

Edgar Filing: BANCROFT CONVERTIBLE FUND INC - Form N-Q

BANCROFT CONVERTIBLE FUND INC  
Form N-Q  
March 30, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-2151  
-----

Bancroft Fund Ltd.  
(successor to 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 Fund Ltd.  
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: January 31, 2006

ITEM 1. SCHEDULE OF INVESTMENTS.

BANCROFT FUND LTD.  
-----

PORTFOLIO OF INVESTMENTS January 31, 2006 (unaudited)-----

| Principal<br>Amount<br>----- |  | Value<br>----- |
|------------------------------|--|----------------|
|                              | CONVERTIBLE BONDS AND NOTES -- 51.7%   |                |
|                              | AEROSPACE AND DEFENSE -- 4.7%  |                |
| \$1,000,000                  | AAR Corp. 1.75% 2026 cv. sr. notes (BB-)<br>(Acquired 01/26/06 - 01/27/06; Cost \$1,014,063) (1) ..... | \$1,016,2      |

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|           |  |         |
|-----------|--|---------|
| 1,000,000 | Ceradyne, Inc. 2.875% 2035 sr. sub. cv. notes (NR) (2) .....   | 1,218,7 |
| 2,000,000 | DRS Technologies, Inc. 2% 2026 cv. sr. notes (B2)<br>(Acquired 01/30/06; Cost \$2,000,000) (1,2) .....   | 2,012,5 |
| 1,500,000 | L-3 Communications Holdings, Inc. 3% 2035 CODES (Ba3) (2) .....  | 1,548,7 |
|           |  | -----   |
|           |  | 5,796,2 |
|           |  | -----   |
|           | AUTOMOTIVE -- 1.5%   |         |
| 4,000,000 | Lear Corp. 0% 2022 cv. sr. notes (Ba2) .....   | 1,810,0 |
|           |  | -----   |
|           | BANKING/SAVINGS AND LOAN -- 2.0%   |         |
| 2,500,000 | U.S. Bancorp floating rate 2035 cv. sr. deb. (Aa2) .....   | 2,487,5 |
|           |  | -----   |
|           | CONSUMER GOODS -- 1.4%   |         |
| 1,375,000 | Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. (Ba2) .....  | 1,789,2 |
|           |  | -----   |
|           | ENERGY -- 2.4%   |         |
| 1,125,000 | Maverick Tube Corp. 1.875% 2025 cv. sr. sub. notes (NR)<br>(Acquired 11/09/05 - 11/11/05; Cost \$1,128,750) (1) .....  | 1,486,4 |
| 1,000,000 | Oil States International, Inc. 2.375% 2025 contingent<br>cv. sr. notes (NR) .....  | 1,466,2 |
|           |  | -----   |
|           |  | 2,952,6 |
|           |  | -----   |
|           | ENTERTAINMENT -- 4.5%  |         |
| 1,500,000 | EchoStar Communications Corp. 5.75% 2008 cv. sub. notes (B2) .....   | 1,477,5 |
| 4,000,000 | The Walt Disney Company 2.125% 2023 cv. sr. notes (Baa1) .....   | 4,110,0 |
|           |  | -----   |
|           |  | 5,587,5 |
|           |  | -----   |
|           | FINANCIAL AND INSURANCE -- 2.2%  |         |
| 500,000   | E*TRADE Financial Corp. 6% 2007 cv. sub. notes (B-) .....  | 523,1   |
| 1,125,000 | FTI Consulting, Inc. 3.75% 2012 cv. sr. sub. notes (Ba3) .....   | 1,245,9 |
| 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) (1) ..... | 945,9   |
|           |  | -----   |
|           |  | 2,715,0 |
|           |  | -----   |
|           | FINANCIAL SERVICES -- 0.9%   |         |
| 1,000,000 | Euronet Worldwide, Inc. 3.50% 2025 cv. deb. (NR) (2) .....   | 1,057,5 |
|           |  | -----   |
|           | FOODS -- 0.8%  |         |
| 1,000,000 | Lehman Brothers Holdings, Inc. 3% 2012 medium-term notes (A1)<br>(performance linked to General Mills, Inc. common stock) (2) .....  | 981,7   |
|           |  | -----   |
|           | HEALTH CARE -- 3.6%  |         |
| 2,000,000 | Manor Care, Inc. 2.125% 2035 cv. sr. notes (Baa3) .....  | 2,045,0 |
| 1,000,000 | Omnicare, Inc. 3.25% 2035 cv. sr. deb. (B1) (2) .....  | 933,7   |
| 1,500,000 | St. Jude Medical, Inc. 2.8% 2035 cv. sr. deb. (BBB+) (2) .....   | 1,503,7 |
|           |  | -----   |
|           |  | 4,482,5 |
|           |  | -----   |

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PORTFOLIO OF INVESTMENTS January 31, 2006 (continued)

| Principal<br>Amount |   | Value   |
|---------------------|---|---------|
| -----               |   |         |
|                     | CONVERTIBLE BONDS AND NOTES -- CONTINUED  |         |
|                     | MULTI-INDUSTRY -- 0.7%  |         |
| \$1,000,000         | Lehman Brothers Holdings, Inc. 1% 2011 medium-term notes (A1)<br>(performance linked to Cendant Corp. common stock) (2) .....       | \$ 858, |
|                     | -----   |         |
|                     | PHARMACEUTICALS -- 7.8%   |         |
| 2,000,000           | Alza Corp. 0% 2020 cv. sub. deb. (Aa1)<br>(exch. for Johnson & Johnson common stock) .....  | 1,590,  |
| 2,000,000           | Amgen, Inc. 0% 2032 LYONs (A2) (2) .....  | 1,535,  |
| 1,000,000           | Cephalon, Inc. 2% 2015 cv. sr. sub. notes (B-) .....  | 1,621,  |
| 1,250,000           | Encysive Pharmaceuticals, Inc. 2.5% 2012 cv. sr. notes (NR) .....   | 1,125,  |
| 1,000,000           | Ivax Corp. 4.5% 2008 cv. sr. sub. notes (NR)<br>(exch. for Teva Pharmaceutical Industries Ltd. ADR and cash) .....                  | 1,023,  |
| 1,000,000           | Teva Pharmaceutical Finance Co., LLC 0.25% 2026 cv. sr. deb. (Baa2)<br>(exch. for Teva Pharmaceutical Industries Ltd. ADR) .....    | 1,025,  |
| 1,750,000           | Teva Pharmaceutical Finance Co. B.V. 1.75% 2026 cv. sr. deb. (Baa2)<br>(exch. for Teva Pharmaceutical Industries Ltd. ADR) .....    | 1,774,  |
|                     |   | -----   |
|                     |   | 9,694,  |
|                     | -----   |         |
|                     | RETAIL -- 3.8%  |         |
| 1,000,000           | Amazon.com, Inc. 4.75% 2009 cv. sub. notes (B2) .....   | 971,    |
| 1,250,000           | Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes (NR) .....  | 1,171,  |
| 3,000,000           | The TJX Companies, Inc. 0% 2021 LYONs (Baa1) .....  | 2,580,  |
|                     |   | -----   |
|                     |   | 4,723,  |
|                     | -----   |         |
|                     | TECHNOLOGY -- 9.9%  |         |
| 1,000,000           | C&D Technologies, Inc. 5.25% 2025 cv. sr. notes (NR)<br>(Acquired 11/16/05; Cost \$1,000,000) (1) .....                             | 1,162,  |
| 2,000,000           | Citigroup Funding, Inc. 1% 2010 medium-term notes (Aa1)<br>(exch. for the cash equivalent of a basket of technology stocks) (2) ... | 1,867,  |
| 1,500,000           | Intel Corp. 2.95% 2035 jr. sub. cv. deb. (NR)<br>(Acquired 12/14/05 - 01/26/06; Cost \$1,461,700) (1,2) .....                       | 1,370,  |
| 2,750,000           | International Rectifier Corp. 4.25% 2007 cv. sub. notes (B2) .....  | 2,708,  |
| 1,500,000           | LSI Logic Corp. 4% 2010 cv. sub. notes (B) .....  | 1,524,  |
| 1,000,000           | Richardson Electronics, Ltd. 8% 2011 cv. sr. sub. notes (NR)<br>(Acquired 11/21/05; Cost \$1,000,000) (1) .....                     | 1,050,  |
| 1,500,000           | Sybase, Inc. 1.75% 2025 cv. sub. notes (NR) .....   | 1,531,  |
| 1,000,000           | Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes (B3) .....  | 1,033,  |
|                     |   | -----   |
|                     |   | 12,249, |
|                     | -----   |         |
|                     | TELECOMMUNICATIONS -- 4.1%  |         |
| 250,000             | Comverse Technology, Inc. 0% 2023 ZYPS (BB-) (3) .....  | 387,    |
| 1,000,000           | Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (B1) .....   | 1,008,  |
| 500,000             | Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (B1) .....   | 516,    |
| 1,250,000           | Nortel Networks Corp. 4.25% 2008 cv. sr. notes (B3) .....   | 1,192,  |
| 2,000,000           | Tekelec, Inc. 2.25% 2008 sr. sub. cv. notes (NR) .....  | 2,037,  |

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|           |   |           |
|-----------|---|-----------|
|           |   | 5,141,    |
|           | UTILITIES -- 1.4%                                     |           |
| 1,500,000 | CMS Energy Corp. 2.875% 2024 cv. sr. notes (B1) ..... | 1,764,    |
|           | TOTAL CONVERTIBLE BONDS AND NOTES .....               | \$64,091, |

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BANCROFT FUND LTD.

PORTFOLIO OF INVESTMENTS January 31, 2006 (continued)

| Shares |  | Value     |
|--------|--|-----------|
|        | CONVERTIBLE PREFERRED STOCKS -- 23.9%  |           |
|        | AEROSPACE AND DEFENSE -- 1.2%  |           |
| 60,000 | Ionatron, Inc. 6.5% series A cv. pfd. (NR)<br>(Acquired 10/27/05; Cost \$1,500,000) (1) .....                      | \$ 1,530, |
|        | BANKING/SAVINGS AND LOAN -- 6.6%   |           |
| 40,000 | National Australia Bank Ltd. 7.875% exch. capital units (NR) .....   | 1,707,    |
| 45,000 | New York Community Bancorp, Inc. 6% BONUSES units (Baa2) .....   | 2,120,    |
| 35,000 | Sovereign Capital Trust IV 4.375% PIERS (Ba1)<br>(exch. for Sovereign Bancorp, Inc. common stock) (2) .....        | 1,588,    |
| 50,000 | Washington Mutual Capital Trust 5.375% PIERS units (BBB)<br>(exch. for Washington Mutual, Inc. common stock) ..... | 2,690,    |
|        |  | 8,106,    |
|        | BUILDING PRODUCTS -- 0.9%  |           |
| 20,000 | TXI Capital Trust I 5.5% SPuRS (B2)<br>(exch. for Texas Industries, Inc. common stock) .....                       | 1,095,    |
|        | CHEMICALS -- 2.0%  |           |
| 85,000 | Celanese Corp. 4.25% cv. perp. pfd. (NR) .....   | 2,518,    |
|        | ENERGY -- 4.1%   |           |
| 4,000  | Chesapeake Energy Corp. 5% cum. cv. pfd. (B) .....   | 603,      |
| 20,000 | Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B) .....   | 2,035,    |
| 13,000 | Semco Energy, Inc. 5% series B cv. cum. pfd. (B-) .....  | 2,398,    |
|        |  | 5,037,    |

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|         |   |           |
|---------|---|-----------|
|         | FINANCIAL AND INSURANCE -- 6.9%   |           |
| 75,000  | Citigroup Funding, Inc. variable rate exch. notes (Aa1)<br>(exch. for Genworth Financial, Inc. common stock)..... | 2,369,    |
| 20      | Fannie Mae 5.375% non-cumulative cv. pfd. (Aa3)<br>(Acquired 12/29/04 - 01/11/05; Cost \$2,078,125) (1) .....     | 1,929,    |
| 20,000  | Reinsurance Group of America, Inc. 5.75% PIERS (Baa2) .....   | 1,217,    |
| 120,000 | The St. Paul Travelers Companies, Inc. 4.5% 2032<br>cv. jr. sub. notes (Baa1) .....                               | 3,096,    |
|         |   | -----     |
|         |   | 8,612,    |
|         |   | -----     |
|         | MINING -- 2.2%  |           |
| 2,000   | Freeport-McMoRan Copper and Gold, Inc. 5.5% cv. perpetual pfd. (B-) ...   | 2,713,    |
|         |   | -----     |
|         | TOTAL CONVERTIBLE PREFERRED STOCKS .....  | \$29,613, |
|         |   | -----     |

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BANCROFT FUND LTD.

PORTFOLIO OF INVESTMENTS January 31, 2006 (continued)-----

| Shares |  | Value     |
|--------|--|-----------|
| -----  |  | -----     |
|        | MANDATORY CONVERTIBLE SECURITIES -- 17.7% (4)  |           |
|        | CHEMICALS -- 1.5%  |           |
| 40,000 | Huntsman Corp. 5% mand. cv. pfd. 02/16/08 (NR) .....   | \$ 1,855, |
|        |  | -----     |
|        | CONSUMER GOODS -- 1.1%   |           |
| 35,000 | Constellation Brands, Inc. dep. shs. representing 5.75% series A<br>mand. cv. pfd. 09/01/06 (B) .....                                | 1,400,    |
|        |  | -----     |
|        | ENERGY -- 3.1%   |           |
| 15,000 | Amerada Hess Corp. 7% mand. cv. pfd. ACES 12/01/06 (Ba3) .....   | 1,963,    |
| 15,000 | Valero Energy Corp. 2% mand. cv. pfd. 07/01/06 (BB) .....  | 1,860,    |
|        |  | -----     |
|        |  | 3,823,    |
|        |  | -----     |
|        | FINANCIAL AND INSURANCE -- 8.0%  |           |
| 25,000 | The Chubb Corp. 7% equity units 08/16/06 (A2) (2) .....  | 839,      |
| 43,500 | E*TRADE Financial Corp. 6.125% equity units 11/18/08 (B3) .....  | 1,375,    |
| 30,000 | Merrill Lynch & Co., Inc. 6.75% mandatory exch. securities 10/15/07<br>(Aa3) (exch. for Nuveen Investments, Inc. common stock) ..... | 1,291,    |
| 80,000 | MetLife, Inc. 6.375% common equity units 08/15/08 (BBB+) .....   | 2,220,    |
| 42,500 | Morgan Stanley, Inc. 5.875% mandatory exch. securities 10/15/08 (Aa3)<br>(exch. for Nuveen Investments, Inc. common stock) .....     | 1,850,    |
| 40,000 | The PMI Group, Inc. 5.875% HITS units 11/15/06 (A1) (2) .....  | 1,025,    |
| 45,000 | XL Capital, Ltd. 6.5% equity security units 05/15/07 (A3) .....  | 1,022,    |
| 10,000 | XL Capital, Ltd. 7% equity security units 02/15/09 (A3) .....  | 256,      |

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|        |  |           |
|--------|--|-----------|
|        |  | 9,881,    |
|        |  | -----     |
|        | FOODS -- 0.8%  |           |
| 40,000 | Lehman Brothers Holdings, Inc. 6.25% PIES 10/15/07 (A1)<br>(exch. for General Mills, Inc. common stock) .....    | 1,050,    |
|        |  | -----     |
|        | PHARMACEUTICALS -- 1.8%  |           |
| 45,000 | Schering-Plough Corp. 6% mand. cv. pfd. 09/14/07 (Baa3) .....  | 2,307,    |
|        |  | -----     |
|        | TECHNOLOGY -- 1.4%   |           |
| 37,500 | Credit Suisse First Boston (USA), Inc. 5.5% SAILS 11/15/08 (Aa3)<br>(exch. for Equinix, Inc. common stock) ..... | 1,706,    |
|        |  | -----     |
|        | TOTAL MANDATORY CONVERTIBLE SECURITIES (4) .....   | \$22,023, |
|        |  | -----     |
|        | COMMON STOCKS -- 1.0%  |           |
|        | ENERGY -- 0.3%   |           |
| 18,860 | The Williams Companies, Inc. ....  | 449,      |
|        |  | -----     |
|        | HEALTH CARE -- 0.7%  |           |
| 23,253 | Community Health Systems, Inc. (3) .....   | 846,      |
|        |  | -----     |
|        | TOTAL COMMON STOCKS .....  | \$ 1,295, |
|        |  | -----     |

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BANCROFT FUND LTD.

PORTFOLIO OF INVESTMENTS January 31, 2006 (continued)

| Principal<br>Amount |   | Value     |
|---------------------|---|-----------|
| -----               |   | -----     |
|                     | SHORT-TERM SECURITIES -- 5.4%   |           |
|                     | COMMERCIAL PAPER -- 5.4%  |           |
| \$6,700,000         | American Express Credit Corp. (P1)<br>(4.30% maturing 02/01/06) ..... | \$ 6,695, |
|                     |   | -----     |
|                     | U.S. GOVERNMENT OBLIGATIONS -- 0.0%                                   |           |
| 11,000              | U.S. Treasury notes 2.25% 04/30/06 (Aaa) (5) .....                    | 10,       |
|                     |   | -----     |
|                     | TOTAL SHORT-TERM SECURITIES .....                                     | 6,706,    |
|                     |   | -----     |

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|   |            |
|---|------------|
| TOTAL CONVERTIBLE BONDS AND NOTES -- 51.7% .....      | 64,091,    |
| TOTAL CONVERTIBLE PREFERRED STOCKS -- 23.9% .....     | 29,613,    |
| TOTAL MANDATORY CONVERTIBLE SECURITIES -- 17.7% ..... | 22,023,    |
| TOTAL COMMON STOCKS -- 1.0% .....                     | 1,295,     |
| TOTAL SHORT-TERM SECURITIES -- 5.4% .....             | 6,706,     |
| <hr style="border-top: 1px dashed black;"/>           |            |
| TOTAL INVESTMENTS -- 99.7%                            | 123,730,   |
| <br>  |            |
| OTHER ASSETS AND LIABILITIES, NET -- 0.3%             | 385,       |
| <hr style="border-top: 1px dashed black;"/>           |            |
| TOTAL NET ASSETS -- 100.0%                            | \$124,115, |
| <hr style="border-top: 3px double black;"/>           |            |

- (1) Security not registered under the Securities Act of 1933, as amended (e.g., 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 January 31, 2006 was \$12,504,196 which represented 10.1% of the Fund's net assets.
- (2) Contingent payment debt instrument which accrues contingent interest. See Note 1(b) Annual Report to Shareholders dated October 31, 2005.
- (3) Non-income producing security.
- (4) These securities are required to be converted on the dates listed; they generally may be converted prior to these dates at the option of the holder.
- (5) Collateral for a letter of credit.

|         |  |
|---------|--|
| ACES    | Automatic Convertible Equity Securities.       |
| ADR     | American Depositary Receipts.                  |
| BONUSES | Bifurcated Option Note Unit Securities.        |
| CODES   | Convertible Contingent Debt Securities.        |
| HITS    | Hybrid Income Term Security.                   |
| LYONS   | Liquid Yield Option Notes.                     |
| PIES    | Premium Income Exchangeable Securities.        |
| PIERS   | Preferred Income Equity Redeemable Securities. |
| SAILS   | Shared Appreciation Income Linked Securities.  |
| SPuRS   | Shared Preference Redeemable 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.

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### ITEM 2. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures

(a) The Registrant's principal executive officer and principal financial officer, or persons performing similar functions, have concluded that the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "Act"), (17 CFR 270.30a-3(c))) are effective as of February 22, 2006, based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (and 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.15d-15(b))).

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(b) There have been no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

### ITEM 3. EXHIBITS.

Separate certifications of the principal executive officer and the principal financial officer of the Registrant, as required by Rule 30a-2(a) under the Investment Company Act of 1940, are filed herewith.

### SIGNATURES

Pursuant to the requirements of the Securities 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 Fund Ltd.

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

Date: March 28, 2006

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 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: March 28, 2006

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

Date: March 28, 2006