
Bancroft Fund Ltd.

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To Our Shareholders:

Convertible securities set performance records in 2008 and 2009. Although the record rebound in 2009 offset some of the record losses from 2008, convertible securities still have not returned to the price levels that existed prior to the decline. Many of the underlying relationships between different types of securities, such as the yield spread between treasury bonds and convertible securities, were severely damaged in 2008 as the market became dysfunctional. In 2009 these relationships were substantially repaired and have returned to more “normal” levels as they recovered from the record high levels of a year ago. The convertible securities market has become fully functional again. Although this recovery may mean that excess returns that accrued to convertible securities due to the correction of market dysfunction may be harder to come by in the future, it also gives us confidence that standard market measures, such as investment value, will prove useful again in judging the potential returns of investment candidates.

What has also been quite unusual has been the extent to which convertible securities outperformed equities. As of January 31, 2010, the total return from Bancroft Fund’s net asset value (NAV) and the Bank of America Merrill Lynch All Convertibles Index (the BAML Index) outperformed the S&P 500 Index (with all dividends reinvested) for the one-, five- and ten-year periods. The outperformance for the one-year period was substantial, as indicated in the performance chart of this First Quarter Update. Convertible securities have a long history of providing returns that are competitive with those of equity securities but with less volatility; in these periods they were better performers than equity securities although they were almost as volatile as stocks. This similarity in volatility is an unusual occurrence and we do not believe it will continue into the future because many underlying market relationships have returned to “normal.” Market participants appear to have confidence that these relationships will prove more durable in any new downturn than was the case in 2008.

The overall make-up of Bancroft’s portfolio is balanced. The Fund has an average current yield of 4.12%, a median premium to conversion value of 31.15%, an average premium to conversion value of 61.28%, an average delta of 0.59 (a measure of equity sensitivity), and an average rating of BB. This compares to the BAML Index which has an average current yield of 3.78%, a 73.6% average premium to conversion value, a 0.54 average delta, and an average rating of BB. Bancroft’s portfolio has a higher yield, a lower premium, higher equity sensitivity, and a similar rating to the Index. We believe the Fund’s portfolio is well positioned to provide an attractive mix of returns from yield and capital gains.

The new issue convertible market was disappointing in 2009. Although the performance put in by convertible securities issued during the year was very good and the number of issues (over 100) was high, the size of these issues was smaller than expected. Total

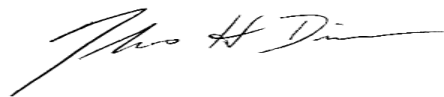
convertible security issuance was under \$38 billion, the lowest amount in over a decade. January and February of 2010 saw a continuation of this trend as only seven new deals worth \$1.7 billion were issued. We believe that the issuance of new convertible securities will play an important part in the process of our economic recovery but we find it surprising that potential issuers have deferred coming to market for now.

Performance for the Fund’s first quarter was enhanced by its exposure to the telecommunications, banking and energy industries. Performance was held back, however, by its exposure to the aerospace and defense industry and the financial services industry. As indicated in the performance chart of this First Quarter Update, the Fund’s NAV outperformed the BAML Index over the five-year period (adjusted for expenses and the fiscal 2008 tender offer) and the ten-year period (adjusted for expenses, the fiscal 2004 rights offering, and the fiscal 2008 tender offer) ended January 31, 2010. The NAV underperformed the Index for the three-month and one-year periods ended January 31, 2010, however. Over the ten-year period, the Fund’s market return outperformed the Index, but underperformed over the three-month, one- and five-year periods. For the ten-year performance, the Fund’s NAV volatility and market volatility, as measured by standard deviation, were lower than that of the Index. Bancroft has sought to provide total returns to shareholders that compare favorably to those provided by the equity markets, but with less volatility.

Now posted on the Fund’s website is a commentary on the convertible securities market for the year 2009. Also on the website is a white paper on convertible securities written by Dinsmore Capital Management Co. We believe that you will find these documents informative and educational.

At the annual meeting of shareholders, Jane D. O’Keeffe and Nicolas W. Platt were re-elected to the Board of Trustees for three-year terms, and the appointment of Tait, Weller & Baker LLP to serve as the Fund’s independent auditors for the 2010 fiscal year was ratified. We thank you for your participation and support.

At its February meeting, the Board of Trustees declared a distribution of \$0.15 per share, consisting of undistributed net investment income. The distribution is payable on March 25, 2010 to shareholders of record March 11, 2010.



Thomas H. Dinsmore
Chairman of the Board
March 9, 2010

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Stock Exchange Listing

NYSE Amex - Symbol: BCV



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First Quarter Update - January 31, 2010 (unaudited)

Financial Highlights

Market price 1/31/10	\$14.69
Net asset value (NAV) 1/31/10	\$17.05
Market discount to NAV	(13.84)%
12-Month income distribution	\$0.726
Yield on market price	4.94%
Ratio of expenses to avg. net assets	1.09%*
Ratio of net income to avg. net assets	3.51%*
Portfolio turnover	11.37%
Shares outstanding	5,280,533

* Annualized

Largest Investment Holdings as of 1/31/10

by underlying common stock	% of Net Assets
Equinix	2.6
Euronet Worldwide	2.3
Kinetic Concepts	2.3
Mylan	2.3
Nuance Communications	2.3
Blackboard	2.2
Vale S.A.	2.2
Intel	2.1
Wells Fargo	2.1
SAVVIS	2.0

Major Industry Exposure as of 1/31/10

	% of Net Assets
Energy	16.1
Telecommunications	15.4
Computer Software	8.6
Healthcare	8.0
Pharmaceuticals	7.9
Financial Services	5.7
Minerals and Mining	4.9
Foods	4.9
Banking/Savings and Loan	4.8
Computer Hardware	3.2

Performance through 1/31/10 with dividends reinvested

	3 Months	1 Year	Annualized		10-Year
			5 Years	10 Years	Volatility
Bancroft market price	5.02%	33.07%	2.57%	3.80%	18.34%
Bancroft net asset value	4.68	42.46	2.40	1.98	19.12
Bank of America Merrill Lynch All Conv. Index	6.10	46.62	2.82	2.11	22.07
S&P 500 Index	4.16	33.14	0.18	(0.80)	23.35
Barclay Aggregate Bond Total Return Index	1.23	8.51	4.97	6.33	2.94

Bank of America Merrill Lynch All Convertibles Index and S&P 500 Index performance data from Bloomberg L.P. pricing service. Barclays Aggregate Bond Total Return Index data from Barclays Capital.

Bancroft's performance has not been adjusted for the fiscal 2004 rights offering, or for the 2008 tender offer; net asset value dilution was 2.38%, and (0.85)%, respectively. 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		
	High	Low	Close	High	Low	Close
4/30/09	\$13.92	\$12.02	\$13.92	\$11.90	\$9.75	\$11.69
7/31/09	15.70	13.97	15.70	13.97	12.04	13.94
10/31/09	17.12	15.71	16.57	14.91	13.52	14.23
1/31/10	18.00	16.56	17.05	15.63	14.14	14.69

Total Fund Investments as of 1/31/10

	(000's)	% of Net Assets
Convertible Bonds and Notes	\$68,102	75.6
Corporate Bonds and Notes	1,149	1.3
Convertible Preferred Stocks	11,086	12.3
Mandatory Convertible Securities	7,977	8.9
Other Assets, Net of Liabilities	1,711	1.9
Net Assets	<u>\$90,025</u>	<u>100.0%</u>

Dividend Distributions (12 Months)

Record Date	Payment Date	Income	Capital Gains	Total
3/12/09	3/26/09	\$0.170	—	\$0.170
6/11/09	6/25/09	0.170	—	0.170
9/10/09	9/24/09	0.130	—	0.130
11/27/09	12/28/09	0.256	—	0.256
		<u>\$0.726</u>	<u>—</u>	<u>\$0.726</u>

Investment holdings and industry exposure are as of January 31, 2010 and subject to change without notice. Detailed portfolio information is available on our website (www.bancroftfund.com). Contact us by e-mail at info@bancroftfund.com or call us at (973) 631-1177.