Bancroft Fund Ltd.

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To Our Shareholders:

The convertible securities market has substantially outperformed the major equity indexes in 2009. Perhaps because of this outperformance, convertibles are playing an important role in the recapitalization and restructuring of the American economy. This year has seen the issuance of nearly $13 billion of new convertible securities, $5.9 billion in May alone. Issuers have included utilities, banks, retailers, energy companies, and others. Although the volume of convertible securities issued in the first five months of 2009 lags that of the first five months of 2008, the pace of issuances in 2009 has increased from that of the last quarter of 2008.

The strong performance of convertible securities so far this year can be attributed to both equity participation (the underlying stocks have performed well) and a narrowing of the yield spread relative to Treasury securities as the market has rebuilt the "bond floor" (an important support level) of many issues. Convertible securities continue to appear attractive as many offer substantial yields (in the form of current yield, yield to maturity or yield to put) as well as equity participation potential.

Although we believe the convertible securities market looks healthy, we also believe the bear market that began in October 2007 and hit its lows in March 2009 will have a "second act." Since 1937 markets that fell by more than 30% retested their lows within six months. Although we do not think this retest is inevitable, the Federal Reserve Board may move to strengthen the dollar by slowing or reversing its easing of monetary policy or the Federal Reserve Board may simply begin raising interest rates to avoid future inflation. The likely result for the equity markets in either such scenario might well be the loss of much of their recent positive momentum.

In structuring the Fund's portfolio to meet this challenge, we have put almost 74% of the Fund's assets into convertible bonds that mature or can be put back to the issuer in eight years or less, 60% in five years or less. Such a strategy is designed to reduce the volatility of an investment portfolio and still provide income and participation in any upward movement of the equities markets.

The Fund's performance for the three months ended April 30, 2009 was enhanced by exposure to the minerals and mining and telecommunications industries. By contrast, performance was hurt by the Fund's exposure to the aerospace and defense and pharmaceuticals industries.

The Fund seeks to provide total returns to shareholders that compare favorably to those provided by the equity markets, but with less volatility. The Fund's net asset value (NAV), with dividends reinvested, after adjustment for fund expenses (the benchmark index includes no expenses), for the Fund's fiscal 2004 rights offer, and the February 2008 tender offer, outperformed the Merrill Lynch All Convertibles Index over the five-year period, performed in line over the four-month and ten-year periods, and underperformed the Index for the one year period ended April 30, 2009. For the four-month, one- and five-year periods, the Fund's market return underperformed such Index but performed in line with such Index for the ten-year period. The Fund's NAV volatility and market volatility for the ten-year period, however, as measured by standard deviation, were appreciably 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.

Thomas H. Dinsmore
Chairman of the Board
June 11, 2009