

# BANCROFT FUND LTD.



2008 Annual Report  
October 31, 2008

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Bancroft Fund Ltd. 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 October 31, 2008** *with dividends reinvested*

	Calendar	Annualized		10 Year
	YTD	1 Year	5 Years	10 Years
Bancroft market price .....	(39.32)%	(38.72)%	(4.33)%	0.78%
Bancroft net asset value .....	(35.57)	(37.50)	(2.94)	1.33
Merrill Lynch All Convertibles Index .....	(35.21)	(38.50)	(2.39)	2.73
S&P 500 Index .....	(32.84)	(36.10)	0.26	0.40
Lehman Aggregate Bond Total Return Index ..	(1.74)	0.30	3.48	5.00

All data in the table above is from Bloomberg L.P. pricing service, except Lehman Aggregate Bond Total Return Index, which is from Lipper, Inc. *Closed-End Fund Performance Analysis*, dated October 31, 2008.

Bancroft's performance in the table above has not been adjusted for the fiscal 2004 rights offering (net asset value dilution was 2.38%), or the tender offer which expired earlier this year (the anti-dilutive effect was 0.85%). Performance data represent past results and do not reflect future performance.

\* Volatility is a measure of risk based on the standard deviation of the return. The greater the volatility, the greater the chance of a profit or risk of a loss.

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

Qtr. Ended	Net Asset Values			Market Prices (AMEX, symbol BCV)		
	High	Low	Close	High	Low	Close
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
10/31/08	19.62	12.42	13.37	16.81	9.26	11.30

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

Record Date	Payment Date	Income	Capital Gains	Total	Corporate Deduction *
11/29/07	12/26/07	\$0.166	\$2.009	\$2.175	16%
3/14/08	3/28/08	0.210	—	0.210	24
6/12/08	6/26/08	0.210	—	0.210	24
9/11/08	9/25/08	0.210	—	0.210	24
		<u>\$0.796</u>	<u>\$2.009</u>	<u>\$2.805</u>	

\* Percentage of each ordinary income distribution qualifying for the corporate dividend received tax deduction.

# To Our Shareholders

December 12, 2008

Much has happened since our last shareholder letter was written. The cascading bear market of 2008 is among the worst bear markets of my lifetime and is the worst of my career. From its high in October 2007 the Standard & Poor's 500 Index fell over 50% by November 20, 2008. This decline is similar to the one seen in the 1973-1974 bear market which was followed by an 80% bull market in 1975-1976. We do not expect that kind of recovery immediately following the bottom of this market.

Performance of all types of securities was hurt in this downturn, but convertible securities did not perform as expected. According to Merrill Lynch, although convertible securities usually do outperform their underlying common stocks, convertible securities as an asset class underperformed the broad equity indices. This unexpected result appears to be due to excessive hedge fund liquidations of convertibles and because of the disproportionate presence of financial issuers in the convertible universe.

Although recent market events have been volatile and sometimes terrifying, there are some reasons for optimism. Bancroft does not use leverage so it does not have that risk added to the current volatility of the market. Convertible securities appear to be undervalued relative to their underlying shares and by many historical measures. Merrill Lynch's convertible valuation model has shown these securities to be at their cheapest levels since 1995. Because of this apparent cheapness, we have been able to add convertible securities to the Fund that have historically high yields with puts or short maturities that we expect will help protect against further erosion of their prices.

The economy is likely to see substantial weakness in housing, jobs, and consumption for much of 2009. Declining economic activity is likely to continue into the summer, if not longer. Before a bottom can be found, the commercial credit markets must be stabilized and begin to function reliably again.

Performance for the Fund's fiscal year was enhanced by its exposure to the Consumer Goods and Health Care industries. Performance was hurt by its exposure to the Financial Sector and the Metals and Mining industries.

The Fund's net asset value (NAV), with dividends reinvested, after adjustment for fund expenses (the Index includes no expenses), and for the Fund's fiscal 2004 rights offer and the February 2008 tender offer (see Note 3 on page 14), outperformed the Merrill Lynch All Convertibles Index (the "Index") over the calendar year-to-date and one-year periods, and was in-line for the five- and ten-year periods ended October 31, 2008. For the calendar year-to-date, one-, five- and ten-year periods, Bancroft's market return underperformed the Index. For the ten-year period, the Fund's market volatility, as measured by standard deviation, was 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. This measure of historic results may not reflect future performance but we believe it is informative. The Fund has sought to provide total returns to shareholders that compare favorably to those provided by the equity markets, but with less volatility.

*continued on the following page*

## To Our Shareholders (continued)

At its November 17, 2008 meeting, the Board of Trustees declared a distribution of \$0.19 per share, consisting of undistributed net investment income. The distribution is payable on December 29, 2008 to shareholders of record on November 28, 2008.

The 2009 annual meeting of shareholders will be held on February 13, 2009. Time and location will be included in the proxy statement, scheduled to be mailed to shareholders on December 29, 2008. All shareholders are welcome to attend; we hope to see you there.



Thomas H. Dinsmore  
Chairman of the Board

## Major Portfolio Changes by underlying common stock Six months ended October 31, 2008

### **ADDITIONS**

Bank of America  
Corning  
General Electric  
The Great Atlantic & Pacific Tea Company  
Kinetic Concepts  
Nabors Industries  
Prudential Financial  
St. Jude Medical  
Walt Disney  
Webster Financial

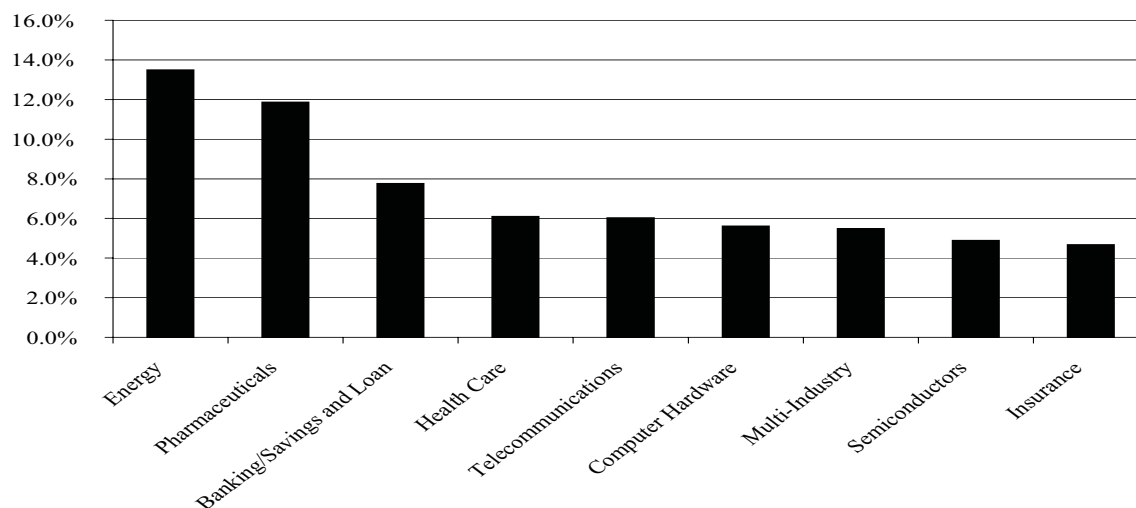
### **REDUCTIONS**

Archer Daniels Midland  
Bristol-Myers Squibb  
Church & Dwight  
Corning  
Cypress Semiconductor  
MetLife  
Nabors Industries  
Prudential Financial  
St. Jude Medical  
Walt Disney

## Largest Investment Holdings by underlying common stock

	Value (Note 1)	% Total Net Assets
Wyeth . . . . .	\$ 2,884,500	4.2 %
<p>Wyeth is engaged in the discovery, development, manufacture, distribution and sale of a line of products in three primary businesses: Pharmaceuticals, Consumer Healthcare and Animal Health. Pharmaceuticals includes branded human ethical pharmaceuticals, biotechnology products, vaccines and nutrition products.</p>		
New York Community Bancorp . . . . .	2,307,981	3.3
<p>New York Community Bancorp is a multi-bank holding company that offers a full range of traditional and non-traditional products and services.</p>		
LSB Industries . . . . .	2,235,000	3.2
<p>LSB manufactures and sells chemical products for the mining, agricultural and industrial markets. The company also manufactures and sells commercial and residential climate control products.</p>		
The Walt Disney Company . . . . .	2,128,088	3.1
<p>Disney, an entertainment company, has operations that include media networks, studio entertainment, theme parks and resorts, consumer products, and Internet and direct marketing.</p>		
Prudential Financial . . . . .	1,953,800	2.8
<p>Prudential provides financial services worldwide, offering a variety of products and services including life insurance, mutual funds, annuities, asset management and real estate brokerage.</p>		
EMC . . . . .	1,866,250	2.7
<p>With its subsidiaries, EMC develops, delivers and supports the information technology (IT) industry's range of information infrastructure technologies and solutions.</p>		
Johnson & Johnson . . . . .	1,715,000	2.5
<p>With more than 250 operating companies, Johnson &amp; Johnson is engaged in the research and development, manufacture and sale of a range of products in the healthcare field, operating in three segments: Consumer, Pharmaceutical, and Medical Devices and Diagnostics.</p>		
Teva Pharmaceutical Industries Ltd. . . . .	1,573,125	2.3
<p>Develops, produces and markets generic drugs covering all major treatment categories. The company operates 36 pharmaceutical manufacturing sites in 16 countries, 17 generic R&amp;D centers operating mostly within certain manufacturing sites and 18 API manufacturing sites globally.</p>		
Nabors Industries, Inc. . . . .	1,471,750	2.1
<p>A land drilling contractor, Nabors also performs well-servicing and workovers. The company conducts oil, gas and geothermal land drilling operations.</p>		
Chesapeake Energy . . . . .	1,416,552	2.0
<p>A producer of oil and natural gas, the company's operations are focused on developmental drilling and producing property acquisitions in onshore natural gas producing areas of the United States and Canada.</p>		
Total . . . . .	<u>\$19,552,046</u>	<u>28.2%</u>

## Major Industry Exposure



## Diversification of Assets

	Cost	Value (Note 1)	% Total Net Assets October 31,	
			2008	2007
Aerospace and Defense . . . . .	\$ 2,021,763	\$ 1,248,525	1.8%	3.8%
Agriculture . . . . .	—	—	—	1.4
Banking/Savings and Loan . . . . .	7,574,998	5,379,481	7.8	6.1
Chemicals . . . . .	1,160,525	746,000	1.1	2.8
Computer Hardware . . . . .	5,054,133	3,885,850	5.6	5.3
Computer Software . . . . .	4,630,285	2,135,625	3.1	3.0
Consumer Goods . . . . .	4,337,007	3,218,213	4.6	3.7
Energy . . . . .	14,032,705	9,358,408	13.5	14.3
Financial Services . . . . .	2,514,909	1,427,500	2.1	2.3
Foods . . . . .	4,591,580	2,527,188	3.6	1.7
Health Care . . . . .	6,499,175	4,219,375	6.1	4.2
Insurance . . . . .	4,707,811	3,231,467	4.7	7.6
Media and Entertainment . . . . .	3,496,542	2,653,088	3.8	3.6
Minerals and Mining . . . . .	4,686,448	2,442,600	3.5	5.8
Multi-Industry . . . . .	5,750,130	3,798,877	5.5	2.9
Pharmaceuticals . . . . .	9,793,524	8,221,785	11.8	10.2
Real Estate . . . . .	2,000,622	920,000	1.3	0.8
Retail . . . . .	2,936,140	1,863,750	2.7	1.9
Semiconductors . . . . .	4,085,541	3,383,863	4.9	6.5
Telecommunications . . . . .	7,973,569	4,178,407	6.0	4.6
Transportation . . . . .	772,885	516,000	0.7	1.4
Travel and Leisure . . . . .	1,022,546	527,500	0.8	0.8
Short-Term Securities . . . . .	—	—	—	3.7
<b>Total Investments</b> . . . . .	<u>\$99,642,838</u>	<u>65,883,502</u>	<u>95.0</u>	<u>98.4</u>
Other Assets, Net of Liabilities . . . . .		<u>3,520,457</u>	<u>5.0</u>	<u>1.6</u>
<b>Total Net Assets</b> . . . . .		<u>\$69,403,959</u>	<u>100.0%</u>	<u>100.0%</u>

# Portfolio of Investments October 31, 2008

	Principal Amount	Identified Cost	Value (Note 1)
<b>CONVERTIBLE BONDS AND NOTES — 62.5%</b>			
<b>Aerospace and Defense — 1.4%</b>			
Alliant Techsystems Inc. 2.75%, due 2011 cv. sr. sub. notes (B1) . . . . .	\$1,000,000	\$1,005,513	\$ 982,500
<b>Computer Hardware — 5.6%</b>			
Credit Suisse, New York Branch 12.90%, due 2008 equity-linked notes (NR) (exchangeable for Corning Inc. common stock) . . . . .			
	2,000,000	2,000,000	1,284,600
EMC Corp. 1.75%, due 2011 cv. sr. notes (A-) . . . . .	1,000,000	1,029,719	957,500
EMC Corp. 1.75%, due 2013 cv. sr. notes (A-) . . . . .	1,000,000	1,024,414	908,750
Richardson Electronics, Ltd. 8%, due 2011 cv. sr. sub. notes (NR) . . . . .	1,000,000	1,000,000	735,000
		<u>5,054,133</u>	<u>3,885,850</u>
<b>Computer Software — 3.1%</b>			
Blackboard Inc. 3.25%, due 2027 cv. sr. notes (B+) . . . . .	2,000,000	1,980,461	1,310,000
GSI Commerce, Inc. 2.5%, due 2027 cv. sr. notes (NR) . . . . .	1,000,000	1,001,538	696,250
Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (B3) (performance linked to Microsoft Corp. common stock) (3) . . . . .	1,500,000	1,648,286	129,375
		<u>4,630,285</u>	<u>2,135,625</u>
<b>Consumer Goods — 1.5%</b>			
Chattem, Inc. 1.625%, due 2014 cv. sr. notes (NR) . . . . .	1,000,000	1,019,159	1,090,000
<b>Energy — 7.2%</b>			
Chesapeake Energy Corp. 2.75%, due 2035 contingent cv. sr. notes (BB-)(1)	800,000	596,000	596,000
Covanta Holding Corp. 1%, due 2027 sr. cv. deb. (B1) (1) . . . . .	1,500,000	1,695,326	1,246,875
Nabors Industries, Inc. 0.94%, due 2011 sr. exchangeable notes (BBB+)	1,000,000	774,188	792,500
Oil States International, Inc. 2.375%, due 2025 contingent cv. sr. notes (NR) . . . . .	1,325,000	1,542,887	1,215,688
SunPower Corp. 1.25%, due 2027 sr. cv. deb. (NR) . . . . .	750,000	966,149	509,063
Trina Solar Ltd. 4%, due 2013 cv. sr. notes (NR) . . . . .	1,000,000	1,000,000	630,000
		<u>6,574,550</u>	<u>4,990,126</u>
<b>Financial Services — 2.1%</b>			
Euronet Worldwide, Inc. 3.50%, due 2025 cv. deb. (B+) (1) . . . . .	2,000,000	2,514,909	1,427,500
<b>Foods — 3.5%</b>			
Central European Distribution Corp. 3%, due 2013 cv. sr. notes (B-) . . . . .	500,000	349,830	293,125
The Great Atlantic & Pacific Tea Company, Inc. 5.125%, due 2011 cv. sr. notes (Caa1) . . . . .	500,000	500,000	346,875
The Great Atlantic & Pacific Tea Company, Inc. 6.75%, due 2012 cv. sr. notes (Caa1) . . . . .	1,500,000	1,500,000	1,003,125
Tyson Foods, Inc. 3.25%, due 2013 cv. sr. notes (BB) . . . . .	1,000,000	991,750	776,250
		<u>3,341,580</u>	<u>2,419,375</u>
<b>Health Care — 6.1%</b>			
China Medical Technologies, Inc. 4%, due 2013 cv. sr. sub. notes (NR) . . . . .	1,500,000	1,500,000	793,125
Kinetic Concepts, Inc. 3.25%, due 2015 cv. sr. notes (B+) (Acquired 04/16/08 and 08/04/08; Cost \$1,966,222) (2) . . . . .	2,000,000	1,966,222	1,227,500
Omnicare, Inc. 3.25%, due 2035 cv. sr. deb. (B3) (1) . . . . .	900,000	1,019,382	438,750
SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR) . . . . .	1,000,000	1,013,133	770,000
St. Jude Medical, Inc. 1.22%, due 2008 cv. sr. deb. (A-) . . . . .	1,000,000	1,000,438	990,000
		<u>6,499,175</u>	<u>4,219,375</u>
<b>Insurance — 2.8%</b>			
Prudential Financial, Inc. floating rate, due 2036 cv. sr. notes (A3) . . . . .	2,000,000	2,006,308	1,953,800
<b>Media and Entertainment — 0.8%</b>			
Virgin Media Inc. 6.5%, due 2016 cv. sr. notes (B-) (Acquired 04/10/08 and 04/11/08; Cost \$995,241) (2) . . . . .	1,000,000	995,241	525,000

# Portfolio of Investments October 31, 2008 (continued)

	Principal Amount	Identified Cost	Value (Note 1)
<b>CONVERTIBLE BONDS AND NOTES — continued</b>			
<b>Multi-Industry — 3.4%</b>			
Diversa Corp. 5.5%, due 2027 cv. sr. notes (NR) (exchangeable for Verenum Corp. common stock) .....	\$ 750,000	\$ 750,000	\$ 143,434
LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR) .....	3,000,000	3,000,000	2,235,000
		<u>3,750,000</u>	<u>2,378,434</u>
<b>Pharmaceuticals — 10.0%</b>			
Alza Corp. 0%, due 2020 cv. sub. deb. (Aa1) (exchangeable for Johnson & Johnson common stock) .....	2,000,000	1,789,300	1,715,000
Mylan Inc. 3.75%, due 2015 cash cv. notes (B+) (Acquired 09/16/08; Cost \$992,115) (2) .....	1,000,000	992,115	768,750
Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (Baa2) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR) .....	1,500,000	1,488,467	1,573,125
Wyeth floating rate, due 2024 cv. sr. deb. (A3) .....	3,000,000	3,148,642	2,884,500
		<u>7,418,524</u>	<u>6,941,375</u>
<b>Real Estate — 1.3%</b>			
ProLogis 2.25%, due 2037 cv. sr. notes (BBB+) (Acquired 03/20/07 - 05/16/08; Cost \$ 2,000,622) (2) .....	2,000,000	2,000,622	920,000
<b>Retail — 1.5%</b>			
RadioShack Corp. 2.5%, due 2013 cv. sr. notes (BB) (Acquired 08/13/08; Cost \$1,436,140) (2) .....	1,500,000	1,436,140	1,038,750
<b>Semiconductors — 4.9%</b>			
Agere Systems Inc. 6.5%, due 2009 cv. sub. notes (BB) (exchangeable for LSI Corp.) .....	1,500,000	1,526,648	1,447,500
Cypress Semiconductor Corp. 1%, due 2009 cv. sr. notes (NR) .....	502,000	473,690	498,863
Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) (1) .....	2,000,000	2,085,203	1,437,500
		<u>4,085,541</u>	<u>3,383,863</u>
<b>Telecommunications — 5.8%</b>			
ADC Telecommunications Inc. 3.50%, due 2015 cv. sub. notes (NR) ..	500,000	500,000	295,000
ADC Telecommunications Inc. 3.50%, due 2017 cv. sub. notes (NR) ..	1,000,000	1,000,000	562,500
Anixter International Inc. 1%, due 2013 sr. cv. notes (BB-) .....	750,000	798,063	498,750
Equinix, Inc. 2.5%, due 2012 cv. sub. notes (B-) .....	2,000,000	2,165,269	1,432,500
General Cable Corp. 1%, due 2012 sr. cv. notes (B1) .....	1,500,000	1,504,515	761,250
SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR) .....	1,000,000	1,005,722	461,250
		<u>6,973,569</u>	<u>4,011,250</u>
<b>Transportation — 0.7%</b>			
ExpressJet Holdings, Inc. 4.25%, due 2023 cv. notes (NR) .....	800,000	772,885	516,000
<b>Travel and Leisure — 0.8%</b>			
Morgans Hotel Group 2.375%, due 2014 sr. sub. cv. notes (NR) (Acquired 10/11/07 and 10/12/07; Cost \$1,022,546) (2) .....	1,000,000	1,022,546	527,500
<b>TOTAL CONVERTIBLE BONDS AND NOTES</b> .....		<u>\$61,100,680</u>	<u>\$43,346,323</u>
<b>CORPORATE BONDS AND NOTES — 1.2%</b>			
<b>Retail — 1.2%</b>			
Amerivon Holdings LLC 4% units containing cv. promissory note due 2010 and warrants expiring 2010 (NR) (Acquired 06/01/07; Cost \$1,500,000) (2,3,4) .....		<u>\$ 1,500,000</u>	<u>\$ 825,000</u>

# Portfolio of Investments October 31, 2008 (continued)

	Shares	Identified Cost	Value (Note 1)
<b>CONVERTIBLE PREFERRED STOCKS — 11.3%</b>			
<b>Aerospace and Defense — 0.4%</b>			
Applied Energetics, Inc. 6.5% series A redeemable cv. pfd. (NR) (Acquired 10/27/05; Cost \$1,000,000) (2,4) . . . . .	40,000	\$ 1,000,000	\$ 260,000
<b>Banking/Savings and Loan — 7.8%</b>			
Bank of America Corp. 7.25% series L non-cum. perpetual cv. pfd. (A1)	1,500	1,691,350	1,400,000
New York Community Bancorp, Inc. 6% BONUSES units (Baa1) . . . .	59,179	2,992,817	2,307,981
Sovereign Capital Trust IV 4.375% PIERS (Baa3) (exchangeable for Sovereign Bancorp, Inc. common stock) (1) . . . . .	14,000	890,831	224,000
Webster Financial Corp. 8.5% perpetual cv. pfd (BB+) . . . . .	2,000	2,000,000	1,447,500
		<u>7,574,998</u>	<u>5,379,481</u>
<b>Chemicals — 1.1%</b>			
Celanese Corp. 4.25% cv. perpetual pfd. (NR) . . . . .	40,000	1,160,525	746,000
<b>Energy — 1.3%</b>			
Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B+) . . . . .	14,850	1,503,135	920,552
<b>Minerals and Mining -- 0.5%</b>			
Freeport-McMoRan Copper & Gold Inc. 5.5% cv. perpetual pfd. (BB) .	500	476,073	335,750
<b>Telecommunications — 0.2%</b>			
Medis Technologies Ltd. 7.25% series A cum. cv. perpetual pfd. (NR) .	100	1,000,000	167,157
<b>TOTAL CONVERTIBLE PREFERRED STOCKS</b> . . . . .		<u>\$12,714,731</u>	<u>\$ 7,808,940</u>
<b>MANDATORY CONVERTIBLE SECURITIES — 20.0% (5)</b>			
<b>Consumer Goods — 3.1%</b>			
Avery Dennison Corp. 7.875%, due 11/15/10 mandatory cv. pfd. (BBB-)	30,000	\$ 1,524,075	\$ 1,020,900
The Stanley Works floating rate equity units, due 05/17/12 (A2) . . . . .	1,750	1,793,773	1,107,313
		<u>3,317,848</u>	<u>2,128,213</u>
<b>Energy — 5.0%</b>			
Bristow Group Inc. 5.5%, due 09/15/09 mandatory cv. pfd. (B) . . . . .	20,000	1,027,500	650,000
McMoRan Exploration Co. 6.75%, due 11/15/10 mandatory cv. pfd. (NR)	10,000	1,010,250	1,007,500
Merrill Lynch & Co., Inc. 5.4%, due 09/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock) . . . . .	2,000	2,000,000	1,110,980
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	1,917,270	679,250
		<u>5,955,020</u>	<u>3,447,730</u>
<b>Foods — 0.2%</b>			
Lehman Brothers Holdings Inc. 6%, due 10/12/10 PIES (B3) (exchangeable for General Mills, Inc. common stock) (3) . . . . .	50,000	1,250,000	107,813
<b>Insurance — 1.8%</b>			
Alleghany Corp. 5.75%, due 06/15/09 mandatory cv. pfd. (BB+) . . . . .	4,000	1,058,400	998,542
XL Capital Ltd. 7%, due 02/15/09 equity security units (Baa1) . . . . .	72,500	1,643,103	279,125
		<u>2,701,503</u>	<u>1,277,667</u>
<b>Media and Entertainment — 3.1%</b>			
Deutsche Bank AG 4.9%, due 04/28/09 mandatory exchangeable notes (NR) (exchangeable for The Walt Disney Company common stock) (Acquired 04/16/08; Cost \$2,501,301) (2) . . . . .	82,500	2,501,301	2,128,088

# Portfolio of Investments October 31, 2008 (continued)

	Shares	Identified Cost	Value (Note 1)
<b>MANDATORY CONVERTIBLE SECURITIES — continued</b>			
<b>Minerals and Mining — 3.0%</b>			
Freeport-McMoRan Copper & Gold Inc. 6.75%, due 05/01/10 mandatory cv. pfd. (BB) .....	20,000	\$ 2,172,775	\$ 975,600
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	1,534,600	847,500
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	503,000	283,750
		<u>4,210,375</u>	<u>2,106,850</u>
<b>Multi-Industry — 3.4%</b>			
NATIXIS Financial Products Inc. 7.5%, due 09/22/09 mandatory trigger exchangeable notes (NR) (exchangeable for General Electric Company common stock) (Acquired 08/19/08; Cost \$2,000,130) (2) .....	70,180	2,000,130	1,420,443
<b>Pharmaceuticals — 1.8%</b>			
Schering-Plough Corp. 6%, due 08/13/10 mandatory cv. pfd. (Baa3) ..	9,500	2,375,000	1,280,410
		<u>\$24,311,177</u>	<u>\$13,897,214</u>
<b>TOTAL MANDATORY CONVERTIBLE SECURITIES (5) .....</b>			
<b>COMMON STOCKS — 0.0%</b>			
<b>Aerospace and Defense — 0.0%</b>			
Applied Energetics, Inc. (Acquired 06/05/08; Cost \$16,250) (2,4) .....	7,724	16,250	6,025
		<u>\$61,100,680</u>	<u>\$43,346,323</u>
<b>Total Convertible Bonds and Notes — 62.5%</b> .....		1,500,000	825,000
<b>Total Corporate Bonds and Notes — 1.2%</b> .....		12,714,731	7,808,940
<b>Total Convertible Preferred Stocks — 11.3%</b> .....		24,311,177	13,897,214
<b>Total Mandatory Convertible Securities — 20.0%</b> .....		16,250	6,025
<b>Total Common Stocks — 0.0%</b> .....		<u>\$99,642,838</u>	<u>65,883,502</u>
<b>Total Investments — 95.0%</b> .....			3,520,457
<b>Other assets and liabilities, net — 5.0%</b> .....			<u>\$69,403,959</u>
<b>Total Net Assets — 100.0%</b> .....			

# Portfolio of Investments October 31, 2008 (continued)

- (1) Contingent payment debt instrument which accrues contingent interest. See Note 1(f).
- (2) Security not registered under the Securities Act of 1933, as amended (i.e., the security was purchased in a Rule 144A or a Reg D 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 October 31, 2008 was \$10,326,306 which represented 14.9% of the Fund's net assets.
- (3) Investment is 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 be realized in the near term, and the difference could be material. The market value of these securities amounted to \$1,062,188 at October 31, 2008 which represented 1.5% of the Fund's net assets.
- (4) Restricted securities include securities that have not been registered under the Securities Act of 1933, as amended, and securities that are subject to restrictions on resale. The Fund may invest in restricted securities that are consistent with the Fund's investment objective and investment strategies. As of October 31, 2008, the Fund was invested in the following restricted securities:

Security	Acquisition Date	Principal Amount or Shares	Cost	Price per Share	Value	% Net Assets
Amerivon Holdings LLC 4% units containing cv. promissory note and warrants due 2010	June 1, 2007	\$1,500,000	\$1,500,000	\$55.00	\$825,000	1.2%
Applied Energetics, Inc. 6.5% series A redeemable cv. pfd.	October 27, 2005	40,000	1,000,000	6.50	260,000	0.4%
Applied Energetics, Inc. common stock	June 5, 2008	7,724	16,250	0.78	6,025	0.0%

- (5) Mandatory 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. See Note 1(i).

## Investment Abbreviations

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 and are unaudited. NR is used whenever a rating is unavailable.

## Summary of Portfolio Ratings \*

	% of Portfolio
Aa	3
A	19
Baa	14
Ba	12
B	19
Caa	2
NR	31

\* Excludes equity securities and cash.

See accompanying notes to financial statements

# Statement of Assets and Liabilities

	<u>October 31, 2008</u>
<b>Assets:</b>	
Investments at value (cost \$99,642,838) (Note 1) .....	\$ 65,883,502
Cash .....	1,288,636
Receivable for securities sold .....	2,093,735
Dividends and interest receivable .....	803,617
Other assets .....	28,070
Total assets .....	<u>70,097,560</u>
<b>Liabilities:</b>	
Payable for securities purchased .....	606,389
Accrued management fee (Note 2) .....	44,747
Accrued expenses .....	29,116
Other liabilities .....	13,349
Total liabilities .....	<u>693,601</u>
<b>Net Assets</b> .....	<u>\$69,403,959</u>
<b>Net assets consist of:</b>	
Capital shares (unlimited shares of \$0.01 par value authorized) (Note 3) .....	\$ 51,899
Additional paid-in capital .....	108,551,705
Undistributed net investment income .....	430,032
Accumulated net realized loss from investment transactions .....	(5,870,341)
Unrealized depreciation on investments .....	<u>(33,759,336)</u>
<b>Net Assets</b> .....	<u>\$ 69,403,959</u>
Net asset value per share (\$69,403,959 ÷ 5,189,875 outstanding shares) .....	<u>\$ 13.37</u>

# Statement of Operations

For the Year Ended October 31, 2008

<b>Investment Income (Note 1):</b>	
Interest .....	\$ 2,840,016
Dividends .....	<u>2,568,081</u>
Total Income .....	<u>5,408,097</u>
<b>Expenses (Note 2):</b>	
Management fee .....	772,377
Custodian .....	15,119
Transfer agent .....	30,055
Audit fees .....	36,300
Legal fees .....	167,573
Trustees' fees .....	112,000
Reports to shareholders .....	61,411
Administrative services fees .....	53,343
Insurance .....	25,079
Other .....	57,371
Total Expenses .....	<u>1,330,628</u>
<b>Net Investment Income</b> .....	<u><b>4,077,469</b></u>
<b>Realized and Unrealized Loss on Investments:</b>	
Net realized loss from investment transactions .....	(6,125,438)
Net change in unrealized depreciation of investments .....	<u>(41,589,665)</u>
Net loss on investments .....	<u>(47,715,103)</u>
<b>Net Decrease in Net Assets Resulting from Operations</b> .....	<u><b>(\$43,637,634)</b></u>

# Statements of Changes in Net Assets

For the Years Ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>Change in net assets from operations:</b>		
Net investment income . . . . .	\$ 4,077,469	\$ 4,596,017
Net realized gain (loss) from investment transactions . . . . .	(6,125,438)	11,500,969
Net change in unrealized appreciation of investments . . . . .	<u>(41,589,665)</u>	<u>2,263,067</u>
Net change in net assets resulting from operations . . . . .	<u>(43,637,634)</u>	<u>18,360,053</u>
<b>Distributions to shareholders from:</b>		
Net investment income . . . . .	(4,221,301)	(5,102,460)
Net realized gain on investments . . . . .	<u>(11,517,629)</u>	<u>(2,621,312)</u>
Total distributions . . . . .	<u>(15,738,930)</u>	<u>(7,723,772)</u>
<b>Capital share transactions (Note 3)</b>		
Reinvestment of distributions . . . . .	6,352,696	2,097,228
Cost of shares tendered . . . . .	<u>(17,152,389)</u>	<u>—</u>
Net increase (decrease) from capital transactions . . . . .	<u>(10,799,693)</u>	<u>2,097,228</u>
<b>Change in net assets</b> . . . . .	(70,176,257)	12,733,509
Net assets at beginning of year . . . . .	<u>139,580,216</u>	<u>126,846,707</u>
<b>Net assets at end of year</b> . . . . .	<u>\$ 69,403,959</u>	<u>\$139,580,216</u>
Undistributed net investment income at end of year . . . . .	<u>\$ 430,032</u>	<u>\$ 236,184</u>

## Notes to Financial Statements

### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(a) **Organization** - Bancroft Fund Ltd. (the "Fund"), is registered under the Investment Company Act of 1940 as a diversified, closed-end management investment company.

(b) **Use of Estimates** - 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.

(c) **Indemnification** - Under the Fund's organizational documents, each trustee, officer or other agent of the Fund (including the Fund's investment adviser) is indemnified against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. The risk of material loss as a result of such indemnification is considered remote.

(d) **Federal Income Taxes** - The Fund's policy is 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.

On July 13, 2006, The Financial Accounting Standards Board ("FASB") released FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund's tax returns. These positions must meet a "more-likely-than-not" standard that, based on the technical merits, has a more than 50% likelihood of being sustained upon examination. In evaluating whether a tax position has met the recognition threshold, the Fund must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as a tax expense in the current year. FIN 48 was adopted by the Fund on April 30, 2008.

# Notes to Financial Statements (continued)

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

FIN 48 requires the Fund to analyze all open tax years as defined by the relevant Statute of Limitations for all major jurisdictions. Open tax years are those that are open for exam by authorities. The major tax authority for the Fund is the Internal Revenue Service. At October 31, 2008, these previous tax years are open: October 31, 2005 through October 31, 2008. The Fund has no examinations in progress. Management of the Fund has reviewed open tax years and concluded that the adoption of FIN 48 resulted in no effect on the Fund's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year-end October 31, 2008. The Fund is not aware of any tax positions for which it is reasonably likely that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

**(e) Security Valuation** - Investments in securities traded on a national securities exchange are valued at market using the last reported sales price, supplied by an independent pricing service, 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 the 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.

**(f) 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 approximately 10 cents per share for the twelve months ended October 31, 2008. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At October 31, 2008 there were unrealized losses of approximately 66 cents per share on contingent payment debt instruments.

**(g) Change in Method of Accounting** - Effective October 1, 2004, the Fund began amortizing discounts and premiums on all debt securities. Prior to October 1, 2004, the Fund amortized discounts on original issue discount debt securities. The new method of amortization was adopted in accordance with the provisions of the *AICPA Audit and Accounting Guide, Audits of Investment Companies* and the financial highlights presented herein have been restated to reflect the new method and the effect of this accounting change is included in the financial highlights for the year ended October 31, 2004.

# Notes to Financial Statements (continued)

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) **Distributions to Shareholders** - Distributions to shareholders from net investment income are recorded by the Fund on the ex-dividend date. Distributions from capital gains, if any, are recorded on the ex-dividend date and paid annually. The amount and character of income and capital gains to be distributed are determined in accordance with income tax regulations, which may differ from generally accepted accounting principles. The tax character of distributions paid during the fiscal years ended October 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Ordinary income	\$ 7,145,140	\$5,102,460
Long-term gain on investments	<u>8,593,791</u>	<u>2,621,312</u>
	<u>\$15,738,931</u>	<u>\$7,723,772</u>

At October 31, 2008, the components of distributable earnings and federal tax cost were as follows:

Unrealized appreciation	\$ 197,629
Unrealized depreciation	<u>(34,175,259)</u>
Net unrealized depreciation	<u>(33,977,630)</u>
Capital loss carry forward	(6,514,406)
Undistributed ordinary income	<u>1,292,392</u>
Total distributable net earnings	<u>(\$39,199,644)</u>
Cost for federal income tax purposes	<u>\$99,861,132</u>

The differences between book-basis and tax-basis unrealized appreciation/(depreciation) is attributable to differing methods of recognizing interest and ordinary income on bonds for tax purposes.

At October 31, 2008, the Fund had net capital loss carryforwards of \$6,514,406 for federal income tax purposes which expire in 2016.

(i) **Market Risk** - It is the Fund's policy to invest at least 65% 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, the Fund's mandatory convertible securities include features which render them more sensitive to price changes of their underlying securities. Thus they expose the Fund to greater downside risk than traditional convertible securities, but generally less than that of the underlying common stock. The market value of those securities was \$13,897,214 at October 31, 2008, representing 20.0% of net assets.

(j) **Accounting Pronouncements** - In September 2006, the Financial Accounting Standards Board (FASB) issued Statement on Financial Accounting Standards (SFAS) No. 157, "Fair Value Measurements." This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies to fair value measurements already required or permitted by existing standards. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The changes to current generally accepted accounting principles from the application of this Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. As of October 31, 2008, the Fund does not believe the adoption of SFAS No. 157 will impact the financial statement amounts, however, additional disclosures may be required about the inputs used to develop the measurements and the effect of certain of the measurements on changes in net assets for the period.

# Notes to Financial Statements (continued)

## NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In March 2008, Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161") was issued and is effective for fiscal years beginning after November 15, 2008. SFAS 161 is intended to improve financial reporting for derivative instruments by requiring enhanced disclosure that enables investors to understand how and why an entity uses derivatives, how derivatives are accounted for, and how derivative instruments affect an entity's results of operation and financial position. Management is currently evaluating the implications of SFAS 161. The impact on the Fund's financial statement disclosures, if any, is currently being assessed.

**(k) Reclassification of Capital Accounts** - Accounting principles generally accepted in the United States of America require that certain components of net assets relating to permanent differences be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended October 31, 2008, the Fund increased accumulated net investment income by \$337,680 and increased accumulated net realized loss on investments by \$337,680.

## NOTE 2 - MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The Fund has entered into an investment advisory agreement with Dinsmore Capital Management Co. ("Dinsmore Capital"). Pursuant to the investment advisory agreement, Dinsmore Capital provides the Fund with investment advice, office space and facilities. Under the terms of the investment advisory agreement, the Fund pays Dinsmore Capital on the last day of each month an advisory fee for such month computed at an annual rate of 0.75% of the first \$100,000,000 and 0.50% of the excess over \$100,000,000 of the Fund's net asset value in such month.

The Fund, pursuant to an administrative services agreement with Dinsmore Capital, has agreed to pay Dinsmore Capital for certain accounting and other administrative services provided to the Fund. Under the administrative services agreement, the Fund pays Dinsmore Capital on the last day of each month a fee for such month computed at an annual rate of 0.05% of the Fund's net asset value in such month.

Certain officers and trustees of the Fund are officers and directors of Dinsmore Capital.

## NOTE 3 - PORTFOLIO ACTIVITY

At October 31, 2008 there were 5,189,875 shares of beneficial interest outstanding, with a par value of \$0.01 per share. During the twelve months ended October 31, 2008, 337,013 were issued in connection with reinvestment of dividends from net investment income, resulting in an increase in paid-in capital of \$6,352,696.

In connection with the Fund's tender offer which expired on February 29, 2008, the Fund purchased 880,154 shares of beneficial interest at a total cost of \$17,152,389, including expenses of \$109,410.

Purchases and sales of investments, exclusive of corporate short-term notes, aggregated \$56,984,130 and \$76,112,238, respectively, for the twelve months ended October 31, 2008.

# Financial Highlights Selected data for a share of beneficial interest outstanding:

	Year Ended October 31,				
	2008	2007	2006	2005	2004
<b>Operating Performance:</b>					
Net asset value, beginning of year . . . . .	\$24.35	\$22.55	\$21.05	\$20.40	\$20.84
Net investment income . . . . .	0.78	0.80	0.80	0.64	0.70 (a)
Adjustment for change in amortization policy . . . . .	—	—	—	—	(0.02)
Net investment income, as adjusted . . . . .	0.78	0.80	0.80	0.64	0.68
Net realized and unrealized gain (loss) . . . . .	(9.12)	2.37	1.48	0.71	0.08 (a)
Adjustment for change in amortization policy . . . . .	—	—	—	—	0.02
Net realized and unrealized gain (loss), as adjusted . . . . .	(9.12)	2.37	1.48	0.71	0.10
Total from investment operations . . . . .	(8.34)	3.17	2.28	1.35	0.78
<b>Less Distributions:</b>					
Dividends from net investment income . . . . .	(0.80)	(0.90)	(0.78)	(0.70)	(0.72)
Distributions from realized gains . . . . .	(2.01)	(0.47)	—	—	—
Total distributions . . . . .	(2.81)	(1.37)	(0.78)	(0.70)	(0.72)
<b>Capital Share Transactions:</b>					
Anti-dilutive effect of tender offer . . . . .	0.17	—	—	—	—
Effect of rights offering . . . . .	—	—	—	—	(0.50)
Capital share repurchases . . . . .	—	—	—	—	—
Total capital share transactions . . . . .	0.17	—	—	—	(0.50)
Net asset value, end of year . . . . .	\$13.37	\$24.35	\$22.55	\$21.05	\$20.40
Market value, end of year . . . . .	\$11.30	\$21.35	\$19.30	\$17.77	\$18.23
Total Net Asset Value Return (%) (b) . . . . .	(37.5)	14.5	11.1	6.7	1.3
Total Investment Return (%) (c) . . . . .	(38.7)	18.3	13.3	1.3	(3.8)
<b>Ratios/Supplemental Data:</b>					
Net assets, end of period (in thousands) . . . . .	\$69,404	\$139,580	\$126,847	\$117,622	\$113,373
Ratio of expenses to average net assets (%) . . . . .	1.2	1.1	1.1	1.2	1.1
Ratio of net investment income to average net assets (%) . . . . .	3.7	3.5	3.7	3.1	3.3 (d)
Portfolio turnover rate (%) . . . . .	55	80	58	86	66

(a) As previously reported.

(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) Expense ratio for 2004 reflects adjustment for change in amortization policy. The ratio previously reported for 2004 was 3.4%.

*See accompanying notes to financial statements*

# Report of Independent Registered Public Accounting Firm

## **To the Shareholders and Board of Trustees of Bancroft Fund Ltd.**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments of Bancroft Fund Ltd. (the "Fund") as of October 31, 2008, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended October 31, 2004 have been audited by other auditors, whose report dated November 19, 2004 expressed an unqualified opinion thereon.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2008, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Bancroft Fund Ltd. as of October 31, 2008, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER LLP

Philadelphia, Pennsylvania  
December 18, 2008

# Miscellaneous Notes

## **Automatic Dividend Investment and Cash Payment Plan**

The Fund has an Automatic Dividend Investment and Cash Payment Plan (the “Plan”). Any shareholder may elect to join the Plan by sending an application to American Stock Transfer & Trust Company, P.O. Box 922, Church Street Station, NY 10269-0560 (the “Plan Agent”). You may also obtain additional information about the Plan as well as the Plan application by calling the Plan Agent toll free at (800) 937-5449. If your shares are held by a broker or other nominee, you should instruct the nominee to join the Plan on your behalf. Some brokers may require that your shares be taken out of the broker’s “street name” and re-registered in your own name. Shareholders should also contact their broker to determine whether shares acquired through participation in the Plan can be transferred to another broker, and thereafter, whether the shareholder can continue to participate in the Plan.

Under the Plan, all dividends and distributions are automatically invested in additional Fund shares. Depending on the circumstances, shares may either be issued by the Fund or acquired through open market purchases at the current market price or net asset value, whichever is lower (but not less than 95% of market price). For the first three fiscal quarter distributions, when the market price is lower, the Plan Agent will combine your dividends with those of other Plan participants and purchase shares in the market, thereby taking advantage of the lower commissions on larger purchases. There is no other charge for this service. For the fourth quarter distribution when the market price is lower, the Fund will issue shares at the market price.

All dividends and distributions made by the Fund (including capital gain dividends and dividends designated as qualified dividend income, which are eligible for taxation at lower rates) remain taxable to Plan participants, regardless of whether such dividends and distributions are reinvested in additional shares of the Fund through open market purchases or through the issuance of new shares. Plan participants will be treated as receiving the cash used to purchase shares on the open market and, in the case of any dividend or distribution made in the form of newly issued shares, will be treated as receiving an amount equal to the fair market value of such shares as of the reinvestment date. Accordingly, a shareholder may incur a tax liability even though such shareholder has not received a cash distribution with which to pay the tax.

Plan participants may also voluntarily send cash payments of \$100 to \$10,000 per month to the Plan Agent, to be combined with other Plan monies, for purchase of additional Fund shares in the open market. You pay only a bank service charge of \$1.25 per transaction, plus your proportionate share of the brokerage commission. All shares and fractional shares purchased will be held by the Plan Agent in your dividend reinvestment account. You may deposit with the Plan Agent any Bancroft share certificates you hold, for a one-time fee of \$7.50.

At any time, a Plan participant may instruct the Plan Agent to liquidate all or any portion of such Plan participant’s account. To do so, a Plan participant must deliver written notice to the Plan Agent prior to the record date of any dividend or distribution requesting either liquidation or a share certificate. The Plan Agent will combine all liquidation requests it receives from Plan participants on a particular day and will then sell shares of the Fund that are subject to liquidation requests in the open market. The amount of proceeds a Plan participant will receive shall be determined by the average sales price per share, after deducting brokerage commissions, of all shares sold by the Plan Agent for all Plan participants who have given the Plan Agent liquidation requests.

The Plan Agent or the Fund may terminate the Plan for any reason at any time by sending written notice addressed to the Plan participant’s address as shown on the Plan Agent’s records. Following the date of termination, the Plan Agent shall send the Plan participant either the proceeds of liquidation, or a share certificate or certificates for the full shares held by the Plan Agent in the Plan participant’s account. Additionally, a check will be sent for the value of any fractional interest in the Plan participant’s account based on the market price of the Fund’s shares on that date.

## Miscellaneous Notes (continued)

### **Notice of Privacy Policy**

The Fund has adopted a privacy policy in order to protect the confidentiality of nonpublic personal information that we have about you. We receive personal information, such as your name, address and account balances, when transactions occur in Fund shares registered in your name.

We may disclose this information to companies that perform services for the Fund, such as the Fund's transfer agent or proxy solicitors. These companies may only use this information in connection with the services they provide to the Fund, and not for any other purpose. We will not otherwise disclose any nonpublic personal information about our shareholders or former shareholders to anyone else, except as required by law.

Access to nonpublic information about you is restricted to our employees and service providers who need that information in order to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

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### **For More Information About Portfolio Holdings**

In addition to the semi-annual and annual reports that Bancroft delivers to shareholders and makes available through the Fund's public website, the Fund files a complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the Fund's first and third fiscal quarters on Form N-Q. Bancroft does not deliver the schedule of portfolio holdings for the first and third fiscal quarters to shareholders, however the schedule is posted to the Fund's public website, [www.bancroftfund.com](http://www.bancroftfund.com). You may obtain the Form N-Q filings by accessing the SEC's website at [www.sec.gov](http://www.sec.gov). You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC at (800) SEC-0330.

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### **Proxy Voting Policies and Procedures / Proxy Voting Record**

The Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities is available without charge, upon request, by calling (800) 914-1177, or at our website at [www.bancroftfund.com](http://www.bancroftfund.com). This information is also available on the SEC's website at [www.sec.gov](http://www.sec.gov). In addition, information on how the Fund voted such proxies relating to portfolio securities during the most recent twelve-month period ended June 30, is available without charge at the above sources.

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### **Declared Distribution**

A distribution of \$0.19 per share, derived from net investment income was declared on November 17, 2008, payable December 29, 2008 to shareholders of record at the close of business November 28, 2008.

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The Fund is a member of the Closed-End Fund Association, a non-profit national trade association ([www.cefa.com](http://www.cefa.com)). Thomas H. Dinsmore, Chairman and Chief Executive Officer of the Fund, is on the executive board and is the president of the association. *The association 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 its own shares 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.

# Trustees

Each trustee is also a trustee of Ellsworth Fund Ltd. (Ellsworth) (a closed-end management investment company). Dinsmore Capital Management Co. (Dinsmore Capital) is the Fund's investment adviser and is also the investment adviser to Ellsworth. Because of this connection, the Fund and Ellsworth make up a Fund Complex. Therefore, each trustee oversees two investment companies in the Fund Complex.

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Personal Information	Principal Occupation(s) During Past Five Years; Other Directorship(s)
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## INDEPENDENT TRUSTEES

Gordon F. Ahalt 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2010 Trustee since 1982 - Age 80	Retired. Trustee of Ellsworth and Helix Energy Solutions Group Inc. (an energy services company).
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Kinchen C. Bizzell, C.F.A. 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2009 Trustee since 2008 - Age 54	Senior Counselor with Burson-Marsteller (global public relations and communications firm) (since 2004). Prior to 2004, Managing Director in Burson-Marsteller's corporate and financial practice; Trustee of Ellsworth.
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Elizabeth C. Bogan, Ph.D. 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2009 Trustee since 1990 - Age 64	Senior Lecturer in Economics at Princeton University; Trustee of Ellsworth.
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Daniel D. Harding 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2011 Trustee since 2007 - Age 56	Managing partner of a private investment fund.  Prior to 2008, Senior Adviser with Harding Loevner Management LP (an investment advisory firm); Trustee of Ellsworth.
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Nicolas W. Platt 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2010 Trustee since 1997 - Age 55	Since August 2006, Managing Director, Rodman & Renshaw, LLC (a full-service investment bank). Prior to August 2006, President of CNC-US (an international consulting company); Trustee of Ellsworth.
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## INTERESTED TRUSTEES

Thomas H. Dinsmore, C.F.A. <sup>(1)</sup> 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2011 Trustee since 1985 Chairman of the Board since 1996 - Age 55	Chairman and Chief Executive Officer of the Fund, Ellsworth and Dinsmore Capital; Trustee of Ellsworth and Director of Dinsmore Capital.
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Jane D. O'Keeffe <sup>(1)</sup> 65 Madison Avenue, Suite 550 Morristown, NJ 07960 Term expires 2010 Trustee since 1995 - Age 53	President of the Fund, Ellsworth and Dinsmore Capital; Trustee of Ellsworth and Director of Dinsmore Capital.
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(1) Mr. Dinsmore and Ms. O'Keeffe are considered interested persons because they are officers and directors of Dinsmore Capital. They are brother and sister.

# Principal Officers

The business address of each officer is 65 Madison Avenue, Suite 550, Morristown, NJ 07960. Officers are elected by and serve at the pleasure of the Board of Trustees. Each officer holds office until the annual meeting to be held in 2009, and thereafter until his or her respective successor is duly elected and qualified.

Personal Information	Principal Occupation(s) During Past Five Years
Thomas H. Dinsmore, C.F.A. <sup>(1,2)</sup> Trustee, Chairman and Chief Executive Officer since 1984 Age 55	Trustee, Chairman and Chief Executive Officer of the Fund, Ellsworth and Dinsmore Capital.
Jane D. O’Keeffe <sup>(1,2)</sup> Trustee and President since 1994 Age 53	Trustee and President of the Fund, Ellsworth and Dinsmore Capital.
Gary I. Levine <sup>(3)</sup> Executive Vice President, Chief Financial Officer and Secretary since 1986 Age 51	Executive Vice President and Chief Financial Officer of the Fund, Ellsworth and Dinsmore Capital since 2004. Secretary of the Fund, Ellsworth and Dinsmore Capital since 2003. Treasurer of Dinsmore Capital since 1997. Vice President of the Fund, Ellsworth and Dinsmore Capital from 2002 until 2004. Treasurer of the Fund and Ellsworth from 1993 until 2004.
H. Tucker Lake, Jr. <sup>(2)</sup> Vice President since 1994 Age 61	Vice President of the Fund and Ellsworth since 2002, and of Dinsmore Capital since 1997.
Germaine M. Ortiz <sup>(3)</sup> Vice President since 1996 Age 39	Vice President of the Fund, Ellsworth and Dinsmore Capital.
Mercedes A. Pierre Vice President and Chief Compliance Officer since 1998 Age 47	Vice President and Chief Compliance Officer of the Fund, Ellsworth and Dinsmore Capital since 2004, and Assistant Treasurer from 1998 to 2004.

(1) Mr. Dinsmore and Ms. O’Keeffe are brother and sister.

(2) Mr. H. Tucker Lake, Jr. is the first cousin of Mr. Dinsmore and Ms. O’Keeffe.

(3) Mr. Levine’s wife is Ms. Ortiz’s first cousin.

***Board of Trustees***

GORDON F. AHALT  
KINCHEN C. BIZZELL, C.F.A.  
ELIZABETH C. BOGAN, Ph.D.  
THOMAS H. DINSMORE, C.F.A.  
DANIEL D. HARDING  
JANE D. O'KEEFFE  
NICOLAS W. PLATT

***Officers***

THOMAS H. DINSMORE, C.F.A.  
*Chairman of the Board  
and Chief Executive Officer*

JANE D. O'KEEFFE  
*President*

GARY I. LEVINE  
*Executive Vice President, Chief Financial Officer  
and Secretary*

H. TUCKER LAKE, JR.  
*Vice President*

GERMAINE M. ORTIZ  
*Vice President*

MERCEDES A. PIERRE  
*Vice President and Chief Compliance Officer*

JAMES A. DINSMORE  
*Assistant Vice President*

JUDITH M. DOUGHERTY  
*Assistant Secretary*

JOANN VENEZIA  
*Assistant Vice President and Assistant Secretary*

***Internet***

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

***Investment Adviser***

Dinsmore Capital Management Co.  
65 Madison Avenue, Suite 550  
Morristown, NJ 07960  
(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

***Beneficial Share Listing***

American Stock Exchange Symbol: BCV

***Legal Counsel***

Ballard Spahr Andrews & Ingersoll, LLP

***Independent Accountants***

Tait, Weller & Baker LLP

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