Bancroft Fund Ltd.

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Third Quarter Update - July 31, 2008 (unaudited)

Financial Highlights

Market price 7/31/08	$16.80
Net asset value (NAV) 7/31/08	$19.41
Market discount to NAV	(13.45)%
12-Month income distribution	$0.80
Yield on market price	4.74%
Ratio of expenses to avg. net assets	1.20%*
Ratio of net income to avg. net assets	3.74%*
Portfolio turnover	35.44%
Shares outstanding	5,189,875

* *Annualized*

Largest Investment Holdings as of 7/31/08

by underlying common stock	% of Net Assets
Prudential Financial, Inc.	3.9
Chesapeake Energy Corp.	3.2
LSB Industries, Inc.	3.1
Freeport-McMoRan Copper & Gold Inc.	2.8
New York Community Bancorp, Inc.	2.6
LSI Corp.	2.5
The Walt Disney Company	2.5
Wyeth	2.5
Oil States International, Inc.	2.4
Companhia Vale do Rio Doce	2.3

Major Industry Exposure as of 7/31/08

	% of Net Assets
Energy	14.4
Pharmaceuticals	11.6
Insurance	7.8
Telecommunications	6.7
Semiconductors	6.0
Banking/Savings and Loan	5.8
Minerals and Mining	5.1
Consumer Goods	5.0
Computer Hardware	4.9
Health Care	4.2

Performance through 7/31/08 *with dividends reinvested*

			Annualized		10 Year
	7 Months	1 Year	5 Years	10 Years	Volatility
Bancroft market price	(10.95)%	(7.42)%	3.32%	4.41%	12.27%
Bancroft net asset value	(7.47)	(4.97)	4.31	5.28	8.35
Merrill Lynch All Convertibles Index	(7.18)	(7.06)	6.14	5.67	13.28
S&P 500	(12.65)	(11.09)	7.01	2.90	14.88
Lehman Aggregate Bond Total Return Index	1.04	6.15	4.55	5.65	3.03

The above data is from Bloomberg L.P. pricing service, with the exception of the Lehman Aggregate Bond Total Return Index taken from Lipper's *Closed-End Fund Performance Analysis*, dated July 31, 2008, 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

	Net Asset Values			Market Prices		
Qtr. Ended	High	Low	Close	High	Low	Close
10/31/07	$24.35	$22.47	$24.35	$21.80	$18.88	$21.35
1/31/08	24.17	19.95	20.53	21.52	18.12	18.85
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

Total Fund Investments as of 7/31/08

	(000's)	% of Net Assets
Convertible Bonds and Notes	$ 57,238	56.8
Corporate Bonds and Notes	1,050	1.0
Convertible Preferred Stocks	11,134	11.1
Mandatory Convertible Securities	24,577	24.4
Common Stock	10	—
Other Assets	6,751	6.7
Net Assets	$100,760	100.0%

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
9/13/07	9/27/07	$0.210	—	$0.210
11/29/07	12/26/07	0.166	$2.009	2.175
3/14/08	3/28/08	0.210	—	0.210
6/12/08	6/26/08	0.210	—	0.210
		$0.796	$2.009	$2.805

The portfolio holdings and industry exposure are as of July 31, 2008 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:

The theme is de-leveraging: capital is no longer as readily available, even to good credits, as it was last year. As lenders make less credit available and the capital markets are not welcoming new issues of common stock, many companies in need of funds are considering the convertible market. Earlier this year there was a burst of new issue activity as many financial sector companies such as banks, brokerage firms and insurance companies took advantage of the convertible market. In many instances these issues have not worked out as well as hoped, but some may represent significant value.

During the last year the convertible market has acted differently than at any time that I can remember during my career. New issue convertible securities have usually outperformed the overall convertible market during the months immediately following issuance. Usually when a company in need of capital successfully raises that capital through a convertible offering, the performance of the common stock improves as investors are reassured that the company's capital structure has improved. This year, that sense of reassurance does not appear to be flowing through to common investors as many of the common stocks underlying newly issued convertibles have simply continued to falter. According to Merrill Lynch, newly issued convertibles fell over 19% while the Merrill Lynch All Convertibles Index fell 7.5%.

A substantial portion of recent issues of convertibles have been in the form of preferred shares issued by companies in the financial sector. Some of these were issued with dividends yielding well in excess of 7%, which is well above the average yield of the Merrill Lynch All Convertibles Index. If the issuers survive, the total returns may also be above average. Unfortunately a credit crisis such as the current one makes gauging survival tougher than is normally the case.

In our opinion the financial markets will work through these problems but it will take the credit markets years to return to some semblance of normality. During this time there may be more surprise insolvencies so, while we believe that the Lehman bankruptcy may mark the beginning of the end of the decline, it may not seem so for some time. Because convertibles usually have seniority and yield advantage over the underlying equity they have often been an appropriate approach to making equity investments in troubled environments.

The Fund's performance in the quarter ended July 31, 2008 was enhanced by its exposure to the energy, entertainment and health care industries. Among the better performing issues in the portfolio were McMoRan Exploration and Oil States International, both included in the energy industry. Performance was held back by exposure to the metals and mining, and telecommunications industries.

As indicated in the Performance chart of this Third Quarter Update, the Fund's NAV, after adjustment for fund expenses (the Merrill Lynch All Convertibles Index includes no expenses) and for the Fund's fiscal 2004 rights offering and recent tender offer, outperformed over the one- and ten-year periods while underperforming such Index for the five-year period. In addition, for the ten-year period, the Fund's NAV and market price volatility, 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, and thus the Fund's excellent results were achieved with less risk than that implied by the Index. This measure of historic results may not reflect future performance, but we believe that it is informative.

At its meeting, the Board of Trustees declared a dividend of twenty-one cents per share. This dividend consists of undistributed net investment income and will be payable on September 25, 2008 to shareholders of record on September 11, 2008.

Thomas H. Dinsmore
Chairman of the Board
September 12, 2008

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Stock Exchange Listing
AMEX - Symbol: BCV

Portfolio of Investments July 31, 2008 (unaudited)

	Principal Amount	Value (Note 1)
CONVERTIBLE BONDS AND NOTES — 56.8%		
Aerospace and Defense — 1.2%		
Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1)	$1,000,000	$ 1,190,000
Computer Hardware — 4.9%		
Credit Suisse, New York Branch 12.90%, due 2008 equity-linked notes (AA1) (exchangeable for Corning Inc. common stock)	2,000,000	1,703,200
EMC Corp. 1.75%, due 2011 cv. sr. notes (A-)	1,000,000	1,152,500
EMC Corp. 1.75%, due 2013 cv. sr. notes (A-)	1,000,000	1,157,500
Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR)	1,000,000	931,250
		4,944,450
Computer Software — 3.2%		
Blackboard Inc. 3.25%, due 2027 cv. sr. notes (B+)	1,000,000	985,000
GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR)	1,000,000	788,750
Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (B3) (performance linked to Microsoft Corp. common stock) (1)	1,500,000	1,465,650
		3,239,400
Consumer Goods — 2.4%		
Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR)	1,000,000	1,052,500
Church & Dwight Co., Inc. 5.25%, due 2033 cv. sr. deb. (Ba2)	750,000	1,331,250
		2,383,750
Energy — 5.1%		
Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) (1)	1,500,000	1,655,625
Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR)	1,325,000	2,433,031
Trina Solar Ltd. 4%, due 2013 cv. sr. notes (NR)	1,000,000	1,003,750
		5,092,406
Financial Services — 1.6%		
Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) (1)	2,000,000	1,605,000
Foods — 1.6%		
The Great Atlantic & Pacific Tea Company, Inc. 5.125%, due 2011 cv. sr. notes (Caa1)	500,000	416,875
The Great Atlantic & Pacific Tea Company, Inc. 6.75%, due 2012 cv. sr. notes (Caa1)	1,500,000	1,215,000
		1,631,875
Health Care — 4.2%		
Kinetic Concepts, Inc. 3.25%, due 2015 cv. sr. notes (B+) (Acquired 04/16/08; Cost $1,500,000) (2)	1,500,000	1,428,750
Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B3) (1)	900,000	677,250
SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR)	1,000,000	1,108,750
St. Jude Medical, Inc. 1.22%, due 2008 cv. sr. deb. (A-)	1,000,000	1,018,750
		4,233,500
Insurance — 3.9%		
Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3)	3,000,000	2,949,000
Prudential Financial, Inc. floating rate, due 2037 cv. sr. notes (A3) (Acquired 12/07/07; Cost $988,750) (2)	1,000,000	950,000
		3,899,000
Media and Entertainment — 0.9%		
Virgin Media Inc. 6.5%, due 2016 cv. sr. notes (B-R)	1,000,000	911,250

Portfolio of Investments July 31, 2008 (continued)

	Principal Amount	Value (Note 1)
CONVERTIBLE BONDS AND NOTES — continued		
Multi-Industry — 3.4%		
Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR) (exchangeable for Verenium Corp. common stock)	$ 750,000	$ 289,688
LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR) (Acquired 06/28/07; Cost $3,000,000) (2)	3,000,000	3,116,250
		3,405,938
Pharmaceuticals — 8.9%		
Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1) (exchangeable for Johnson & Johnson common stock)	2,000,000	1,912,500
Bristol-Myers Squibb Co. floating rate, due 2023 cv. sr. deb. (A2)	2,000,000	2,002,000
Mylan Inc. 1.25%, due 2012 sr. cv. notes (B+)	1,000,000	851,250
Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR)	1,500,000	1,659,375
Wyeth floating rate, due 2024 cv. sr. deb. (A3)	2,500,000	2,507,750
		8,932,875
Real Estate — 1.7%		
ProLogis 2.25%, due 2037 cv. sr. notes (BBB+) (Acquired 03/20/07 - 05/16/08; Cost $2,000,163) (2)	2,000,000	1,755,000
Semiconductors — 6.0%		
Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (BB) (exchangeable for LSI Corp.)	2,500,000	2,553,125
Cypress Semiconductor Corp. 1%, due 2009 cv. sr. notes (NR)	1,250,000	1,562,500
Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) (1)	2,000,000	1,947,500
		6,063,125
Telecommunications — 6.4%		
ADC Telecommunications Inc. 3.50%, due 2015 cv. sub. notes (NR)	500,000	397,500
ADC Telecommunications Inc. 3.50%, due 2017 cv. sub. notes (NR)	1,000,000	752,500
Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-)	1,000,000	1,207,500
Equinix, Inc. 2.5%, due 2012 cv. sub. notes (CCC+)	2,000,000	1,950,000
General Cable Corp. 1%, due 2012 sr. cv. notes (B1)	1,500,000	1,449,375
SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR)	1,000,000	733,750
		6,490,625
Transportation — 0.7%		
ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR)	900,000	679,500
Travel and Leisure — 0.8%		
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	780,000
TOTAL CONVERTIBLE BONDS AND NOTES		57,237,694
CORPORATE BONDS AND NOTES — 1.0%		
Retail — 1.0%		
Amerivon Holdings LLC 4%, due 2010 units (NR) (Acquired 06/01/07; Cost $1,500,000) (2,3)	1,500,000	1,050,000

Portfolio of Investments July 31, 2008 (continued)

	Shares	Value (Note 1)
CONVERTIBLE PREFERRED STOCKS — 11.1%		
Aerospace and Defense — 0.3%		
Applied Energetics, Inc. 6.5% series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost $1,000,000) (2)	40,000	$ 310,000
Banking/Savings and Loan — 5.8%		
New York Community Bancorp, Inc. 6% BONUSES units (Baa1)	59,179	2,633,466
Sovereign Capital Trust IV 4.375% PIERS (Baa2) (exchangeable for Sovereign Bancorp, Inc. common stock) (1)	14,000	400,750
UCBH Holdings, Inc. 8.5% perpetual cv. pfd (BBB-)	500	562,500
Wachovia Corp. 7.5% series L perpetual cv. pfd (A3)	500	437,725
Webster Financial Corp. 8.5% perpetual cv. pfd (BB+)	2,000	1,822,500
		5,856,941
Chemicals — 1.5%		
Celanese Corp. 4.25% cv. perpetual pfd. (NR)	30,000	1,488,600
Energy — 3.2%		
Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+)	25,000	3,200,000
Telecommunications — 0.3%		
Medis Technologies Ltd. 7.25% series A cum. cv. perpetual pfd. (NR)	100	278,775
TOTAL CONVERTIBLE PREFERRED STOCKS		11,134,316
MANDATORY CONVERTIBLE SECURITIES — 24.4% (4)		
Consumer Goods — 2.7%		
Avery Dennison Corp. 7.875%, due 11/15/10 mandatory cv. pfd. (BBB-)	30,000	1,320,000
The Stanley Works floating rate, due 05/17/12 equity units (A2)	1,750	1,382,938
		2,702,938
Energy — 6.2%		
Bristow Group Inc. 5.5%, due 09/15/09 mandatory cv. pfd. (B)	20,000	1,139,000
McMoRan Exploration Co. 6.75%, due 11/15/10 mandatory cv. pfd. (NR)	10,000	1,795,000
Merrill Lynch & Co., Inc. 5.4%, due 09/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock)	2,000	1,755,890
NATIXIS Financial Products Inc. 12.10%, due 04/09/09 mandatory trigger exchangeable notes (NR) (exchangeable for Nabors Industries, Inc. common stock) (Acquired 07/03/08; Cost $1,917,270) (2)	39,450	1,573,246
		6,263,136
Foods — 1.2%		
Lehman Brothers Holdings Inc. 6%, due 10/12/10 PIES (B3) (exchangeable for General Mills, Inc. common stock)	50,000	1,239,000
Insurance — 3.9%		
Alleghany Corp. 5.75%, due 06/15/09 mandatory cv. pfd. (BB)	4,000	1,182,439
Citigroup Funding Inc. variable rate, due 09/27/08 exchangeable notes (Aa3) (exchangeable for Genworth Financial, Inc. common stock)	75,000	1,235,250
MetLife, Inc. 6.375%, due 08/15/08 common equity units (BBB+)	40,000	1,007,200
XL Capital Ltd. 7%, due 02/15/09 equity security units (Baa1)	72,500	553,900
		3,978,789

Portfolio of Investments July 31, 2008 (continued)

	Shares	Value (Note 1)
MANDATORY CONVERTIBLE SECURITIES — continued		
Media and Entertainment — 2.5%		
Deutsche Bank AG 4.9%, due 04/28/09 mandatory exchangeable notes (NR) (exchangeable for The Walt Disney Company common stock)	82,500	$ 2,484,900
Minerals and Mining — 5.1%		
Freeport-McMoRan Copper & Gold Inc. 6.75%, due 05/01/10 mandatory cv. pfd. (BB)	20,000	2,804,600
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	1,743,750
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	596,250
		5,144,600
Pharmaceuticals — 2.7%		
Mylan Inc. 6.5%, due 11/15/10 mandatory cv. pfd. (B-)	1,000	900,700
Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3)	9,500	1,863,425
		2,764,125
TOTAL MANDATORY CONVERTIBLE SECURITIES (4)		24,577,488
COMMON STOCKS — 0.0%		
Aerospace and Defense — 0.0%		
Applied Energetics, Inc.	7,724	10,041

Total Convertible Bonds and Notes — 56.8%	$ 57,237,694
Total Corporate Bonds and Notes — 1.0%	1,050,000
Total Convertible Preferred Stocks — 11.1%	11,134,316
Total Mandatory Convertible Securities — 24.4%	24,577,488
Total Common Stocks — 0.0%	10,041
Total Investments — 93.3%	94,009,539
Other assets and liabilities, net — 6.7%	6,750,605
Total Net Assets — 100.0%	$100,760,144

(1) Contingent payment debt instrument which accrues contingent interest. See Note 2.
(2) Security not registered under the Securities Act of 1933, as amended (i.e., 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 these securities. The aggregate market value of these securities at July 31, 2008 was $10,963,246 which represented 10.9% of the Fund's net assets.
(3) Investment is a restricted security, 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 by realized in the near term, and the difference could be material. The fair value of this securitiy represented 1.0% of the Fund's net assets.
(4) 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.

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 Income 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)

	% of Portfolio
Aa	8
A	18
Baa	16
Ba	3
B	20
Caa	4
NR	31

See accompanying notes to financial statements

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 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 an 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.

At July 31, 2008 unrealized appreciation (depreciation) of investment securities on a tax basis were as follows:

Unrealized appreciation	$ 6,069,355
Unrealized depreciation	(12,182,224)
Net unrealized appreciation	(6,112,869)
Cost for federal income tax purposes	$100,122,408