75% 2007 cash-settled cv. sr. notes (Aaa) .....	1,031,875
		<u>1,639,875</u>

# Portfolio of Investments April 30, 2003 (continued)

Principal Amount or Shares		Value (Note 1)
	<b>UTILITIES — 2.2%</b>	
25,000 shs	American Electric Power Co., Inc. 9.25% equity units ***(Baa3) . . . . .	\$ 1,037,250
40,000 shs	DTE Energy Co. 8.75% equity security units ***(Baa2) . . . . .	<u>1,012,000</u>
		<u>2,049,250</u>
	<b>SHORT-TERM SECURITIES — 10.0%</b>	
\$9,200,000	American Express Credit Corp. (P1) (1.25% maturing 5/2/03) . . . . .	9,199,042
11,000	U.S. Treasury notes 3.375% 4/30/04 # (Aaa) . . . . .	<u>11,241</u>
		<u>9,210,283</u>
	<b>Total Convertible Bonds and Notes — 53.3%</b> . . . . .	49,282,162
	<b>Total Convertible Preferred Stocks — 19.0%</b> . . . . .	17,591,811
	<b>Total Mandatory Convertible Securities — 17.0%</b> . . . . .	15,646,375
	<b>Total Short-Term Securities — 10.0%</b> . . . . .	<u>9,210,283</u>
	<b>Total Investments — 99.3%</b> . . . . .	91,730,631
	<b>Other assets and liabilities, net — 0.7%</b> . . . . .	<u>663,340</u>
	<b>Total Net Assets — 100.0%</b> . . . . .	<u>\$92,393,971</u>

\* Contingent payment debt instrument which accrues contingent interest income. See Note 1(b).  
 \*\* Mandatory convertible. See Note 1(e).  
 # Collateral for a letter of credit.

ACES Automatic Convertible Equity Securities.  
 ADRs American Depositary Receipts.  
 ADSs 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.

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

The cost of investments for federal income tax purposes is \$92,555,676 resulting in gross unrealized appreciation and depreciation of \$3,176,045 and \$4,001,090, respectively, or net unrealized depreciation of \$825,045 on a tax cost basis.

*See accompanying notes to financial statements.*

# Notes to Financial Statements (unaudited)

## 1. Significant Accounting Policies

Bancroft Convertible Fund, Inc. (the “Fund”) is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements:

### (a) 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. Securities traded in the over-the-counter market and 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. Where no closing prices are available, value is determined by management, with the approval of the Board of Directors.

### (b) 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 4 cents per share for the six months ended April 30, 2003.

### (c) Federal Income Taxes

It is the policy of the Fund to distribute substantially all of its taxable income within the prescribed time and to otherwise comply with the provisions of the Internal Revenue Code applicable to regulated investment companies. Therefore, no provision for federal income or excise taxes is believed necessary. The Fund has capital loss carryovers of approximately \$2,328,000 and \$5,478,000 available to offset any future net capital gains which will expire on October 31, 2009 and October 31, 2010, respectively.

### (d) Dividends and Distributions to Shareholders

The liability for dividends and distributions payable is recorded on the ex-dividend date.

## Notes to Financial Statements (continued)

### (e) Market Risk

It is the Fund's policy, under normal circumstances, to invest at least 80% of its assets in convertible securities. Although convertible securities do derive part of their value from that of the securities into which they are convertible, they are not considered derivative financial instruments. However, certain of the Fund's investments, known as Mandatory Convertible Securities, include features which render them more sensitive to price changes in their underlying securities. Thus, they expose the Fund to greater downside risk than traditional convertible securities, but still less than that of the underlying common stock. At April 30, 2003, the market value of such securities was \$15,646,375, representing 17% of net assets.

### 2. Management Fee and Other Transactions with Affiliates

The management fee is paid to the investment adviser, Davis-Dinsmore Management Company (the "Adviser"). The contract provides for payment of a monthly advisory fee, computed at an annual rate of  $\frac{3}{4}$  of 1% of the first \$100,000,000 and  $\frac{1}{2}$  of 1% of the excess over \$100,000,000 of the Fund's net asset value in such month.

The Adviser invests the Fund's assets, furnishes office equipment and facilities, and pays the salaries of all executive officers of the Fund, except that the costs associated with personnel and certain non-personnel expenses of the office of the Treasurer, up to a maximum of \$25,000 a year, are reimbursed by the Fund. Such reimbursements amounted to \$12,500 for the six months ended April 30, 2003. The officers of the Fund are also directors, officers or employees of the Adviser, and are compensated by the Adviser.

### 3. Portfolio Activity

At April 30, 2003 there were 4,725,858 shares of \$.01 par value common stock outstanding (9,000,000 shares authorized). During the six months ended April 30, 2003, 41,388 shares were issued in connection with reinvestment of dividends from net investment income, resulting in an increase in paid-in capital of \$742,900.

Purchases and sales of investments, exclusive of corporate short-term notes, aggregated \$31,909,111 and \$37,970,671, respectively, for the six months ended April 30, 2003.

A distribution of \$0.16 per share from net investment income was declared on May 15, 2003, payable June 27, 2003 to shareholders of record at the close of business June 13, 2003.

## Miscellaneous Notes

### Results of the 2003 Annual Shareholders Meeting

The results of the shareholder vote at the Annual Meeting of Shareholders held on February 10, 2003 were:

1. All directors nominated by management were elected for terms expiring in 2006.

	<u>Shares voted for</u>	<u>Shares withheld</u>
William A. Benton	4,115,374	57,676
Elizabeth C. Bogan, Ph.D.	4,118,311	54,739
George R. Lieberman	4,111,826	61,224

2. The Audit Committee's appointment of PricewaterhouseCoopers LLP as independent accountants was ratified with 4,095,917 shares voted for, 40,526 shares voted against and 36,607 shares abstaining.

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Visit us on the Internet at [www.bancroftfund.com](http://www.bancroftfund.com). The site provides information about the Fund including daily net asset values (NAV), historical dividends and press releases, as well as information about Davis-Dinsmore Management Company, the Fund's adviser. In addition you can send email to us at [info@bancroftfund.com](mailto:info@bancroftfund.com).

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The Fund is a member of the Closed-End Fund Association (CEFA). The group's website address is [www.cefa.com](http://www.cefa.com). CEFA is solely responsible for the content of its website.

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Pursuant to Section 23 of the Investment Company Act of 1940, notice is hereby given that the Fund may, in the future, purchase shares of Bancroft Convertible Fund, Inc. Common Stock from time to time, at such times, and in such amounts, as may be deemed advantageous to the Fund. Nothing herein shall be considered a commitment to purchase such shares.

### ***Board of Directors***

GORDON F. AHALT	<i>Petroleum Consultant</i>
WILLIAM A. BENTON	<i>Retired Stock Exchange Specialist</i>
ELIZABETH C. BOGAN, PH.D.	<i>Senior Lecturer in Economics at Princeton University</i>
THOMAS H. DINSMORE, C.F.A.	<i>Chairman of the Board of the Fund</i>
DONALD M. HALSTED, JR.	<i>Investor</i>
GEORGE R. LIEBERMAN	<i>Retired Advertising Executive</i>
DUNCAN O. MCKEE	<i>Retired Attorney</i>
JANE D. O'KEEFFE	<i>President of the Fund</i>
NICOLAS W. PLATT	<i>Public Relations Executive</i>

### ***Officers***

THOMAS H. DINSMORE	<i>Chief Executive Officer</i>
JANE D. O'KEEFFE	<i>President</i>
GARY I. LEVINE	<i>Vice President, Treasurer and Chief Financial Officer</i>
H. TUCKER LAKE	<i>Vice President</i>
GERMAINE M. ORTIZ	<i>Vice President</i>
SIGMUND LEVINE	<i>Secretary</i>
JOSHUA P. LAKE	<i>Assistant Treasurer and Assistant Secretary</i>
MERCEDES A. PIERRE	<i>Assistant Treasurer</i>

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### ***Internet***

www.bancroftfund.com  
email: info@bancroftfund.com

### ***Investment Adviser***

Davis-Dinsmore Management Company  
65 Madison Avenue, Morristown, NJ 07960-7308  
(973) 631-1177

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


American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
(800) 937-5449  
www.amstock.com

### ***Common Stock Listing***

American Stock Exchange Symbol: BCV

BANCROFT CONVERTIBLE FUND, INC.  
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