

BANCROFT CONVERTIBLE FUND INC  
Form N-CSRS  
July 06, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-2151  
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BANCROFT CONVERTIBLE FUND, INC.

-----  
(Exact name of registrant as specified in charter)

65 Madison Avenue, Morristown, New Jersey 07960-7308  
-----

(Address of principal executive offices) (Zip code)

Thomas H. Dinsmore  
BANCROFT CONVERTIBLE FUND, INC.  
65 Madison Avenue  
Morristown, New Jersey 07960-7308  
(Name and address of agent for service)

Copy to:  
Martha J. Hays, Esq.  
Ballard Spahr Andrews & Ingersoll, LLP  
1735 Market Street  
Philadelphia, PA 19103-7599

Registrant's telephone number, including area code: (973) 631-1177

Date of fiscal year end: October 31

Date of reporting period: April 30, 2005

ITEM 1. REPORTS TO STOCKHOLDERS.

[LOGO]  
BANCROFT CONVERTIBLE FUND

2005 SEMI-ANNUAL REPORT  
APRIL 30, 2005

2005 SEMI-ANNUAL REPORT  
APRIL 30, 2005

BANCROFT CONVERTIBLE FUND, INC. 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 --

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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 APRIL 30, 2005 WITH DIVIDENDS REINVESTED

|   | Calendar<br>YTD | 1 Year  | Cumulative<br>5 Years | Cumulative<br>10 Years |
|---|-----------------|---------|-----------------------|------------------------|
| Bancroft market price (a,b).....                  | (10.48)%        | (4.05)% | 16.38%                | 148.17%                |
| Bancroft net asset value (b,c,d).....             | (5.45)          | (0.92)  | 0.80                  | 122.92                 |
| Closed-end convertible fund average (d).....      | (5.34)          | 2.49    | 7.00                  | 106.90                 |
| S&P 500 (a).....                                  | (4.00)          | 6.33    | (13.86)               | 165.51                 |
| Russell 2000 (d).....                             | (10.76)         | 4.80    | 22.55                 | 149.85                 |
| Lehman Aggregate Bond Total Return Index (d)..... | 0.87            | 5.26    | 43.48                 | 99.24                  |

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 Fund's 2003 rights offering.
- (c) For all periods shown, net asset value dilution resulting from the Bancroft rights offering in 2003 was 2.38%.
- (d) From Lipper, Inc. Closed-End Fund Performance Analysis, dated April 30, 2005.

### QUARTERLY HISTORY OF NAV AND MARKET PRICE

| Qtr. Ended | Net Asset Values |         |         | Market Prices (AMEX, symbol BCV) |         |         |
|------------|------------------|---------|---------|----------------------------------|---------|---------|
|            | High             | Low     | Close   | High                             | Low     | Close   |
| Jul. 04    | \$20.98          | \$20.06 | \$20.23 | \$18.71                          | \$17.87 | \$17.87 |
| 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   |

### DIVIDEND DISTRIBUTIONS (12 MONTHS)

| Record<br>Date | Payment<br>Date | Income  | Capital<br>Gains | Income  |
|----------------|-----------------|---------|------------------|---------|
| 6/15/04        | 6/29/04         | \$0.170 | --               | \$0.170 |
| 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   |
|                |                 | \$0.698 |                  | \$0.698 |
|                |                 | =====   |                  | =====   |

TO OUR SHAREHOLDERS

June 10, 2005

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The convertible securities sector of the market has underperformed the stock and bond markets during the first two quarters of Bancroft's fiscal year, according to Citigroup. This is unusual. Convertibles rarely underperform both markets simultaneously. The causes appear to include a decline in convertible arbitrage activity (usually undertaken by hedge funds and other financial institutions, but not Bancroft) as well as poor performance by the stocks underlying the convertibles.

The convertible arbitrage community has developed several mathematical models for measuring theoretical value for the convertible securities market. Merrill Lynch measures the discount or premium to this theoretical value. They have shown that convertibles have moved to a discount to theoretical value as large as any seen since the summer of 2003.\* However, the discount to theoretical value is much lower than it was in early 2002. Further, there is an analytic known as delta. This is a measure of how sensitive a convertible may be to stock price changes. A delta of 50 implies that the convertible should reflect half of the price movement of the underlying common stock. The average delta of the convertible market has fluctuated from 75 in February of 2002 to 36 in September, 2002. The current level is just over 50.\*\*

Taken together, these facts indicate that the convertible market is in a middle area; historically neither cheap nor expensive. This reinforces our position that the bottom-up choices of stock, convertible and industry are important to overall performance.

The Fund's audit committee has recently approved the hiring of our new independent auditors, Tait, Weller & Baker. This audit firm specializes in mutual funds and other firms in the financial services industry.

During the last quarter, industries in which the Fund currently invests that have underperformed include banking/savings and loan, and automotive. We believe these have declined due to the expectation of a rise in short-term interest rates and reduced expectations for economic growth. Industries that outperformed include energy, which has been helped by high oil prices, and consumer goods which have been helped by continued growth in consumer demand.

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. The performance of the Fund's NAV was in line with the average of its peer-group for the quarter ended April 30, 2005 while outperforming the average for the ten-year period ended April 30, 2005. However, for the one year and five years ended April 30, 2005, Bancroft underperformed the average of the funds in its category. Our peers consist of twelve closed-end convertible funds tracked by Lipper, Inc. and published in the LIPPER CLOSED-END PERFORMANCE ANALYSIS.+ Of the twelve funds in the category, only six, 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.

\* MERRILL LYNCH WEEKLY HEDGE MONITOR 05/02/2005.

\*\* CITIGROUP CONVERTIBLE MONTHLY MARKET SNAPSHOT 05/09/2005.

+ Twelve funds for the quarter and one year ended April 30, 2005 and seven funds for the five years and ten years ended April 30, 2005.

CONTINUED ON THE FOLLOWING PAGE

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TO OUR SHAREHOLDERS (CONTINUED)

Visit our website, [www.bancroftfund.com](http://www.bancroftfund.com), for additional information on the Fund. Shareholders who wish to obtain a copy of the most recent report on the Fund issued by Standard & Poor's should contact us.

The results of the 2005 annual meeting of shareholders are shown in the Miscellaneous Notes section of this report. We thank you for your support. At its May meeting, the Board of Directors declared a dividend of 17 cents per share. The dividend consists of undistributed net investment income and will be payable on June 29, 2005 to shareholders of record on June 15, 2005.

/s/ Thomas H. Dinsmore

Thomas H. Dinsmore  
Chairman of the Board

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## MAJOR PORTFOLIO CHANGES BY UNDERLYING COMMON STOCK

Six months ended April 30, 2005

| ADDITIONS  | REDUCTIONS   |
|--|--|
| Chesapeake Energy Corp.  | Capital One Financial Corp.  |
| Fannie Mae   | Conexant Systems, Inc.   |
| GlobalSantaFe Corp.  | General Dynamics Corp.<br>(EXCHANGEABLE FROM THE GOLDMAN<br>SACHS GROUP, INC.) |
| Nuveen Investments, Inc.<br>(EXCHANGEABLE FROM MERRILL<br>LYNCH & CO., INC. AND<br>MORGAN STANLEY, INC.) | Kerr-McGee Corp.   |
| The Walt Disney Company  | Leucadia National Corp.  |
|  | Radio One, Inc.  |

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## MAJOR INDUSTRY EXPOSURE

|                        |              |
|------------------------|--------------|
| Banking/Savings & Loan | -----> 9.3%  |
| Consumer Goods         | -----> 3.1%  |
| Energy                 | -----> 17.6% |
| Entertainment          | -----> 4.5%  |
| Financial & Insurance  | -----> 12.0% |
| Health Care            | -----> 6.2%  |
| Pharmaceuticals        | -----> 11.4% |
| Retail                 | -----> 4.5%  |
| Technology             | -----> 6.3%  |
| Telecommunications     | -----> 5.7%  |

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### LARGEST INVESTMENT HOLDINGS BY UNDERLYING COMMON STOCK

|   | Value<br>(Note 1) | % Total<br>Net Assets |
|---|-------------------|-----------------------|
|   | -----             | -----                 |
| Chesapeake Energy Corp.....<br>PRODUCES OIL AND NATURAL GAS. THE COMPANY'S OPERATIONS<br>ARE FOCUSED ON DEVELOPMENTAL DRILLING AND PRODUCING<br>PROPERTY ACQUISITIONS IN ONSHORE NATURAL GAS PRODUCING<br>AREAS OF THE UNITED STATES AND CANADA.  | \$ 3,236,370      | 2.9%                  |
| The Walt Disney Company.....<br>AN ENTERTAINMENT COMPANY WHICH CONDUCTS OPERATIONS IN<br>MEDIA NETWORKS, STUDIO ENTERTAINMENT, THEME PARKS AND<br>RESORTS, CONSUMER PRODUCTS, AND INTERNET AND DIRECT<br>MARKETING.   | 3,150,030         | 2.8                   |
| Nuveen Investments, Inc.....<br>THE COMPANY'S PRINCIPAL ACTIVITIES ARE ASSET MANAGEMENT<br>AND RELATED RESEARCH, AND THE DEVELOPMENT, MARKETING AND<br>DISTRIBUTION OF INVESTMENT PRODUCTS AND SERVICES. NUVEEN<br>PROVIDES ITS SERVICES THROUGH FINANCIAL ADVISORS WHO SERVE<br>THE AFFLUENT AND HIGH NET WORTH MARKET SEGMENTS. | 2,966,363         | 2.7                   |
| GlobalSantaFe Corp.....<br>AN INTERNATIONAL OFFSHORE AND LAND CONTRACT DRILLER. THE<br>COMPANY OWNS AND OPERATES A FLEET CONSISTING OF MARINE AND<br>LAND DRILLING RIGS LOCATED THROUGHOUT THE WORLD.   | 2,950,000         | 2.6                   |
| Weatherford International Ltd.....<br>PROVIDES EQUIPMENT AND SERVICES USED FOR THE DRILLING,<br>COMPLETION, AND PRODUCTION OF OIL AND NATURAL GAS WELLS.<br>THE COMPANY OFFERS DRILLING AND INTERVENTION SERVICES,<br>COMPLETION SYSTEMS, ARTIFICIAL LIFT SYSTEMS AND COMPRESSION<br>SERVICES.                                    | 2,549,160         | 2.3                   |
| Devon Energy Corp.....<br>AN INDEPENDENT WORLDWIDE ENERGY COMPANY INVOLVED IN<br>OIL AND GAS PROPERTY ACQUISITION, EXPLORATION, AND<br>PRODUCTION.  | 2,287,500         | 2.1                   |
| International Rectifier Corp.....<br>DESIGNS, MANUFACTURES AND MARKETS POWER SEMICONDUCTORS.<br>THE COMPANY'S PRODUCTS INCLUDE POWER INTEGRATED CIRCUITS<br>AND ADVANCED CIRCUIT DEVICES, POWER SYSTEMS AND POWER<br>COMPONENTS.  | 2,216,250         | 2.0                   |
| The St. Paul Travelers Companies, Inc.....<br>PROVIDES A BROAD RANGE OF INSURANCE PRODUCTS AND SERVICES<br>FOR THE COMMERCIAL AND CONSUMER MARKETS.   | 2,189,500         | 2.0                   |
| The Chubb Corp.....<br>A HOLDING COMPANY THAT OFFERS PROPERTY AND CASUALTY<br>INSURANCE, WHICH INCLUDES PERSONAL, STANDARD COMMERCIAL<br>AND SPECIALTY COMMERCIAL INSURANCE.  | 2,059,110         | 1.8                   |
| Valero Energy Corp.....   | 2,035,800         | 1.8                   |

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AN INDEPENDENT PETROLEUM REFINING AND MARKETING  
 COMPANY THAT OWNS AND OPERATES REFINERIES IN THE UNITED  
 STATES AND CANADA.

|            |              |       |
|------------|--------------|-------|
| Total..... | \$25,640,083 | 23.0% |
|            | =====        | ===== |

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### STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

APRIL 30, 2005

#### ASSETS:

|  |               |
|--|---------------|
| Investments at value (cost \$113,014,568) (Note 1) ..... | \$110,622,848 |
| Cash .....   | 157,927       |
| Dividends and interest receivable .....                  | 578,469       |
| Other assets .....                                       | 46,530        |
|  | -----         |
| Total assets .....                                       | 111,405,774   |
|  | -----         |

#### LIABILITIES:

|  |        |
|--|--------|
| Payable for securities purchased ..... | 10,888 |
| Accrued management fee (Note 2) .....  | 67,886 |
| Accrued expenses .....                 | 11,078 |
|  | -----  |
| Total liabilities .....                | 89,852 |
|  | -----  |

|                  |               |
|------------------|---------------|
| NET ASSETS ..... | \$111,315,922 |
|                  | =====         |

#### NET ASSETS CONSIST OF:

|  |             |
|--|-------------|
| Undistributed net investment income .....                        | \$ 691,589  |
| Accumulated net realized loss from investment transactions ..... | (3,634,523) |
| Unrealized depreciation on investments .....                     | (2,391,720) |
| Capital shares (Note 3) .....                                    | 55,881      |
| Additional paid-in capital .....                                 | 116,594,695 |

|                  |               |
|------------------|---------------|
| NET ASSETS ..... | \$111,315,922 |
|                  | =====         |

|  |          |
|--|----------|
| Net asset value per share (\$111,315,922 (divided) 5,588,453 outstanding shares) . | \$ 19.92 |
|  | =====    |

### STATEMENT OF OPERATIONS (UNAUDITED)

SIX MONTHS ENDED APRIL 30, 2005

#### INVESTMENT INCOME (NOTE 1):

|                    |              |
|--------------------|--------------|
| Interest .....     | \$ 1,235,499 |
| Dividends .....    | 1,166,253    |
|                    | -----        |
| Total Income ..... | 2,401,752    |
|                    | -----        |

#### EXPENSES (NOTE 2):

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|  |              |
|--|--------------|
| Management fee .....                                       | 409,479      |
| Custodian .....  | 9,319        |
| Transfer agent .....                                       | 15,108       |
| Professional fees .....                                    | 56,224       |
| Directors' fees .....                                      | 62,800       |
| Reports to shareholders .....                              | 61,423       |
| Treasurer's office .....                                   | 12,500       |
| Other .....  | 73,631       |
| Total Expenses .....                                       | 700,484      |
| NET INVESTMENT INCOME .....                                | 1,701,268    |
| REALIZED AND UNREALIZED GAIN ON INVESTMENTS:               |              |
| Net realized gain from investment transactions .....       | 924,462      |
| Net unrealized depreciation of investments .....           | (3,270,987)  |
| Net loss on investments .....                              | (2,346,525)  |
| NET DECREASE IN NET ASSETS RESULTING FROM OPERATIONS ..... | \$ (645,257) |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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STATEMENT OF CHANGES IN NET ASSETS

|   | SIX MONTHS ENDED<br>APRIL 30, 2005 (a) | YEAR ENDED<br>OCTOBER 31, 2005 |
|---|--|--------------------------------|
| CHANGE IN NET ASSETS FROM OPERATIONS:                               |  |                                |
| Net investment income.....  | \$ 1,701,268                           | \$ 3,878,705                   |
| Adjustment for change in amortization policy.....                   | --                                     | (87,223)                       |
| Net investment income, as adjusted.....                             |  | 3,791,482                      |
| Net realized gain from investment transactions.....                 | 924,462                                | 3,760,644                      |
| Adjustment for change in amortization policy.....                   | --                                     | 10,188                         |
| Net realized gain from investment transactions,<br>as adjusted..... |  | 3,770,832                      |
| Net change in unrealized appreciation of investments.....           | (3,270,987)                            | (3,604,190)                    |
| Adjustment for change in amortization policy.....                   | --                                     | 77,035                         |
| Net unrealized appreciation of investments,<br>as adjusted.....     |  | (3,527,155)                    |
| Net change in net assets resulting from operations.....             | (645,257)                              | 4,035,159                      |
| Adjustment for change in amortization policy.....                   | --                                     | --                             |
| Net change in net assets resulting from operations,                 |  |                                |

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|   |                |                |
|---|----------------|----------------|
| as adjusted.....  | (645,257)      | 4,035,159      |
| -----   |                |                |
| DIVIDENDS TO SHAREHOLDERS FROM:   |                |                |
| Net investment income.....  | (1,994,779)    | (3,826,570)    |
| -----   |                |                |
| CAPITAL SHARE TRANSACTIONS (NOTE 3)                                       |                |                |
| Value of shares issued on reinvestment of distributions..                 | 582,476        | 628,542        |
| Net proceeds from rights offering.....                                    | --             | 14,050,851     |
| -----   |                |                |
| Total capital share transactions.....                                     | 582,476        | 14,679,393     |
| -----   |                |                |
| CHANGE IN NET ASSETS.....   | (2,057,560)    | 14,887,982     |
| Net assets at beginning of period.....                                    | 113,373,482    | 98,485,500     |
| -----   |                |                |
| NET ASSETS AT END OF PERIOD.....  | \$ 111,315,922 | \$ 113,373,482 |
| =====   |                |                |
| Undistributed net investment income at end of period.....                 | \$ 691,589     | \$ 1,037,260   |
| =====   |                |                |
| Adjustment for change in amortization policy.....                         |                | (52,160)       |
| -----   |                |                |
| Undistributed net investment income at end of period,<br>as adjusted..... |                | \$ 985,100     |
| =====   |                |                |

- 
- (a) Unaudited.
  - (b) As previously reported.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A SHARE OF COMMON STOCK OUTSTANDING:

|  | SIX MONTHS<br>ENDED<br>APRIL 30,<br>2005 (a) | YEARS ENDED OCTOBER 31, |          |          |         |
|--|--|-------------------------|----------|----------|---------|
|  |  | 2004                    | 2003     | 2002     | 2001    |
|  | -----  | -----                   | -----    | -----    | -----   |
| OPERATING PERFORMANCE:                               |  |                         |          |          |         |
| Net asset value, beginning of period.....            | \$20.40                                      | \$20.84                 | \$18.55  | \$20.72  | \$27.00 |
| Net investment income.....                           | 0.30   | 0.70 (b)                | 0.71 (b) | 0.79 (b) | 1.00    |
| Adjustment for change in amortization<br>policy..... | --   | (0.02)                  | (0.02)   | --       | --      |
| -----  |  |                         |          |          |         |
| Net investment income, as adjusted.....              | 0.30   | 0.68                    | 0.69     | 0.79     | 1.00    |
| -----  |  |                         |          |          |         |



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|  |           |           |          |            |            |
|--|-----------|-----------|----------|------------|------------|
| Net realized and unrealized gain (loss).....                   | (0.42)    | 0.08 (b)  | 2.31 (b) | (2.02) (b) | (3.02) (b) |
| Adjustment for change in amortization policy.....              | --        | 0.02      | 0.02     | --         | --         |
| Net realized and unrealized gain (loss), as adjusted.....      | (0.42)    | 0.10      | 2.33     | (2.02)     | (3.02)     |
| Total from investment operations.....                          | (0.12)    | 0.78      | 3.02     | (1.23)     | (2.02)     |
| LESS DISTRIBUTIONS:  |           |           |          |            |            |
| Dividends from net investment income.....                      | (0.36)    | (0.72)    | (0.73)   | (0.94)     | (1.89)     |
| Distributions from realized gains.....                         | --        | --        | --       | --         | (3.02)     |
| Total distributions.....                                       | (0.36)    | (0.72)    | (0.73)   | (0.94)     | (4.91)     |
| CAPITAL SHARE TRANSACTIONS:                                    |           |           |          |            |            |
| Effect of rights offering.....                                 | --        | (0.50)    | --       | --         | --         |
| Capital share repurchases.....                                 | --        | --        | --       | --         | --         |
| Total capital share transactions.....                          | --        | (0.50)    | --       | --         | --         |
| Net asset value, end of period.....                            | \$19.92   | \$20.40   | \$20.84  | \$18.55    | \$20.84    |
| Market value, end of period.....                               | \$16.95   | \$18.23   | \$19.70  | \$17.54    | \$18.23    |
| Total Net Asset Value Return (%) (c).....                      | (0.7)     | 1.3       | 16.7     | (6.3)      | (8.2)      |
| Total Investment Return (%) (d).....                           | (5.2)     | (3.8)     | 16.7     | (1.8)      | 1.0        |
| RATIOS/SUPPLEMENTAL DATA:                                      |           |           |          |            |            |
| Net assets, end of period (in thousands).....                  | \$111,316 | \$113,373 | \$98,486 | \$86,904   | \$95,800   |
| Ratio of expenses to average net assets (%)..                  | 1.2 (e)   | 1.1       | 1.2      | 1.2        | 1.1        |
| Ratio of net investment income to average net assets (%) ..... | 3.0 (e)   | 3.3 (f)   | 3.6 (f)  | 4.0 (f)    | 4.0        |
| Portfolio turnover rate (%).....                               | 38        | 66        | 87       | 78         |            |

(a) Unaudited.

(b) As previously reported.

(c) Assumes valuation of the Fund's shares, and reinvestment of dividends, at net asset values.

(d) Assumes valuation of the Fund's shares at market price and reinvestment of dividends at actual reinvestment price.

(e) Annualized.

(f) Ratios for 2004, 2003 and 2002 reflect ratios adjusted for change in amortization policy. Ratios previously reported for 2004, 2003 and 2002 were 3.4%, 3.6% and 4.0%, respectively.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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PORTFOLIO OF INVESTMENTS APRIL 30, 2005 (UNAUDITED)

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| Principal<br>Amount |   | Value<br>(Note 1) |
|---------------------|---|-------------------|
|                     | CONVERTIBLE BONDS AND NOTES -- 53.0%  |                   |
|                     | AUTOMOTIVE -- 1.8%  |                   |
| \$4,500,000         | Lear Corp. 0% 2022 cv. sr. notes (Baa3).....  | \$ 1,982,8        |
|                     | BANKING/SAVINGS AND LOAN -- 2.8%  |                   |
| 2,078,000           | The Bear Stearns Companies, Inc. 0.25% 2010 medium-term notes (A1)<br>(exch. for Fifth Third Bancorp common stock) (1).....   | 1,805,3           |
| 1,500,000           | Ocwen Financial Corp. 3.25% 2024 contingent cv. sr. unsecured<br>notes (B-).....  | 1,263,7           |
|                     |   | 3,069,1           |
|                     | CONSUMER GOODS -- 1.7%  |                   |
| 1,375,000           | Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. (Ba2).....  | 1,854,6           |
|                     | DATA-PROCESSING SERVICES -- 1.2%  |                   |
| 1,500,000           | Pegasus Solutions, Inc. 3.875% 2023 cv. sr. notes (NR).....   | 1,302,7           |
|                     | ELECTRICAL SUPPLIES -- 0.9%   |                   |
| 1,500,000           | Graftech International Ltd. 1.625% 2024 cv. sr. deb. (B2).....  | 982,5             |
|                     | ENERGY -- 9.1%  |                   |
| 1,500,000           | CMS Energy Corp. 2.875% 2024 cv. sr. notes (B1).....  | 1,657,5           |
| 4,000,000           | Devon Energy Corp. 0% 2020 cv. sr. deb. (BBB).....  | 2,287,5           |
| 5,000,000           | GlobalSantaFe Corp. 0% 2020 cv. deb. (Baa1).....  | 2,950,0           |
| 750,000             | OMI Corp. 2.875% 2024 cv. sr. notes (B+).....   | 678,7             |
| 4,000,000           | Weatherford International Ltd. 0% 2020 cv. sr. deb. (Baa1).....   | 2,549,1           |
|                     |   | 10,122,9          |
|                     | ENTERTAINMENT -- 3.7%   |                   |
| 1,250,000           | Citadel Broadcasting Corp. 1.875% 2011 cv. sub. notes (NR).....   | 951,4             |
| 3,000,000           | The Walt Disney Company 2.125% 2023 cv. sr. notes (Baa1).....   | 3,150,0           |
|                     |   | 4,101,4           |
|                     | FINANCIAL AND INSURANCE -- 0.8%   |                   |
| 1,000,000           | Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds (A1)<br>(conv. into Swiss Reinsurance Company common stock)<br>(Acquired 11/15/01 - 12/05/01; Cost \$1,007,750) (2)..... | 940,6             |
|                     | HEALTH CARE -- 5.0%   |                   |
| 1,500,000           | Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3).....  | 1,691,8           |
| 1,750,000           | Isolagen, Inc. 3.5% 2024 cv. sub. notes (NR)<br>(Acquired 10/29/04 - 02/17/05; Cost \$1,771,250) (2).....   | 1,470,0           |
| 1,000,000           | LifePoint Hospitals, Inc. 4.5% 2009 cv. sub. notes (B3).....  | 1,022,5           |
| 1,000,000           | Mentor Corp. 2.75% 2024 cv. sub. notes (NR).....  | 1,326,2           |
|                     |   | 5,510,6           |
|                     | MULTI-INDUSTRY -- 0.8%  |                   |
| 1,000,000           | Lehman Brothers Holdings, Inc. 1% 2011 medium-term notes (A1)<br>(performance linked to Cendant Corp. common stock) (1).....  | 926,2             |
|                     | OFFICE EQUIPMENT -- 1.5%  |                   |
| 1,750,000           | IOS Capital, LLC 5% 2007 cv. sub. notes (Ba3)   |                   |

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(exch. for IKON Office Solutions, Inc. common stock)

(Acquired 05/08/02 - 06/02/03; Cost \$1,746,250) (2)..... 1,717,1

PAGE

PORTFOLIO OF INVESTMENTS APRIL 30, 2005 (CONTINUED)

| Principal<br>Amount |   | Value<br>(Note 1) |
|---------------------|---|-------------------|
| -----               |   | -----             |
|                     | CONVERTIBLE BONDS AND NOTES -- CONTINUED  |                   |
|                     | PHARMACEUTICALS -- 8.3%   |                   |
| \$2,000,000         | Alza Corp. 0% 2020 cv. sub. deb. (Aa1)<br>(exch. for Johnson & Johnson common stock).....   | \$ 1,887,5        |
| 2,000,000           | Amgen, Inc. 0% 2032 LYONs (A2) (1).....   | 1,458,8           |
| 1,000,000           | Encysive Pharmaceuticals, Inc. 2.5% 2012 cv. sr. notes (NR)<br>(Acquired 03/11/05; Cost \$1,013,125) (2).....   | 905,0             |
| 1,500,000           | Impax Laboratories, Inc. 1.25% 2024 cv. sr. sub. deb. (NR).....   | 1,285,6           |
| 500,000             | Ivax Corp. 4.5% 2008 cv. sr. sub. notes (NR).....   | 486,2             |
| 1,250,000           | Ivax Corp. 1.5% 2024 cv. sr. notes (NR) (1).....  | 1,222,9           |
| 1,000,000           | Teva Pharmaceutical Finance II, LLC series A 0.5% 2024<br>cv. sr. deb. (BBB) (exch. for ADR representing Teva Pharmaceutical<br>Industries Ltd. common stock).....  | 1,001,2           |
| 1,000,000           | Teva Pharmaceutical Finance II, LLC series B 0.25% 2024<br>cv. sr. deb. (BBB) (exch. for ADR representing Teva Pharmaceutical<br>Industries Ltd. common stock)..... | 1,012,5           |
|                     |   | -----             |
|                     |   | 9,259,9           |
|                     | RETAIL -- 4.5%  |                   |
| 1,250,000           | Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes (NR).....   | 1,109,3           |
| 1,000,000           | Charming Shoppes, Inc. 4.75% 2012 sr. cv. notes (B2).....   | 1,002,5           |
| 1,500,000           | Dick's Sporting Goods, Inc. 1.6061% 2024 sr. cv. notes (B).....   | 981,6             |
| 2,400,000           | The TJX Companies, Inc. 0% 2021 LYONs (Baa1).....   | 1,906,8           |
|                     |   | -----             |
|                     |   | 5,000,2           |
|                     | TECHNOLOGY -- 5.2%  |                   |
| 1,000,000           | Advanced Micro Devices, Inc. 4.75% 2022 cv. sr. deb. (B3) (1).....  | 944,3             |
| 1,250,000           | Agilent Technologies, Inc. 3% 2021 sr. cv. deb. (Ba2) (1).....  | 1,235,9           |
| 2,250,000           | International Rectifier Corp. 4.25% 2007 cv. sub. notes (B2).....   | 2,216,2           |
| 1,500,000           | Sybase, Inc. 1.75% 2025 cv. sub. notes (NR)<br>(Acquired 2/15/05 - 04/20/05; Cost \$1,491,557) (2).....   | 1,443,7           |
|                     |   | -----             |
|                     |   | 5,840,2           |
|                     | TELECOMMUNICATIONS -- 5.7%  |                   |
| 1,500,000           | Converse Technology, Inc. 0% 2023 ZYPS (BB-) (3) .....  | 2,027,7           |
| 1,000,000           | Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (B2).....  | 975,3             |
| 500,000             | Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (B2).....  | 495,2             |
| 1,250,000           | Nortel Networks Corp. 4.25% 2008 cv. sr. notes (B3).....  | 1,128,1           |
| 1,000,000           | Tekelec, Inc. 2.25% 2008 sr. sub. cv. notes (NR).....   | 941,2             |
| 1,000,000           | UTStarcom, Inc. 0.875% 2008 cv. notes (NR).....   | 786,2             |

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|        |   |            |
|--------|---|------------|
|        |   | 6,353,9    |
|        | TOTAL CONVERTIBLE BONDS AND NOTES .....   | \$58,965,2 |
| Shares | CONVERTIBLE PREFERRED STOCKS -- 21.0%   |            |
| -----  |   |            |
|        | AUTOMOTIVE -- 0.8%  |            |
| 50,000 | General Motors Corp. 6.25% 2033 series C cv. sr. deb. (Baa3).....   | 942,0      |
|        | BANKING/SAVINGS AND LOAN -- 6.6%  |            |
| 17,500 | Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1)<br>(exch. for Commerce Bancorp, Inc. common stock)..... | 986,4      |
| 40,000 | National Australia Bank Ltd. 7.875% exch. capital units (NR).....   | 1,516,0    |
| 20,000 | New York Community Bancorp, Inc. 6% BONUSES units (Baa2).....   | 1,458,7    |
| 35,000 | Sovereign Capital Trust IV 4.375% PIERS (Ba1)<br>(exch. for Sovereign Bancorp, Inc. common stock) (1).....    | 1,531,2    |
| 35,000 | Washington Mutual Capital Trust PIERS units (Baa1)<br>(exch. for Washington Mutual, Inc. common stock).....   | 1,828,7    |
|        |   | 7,321,1    |

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PORTFOLIO OF INVESTMENTS APRIL 30, 2005 (CONTINUED)

|         |  |                   |
|---------|--|-------------------|
|         |  | Value<br>(Note 1) |
| Shares  | CONVERTIBLE PREFERRED STOCKS -- CONTINUED  | -----             |
| -----   |  |                   |
|         | ENERGY -- 5.2%   |                   |
| 1,000   | Chesapeake Energy Corp. 4.125% cum. cv. pfd. (NR).....   | \$ 1,260,0        |
| 20,000  | Chesapeake Energy Corp. 5% cum. cv. pfd. (B-)<br>(Acquired 04/13/05; Cost \$2,000,000) (2).....                | 1,976,3           |
| 5,000   | Semco Energy, Inc. 5% series B cv. cum. pfd. (NR)<br>(Acquired 03/09/05 - 03/10/05; Cost \$1,003,750) (2)..... | 916,2             |
| 20,000  | The Williams Companies, Inc. 5.5% 2033 jr. sub. cv. deb. (B-).....   | 1,675,0           |
|         |  | 5,827,6           |
|         | ENTERTAINMENT -- 0.8%  |                   |
| 22,500  | Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caal).....  | 911,2             |
|         | FINANCIAL AND INSURANCE -- 4.7%  |                   |
| 20      | Fannie Mae 5.375% non-cumulative cv. pfd. (Aa3)<br>(Acquired 12/29/04 - 01/11/05; Cost \$2,078,125) (2).....   | 1,857,5           |
| 20,000  | Reinsurance Group of America, Inc. 5.75% PIERS (Baa2).....   | 1,159,6           |
| 100,000 | The St. Paul Travelers Companies, Inc. 4.5% 2032<br>cv. jr. sub. notes (Baa1).....                             | 2,189,5           |

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|        |   |            |
|--------|---|------------|
|        |   | 5,206,6    |
|        | HEALTH CARE -- 1.3%   |            |
| 29,000 | Omnicare Capital Trust II 4% PIERS (NR)<br>(exch. for Omnicare, Inc. common stock) (1).....                     | 1,403,6    |
|        | MINING -- 1.6%  |            |
| 2,000  | Freeport-McMoRan Copper and Gold, Inc. 5.5% cv. perpetual pfd. (B-)....   | 1,784,7    |
|        | TOTAL CONVERTIBLE PREFERRED STOCKS.....   | \$23,397,0 |
|        | MANDATORY CONVERTIBLE SECURITIES -- 19.0% (4)   |            |
|        | CHEMICALS -- 0.8%   |            |
| 20,000 | Huntsman Corp. 5% mand. cv. pfd. (NR).....  | 937,9      |
|        | CONSUMER GOODS -- 1.4%  |            |
| 40,000 | Constellation Brands, Inc. dep. shs. representing 5.75%<br>series A mand. cv. pfd. (B).....                     | 1,600,0    |
|        | ENERGY -- 3.3%  |            |
| 20,000 | Amerada Hess Corp. 7% mand. cv. pfd. ACES (Ba3).....  | 1,634,0    |
| 30,000 | Valero Energy Corp. 2% mand. cv. pfd. (BB).....   | 2,035,8    |
|        |   | 3,669,8    |
|        | FINANCIAL AND INSURANCE -- 6.5%   |            |
| 15,000 | The Chubb Corp. 7% 2005 equity units (A) (1).....   | 447,7      |
| 54,000 | The Chubb Corp. 7% 2006 equity units (A2) (1).....  | 1,611,3    |
| 37,500 | Merrill Lynch & Co, Inc. 6.75% mand. exch. sec. (Aa3)<br>(exch. for Nuveen Investments, Inc. common stock)..... | 1,286,3    |
| 50,000 | Morgan Stanley, Inc. 5.875% mand. exch. sec. (NR)<br>(exch. for Nuveen Investments, Inc. common stock).....     | 1,680,0    |
| 40,000 | Platinum Underwriters Holdings, Ltd. 7% equity security units (NR) (1).   | 1,122,8    |
| 45,000 | XL Capital, Ltd. 6.5% equity security units (A2).....   | 1,028,5    |
|        |   | 7,176,7    |
|        | FOODS -- 1.7%   |            |
| 40,000 | Albertson's, Inc. 7.25% HITS units (Baa2) (1).....  | 864,0      |
| 40,000 | Lehman Brothers Holdings, Inc. 6.25% PIES (A1)<br>(exch. for General Mills, Inc. common stock).....             | 1,060,0    |
|        |   | 1,924,0    |

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PORTFOLIO OF INVESTMENTS APRIL 30, 2005 (CONTINUED)

Principal  
Amount  
or Shares

Value  
(Note 1)

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### MANDATORY CONVERTIBLE SECURITIES -- CONTINUED

|             |  |  |             |
|-------------|--|--|-------------|
|             |  | PHARMACEUTICALS -- 3.1%  |             |
| 31,500 shs  |  | Baxter International, Inc. 7% equity units (Baa1) (1).....   | \$ 1,759,9  |
| 30,000 shs  |  | Schering-Plough Corp. 6% mand. cv. pfd. (Baa3).....  | 1,642,5     |
|             |  |  | 3,402,4     |
|             |  | TECHNOLOGY -- 1.1%   |             |
| \$2,000,000 |  | Lehman Brothers Holdings, Inc. 6% 2005 YEELDS (A)<br>(performance linked to LSI Logic Corp. common stock)..... | 1,170,0     |
|             |  | UTILITIES -- 1.1%  |             |
| 50,000 shs  |  | DTE Energy Co. 8.75% equity security units (BBB-) (1).....   | 1,271,0     |
|             |  |  | \$ 21,151,9 |
|             |  | SHORT-TERM SECURITIES -- 6.4%  |             |
|             |  | COMMERCIAL PAPER -- 6.4%   |             |
| 7,100,000   |  | American Express Credit Corp. (P1)<br>(2.85% maturing 05/03/05).....   | 7,097,7     |
|             |  | U.S. GOVERNMENT OBLIGATIONS -- 0.0%  |             |
| 11,000      |  | U.S. Treasury notes 2.25% 04/30/06 (Aaa) (5).....  | 10,8        |
|             |  |  | 7,108,6     |
|             |  | TOTAL CONVERTIBLE BONDS AND NOTES -- 53.0%.....  | 58,965,2    |
|             |  | TOTAL CONVERTIBLE PREFERRED STOCKS -- 21.0%.....   | 23,397,0    |
|             |  | TOTAL MANDATORY CONVERTIBLE SECURITIES -- 19.0%.....   | 21,151,9    |
|             |  | TOTAL SHORT-TERM SECURITIES -- 6.4%.....   | 7,108,6     |
|             |  |  | 110,622,8   |
|             |  | OTHER ASSETS AND LIABILITIES, NET -- 0.6%.....   | 693,0       |
|             |  |  | \$111,315,9 |
|             |  |  | =====       |

- (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 April 30, 2005 was \$11,226,613 which represented 10.1% of the Fund's net assets.
- (3) Non-income producing security.
- (4) Mandatory convertible. See Note 1(f).
- (5) Collateral for a letter of credit.

|         |  |
|---------|--|
| ACES    | Automatic Convertible Equity Securities. |
| ADR     | American Depositary Receipts.            |
| BONUSES | Bifurcated Option Note Unit Securities.  |
| HITS    | Hybrid Income Term Security.             |

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LYONS           Liquid Yield Option Notes.  
PIES            Premium Income Exchangeable Securities.  
PIERS           Preferred Income Equity Redeemable Securities.  
YEELDS          Yield Enhanced Equity Linked Debt Securities.  
ZYPS            Zero Yield Puttable Securities.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's.  
NR is used whenever a rating is unavailable.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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### NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

#### 1. SIGNIFICANT ACCOUNTING POLICIES AND CHANGE IN ACCOUNTING POLICY

Bancroft Convertible Fund, Inc. (the "Fund"), established in 1971, 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 6 cents per share for the six months ended April 30, 2005. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At April 30, 2005 there were unrealized losses of approximately 2 cents per share on contingent payment debt instruments.

##### (C) CHANGES IN METHOD OF ACCOUNTING FOR BOND PREMIUM AND DISCOUNT AMORTIZATION

Effective November 1, 2004, the Fund began amortizing discounts and premiums on all debt securities. Prior to November 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 AICP AAudit and Accounting Guide, Audits of Investment Companies and the financial highlights and statement

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of changes in net assets presented herein have been restated to reflect the new method retroactive to November 1, 2001.

The effect of this accounting change is included in the financial highlights for the years ended October 31, 2002, 2003 and 2004, and in the statement of changes in net assets for the year ended October 31, 2004. The cumulative effect of this accounting change had no impact on the total net assets of the Fund or on distributions for tax purposes, but resulted in a \$103,986 increase in the cost of securities held and a corresponding \$103,986 reduction in the net unrealized gains based on the securities held on November 1, 2001. The impact of this change during the six months ended April 30, 2005 was to reduce net investment income by \$41,542, increase unrealized losses by \$73,950 and increase realized gains by \$115,492. These changes had no effect on previously reported total net assets or total returns.

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### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

#### (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. At October 31, 2004, the Fund had available for federal income tax purposes unused capital losses of \$4,470,204, available to offset future net capital gains, \$4,045,634 of which expires in 2010 and \$424,570 of which expires in 2011. The Fund utilized net capital loss carryforwards of \$3,760,644 during the year ended October 31, 2004.

#### (E) 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, 2004 and 2003 were \$3,826,570 and \$3,445,042, respectively, both from ordinary income.

#### (F) MARKET RISK

It is the Fund's policy to invest at least 80% 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, certain of the Fund's investments 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 \$21,151,918 at April 30, 2005, representing 19.0% of net assets.

### 2. MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

The management fee is paid to the investment adviser, Davis-Dinsmore Management Company (the "Adviser"). The contract provides for payment of a monthly advisory fee, computed at an annual rate of 3/4 of 1% of the first \$100,000,000 and 1/2 of 1% of the excess over \$100,000,000 of the Fund's net asset value in such month.

The Adviser furnishes investment advice, office equipment and facilities, and



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pays the salaries of all executive officers of the Fund. The Fund pays all expenses incurred by it and not assumed by the Adviser and in addition will pay the costs and expenses of its Treasurer's office, up to a maximum of \$25,000 per year, incurred in connection with its performance of certain services for the Fund. These services include the valuation of securities owned by the Fund, and the preparation of financial statements and schedules of the Fund's investments for inclusion in certain periodic reports to the Fund's Board of Directors and to the U.S. Securities and Exchange Commission, the maintenance of files relating to the foregoing, and rent, personnel costs and other overhead expenses allocable to the aforementioned services.

### 3. PORTFOLIO ACTIVITY

At April 30, 2005 there were 5,588,453 shares of \$.01 par value common stock outstanding (9,000,000 shares authorized). During the six months ended April 30, 2005, 31,315 shares were issued in connection with reinvestment of dividends from net investment income, resulting in an increase in paid-in capital of \$582,476.

Purchases and sales of investments, exclusive of corporate short-term notes, aggregated \$40,147,797 and \$41,028,139, respectively, for the six months ended April 30, 2005.

A distribution of \$0.17 per share from net investment income was declared on May 17, 2005, payable June 29, 2005 to shareholders of record at the close of business June 15, 2005.

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### BOARD APPROVAL OF ADVISORY CONTRACT

THE INDEPENDENT DIRECTORS OF BANCROFT RENEWED THE ADVISORY CONTRACT WITH DAVIS-DINSMORE MANAGEMENT COMPANY IN NOVEMBER 2004. THE FOLLOWING ARE THE MATERIAL FACTORS AND CONCLUSIONS THAT FORMED THE BASIS FOR THAT APPROVAL.

-----  
THE NATURE AND EXTENT OF THE ADVISORY SERVICES PROVIDED BY DAVIS-DINSMORE. Based on the independent directors' review of the services provided and to be provided by Davis-Dinsmore under the Advisory Agreement, the independent directors concluded that the range of services to be provided by Davis-Dinsmore under the Advisory Agreement was appropriate and that Davis-Dinsmore currently is providing services in accordance with the terms of each Advisory Agreement.

THE QUALITY OF SERVICES PROVIDED BY DAVIS-DINSMORE. In reviewing the qualifications of Davis-Dinsmore to provide investment advisory services, the independent directors reviewed the credentials and experience of Davis-Dinsmore's investment personnel, and considered such issues as Davis-Dinsmore's portfolio and product review process, compliance function, use of technology, portfolio administration function, investment research operations and trading operations. Based on the review of these and other factors, the independent directors concluded that the quality of services to be provided by Davis-Dinsmore was appropriate and that Davis-Dinsmore currently is providing satisfactory services in accordance with the terms of the Advisory Agreement.

THE PERFORMANCE OF THE FUND RELATIVE TO COMPARABLE FUNDS. The independent directors reviewed the performance of the Fund against the performance of funds advised by other advisors with investment strategies comparable to those of the Fund. The independent directors noted that although during the past year the Fund has underperformed its peers, the Fund's long-term performance was better, and concluded that no changes should be made to the Fund's investment objective

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or policies at this time. In addition, the independent directors determined that the Fund's portfolio management team should remain in place.

THE PERFORMANCE OF THE FUND RELATIVE TO INDICES. The independent directors reviewed the performance of the Fund against the performance of applicable indices. The independent directors noted that although during the past year the Fund has underperformed relative to relevant indices, the Fund's long-term comparative performance was better, and concluded that no changes should be made to the Fund's investment objective or policies at this time. In addition, the independent directors determined that the Fund's portfolio management team should remain in place.

MEETINGS WITH THE FUND'S PORTFOLIO MANAGER AND INVESTMENT PERSONNEL. The independent directors noted that they meet regularly with the Fund's portfolio manager and investment personnel, and believe that such individuals are competent and able to continue to carry out their responsibilities under the Advisory Agreement.

OVERALL PERFORMANCE OF DAVIS-DINSMORE. After considering the overall performance of Davis-Dinsmore in providing investment advisory and portfolio administrative services to the Fund, the independent directors concluded that such performance was satisfactory.

FEES RELATIVE TO THOSE OF CLIENTS OF DAVIS-DINSMORE WITH COMPARABLE INVESTMENT STRATEGIES. The independent directors noted that the Fund and Ellsworth Convertible Growth and Income Fund are the only clients of Davis-Dinsmore, and that the advisory fee rates for the funds are the same. The independent directors concluded that, because the fee rates are the same for each fund, the current advisory fee rate of a fund was fair as compared to the rate for the other fund.

FEES RELATIVE TO THOSE OF COMPARABLE FUNDS WITH OTHER ADVISERS. After reviewing the advisory fee rate for the Fund against the advisory fee rates for funds advised by other advisors with investment strategies comparable to those of the Fund, the independent directors determined that the Fund's advisory fee rate was at approximately the median of the funds in its peer group, and concluded that the current advisory fee rate of the Fund was fair and reasonable.

EXPENSE LIMITATIONS AND FEE WAIVERS. The independent directors noted that, although there are no contractual expense limitations or fee waivers in effect for the Fund, Davis-Dinsmore is very diligent in its efforts to keep expenses of the Fund as low as possible. The independent directors also noted that the Fund's expense ratios had declined as a result of the Fund's rights offering in late 2003, but that

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### BOARD APPROVAL OF ADVISORY CONTRACT (CONTINUED)

the cost of compliance with regulatory initiatives was increasing. The independent directors concluded that the current level of expenses for the Fund was reasonable.

BREAKPOINTS AND ECONOMIES OF SCALE. The independent directors reviewed the structure of the Fund's advisory fee under the Advisory Agreement, and noted that the fee includes a significant breakpoint when the Fund's assets reach \$100 million. The independent directors noted that breakpoints had become effective as a result of the Fund's 2003 rights offering, which resulted in lower management fee expenses as a percentage of assets. The independent directors concluded that it was not necessary to implement any further changes to the

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structure of the advisory fee for the Fund.

PROFITABILITY OF DAVIS-DINSMORE. The independent directors reviewed information concerning the profitability and financial condition of Davis-Dinsmore, noting that Davis-Dinsmore's sole source of revenue was advisory fees from Bancroft and Ellsworth Convertible Growth and Income Fund. The Board noted that Davis-Dinsmore's operations remain profitable, and that the continued success of the two funds will positively impact Davis-Dinsmore's profitability. Based on the review of the profitability of Davis-Dinsmore and its financial condition, the independent directors concluded that the compensation to be paid by Bancroft to Davis-Dinsmore under its Advisory Agreement was not excessive.

BENEFITS OF SOFT DOLLARS TO DAVIS-DINSMORE. The independent directors discussed the fact that there are no third-party soft dollar arrangements in effect with respect to the Fund. The independent directors recognized that Davis-Dinsmore does receive proprietary research from brokers with whom it executes portfolio transactions on behalf of the Fund. This research is used by Davis-Dinsmore in making investment decisions for the Fund. The directors also considered representations made by Davis-Dinsmore that portfolio transactions received best execution. Because such research ultimately benefits the Fund, the Board concluded that it was appropriate to receive proprietary research.

DAVIS-DINSMORE'S FINANCIAL SOUNDNESS IN LIGHT OF THE NEEDS OF THE FUND. The independent directors considered whether Davis-Dinsmore is financially sound and has the resources necessary to perform its obligations under the Advisory Agreement, and concluded that Davis-Dinsmore has the financial resources necessary to fulfill its obligations under the Advisory Agreement.

HISTORICAL RELATIONSHIP BETWEEN THE FUND AND DAVIS-DINSMORE. In determining whether to continue the Advisory Agreement for the Fund, the independent directors also considered the prior relationship between Davis-Dinsmore and the Fund, as well as the independent directors' knowledge of Davis-Dinsmore's operations, and concluded that it was beneficial to maintain the current relationship, in part, because of such knowledge. The independent directors also reviewed the general nature of the non-investment advisory services currently performed by Davis-Dinsmore, such as administrative services, and the fees received by Davis-Dinsmore for performing such services. In addition to reviewing such services, the independent directors also considered the organizational structure employed by Davis-Dinsmore to provide those services. Based on the review of these and other factors, the independent directors concluded that Davis-Dinsmore was qualified to continue to provide non-investment advisory services to the Funds, including administrative services, and that Davis-Dinsmore currently is providing satisfactory non-investment advisory services.

OTHER FACTORS AND CURRENT TRENDS. The independent directors considered the culture of compliance and high ethical standards at Davis-Dinsmore, and the efforts historically and currently undertaken by Davis-Dinsmore to engage in best practices. The independent directors noted Davis-Dinsmore's historical adherence to compliance procedures, as well as the Fund's investment objectives, policies and restrictions. The independent directors concluded that this commitment to adhere to the highest ethical standards was an important factor in their determination that they should continue the Advisory Agreement for the Fund.

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After consideration of all of the above factors, the independent directors found that with respect to the Fund: (i) the services provided by Davis-Dinsmore to such Fund and its shareholders were adequate; (ii) such Fund's Advisory Agreement was fair and reasonable under the circumstances; and (iii) the fees payable under such Fund's Advisory Agreement would have been obtained through

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arm's length negotiations. The independent directors therefore concluded that the Fund's Advisory Agreement was in the best interests of such Fund and its shareholders and should be continued for another year.

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### MISCELLANEOUS NOTES

#### RESULTS OF THE 2005 ANNUAL SHAREHOLDERS MEETING

The results of the shareholder vote at the Annual Meeting of Shareholders held on February 14, 2005 were:

1. All directors nominated were elected.

| Terms expiring in 2008<br>----- | Shares voted for<br>----- | Shares withheld<br>----- |
|---------------------------------|---------------------------|--------------------------|
| Donald M. Halsted, Jr.          | 3,320,648                 | 140,107                  |
| Duncan O. McKee                 | 3,319,039                 | 141,716                  |
| Thomas H. Dinsmore              | 3,326,319                 | 134,436                  |

  

| Term expiring in 2006<br>----- | Shares voted for<br>----- | Shares withheld<br>----- |
|--------------------------------|---------------------------|--------------------------|
| Robert J. McMullan             | 3,322,809                 | 137,946                  |

2. The Audit Committee's appointment of PricewaterhouseCoopers LLP as independent accountants was ratified with 3,307,462 shares voted for, 61,042 shares voted against and 92,251 shares abstaining.
- 3(a). Change to restriction on issuer diversification was ratified with 2,577,514 shares voted for, 316,581 shares voted against, 186,656 shares abstaining and 367,146 broker non-votes.
- 3(b). Change to restriction on borrowing money was ratified with 2,478,045 shares voted for, 414,348 shares voted against, 188,358 shares abstaining and 367,146 broker non-votes.
- 3(c). Change to restriction on issuing senior securities was ratified with 2,458,052 shares voted for, 434,690 shares voted against, 188,009 shares abstaining and 367,146 broker non-votes.
- 3(d). Change to restriction on underwriting securities was ratified with 2,581,309 shares voted for, 306,835 shares voted against, 192,607 shares abstaining and 367,146 broker non-votes.
- 3(e). Change to restriction on purchasing or selling real estate was ratified with 2,579,606 shares voted for, 322,593 shares voted against, 178,552 shares abstaining and 367,146 broker non-votes.
- 3(f). Change to restriction on purchasing or selling commodities was ratified with 2,486,912 shares voted for, 413,813 shares voted against, 180,026 shares abstaining and 367,146 broker non-votes.
- 3(g). Change to restriction on making loans was ratified with 2,460,025 shares voted for, 436,868 shares voted against, 183,858 shares abstaining and 367,146 broker non-votes.
- 3(h). Change to restriction on industry concentration was ratified with 2,587,058 shares voted for, 312,928 shares voted against, 180,765 shares abstaining and 367,146 broker non-votes.

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- 3(i). Elimination of restriction on investing in certain listed companies was ratified with 2,539,007 shares voted for, 330,969 shares voted against, 210,775 shares abstaining and 367,146 broker non-votes.
- 3(j). Elimination of restriction on investments in newer companies and in single issuers was ratified with 2,565,220 shares voted for, 325,808 shares voted against, 189,723 shares abstaining and 367,146 broker non-votes.
- 3(k). Elimination of restriction on short sales was ratified with 2,482,128 shares voted for, 416,267 shares voted against, 182,356 shares abstaining and 367,146 broker non-votes.
- 3(l). Elimination of restriction on investing for control was ratified with 2,568,836 shares voted for, 324,173 shares voted against, 187,742 shares abstaining and 367,146 broker non-votes.
- 3(m). Elimination of restrictions on margin purchases was ratified with 2,437,409 shares voted for, 455,475 shares voted against, 187,867 shares abstaining and 367,146 broker non-votes.
- 3(n). Elimination of restriction regarding put and call options was ratified with 2,525,655 shares voted for, 359,621 shares voted against, 195,475 shares abstaining and 367,146 broker non-votes.
- 3(o). Elimination of restriction regarding securities trading accounts was ratified with 2,564,669 shares voted for, 318,977 shares voted against, 197,105 shares abstaining and 367,146 broker non-votes.
- 3(p). Elimination of restriction regarding the purchase of director and officer owned companies was ratified with 2,416,149 shares voted for, 479,386 shares voted against, 185,216 shares abstaining and 367,146 broker non-votes.

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### MISCELLANEOUS NOTES (CONTINUED)

#### CHANGE IN THE FUND'S INDEPENDENT ACCOUNTANT

On March 17, 2005, PricewaterhouseCoopers LLP ("PwC") resigned as independent registered public accountants for the Fund. The Fund's audit committee appointed Tait, Weller & Baker as independent accountants for the Fund on April 12, 2005 for the 2005 fiscal year, which appointment was ratified by the Fund's independent directors. The reports of PwC on the Fund's financial statements for each of the fiscal years ended October 31, 2004 and October 31, 2003 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the Fund's fiscal years ended October 31, 2003 and October 31, 2004 and during the period November 1, 2004 through March 17, 2005, there have been no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of PwC, would have caused them to make reference thereto in their reports on the financial statements for such years.

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#### 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

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information, such as your name, address and account balances, when transactions occur in Bancroft 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 stockholders or former stockholders 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 Bancroft public website, the Fund files a complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (SEC) for the Fund's first and third fiscal quarters each fiscal year on Form N-Q. Bancroft does not deliver the schedule for the first and third fiscal quarters to shareholders, however the schedule is posted to the Bancroft 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 (973) 631-1177, 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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The Fund is a member of the Closed-End Fund Association (CEFA). Its website address is [www.cefa.com](http://www.cefa.com). CEFA is solely responsible for the content of its website.

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### DISCLOSURE OF PORTFOLIO HOLDINGS TO BROKER-DEALERS

From time to time, brokers with whom the Fund's Adviser, Davis-Dinsmore Management Company, has a pre-existing relationship may request that the Adviser disclose Fund portfolio holdings to such broker in advance of the public disclosure of such portfolio holdings. The Adviser may make such disclosure under the following conditions: (i) the specific purpose of the disclosure is to assist the Adviser in identifying potential investment opportunities for the Funds; (ii) prior to the receipt of non-public portfolio holdings, the broker, by means of e-mail or other written communication, shall agree to keep the non-public portfolio holdings confidential and not to use the information for

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the broker's own benefit, except in connection with the above described purpose for which it was disclosed; (iii) the Adviser shall keep written records of its agreement with each broker to which it distributes nonpublic portfolio holdings; and (iv) the Adviser will secure a new agreement with a broker any time the broker directs the nonpublic portfolio holdings to be sent to a new recipient.

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### BOARD OF DIRECTORS

GORDON F. AHALT  
WILLIAM A. BENTON  
ELIZABETH C. BOGAN  
THOMAS H. DINSMORE, C.F.A.  
DONALD M. HALSTED, JR.  
DUNCAN O. MCKEE  
ROBERT J. MCMULLAN  
JANE D. O'KEEFFE  
NICOLAS W. PLATT

### OFFICERS

THOMAS H. DINSMORE, C.F.A.  
CHAIRMAN OF THE BOARD

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, CHIEF COMPLIANCE OFFICER  
AND ASSISTANT TREASURER

JOSHUA P. LAKE, C.T.P.  
TREASURER AND ASSISTANT SECRETARY

JESSICA K. LAKE  
ASSISTANT VICE PRESIDENT

JOANN VENEZIA  
ASSISTANT VICE PRESIDENT AND ASSISTANT SECRETARY

### INTERNET

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

### INVESTMENT ADVISER

Davis-Dinsmore Management Company  
65 Madison Avenue, Morristown, NJ  
(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

### COMMON STOCK LISTING

American Stock Exchange Symbol: BCV

### LEGAL COUNSEL

Ballard Spahr Andrews & Ingersoll LLP

### INDEPENDENT ACCOUNTANTS

Tait, Weller & Baker

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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 shares of its own Common Stock 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.

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BANCROFT CONVERTIBLE FUND, INC.  
65 MADISON AVENUE, SUITE 550  
MORRISTOWN, NEW JERSEY 07960  
www.bancroftfund.com

[LOGO]  
AMERICAN  
STOCK EXCHANGE  
-----  
LISTED  
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BCV

ITEM 2. CODE OF ETHICS.

Not applicable to this semi-annual report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this semi-annual report.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this semi-annual report.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this semi-annual report.

ITEM 6. SCHEDULE OF INVESTMENTS.

The Schedule of Investments in securities of unaffiliated issuers is included as part of the report to shareholders, filed under Item 1 of this Form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this semi-annual report.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not currently applicable to registrant.

ITEM 9. PURCHASE OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

During the period covered by this report, there were no purchases made by or on behalf of Bancroft Convertible Fund, Inc. or any "affiliated purchaser," as defined in Rule 10b-18(a)(3) under the Exchange Act (17 CFR 240.10b-18(a)(3)), of shares or other units of any class of the registrant's equity securities that is registered by the registrant pursuant to Section 12 of the Exchange Act (15 U.S.C. 781).

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no changes to the procedures by which shareholders may recommend nominees to the registrant's board of directors, after the registrant last provided disclosure in response to the requirements of this item.



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### ITEM 11. CONTROLS AND PROCEDURES

Conclusions of principal officers concerning controls and procedures

(a) As of June 16, 2005, an evaluation was performed under the supervision and with the participation of the officers of Bancroft Convertible Fund, Inc. (the "Registrant"), including the Principal Executive Officer ("PEO") and Principal Financial Officer ("PFO"), to assess the effectiveness of the Registrant's disclosure controls and procedures, as that term is defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "Act"). Based on that evaluation, the Registrant's officers, including the PEO and PFO, concluded that, as of June 16, 2005, the Registrant's disclosure controls and procedures were reasonably designed so as to ensure: (1) that information required to be disclosed by the Registrant on Form N-CSR and Form N-Q is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Securities and Exchange Commission; and (2) that material information relating to the Registrant is made known to the PEO and PFO as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the Registrant's second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 12. EXHIBITS

(a) (1) The code of ethics disclosure required by Item 2 is not applicable to this semi-annual report.

(a) (2) Certifications of the principal executive officer and the principal financial officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940, are attached hereto.

(a) (3) There were no written solicitations to purchase securities under Rule 23c-1 under the Investment Company Act of 1940 during the period covered by the report.

(b) Certifications of the principal executive officer and the principal financial officer, as required by Rule 30a-2(b) under the Investment Company Act of 1940, are attached hereto.

### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bancroft Convertible Fund, Inc.

By: /s/Thomas H. Dinsmore  
Thomas H. Dinsmore  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: July 6, 2005

Pursuant to the requirements of the Securities and Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the

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following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/Thomas H. Dinsmore  
Thomas H. Dinsmore  
Chairman of the Board and  
Chief Executive Officer  
(Principal Executive Officer)

Date: July 6, 2005

By: /s/Gary I. Levine  
Gary I. Levine  
Chief Financial Officer  
(Principal Financial Officer)

Date: July 6, 2005