

Bancroft Convertible Fund, Inc.

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

Third Quarter Update - July 31, 2005 (unaudited)

Financial Highlights

Market price 07/31/05	\$18.25
Net asset value (NAV) 07/31/05	\$21.26
Market discount to NAV	(14.16)%
12-Month income distribution	\$0.698
Yield on market price	3.82%
Ratio of expenses to avg. net assets	1.19%*
Ratio of net income to avg. net assets	3.49%*
Portfolio turnover	64.96%
Shares outstanding	5,588,453

* Annualized

Largest Investment Holdings as of 07/31/05

by underlying common stock	% of Net Assets
Chesapeake Energy Corp.	3.5
The Walt Disney Company	2.6
The St. Paul Travelers Companies, Inc.	2.4
International Rectifier Corp.	2.3
Semco Energy, Inc.	2.3
Washington Mutual, Inc.	2.3
Nuveen Investments, Inc.	2.2
Weatherford International Ltd.	2.2
Schering-Plough Corp.	2.1
The Williams Companies, Inc.	2.1

Major Industry Exposure as of 07/31/05

	% of Net Assets
Energy	16.1
Financial and Insurance	13.2
Pharmaceuticals	11.4
Technology	9.6
Banking/Savings and Loan	9.4
Health Care	6.4
Telecommunications	5.4
Chemicals	3.7
Entertainment	3.4
Retail	3.3

Performance through 07/31/05 *with dividends reinvested*

	Calendar		Cumulative	
	YTD	1 Year	5 Years	10 Years
Bancroft market price (a,b)	(2.69)%	6.11%	16.33%	145.95%
Bancroft net asset value (b,c,d)	1.76	8.69	7.43	123.79
Closed-end conv. fund avg. (d)	2.15	11.81	17.66	110.84
S&P 500 (a)	2.88	14.05	(6.56)	158.84
Russell 2000 (a)	5.05	24.90	45.42	160.36
Lehman Aggregate Bond Total Return Index (d)	1.58	4.79	40.34	92.19

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

(a) From Bloomberg L.P. pricing service.

(b) Performance is not adjusted for dilution due to the rights offering.

(c) Net asset value dilution resulting from the Fund's 2003 rights offering was 2.38%.

(d) From Lipper, Inc. Closed-End Fund Performance Analysis, July 31, 2005.

Quarterly History of NAV and Market Price

Qtr. Ended	Net Asset Values			Market Prices		
	High	Low	Close	High	Low	Close
Oct. 04	\$20.65	\$19.79	\$20.40	\$18.50	\$17.65	\$18.23
Jan. 05	21.24	20.36	20.77	19.11	18.08	18.49
Apr. 05	21.28	19.86	19.92	18.60	16.95	16.95
Jul. 05	21.26	19.72	21.26	18.25	16.99	18.25

Total Fund Investments as of 07/31/05

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$ 60,879	51.2
Convertible Preferred Stocks	31,773	26.7
Mandatory Convertible Securities	21,514	18.1
Short-Term Securities	4,009	3.4
Other Assets	658	0.6
Net Assets	<u>\$118,833</u>	<u>100.0%</u>

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
9/15/04	9/29/04	\$0.170	—	\$0.170
12/03/04	12/28/04	0.188	—	0.188
3/16/05	3/30/05	0.170	—	0.170
6/15/05	6/29/05	0.170	—	0.170
		<u>\$0.698</u>		<u>\$0.698</u>

The portfolio holdings and industry exposure are as of July 31, 2005 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.

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To Our Shareholders:

September 15, 2005

Hurricane Katrina has once again reminded us that events outside of the usual sphere of the economy can have profound effects on our nation. To all of the victims of this destructive storm we send our deepest wishes for them to get the aid and comfort they need to get back up on their feet.

The U.S. convertible securities market has had a difficult year, but has shown improvement since May. According to the *Citigroup Convertible Market Monthly Snapshot*, dated August 8, 2005, convertible security returns were negative through June and only in July did they finally move into positive territory for the year.* Year-to-date and twelve month cumulative total returns through July 31, 2005 show convertibles lagging the S&P 500 and the Russell 2000 for those periods.

We believe that one reason for this performance is the low level of interest rates that existed last year. In low interest rate environments, convertibles tend to become less sensitive to common stock price changes and more sensitive to interest rate changes. As short term interest rates have risen, the effect has been to hold back the performance of many convertible securities. More recently, however, convertibles as a group have become more equity sensitive and less interest rate sensitive. This implies that the potential total return of convertible securities has improved.

Oil prices over the past year have risen. Most of the rise has been understood to be caused by a somewhat fixed supply of oil in an environment of increasing demand from former third world economies. We believed before Hurricane Katrina hit that prices between \$40 and \$50 per barrel were likely to be the new trading range. We still believe that, but the damage done to the energy industry will not quickly go away.

The Fund's exposure to the energy industry has continued to positively contribute to overall performance as oil prices have continued to climb. Automotive and food industry exposure have hindered the performance of the Fund. Telecommunications industry holdings underperformed earlier this year, but have shown improvement in recent months.

Bancroft Convertible Fund is the oldest closed-end convertible fund. Founded in 1971, the Fund's strategy has remained consistent, as an equity investment that uses convertible securities to reduce risk and volatility. This strategy tends to outperform in bear markets and lag in bull markets. For the ten-year period ended July 31, 2005, Bancroft's net asset value has outperformed the average of the closed-end convertible fund category tracked by Lipper, Inc. and published in the *Lipper Closed-End Performance Analysis*. However, for the quarter, one year and five years ended July 31, 2005, the Fund underperformed the average of the eleven funds in its category. Of the eleven funds in the category, only five, including the Fund, remain unleveraged convertible funds. In addition, many of our competitors have had greater exposure to non-convertible, low-rated, high-yield debt than the Fund has had. We believe these factors contributed to the difference in performance between Bancroft and many of the other funds in the group.

Visit our website, www.bancroftfund.com, for additional information on the Fund. Further, shareholders who wish to obtain 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 17 cents per share. The dividend is payable on September 29, 2005 to shareholders of record on September 15, 2005.



Thomas H. Dinsmore
Chairman of the Board

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Stock Exchange Listing

AMEX - Symbol: BCV



Portfolio of Investments July 31, 2005 (unaudited)

<u>Principal Amount</u>		<u>Value (Note 1)</u>
	CONVERTIBLE BONDS AND NOTES — 51.2%	
	Aerospace and Defense — 1.3%	
\$1,500,000	L-3 Communications Holdings, Inc. 3% 2035 CODES (Ba3) (Acquired 07/27/05 - 07/28/05; Cost \$1,515,938) ^(1,2)	<u>\$1,526,250</u>
	Automotive — 2.3%	
625,000	CSK Auto, Inc. 3.375% 2025 sr. exch. notes (NR) (conv. into CSK Auto Corp. common stock) (Acquired 07/26/05; Cost \$637,500) ⁽²⁾	654,688
4,500,000	Lear Corp. 0% 2022 cv. sr. notes (Ba2)	<u>2,055,938</u>
		<u>2,710,626</u>
	Banking/Savings and Loan — 1.5%	
2,078,000	The Bear Stearns Companies, Inc. 0.25% 2010 medium-term notes (A1) (exch. for Fifth Third Bancorp common stock) ⁽¹⁾	<u>1,813,678</u>
	Consumer Goods — 1.6%	
1,375,000	Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. (Ba2)	<u>1,872,695</u>
	Energy — 5.1%	
1,250,000	OMI Corp. 2.875% 2024 cv. sr. notes (B+)	1,139,063
2,000,000	Oil States International, Inc. 2.375% 2025 contingent cv. sr. notes (NR) (Acquired 06/16/05; Cost \$1,980,000) ⁽²⁾	2,288,750
4,000,000	Weatherford International Ltd. 0% 2020 cv. sr. deb. (Baa1)	<u>2,608,960</u>
		<u>6,036,773</u>
	Entertainment — 2.6%	
3,000,000	The Walt Disney Company 2.125% 2023 cv. sr. notes (Baa1)	<u>3,105,900</u>
	Financial and Insurance — 1.6%	
1,000,000	FTI Consulting, Inc. 3.75% 2012 cv. sr. notes (Ba3) (Acquired 07/29/05; Cost \$1,028,125) ⁽²⁾	1,027,500
1,000,000	Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds (A1) (conv. into Swiss Reinsurance Company common stock) (Acquired 11/15/01 - 12/05/01; Cost \$1,007,750) ⁽²⁾	930,700
		<u>1,958,200</u>
	Health Care — 4.8%	
1,500,000	Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3)	1,750,350
1,750,000	Isolagen, Inc. 3.5% 2024 cv. sub. notes (NR) (Acquired 10/29/04 - 02/17/05; Cost \$1,771,250) ⁽²⁾	1,432,813
1,250,000	Manor Care, Inc. 2.125% 2035 cv. sr. notes (Baa3) (Acquired 07/27/05 - 07/28/05; Cost \$1,268,125) ⁽²⁾	1,271,875
750,000	Mentor Corp. 2.75% 2024 cv. sub. notes (NR)	<u>1,301,250</u>
		<u>5,756,288</u>
	Multi-Industry — 0.8%	
1,000,000	Lehman Brothers Holdings, Inc. 1% 2011 medium-term notes (A1) (performance linked to Cendant Corp. common stock) ⁽¹⁾	<u>950,000</u>
	Office Equipment — 1.4%	
1,750,000	IOS Capital, LLC 5% 2007 cv. sub. notes (Ba3) (exch. for IKON Office Solutions, Inc. common stock) (Acquired 05/08/02 - 06/02/03; Cost \$1,746,250) ⁽²⁾	<u>1,728,125</u>

Portfolio of Investments July 31, 2005 (continued)

Principal Amount		Value (Note 1)
CONVERTIBLE BONDS AND NOTES — (continued)		
Pharmaceuticals — 8.3%		
\$2,000,000	Alza Corp. 0% 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock)	\$ 1,763,400
2,000,000	Amgen, Inc. 0% 2032 LYONs (A2) ⁽¹⁾	1,565,130
550,000	CV Therapeutics, Inc. 3.25% 2013 sr. sub. cv. notes (NR)	685,438
1,500,000	Cephalon, Inc. 2% 2015 cv. sr. sub. notes (B-)	1,558,125
1,250,000	Encysive Pharmaceuticals, Inc. 2.5% 2012 cv. sr. notes (NR)	1,362,500
1,000,000	Ivax Corp. 4.5% 2008 cv. sr. sub. notes (NR)	1,010,000
1,000,000	Teva Pharmaceutical Finance II, LLC series A 0.5% 2024 cv. sr. deb. (BBB) (exch. for ADR representing Teva Pharmaceutical Industries Ltd. common stock)	977,500
1,000,000	Teva Pharmaceutical Finance II, LLC series B 0.25% 2024 cv. sr. deb. (BBB) (exch. for ADR representing Teva Pharmaceutical Industries Ltd. common stock)	991,250
		<u>9,913,343</u>
Retail — 3.3%		
1,250,000	Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes (NR)	1,175,000
1,000,000	Dick's Sporting Goods, Inc. 1.6061% 2024 sr. cv. notes (B)	789,000
2,400,000	The TJX Companies, Inc. 0% 2021 LYONs (Baa1)	1,937,160
		<u>3,901,160</u>
Technology — 9.6%		
1,250,000	Advanced Micro Devices, Inc. 4.75% 2022 cv. sr. deb. (B3) ⁽¹⁾	1,310,938
1,250,000	Agilent Technologies, Inc. 3% 2021 sr. cv. deb. (Ba2) ⁽¹⁾	1,235,938
2,000,000	Citigroup Funding, Inc. 1% 2010 medium-term notes (Aa1) (exch. into cash equivalent of a basket of technology stocks) ⁽¹⁾	1,964,200
2,750,000	International Rectifier Corp. 4.25% 2007 cv. sub. notes (B2)	2,719,063
1,500,000	LSI Logic Corp. 4% 2010 cv. sub. notes (B)	1,582,500
1,500,000	Sybase, Inc. 1.75% 2025 cv. sub. notes (NR) (Acquired 2/15/05 - 04/20/05; Cost \$1,491,557) ⁽²⁾	1,536,045
1,000,000	Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes (B3)	1,002,500
		<u>11,351,184</u>
Telecommunications — 5.4%		
1,000,000	Comverse Technology, Inc. 0% 2023 ZYPS (BB-) ⁽³⁾	1,453,150
1,000,000	Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (B1)	1,080,530
500,000	Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (B1)	565,025
1,250,000	Nortel Networks Corp. 4.25% 2008 cv. sr. notes (B3)	1,175,000
2,000,000	Tekelec, Inc. 2.25% 2008 sr. sub. cv. notes (NR)	2,102,400
		<u>6,376,105</u>
Utilities — 1.6%		
1,500,000	CMS Energy Corp. 2.875% 2024 cv. sr. notes (B1)	1,878,750
		<u>\$60,879,077</u>
TOTAL CONVERTIBLE BONDS AND NOTES		
Shares	CONVERTIBLE PREFERRED STOCKS — 26.7%	
Banking/Savings and Loan — 7.9%		
17,500	Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1) (exch. for Commerce Bancorp, Inc. common stock)	1,129,275
40,000	National Australia Bank Ltd. 7.875% exch. capital units (NR)	1,574,000
45,000	New York Community Bancorp, Inc. 6% BONUSSES units (Baa2)	2,317,500
35,000	Sovereign Capital Trust IV 4.375% PIERS (Ba1) (exch. for Sovereign Bancorp, Inc. common stock) ⁽¹⁾	1,631,875
50,000	Washington Mutual Capital Trust PIERS units (Baa1) (exch. for Washington Mutual, Inc. common stock)	2,700,000
		<u>9,352,650</u>

Portfolio of Investments July 31, 2005 (continued)

Shares		Value (Note 1)
CONVERTIBLE PREFERRED STOCKS — (continued)		
Chemicals — 2.0%		
85,000	Celanese Corp. 4.25% cv. perp. pfd. (NR)	\$ 2,385,950
Energy — 7.9%		
33,000	Chesapeake Energy Corp. 5% cum. cv. pfd. (B-) (Acquired 04/13/05 - 6/30/05; Cost \$3,482,500) ⁽²⁾	4,166,250
13,000	Semco Energy, Inc. 5% series B cv. cum. pfd. (B-) (Acquired 03/09/05 - 07/21/05; Cost \$2,637,904) ⁽²⁾	2,712,938
25,000	The Williams Companies, Inc. 5.5% 2033 jr. sub. cv. deb. (B-)	<u>2,503,125</u>
		9,382,313
Entertainment — 0.8%		
22,500	Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caa1)	<u>973,125</u>
Financial and Insurance — 5.0%		
20	Fannie Mae 5.375% non-cumulative cv. pfd. (Aa3) (Acquired 12/29/04 - 01/11/05; Cost \$2,078,125) ⁽²⁾	1,915,000
20,000	Reinsurance Group of America, Inc. 5.75% PIERS (Baa2)	1,138,438
120,000	The St. Paul Travelers Companies, Inc. 4.5% 2032 cv. jr. sub. notes (Baa1)	<u>2,881,200</u>
		5,934,638
Health Care — 1.5%		
29,000	Omnicare Capital Trust II 4% PIERS (Ba3) (exch. for Omnicare, Inc. common stock) ⁽¹⁾	<u>1,811,775</u>
Mining — 1.6%		
2,000	Freeport-McMoRan Copper and Gold, Inc. 5.5% cv. perpetual pfd. (B-)	<u>1,932,166</u>
	TOTAL CONVERTIBLE PREFERRED STOCKS	<u>\$31,772,617</u>
MANDATORY CONVERTIBLE SECURITIES — 18.1%		
Chemicals — 1.7%		
40,000	Huntsman Corp. 5% mand. cv. pfd. (NR)	<u>1,991,960</u>
Consumer Goods — 1.0%		
30,000	Constellation Brands, Inc. dep. shs. representing 5.75% series A mand. cv. pfd. (B)	<u>1,247,700</u>
Energy — 3.1%		
20,000	Amerada Hess Corp. 7% mand. cv. pfd. ACES (Ba3)	2,020,800
20,000	Valero Energy Corp. 2% mand. cv. pfd. (BB)	<u>1,639,700</u>
		3,660,500
Financial and Insurance — 6.6%		
25,000	The Chubb Corp. 7% 2006 equity units (A2) ⁽¹⁾	809,250
30,000	Merrill Lynch & Co., Inc. 6.75% mand. exch. sec. (Aa3) (exch. for Nuveen Investments, Inc. common stock)	1,110,210
80,000	MetLife, Inc. 6.375% common equity units (BBB+)	2,234,400
42,500	Morgan Stanley, Inc. 5.875% mand. exch. sec. (Aa3) (exch. for Nuveen Investments, Inc. common stock)	1,559,750
40,000	The PMI Group, Inc. 5.875% HITS units (A1) ⁽¹⁾	999,000
45,000	XL Capital, Ltd. 6.5% equity security units (A2)	<u>1,098,000</u>
		<u>7,810,610</u>

Portfolio of Investments July 31, 2005 (continued)

Principal Amount or Shares		Value (Note 1)
MANDATORY CONVERTIBLE SECURITIES — (continued)		
Foods — 1.6%		
40,000 shs	Albertson's, Inc. 7.25% HITS units (Baa2) ⁽¹⁾	\$ 903,600
40,000 shs	Lehman Brothers Holdings, Inc. 6.25% PIES (A1) (exch. for General Mills, Inc. common stock)	1,040,000
		<u>1,943,600</u>
Pharmaceuticals — 3.0%		
20,000 shs	Baxter International, Inc. 7% equity units (Baa1) ⁽¹⁾	1,130,800
45,000 shs	Schering-Plough Corp. 6% mand. cv. pfd. (Baa3)	2,461,500
		<u>3,592,300</u>
Utilities — 1.1%		
50,000 shs	DTE Energy Co. 8.75% equity security units (BBB-) ⁽¹⁾	1,267,500
	TOTAL MANDATORY CONVERTIBLE SECURITIES	<u>\$ 21,514,170</u>
SHORT-TERM SECURITIES — 3.4%		
Commercial Paper — 3.4%		
\$4,000,000	American Express Credit Corp. (P1) (3.18% maturing 08/02/05)	3,997,913
U.S. Government Obligations — 0.0%		
11,000	U.S. Treasury notes 2.25% 04/30/06 (Aaa) ⁽⁴⁾	10,876
	TOTAL SHORT-TERM SECURITIES	<u>\$ 4,008,789</u>
	Total Convertible Bonds and Notes — 51.2%	60,879,077
	Total Convertible Preferred Stocks — 26.7%	31,772,617
	Total Mandatory Convertible Securities — 18.1%	21,514,170
	Total Short-Term Securities — 3.4%	4,008,789
	Total Investments — 99.4%	<u>118,174,653</u>
	Other assets and liabilities, net — 0.6%	658,341
	Total Net Assets — 100.0%	<u>\$118,832,994</u>

(1) Contingent payment debt instrument which accrues contingent interest. See Note 1(b).

(2) Security not registered under the Securities Act of 1933, as amended (e.g., the security was purchased in a Rule 144A transaction). The security may be resold only pursuant to an exemption from registration under the 1933 Act, 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 July 31, 2005 was \$21,190,934 which represented 17.8% of the Fund's net assets.

(3) Non-income producing security.

(4) Collateral for a letter of credit.

ACES	Automatic Convertible Equity Securities.	LYONS	Liquid Yield Option Notes.
ADR	American Depositary Receipts.	PIES	Premium Income Exchangeable Securities.
BONUSES	Bifurcated Option Note Unit Securities.	PIERS	Preferred Income Equity Redeemable Securities.
CODES	Convertible Contingent Debt Securities.	ZYPS	Zero Yield Puttable Securities.
HITS	Hybrid Income Term Security.		

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's.

NR is used whenever a rating is unavailable.

At July 31, 2005: (1) the aggregate cost of investments for Federal income tax purposes was \$111,648,222, (2) aggregate gross unrealized appreciation was \$9,346,529, (3) aggregate gross unrealized depreciation was \$2,820,098, and (4) net unrealized appreciation was \$6,526,431.

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. Unlisted 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. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith by management with the approval of the Board of Directors. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

(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 9 cents per share for the nine months ended July 31, 2005. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At July 31, 2005 there were unrealized losses of approximately 5 cents per share on contingent payment debt instruments.