

Bancroft Convertible Fund, Inc.

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

Third Quarter Update - July 31, 2001 (unaudited)

Financial Highlights

Market value 7/31/01	\$20.85
Net asset value (NAV) 7/31/01	\$21.61
Market discount to NAV	(3.52)%
12-Month income distribution	\$1.079
Yield on market value	5.18%
Capital gains distribution 12/28/00 *	\$3.096
Ratio of expenses to avg. net assets †	1.10%
Ratio of net income to avg. net assets †	5.72%
Portfolio turnover	60.83%
Shares outstanding	4,625,918
* Includes \$1.80 short-term gains.	
† Annualized.	

Change in Net Asset Value (NAV)

	Per Share
Beginning NAV (10/31/00)	\$27.09
Changes from Operations as of 7/31/01:	
Net Investment Income	0.96
Realized Gain	(0.08)
Decrease in Unrealized Gain	(2.39)
Total Change from Operations	(1.51)
Distributions:	
Net Investment Income	(0.87)
Capital Gains	(3.10)
Total Change from Distributions	(3.97)
Total Change	(5.48)
Ending NAV (7/31/01)	\$21.61

Major Industry Exposure as of 7/31/01

	% of Net Assets
Health Care & Drugs	10.44
Energy	9.97
Telecommunications	9.17
Technology	7.05
Banking	6.96
Cable	6.14
Retail	5.89
Financial & Insurance	3.98
Utilities	3.90
Data-Processing Services	3.60

The portfolio holdings and industry exposure are as of July 31, 2001 and subject to change without notice.

Detailed portfolio information is available on our website (www.bancroftfund.com). Visit us there or contact us by e-mail at info@bancroftfund.com or call us at (973)631-1177.

Performance through 7/31/01 *with dividends reinvested*

	7 Months	1 Year	5 Years	10 Years
Bancroft market value *	11.75%	12.36%	114.72%	310.97%
Bancroft net asset value †	(2.09)	(6.48)	72.24	218.40
Closed-end conv. fund avg. †	2.04	(5.41)	59.85	192.74
S&P 500 *	(7.62)	(14.33)	103.63	285.64
Russell 2000 *	1.17	(1.61)	64.61	180.59‡
Lehman Aggregate Bond Total Return Index †	5.93	12.69	46.23	115.07

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

* From Bloomberg L.P. pricing service.

† From Lipper, Inc. Closed-End Fund Performance Analysis, July 31, 2001.

‡ Simple appreciation of index.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Oct. 00	\$29.37	\$26.36	\$27.09	\$24.63	\$21.63	\$22.63
Jan. 01	27.27	21.85	23.16	23.38	18.38	21.24
Apr. 01	23.14	20.72	22.25	21.99	19.10	20.45
Jul. 01	22.66	21.18	21.61	21.55	20.40	20.85

Total Fund Investments as of 7/31/01

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 71,912	71.9
Convertible Preferred Stocks	14,270	14.3
Common Stock	458	0.5
Short-term Investments	10,394	10.4
Other Assets	2,944	2.9
Net Assets	\$ 99,978	100.0%

Largest Investment Holdings as of 7/31/01

	% of Net Assets
Sunrise Assisted Living, Inc.	2.71
Washington Mutual, Inc.	2.19
National Data Corp.	2.18
Telecom Corp. of New Zealand	2.01
Masco Corp.	1.99
American Express Company	1.92
AOL Time Warner, Inc.	1.90
Calpine Corp.	1.82
Apache Corp.	1.80
American Greetings Corp.	1.75

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To Our Shareholders:

September 12, 2001

The world has been shaken by a senseless act of mass murder of innocent people. We lost friends and competitors to this act of hatred. Our prayers and sympathies go to their families and friends.

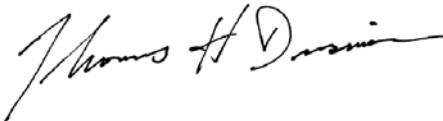
After the 1993 terrorist attack on the World Trade Center, the Fund moved its office from 56 Pine Street in New York City (almost in the shadows of the World Trade Center) to Morristown, NJ. We had a number of reasons for this move, but included among them was an uncomfortable awareness that the area had become a target for terror. Yet we never really believed it would happen this way.

The attack was an attack on the United States and on its financial system. Both will be adversely affected, but we believe both will prove more resilient than some might think. We believe that our portfolio is well positioned to ride out this storm.

For shareholders who have access to the Internet, the Fund's website www.bancroftfund.com contains press releases, dividend information and daily net asset values. The Closed-End Fund Association (www.cefa.com), of which the Fund is a member, is another source of information on many closed-end funds. Based upon data through August 31, 2001, Morningstar* has continued to rate Bancroft's performance at four stars (above average) on the "Quicktake Report" on their website.** Shareholders who wish a copy of the most recent report on the Fund issued by Standard and Poor's should contact us.

It has been the practice of the Fund to pay out as dividends all net investment income, and at year end pay out all realized capital gains if there are any. This year has seen an increase in net investment income over last year while capital gains have been harder to realize (see the financial statements on the reverse side).

At its August meeting the Board of Directors declared a dividend of 24 cents per share. The dividend is payable on September 27, 2001 to shareholders of record September 13, 2001.



Thomas H. Dinsmore
Chairman

* Morningstar is a mutual fund analysis and statistical reporting service that reports on and rates most mutual funds.

** Closed End Fund Association and Morningstar are solely responsible for the content of their sites.

The letter to Shareholders contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements which reflect the intent, belief or expectations of the Company, its management and the Adviser regarding the anticipated effect of events, circumstances and trends should be considered forward-looking statements. These forward-looking statements are not guarantees of future performance and there are a number of meaningful factors which could cause the Company's results to vary materially from those indicated by any such statements. Factors which could cause actual results to differ from expectations include, among others, changes to the Federal Reserve Board's monetary policy, a decline in economic activity, a decline in productivity or new products or technology, an increase in interest rates or taxes, military action and acts of terrorism, increased volatility of securities in general as well as those purchased by the Company, changes to foreign and domestic markets in general or changes to the market for convertible securities.

Shareholder Services and Transfer Agent


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Stock Exchange Listing

AMEX - Symbol: BCV

 Printed on recycled paper

Portfolio of Investments July 31, 2001 (unaudited)

Principal Amount or Shares		Value
	ADVERTISING — 2.7%	
\$1,500,000	The Interpublic Group Cos., Inc. 1.87% 2006 cv. sub. notes 144A (Baa1)	\$ 1,220,625
1,600,000	Young & Rubicam, Inc. 3% 2005 cv. sub. notes (Baa3)	1,494,336
		<u>2,714,961</u>
	AEROSPACE — 2.6%	
1,000,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sub. notes 144A (B1)	1,141,250
20,000 shs	RC Trust I 8.25% equity security units *	
	(exch. for Raytheon Co. class B common stock) (BA2)	1,051,875
705,000	SPACEHAB, Inc. 8% 2007 cv. sub. notes 144A (NR)	423,000
		<u>2,616,125</u>
	BANKING — 7.0%	
1,000,000	Deutsche Bank Financial, Inc. 1.25% 2007 medium-term exch. notes * (Aa3)	
	(exch. for CitiGroup, Inc. common stock)	1,065,625
1,000,000	JMH Finance, Ltd. 4.75% 2007 guaranteed bonds 144A * (NR)	
	(exch. for J.P. Morgan Chase & Co. common stock)	1,036,875
40,000 shs	National Australia Bank Ltd. 7.875% exch. capital units (A1)	1,192,000
25,000 shs	Sovereign Capital Trust II 7.50% PIERS (B2)	
	(exch. for Sovereign Bancorp, Inc. common stock)	1,669,531
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1)	
	(exch. for Washington Mutual Inc. common stock)	1,995,000
		<u>6,959,031</u>
	CABLE — 6.1%	
2,500 shs	Adelphia Communications Corp. 5.50% cv. pfd. (Caa1)	295,781
800,000	Adelphia Communications Corp. 6% 2006 cv. sub. notes (B3)	730,960
2,000,000	Bell Atlantic Financial Services, Inc. 4.25% 2005 euro. sr. exch. notes * (A1)	
	(exch. for cash equiv. of Cable & Wireless Communications plc & NTL, Inc.	
	common stocks)	1,967,500
1,300,000	Comcast Corp. cv. deb. 0% 2020 (Baa3)	1,025,375
20,000 shs	Cox Communications, Inc. 7% FELINE PRIDES ** (Baa2)	1,098,600
750,000	Cox Communications, Inc. 0.35% 2021 cv. sr. notes 144A (Baa2)	525,840
500,000	NTL Communications Corp. 6.75% cv. sr. notes 144A (B2)	
	(exch. for NTL, Inc. common stock)	280,000
2,611 shs	UnitedGlobalCom, Inc. common stock	17,598
19,000 shs	UnitedGlobalCom, Inc. dep. shs. representing 7% series D sr. cum. cv. pfd. (Ca)	192,375
		<u>6,134,029</u>
	CAPITAL GOODS — 2.7%	
1,500,000	CS First Boston, Inc. 2% 2010 sr. medium-term exch. notes * (A1)	
	(exch. for General Electric Corp. common stock)	1,275,938
9,726 shs	General Electric Corp. common stock	423,081
1,000,000	Hanover Compressor Co. 4.75% 2008 cv. sr. notes (Ba3)	1,041,800
		<u>2,740,819</u>
	DATA-PROCESSING SERVICES — 3.6%	
1,000,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR)	1,036,250
2,000,000	National Data Corp. 5% 2003 cv. sub. notes (B1)	2,183,750
625,000	Online Resources & Communications Corp. 8% 2005 cv. sub. notes 144A (NR) .	381,250
		<u>3,601,250</u>

Portfolio of Investments July 31, 2001 (continued)

Principal Amount or Shares		Value
	ENERGY — 10.0%	
40,800 shs	Apache Corp. \$2.015 dep. shs. representing ACES pfd. ** (Baa1)	\$ 1,795,838
\$ 500,000	Devon Energy Corp. 4.90% 2008 cv. sub. deb. * (Baa1) (conv. into Chevron Corp. common stock)	511,570
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (Baa1) (conv. into Chevron Corp. common stock)	1,026,160
3,300,000	El Paso Corp. 0% cv. deb. 144A (Baa2)	1,390,125
30,000	Enron Corp. 7% 2002 exch. notes ** (Baa1) (exch. for EOG Resources, Inc. common stock)	942,188
1,000,000	Exchangeable Certificate Corp. 2% 2005 exch. certificates 144A (Aaa)(exch. for Exxon Mobil Corp. common stock)	980,000
1,050,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa2)	1,245,941
30,000	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa1) (exch. for Devon Energy Corp. common stock)	1,491,094
1,000,000	Pride International, Inc. 0% 2021 cv. sr. deb. (Ba3)	582,950
		<u>9,965,866</u>
	ENTERTAINMENT — 3.4%	
1,750,000	AOL Time Warner, Inc. 0% 2019 cv. sub. deb. (Baa2)	931,298
1,000,000	Merrill Lynch & Co., Inc. 0.25% 2006 series B medium-term notes * (Aa3) (exch. for AOL Time Warner, Inc. common stock)	967,500
3,000,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADSs representing The News Corp. Limited common stock)	1,460,160
		<u>3,358,958</u>
	FINANCIAL & INSURANCE — 4.0%	
15,000 shs	ACE Limited 8.25% FELINE PRIDES ** (Baa1)	1,088,203
2,150,000	Exchangeable Certificate Corp. 0.625% 2005 exch. certificates 144A (Aaa)(exch. for American Express Company common stock)	1,924,250
15,000	HFI Trust I 7% MEDS units ** (Baa1) (exch. for Heller Financial, Inc. class A common stock)	520,078
750,000	XL Capital, Ltd. 0% 2021 sr. cv. deb. 144A * (A+)	448,125
		<u>3,980,656</u>
	HEALTH CARE & DRUGS — 10.4%	
1,000,000	AmeriSource Health Corp. 5% 2007 cv. sub. notes 144A (Ba3)	1,319,650
1,000,000	Elan Finance Corporation Ltd. 0% 2018 LYONs 144A (Baa3) (exch. for ADRs representing Elan Corporation, plc common stock)	838,770
1,000,000	ICN Pharmaceuticals, Inc. 6.50% 2008 cv. sub. notes 144A (B2)	1,106,250
1,500,000	Ivax Corp. 4.50% 2008 cv. sr. sub. notes 144A (NR)	1,572,188
1,000,000	Merrill Lynch & Co., Inc. 2% 2005 medium-term notes * (Aa3) (exch. for Johnson & Johnson common stock)	1,050,000
1,315,000	Roche Holdings, Inc. 0% 2015 LYONs 144A (NR) (exch. for Genentech, Inc. common stock)	915,569
1,000,000	Sepracor, Inc. 7% 2005 cv. sub. deb. 144A (CCC+)	926,250
2,692,000	Sunrise Assisted Living, Inc. 5.50% 2002 cv. sub. notes (B1)	2,708,825
		<u>10,437,502</u>
5,000,000	HOME BUILDING — 2.0%	
	Masco Corp. 0% 2031 cv. sr. notes * (Baa1)	1,991,625

Portfolio of Investments July 31, 2001 (continued)

Principal Amount or Shares		Value
	INSTRUMENTS — 1.0%	
\$1,000,000	Thermo Electron Corp. 4.25% 2003 cv. sub. deb. (Baa3)	\$ 978,750
	MULTI-INDUSTRY — 3.1%	
1,500,000	Cendant Corp. 0% 2021 sr. cv. CODES 144A * (Baa1)	1,140,000
2,000,000	Lehman Brothers Holdings, Inc. 0.25% 2006 BASES notes * (A2) (based on the value of the performance of the 10 Uncommon Values Index †)	1,990,000
		<u>3,130,000</u>
	RETAIL — 5.9%	
1,750,000	American Greetings Corp. 7% 2006 cv. sub. notes 144A (Ba3)	1,752,905
1,000,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes 144A (A3)	997,190
500,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3)	498,595
2,000,000	Jones Apparel Group, Inc. 0% 2021 cv. sr. notes 144A (Baa2)	1,067,580
1,500,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (NR)	1,570,515
		<u>5,886,785</u>
	TECHNOLOGY — 7.1%	
1,000,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa3)	1,172,350
1,250,000	Analog Devices, Inc. 4.75% 2005 cv. sub. notes 144A (Baa1)	1,158,313
1,000,000	Brooks Automation, Inc. 4.75% 2008 cv. sub. notes 144A (NR)	965,625
1,500,000	CS First Boston, Inc. 1% 2006 medium-term exch. notes * (A1) (exch. for Microsoft Corp. common stock)	1,333,125
51,000 shs	CS First Boston, Inc. 10% 2002 medium-term notes (A1) (exch. for Sun Microsystems, Inc. common stock)	892,500
2,000,000	Hewlett-Packard Co. 0% 2017 LYONs (A1)	1,043,750
1,150,000	Soletron Corp. 0% 2020 LYONs (Baa3)	485,875
		<u>7,051,538</u>
	TELECOMMUNICATIONS — 9.2%	
500,000	Amdocs Limited 2% 2008 cv. notes (Baa3)	451,563
700,000	American Tower Corp. 2.25% 2009 cv. notes (B3)	540,750
4,000,000	Anixter International, Inc. 0% 2020 LYONs 144A (Ba3)	1,127,500
1,700,000	Anixter International, Inc. 0% 2020 LYONs (Ba3)	479,188
2,000,000	Bell Atlantic Financial Services, Inc. 5.75% 2003 sr. exch. notes 144A * (A1) (exch. for cash equiv. Telecom Corp. of New Zealand common stock)	2,012,500
1,000,000	CIENA Corp. 3.75% 2008 cv. notes (Ba3)	740,000
1,762 shs	Crown Castle International Corp. common stock	17,180
15,000 shs	Crown Castle International Corp. 6.25% 2012 cv. pfd. (Caa1)	374,400
1,000,000	Exchangeable Certificate Corp. 0.25% 2006 exch. certificates 144A (Aaa)(exch. for specific telephone and cable common stocks ††)	885,000
1,000,000	Liberty Media Corp. 3.75% 2030 sr. exch. deb. 144A * (Baa3) (exch. for Sprint PCS Group common stock)	632,050
25,000	MediaOne Group, Inc. 7% 2002 PIES ** (Baa1) (exch. for ADRs representing Vodafone AirTouch plc common stock)	601,172
1,500,000	Tecnost International, N.V. 1% 2005 ADBs 144A (Baa2) (exch. for ADRs representing Telecom Italia S.p.A. common stock)	1,310,100
		<u>9,171,403</u>

Portfolio of Investments July 31, 2001 (continued)

Principal Amount or Shares		Value
	TRANSPORTATION — 2.0%	
20,000 shs	Continental Airlines Finance Trust II 6% cv. pfd. TIDES 144A (Ba3) (exch. for Continental Airlines, Inc. common stock)	\$ 1,010,000
\$ 1,000,000	United Parcel Service, Inc. 1.75% 2007 cash-settled cv. sr. notes (Aaa)	<u>1,002,500</u>
		<u>2,012,500</u>
	UTILITIES — 3.9%	
16,000 shs	AES Trust VII \$3 trust cv. pfd. securities 144A (Ba2) (conv. into AES Corp. common stock)	843,750
17,500 shs	Calpine Capital Trust III 5% HIGH TIDES 144A (Ba2) (exch. for Calpine Corp. common stock)	945,000
16,250 shs	Calpine Capital Trust III 5% HIGH TIDES (Ba2) (exch. for Calpine Corp. common stock)	877,500
1,250,000	Ogden Corp. 6% 2002 euro cv. sub. deb. (Baa3) (conv. into Covanta Energy Corp. common stock)	<u>1,231,250</u>
		<u>3,897,500</u>
	U.S. TREASURY NOTES — 0.0%	
11,000	6.50% 3/31/02 #	<u>11,217</u>
	CORPORATE SHORT-TERM NOTES — 10.4%	
10,400,000	American Express Credit Corp. (P1) (3.76% & 3.82% maturing 8/1/01 & 8/3/01)	<u>10,394,271</u>
	Total Convertible Bonds and Notes — 71.9%	71,912,178
	Total Convertible Preferred Stocks — 14.3%	14,270,478
	Total Common Stocks — 0.5%	457,859
	Total Corporate Short-Term Notes — 10.4%	<u>10,394,271</u>
	Total Investments — 97.1%	<u>97,034,786</u>
	Other assets and liabilities, net — 2.9%	<u>2,943,020</u>
	Total Net Assets — 100.0%	<u>\$ 99,977,806</u>

Portfolio of Investments July 31, 2001 (continued)

* Contingent payment debt instrument which accrues contingent interest income. See Note 1(b) Semi-Annual Report to Shareholders, dated April 30, 2001.

** See Note 1(e) Semi-Annual Report to Shareholders, dated April 30, 2001.

† Ticker symbols: AA, BBY, CEFT, CMCSK, CSCO, HDI, LMG/A, MIR, WM & WMI.

†† Ticker symbols: CSCO, CMCSK, TWX, IBM, LMGa and WCOM.

Collateral for a letter of credit.

ACES	Automatically Convertible Equity Securities.
ADB	American Depositary Bonds.
ADR	American Depositary Receipts.
ADS	American Depositary Shares.
BASES	Basket Adjusting Structured Equity Securities.
CODES	Contingent Debt Securities.
DECS	Debt Exchangeable for Common Stock.
FELINE	Family of Equity-Linked Income Securities.
HIGH TIDES	Remarketable Term Income Deferrable Equity Securities.
LYONS	Liquid Yield Option Notes.
MEDS	Mandatory Enhanced Securities.
PIERS	Preferred Income Equity Redeemable Securities.
PIES	Premium Income Exchangeable Securities.
PRIDES	Preferred Redeemable Increased Dividend Equity Securities.
TIDES	Term Income Deferrable Equity Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's, a division of McGraw-Hill Companies.