

Bancroft Convertible Fund, Inc.

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

Third Quarter Update - July 31, 2002 (unaudited)

Financial Highlights

Market value 7/31/02	\$17.04
Net asset value (NAV) 7/31/02	\$18.71
Market discount to NAV	(8.93)%
12-Month income distribution	\$1.00
Yield on market value	5.87%
Capital gains distribution 12/27/01	\$0.00
Ratio of expenses to avg. net assets	1.13%*
Ratio of net income to avg. net assets	3.81%*
Portfolio turnover	72.84%
Shares outstanding	4,684,470

* Annualized.

Change in Net Asset Value (NAV)

	Per Share
Beginning NAV (10/31/01)	\$20.72
Changes in NAV from Operations:	
Net Investment Income	0.58
Realized Loss	(1.18)
Decrease in Unrealized Loss	(0.65)
Total Change from Operations	(1.25)
Distributions:	
Net Investment Income	(0.76)
Capital Gains	(0.00)
Total Change from Distributions	(0.76)
Total Change	(2.01)
Ending NAV (7/31/02)	\$18.71

Major Industry Exposure as of 7/31/02

	% of Net Assets
Financial & Insurance	9.9
Aerospace & Defense	8.8
Retail	8.0
Health Care	7.7
Pharmaceuticals	6.1
Telecommunications	5.8
Technology	5.4
Banking	5.1
Data-Processing Services	4.8
Energy	4.6

The portfolio holdings and industry exposure are as of July 31, 2002 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 7/31/02 with dividends reinvested

	7 Months	1 Year	5 Years	10 Years
Bancroft market value (a)	(13.99)%	(14.11)%	35.71%	190.35%
Bancroft net asset value (b)	(8.71)	(9.18)	17.64	145.37
Closed-end conv. fund avg. (b)	(11.40)	(11.39)	7.53	113.48
S&P 500 (a)	(19.93)	(23.63)	2.25	161.22
Russell 2000 (a)	(19.09)	(17.95)	1.39	101.51(c)
Lehman Aggregate Bond Total Return Index (b)	5.04	7.53	41.96	101.50

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, July 31, 2002.

(c) 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. 01	\$21.76	\$19.84	\$20.72	\$22.35	\$18.70	\$18.75
Jan. 02	21.22	20.45	20.65	20.80	18.75	20.00
Apr. 02	20.76	20.44	20.68	20.30	18.56	18.80
Jul. 02	20.86	18.02	18.71	19.50	16.50	17.04

Total Fund Investments as of 7/31/02

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$58,830	67.1
Mandatory Convertible Securities	10,429	11.9
Convertible Preferred Stocks	9,032	10.3
Short-term Investments	8,809	10.1
Other Assets	546	0.6
Net Assets	\$87,646	100.0%

Largest Investment Holdings as of 7/31/02

	% of Net Assets
National Data Corp.	2.4
Telecom Corp. of New Zealand	2.4
Washington Mutual, Inc.	2.3
Capital One Financial Corp.	2.0
Reinsurance Group of America, Inc.	2.0
School Specialty, Inc.	2.0
Northrop Grumman Corp.	1.9
Anixter International, Inc.	1.8
Telecom Italia S.p.A.	1.8
United Parcel Service, Inc.	1.8

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To Our Shareholders:

September 11, 2002

Today we mark the anniversary of the terrorist attack on America and its financial system. These were senseless acts of mass murder of innocent people. As part of the official memorial program, the names of the murdered were read. We knew many of them. In order to ensure victory and properly memorialize the slain, we must move on and focus on the tasks at hand; to strengthen our economic and national defense infrastructures without undermining our own "grand experiment in Liberty."

The stock market is in a bear market of 30 months duration. No bear market or correction after World War II has lasted this long. From the peak in the first quarter of 2000 the S&P 500 is down over 40%, the Dow Jones Industrial Index is down 27%, the Russell 2000 is down over 35% and the NASDAQ is down over 75%. If this were a typical recession or an inflation-caused bear market, history would suggest that now would be a reasonable time to expect a strong upward turn. This is not a typical bear as we have multiple causes: an economic downturn, the bursting of the dot com bubble, the terrorist attacks (and subsequent war on terror) and corporate governance that was either poor or corrupt at a few key companies. To be positive though, we do have an economy that is holding up much better than some would have thought, inflation is still under control, money supply growth appears to be in the proper range, there is still a good flow of funds into the financial markets from pension plans and 401(k) plans (although less of it is directed toward the stock market) and productivity continues to improve. The Great Bull Market of 1982 to 2000 is dead and the next bull market is not likely to be comparable, but it will come.

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, 2002, Morningstar has continued to rate Bancroft's performance at four stars (above average) overall as shown 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.

At its August meeting, the Board of Directors declared a dividend of 18 cents per share. This dividend will be payable on September 27, 2002 to shareholders of record on September 13, 2002.




Thomas H. Dinsmore
Chairman of the Board

* The Closed-End Fund Association is solely responsible for the content of its website.

** Morningstar is an analytical and statistical reporting service that reports on and rates most mutual funds. It is solely responsible for the content of its website.

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Stock Exchange Listing

AMEX - Symbol: BCV



Portfolio of Investments July 31, 2002 (unaudited)

Principal Amount or Shares		Value
	ADVERTISING — 4.3%	
\$1,550,000	The Interpublic Group Cos., Inc. 1.80% 2004 cv. sub. notes (NR)	\$ 1,317,500
1,000,000	Omnicom Group, Inc. 0% 2031 LYONS * (A3)	961,250
1,600,000	Young & Rubicam, Inc. 3% 2005 cv. sub. notes (Baa1)	<u>1,482,112</u>
		<u>3,760,862</u>
	AEROSPACE & DEFENSE — 8.8%	
1,625,000	GenCorp Inc. 5.75% 2007 cv. sub. notes 144A (B1)	1,514,297
1,500,000	The Goldman Sachs Group, Inc. 1.00% 2009 exch. equity-linked notes * (A1) (exch. for General Dynamics Corp. common stock)	1,440,375
750,000	L-3 Communications Holdings, Inc. 5.25% 2009 cv. sr. sub. notes 144A (Ba3) ..	990,000
500,000	L-3 Communications Holdings, Inc. 4% 2011 sr. sub. cv. CODES * (Ba3)	544,375
15,000 shs	Northrop Grumman Corp. 7.25% equity units ***(Baa3)	1,758,750
20,000 shs	RC Trust I 8.25% equity security units ***(Ba2) (exch. for Raytheon Co. class B common stock)	1,132,000
705,000	SPACEHAB, Inc. 8% 2007 cv. sub. notes 144A (NR)	<u>352,500</u>
		<u>7,732,297</u>
	AUTOMOTIVE — 3.4%	
20,000 shs	Ford Motor Co. Capital Trust II 6.50% cv. pfd. (Baa2) (exch. for Ford Motor Co. common stock)	1,002,500
35,500 shs	General Motors Corp. Series B cv. sr. deb. (A3)	866,200
2,500,000	Lear Corp. 0% 2022 cv. sr. notes 144A (Ba1)	<u>1,073,438</u>
		<u>2,942,138</u>
	BANKING — 5.1%	
20,000 shs	Commerce Capital Trust II 5.95% cv. trust pfd. 144A (Baa1) (exch. for Commerce Bancorp common stock)	1,073,750
40,000 shs	National Australia Bank Ltd. 7.875% exch. capital units (A2)	1,306,000
35,000 shs	Washington Mutual Capital Trust PIERS units 144A (Baa1) (exch. for Washington Mutual Inc. common stock)	1,833,125
5,000 shs	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual Inc. common stock)	<u>261,875</u>
		<u>4,474,750</u>
	CABLE — 2.2%	
1,000,000	Charter Communications, Inc. 5.75% 2005 cv. sr. notes (B3)	448,000
42,500 shs	Equity Securities Trust II 6.25% ** (NR) (exch. for Rainbow Media Group Class A tracking stock of Cablevision Systems Corp.)	474,173
1,000,000	Verizon Global Funding Corp. 4.25% 2005 euro. sr. exch. notes * (A1) (exch. for cash equiv. of Cable & Wireless Communications plc & NTL, Inc. common stocks)	<u>970,000</u>
		<u>1,892,173</u>
	CAPITAL GOODS — 1.5%	
1,500,000	CS First Boston, Inc. 2% 2010 sr. medium-term exch. notes * (Aa3) (exch. for General Electric Corp. common stock)	<u>1,280,625</u>
	DATA-PROCESSING SERVICES — 4.8%	
1,000,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes 144A (NR)	966,250
250,000	The BISYS Group, Inc. 4% 2006 cv. sub. notes (NR)	241,563
1,000,000	Documentum, Inc. 4.50% 2007 cv. sr. notes 144A (NR)	870,000
2,250,000	National Data Corp. 5% 2003 cv. sub. notes (Ba3)	<u>2,124,158</u>
		<u>4,201,971</u>

Portfolio of Investments July 31, 2002 (continued)

Principal Amount or Shares		Value
	ENERGY — 4.9%	
\$ 500,000	Devon Energy Corp. 4.90% 2008 cv. sub. deb. * (Baa2) (conv. into Chevron Corp. common stock)	\$ 484,005
1,000,000	Devon Energy Corp. 4.95% 2008 cv. sub. deb. * (Baa2) (conv. into Chevron Corp. common stock)	969,340
1,300,000	Kerr-McGee Corp. 5.25% 2010 cv. sub. deb. (Baa2)	1,395,680
30,000	Kerr-McGee Corp. 5.50% 2004 DECS ** (Baa2) (exch. for Devon Energy Corp. common stock)	<u>1,149,375</u>
		<u>3,998,400</u>
	ENTERTAINMENT — 1.7%	
3,000,000	News America, Inc. 0% 2021 LYONs 144A (Baa3) (exch. for ADSs representing The News Corp. Limited common stock)	<u>1,373,130</u>
	FINANCIAL & INSURANCE — 10.5%	
50,000 shs	Capital One Financial Corp. 6.25% Upper DECS ***,** (Baa3)	1,483,700
1,500,000	Exchangeable Certificate Corp. 0.625% 2005 exch. certificates 144A (Aaa)(exch. for American Express Company common stock)	1,410,000
17,500 shs	Prudential Financial Capital Trust I 6.25% equity security units ***,** (A3) (exch. for Prudential Financial, Inc. common stock)	992,031
40,000 shs	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2)	1,776,250
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds 144A (Aa1) (conv. into Swiss Reinsurance Company common stock)	898,200
40,000	Travelers Property Casualty Corp. 4.50% 2032 cv. jr. sub. nts. (A2)	912,500
1,500,000	XL Capital, Ltd. 0% 2021 cv. deb. 144A * (A1)	902,250
500,000	XL Capital, Ltd. 0% 2021 cv. deb. * (A1)	<u>300,750</u>
		<u>8,675,681</u>
	HEALTH CARE — 8.2%	
1,000,000	AmerisourceBergen Corp. 5% 2007 cv. sub. notes 144A (Ba3)	1,466,250
1,000,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3)	1,012,400
1,000,000	Invitrogen, Inc. 5.50% 2007 cv. sub. notes (NR)	891,250
500,000	LifePoint Hospitals, Inc. 4.50% 2009 cv. sub. notes 144A (B3)	506,250
1,000,000	Medtronic, Inc. 1.25% 2021 cv. deb. * (A1)	1,014,650
1,000,000	Province Healthcare Company 4.25% 2008 cv. sub. notes 144A (B3)	957,500
600,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes 144A (B1)	560,250
400,000	Sunrise Assisted Living, Inc. 5.25% 2009 cv. sub. notes (B1)	<u>373,500</u>
		<u>6,782,050</u>
	MULTI-INDUSTRY — 2.1%	
2,000,000	Lehman Brothers Holdings, Inc. 0.25% 2006 BASES notes * (A3) (based on the value of the performance of the 10 Uncommon Values Index †)	<u>1,770,000</u>
	OFFICE EQUIPMENT — 1.3%	
1,250,000	IOS Capital, LLC 5% 2007 cv. sub. nts. 144A (Baa3) (exch. for IKON Office Solutions, Inc. common stock)	<u>1,090,625</u>
	PAPER & PAPER PRODUCTS — 1.3%	
20,000 shs	Temple-Inland Inc. 7.50% Upper DECS ***,** (Baa3)	<u>1,031,200</u>

Portfolio of Investments July 31, 2002 (continued)

Principal Amount or Shares		Value
	PHARMACEUTICALS — 6.1%	
\$2,000,000	Alza Corp. 0% 2020 cv. sub. deb. (Aa1)	
	(exch. for Johnson & Johnson common stock)	\$1,530,000
1,000,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes 144A (NR)	860,000
500,000	Cephalon, Inc. 2.50% 2006 cv. sub. notes (NR)	430,000
1,250,000	Ivax Corp. 5.50% 2007 cv. sr. sub. notes (NR)	1,096,875
1,315,000	Roche Holdings, Inc. 0% 2015 LYONs 144A (NR)	
	(exch. for Genentech, Inc. common stock)	918,856
1,000,000	Sepracor, Inc. 7% 2005 cv. sub. deb. 144A (CCC+)	548,750
		<u>5,384,481</u>
	RETAIL — 8.0%	
500,000	Brinker International, Inc. 0% 2021 cv. sr. deb. 144A (Baa2)	338,175
500,000	Brinker International, Inc. 0% 2021 cv. sr. deb. (Baa2)	338,175
1,250,000	Charming Shoppes, Inc. 4.75% 2012 sr. cv. nts. 144A (B2)	1,284,375
500,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes 144A (A3)	404,015
1,500,000	Costco Wholesale Corp. 0% 2017 cv. sub. notes (A3)	1,212,045
1,725,000	Duane Reade Inc. 2.148% 2022 cv. sr. nts. 144A (Ba3)	724,500
250,000	J.C. Penney Co., Inc. 5% 2008 cv. sub. notes (B1)	220,000
1,500,000	School Specialty, Inc. 6% 2008 cv. sub. notes 144A (B+)	1,508,715
250,000	School Specialty, Inc. 6% 2008 cv. sub. notes (B+)	251,453
500,000	Skechers U.S.A., Inc. 4.50% 2007 cv. bonds 144A (NR)	438,750
7,500 shs	Toys "R" Us, Inc. 6.25% equity securities units **,* (Baa3)	321,094
		<u>7,041,297</u>
	TECHNOLOGY — 5.4%	
750,000	Affiliated Computer Services, Inc. 3.50% 2006 cv. sub. notes 144A (Baa2)	964,500
1,250,000	Analog Devices, Inc. 4.75% 2005 cv. sub. notes 144A (Baa1)	1,174,688
1,000,000	Brooks Automation, Inc. 4.75% 2008 cv. sub. notes 144A (NR)	765,000
250,000	Brooks Automation, Inc. 4.75% 2008 cv. sub. notes (NR)	191,250
1,500,000	CS First Boston, Inc. 1% 2006 medium-term exch. notes * (Aa3)	
	(exch. for Microsoft Corp. common stock)	1,380,000
500,000	Kulicke & Soffa Industries, Inc. 4.75% 2006 cv. sub. notes (B3)	286,875
		<u>4,762,313</u>
	TELECOMMUNICATIONS — 5.8%	
4,000,000	Anixter International, Inc. 0% 2020 LYONs 144A (Ba3)	1,107,500
1,700,000	Anixter International, Inc. 0% 2020 LYONs (Ba3)	470,688
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, Ltd. common stock)	1,975,000
1,500,000	Tecnost International, N.V. 1% 2005 ADBs 144A (Baa2)	
	(exch. for ADRs representing Telecom Italia S.p.A. common stock)	1,496,025
		<u>5,049,213</u>
	TRANSPORTATION — 3.4%	
1,000,000	Continental Airlines, Inc. 4.50% 2007 cv. notes (B2)	592,850
750,000	GATX Corp. 7.50% 2007 cv. sr. notes 144A (Baa3)	785,888
1,500,000	United Parcel Service, Inc. 1.75% 2007 cash-settled cv. sr. notes (Aaa)	1,582,500
		<u>2,961,238</u>

Portfolio of Investments July 31, 2002 (continued)

Principal Amount or Shares		<u>Value</u>
	UTILITIES — 2.4%	
25,000 shs	American Electric Power Co., Inc. 9.25% Equity Units *,** (Baa1)	\$ 1,071,875
40,000 shs	DTE Energy Co. 8.75% Equity Security Units *,** (Baa2)	<u>1,014,400</u>
		<u>2,086,275</u>
	SHORT-TERM SECURITIES — 10.1%	
\$8,800,000	American Express Credit Corp. (P1) (1.67% & 1.74% maturing 8/2/02 & 8/7/02)	8,797,848
11,000	U.S. Treasury Notes 4.00% 4/30/03 # (Aaa)	<u>11,189</u>
		<u>8,809,037</u>
	Total Convertible Bonds and Notes — 67.1%	\$ 58,829,921
	Total Convertible Preferred Stocks — 10.3%	9,032,200
	Total Mandatory Convertible Securities — 11.9%	10,428,598
	Total Common Stocks — 0.0%	—
	Total Short-Term Securities — 10.1%	<u>8,809,037</u>
	Total Investments — 99.4%	87,099,756
	Other assets and liabilities, net — 0.6%	<u>545,779</u>
	Total Net Assets — 100.0%	<u>\$ 87,645,535</u>

* Contingent payment debt instrument. See Note 1(b) Semi-Annual Report to Shareholders, April 30, 2002.
 ** Mandatory convertible. See Note 1(e) Semi-Annual Reports to Shareholders, April 30, 2002.
 † Ticker symbols: AIG, APOL, BBBY, COF, HRC, KLAC, MCK, PFE, WEN & WY.
 # Collateral for a letter of credit.

ADBs American Depositary Bonds.
 ADRs American Depositary Receipts.
 ADSs American Depositary Shares.
 BASES Basket Adjusting Structured Equity Securities.
 DECS Debt Exchangeable for Common Stock.
 LYONs Liquid Yield Option Notes.
 PIERS Preferred Income Equity Redeemable Securities.