

BANCROFT FUND LTD
Form N-Q
September 24, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-02151

Bancroft Fund Ltd.

(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:
Steven B. King, Esq.
Ballard Spahr LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103-7599

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

Date of fiscal year end: October 31, 2010

Date of reporting period: July 31, 2010

ITEM 1. SCHEDULE OF INVESTMENTS.

Bancroft Fund Ltd. Schedule of Investments

July 31, 2010

(Unaudited)

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| | Principal Amount | Value (Note 1) |
|--|---------------------|-------------------|
| | | 6,011,563 |
| Foods - 0.9% | | |
| Central European Distribution Corp. 3%, due 2013 cv. sr. notes (B-) | 1,000,000 | 886,250 |
| Healthcare - 8.4% | | |
| Charles River Laboratories Int'l, Inc. 2.25%, due 2013 cv sr notes (BB+) | 1,000,000 | 957,500 |
| China Medical Technologies, Inc. 4%, due 2013 cv. sr. sub. notes (NR) (exchangeable for ADS representing common stock) | 1,500,000 | 991,875 |
| Greatbatch, Inc. 2.25%, due 2013 cv. sub. deb. (NR) (3) | 1,500,000 | 1,385,625 |
| Integra LifeSciences Holdings, 2.375%, due 2012 cv. sr. notes (NR) | 1,067,000 | 1,010,983 |
| Kinetic Concepts, Inc. 3.25%, due 2015 cv. sr. notes (BB-) | 1,500,000 | 1,466,250 |
| LifePoint Hospitals Inc. 3.5%, due 2014 cv. sub. notes (B) | 1,000,000 | 950,000 |
| SonoSite Inc. 3.75%, due 2014 cv. sr. notes (NR) | 1,000,000 | 1,053,750 |
| | | 7,815,983 |
| Metals and Mining - 2.6% | | |
| Jaguar Mining, Inc. 4.5%, due 2014 cv. sr. notes (NR) | 1,000,000 | 942,500 |
| Kaiser Aluminum Corp. 4.5%, due 2015 cash cv. sr. notes (NR) (2) | 1,000,000 | 1,082,200 |
| United States Steel Corp. 4%, due 2014 cv. sr. notes (Ba2) | 250,000 | 390,938 |
| | | 2,415,638 |
| Multi-Industry - 1.3% | | |
| LSB Industries, Inc. 5.5%, due 2012 cv. sr. sub. deb. (NR) | 1,250,000 | 1,256,250 |
| Pharmaceuticals - 9.6% | | |
| Amylin Pharmaceutical, Inc. 3%, due 2014 cv. sr. notes (NR) | 1,000,000 | 871,250 |
| Cephalon, Inc. 2.5%, due 2014 cv. sr. sub. notes (NR) | 1,000,000 | 1,073,750 |
| Endo Pharmaceuticals Holdings, Inc. 1.75%, due 2015 cv. sr. sub. notes (NR) | 1,000,000 | 1,018,750 |
| Gilead Sciences, Inc. 0.5%, due 2011 cv. sr. notes (NR) | 500,000 | 510,000 |
| Gilead Sciences, Inc. 1%, due 2014 cv. sr. notes (NR) (2) | 250,000 | 249,844 |
| Gilead Sciences, Inc. 1.625%, due 2016 cv. sr. notes (NR) (2) | 375,000 | 375,234 |
| Millipore Corp. 3.75%, due 2026 cv. sr. notes (BB-) (3) | 750,000 | 950,625 |
| Mylan Laboratories, Inc. 1.25%, due 2012 cv. sr. notes (BB-) (convertible into Mylan Inc. common stock) | 1,500,000 | 1,522,500 |
| Onyx Pharmaceuticals, Inc. 4%, due 2016 cv. sr. notes (NR) | 750,000 | 759,375 |
| Teva Pharmaceutical Finance Co. B.V. 1.75%, due 2026 cv. sr. deb. (A3) (exchangeable for Teva Pharmaceutical Industries Ltd. ADR) | 1,500,000 | 1,681,875 |
| | | 9,013,203 |
| Real Estate - 3.0% | | |
| Annaly Capital Management, Inc. 4%, due 2015 cv. sr. notes (NR) | 1,250,000 | 1,310,938 |
| Corporate Office Properties, L.P. 4.25% due 2030 exch. sr. notes (NR) (2) | 500,000 | 500,000 |
| Lexington Realty Trust 6%, due 2030 cv. guaranteed notes (NR) | 1,000,000 | 1,041,250 |
| | | 2,852,188 |
| Semiconductors - 2.5% | | |
| Intel Corp. 2.95%, due 2035 jr. sub. cv. deb. (A-) (3) | 1,000,000 | 996,250 |
| Intel Corp. 3.25%, due 2039 jr. sub. cv. deb. (A-) | 900,000 | 1,071,000 |
| Xilinx, Inc. 2.625%, due 2017 cv. sr. notes (BBB-) (2) | 250,000 | 275,938 |
| | | 2,343,188 |
| Telecommunications - 14.1% | | |
| ADC Telecommunications Inc. 3.5%, due 2015 cv. sub. deb. (NR) | 1,025,000 | 1,019,875 |

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| | | |
|--|-----------|-----------|
| Anixter International Inc. 1%, due 2013 cv. sr. notes (BB-) | 1,250,000 | 1,218,750 |
| CommScope, Inc. 3.25%, due 2015 cv. sr. sub. notes (B) | 1,000,000 | 1,013,750 |
| Comtech Telecommunications Corp. 3%, due 2029 cv. sr. notes (NR) | 1,000,000 | 935,000 |
| Equinix, Inc. 2.5%, due 2012 cv. sub. notes (B-) | 1,100,000 | 1,148,125 |
| Equinix, Inc. 4.75%, due 2016 cv. sub. notes (B-) | 865,000 | 1,142,881 |
| Finisar Corp. 5%, due 2029 cv. sr. notes (NR) | 250,000 | 427,813 |

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| | Principal Amount | Value (Note 1) |
|---|---------------------|-------------------|
| NII Holdings, Inc. 2.75%, due 2025 cv. notes (B-) | 1,000,000 | 1,003,750 |
| NII Holdings, Inc. 3.125%, due 2012 cv. notes (B-) | 1,000,000 | 966,250 |
| SAVVIS, Inc. 3%, due 2012 cv. sr. notes (NR) | 2,000,000 | 1,987,500 |
| SBA Communications Corp. 4%, due 2014 cv. sr. notes (NR) | 1,000,000 | 1,347,500 |
| SBA Communications Corp. 1.875%, due 2013 cv. sr. notes (NR) | 500,000 | 525,625 |
| Telecommunications Systems, Inc. 4.5%, due 2014 cv. sr. notes (NR) | 500,000 | 412,500 |
| | | 13,149,319 |
| Transportation - 1.7% | | |
| DryShips Inc. 5%, due 2014 cv. sr. notes (NR) | 1,000,000 | 857,500 |
| ExpressJet Holdings, Inc. 11.25%, due 2023 cv. notes (NR) | 742,000 | 753,130 |
| | | 1,610,630 |
| Travel and Leisure - 1.8% | | |
| MGM Mirage 4.25%, due 2015 cv. sr. notes (Caa1) (2) | 1,000,000 | 895,000 |
| Morgans Hotel Group 2.375%, due 2014 cv. sr. sub. notes (NR) | 1,000,000 | 747,500 |
| | | 1,642,500 |
| TOTAL CONVERTIBLE BONDS AND NOTES | | 73,872,095 |
| CORPORATE BONDS AND NOTES - 0.4% | | |
| Finance - 0.4% | | |
| Lehman Brothers Holdings Inc. 6%, due 2010 medium-term notes (NR) (4) | 50,000 | 181,000 |
| Lehman Brothers Holdings Inc. 1%, due 2009 medium-term notes (NR) (4) | 1,500,000 | 217,500 |
| | | 398,500 |
| TOTAL CORPORATE BONDS AND NOTES | | 398,500 |
| CONVERTIBLE PREFERRED STOCKS - 9.5% | | |
| Automotive - 0.7% | | |
| Ford Motor Company Capital Trust II 6.5% cum. cv. trust pfd. (B3) | 15,000 | 698,100 |
| Banking/Savings and Loan - 4.1% | | |
| Bank of America Corp. 7.25% non-cum. perpetual cv. pfd., series L (Ba3) | 1,000 | 920,000 |
| New York Community Bancorp, Inc. 6% BONUSSES units (Baa2) | 24,000 | 1,182,960 |
| Wells Fargo Corp. 7.5% perpetual cv. pfd., series L (Ba1) | 1,750 | 1,706,250 |
| | | 3,809,210 |
| CONVERTIBLE PREFERRED STOCKS - continued | | |
| Energy - 3.2% | | |
| ATP Oil & Gas Corp. 8% perpetual cv. pfd. (NR) | 5,000 | 276,250 |
| Chesapeake Energy Corp. 5% cum. cv. pfd. (B) | 15,000 | 1,140,000 |
| Chesapeake Energy Corp. 4.5% cum. cv. pfd. (B) | 6,360 | 522,792 |
| Whiting Petroleum Corp. 6.25% perpetual cv. pfd. (B) | 5,000 | 1,070,000 |
| | | 3,009,042 |
| Foods - 0.7% | | |
| Bunge Limited 4.875% cum. perpetual cv. pfd. (Ba1) | 7,500 | 626,250 |

Retail - 0.8%

Amerivon Holdings LLC series A cv. pfd. units (NR)

(Acquired 04/01/10; Cost \$1,500,000) (2,5,6) 562,695 750,000

TOTAL CONVERTIBLE PREFERRED STOCKS 8,194,502

| | Principal Amount | Value (Note 1) |
|---|---------------------|---------------------|
| MANDATORY CONVERTIBLE SECURITIES - 7.7% (7) | | |
| Energy - 2.6% | | |
| Apache Corp. 6%, due 8/1/13 mandatory cv. pfd., series D (NR) | 10,500 | 571,725 |
| Great Plains Energy, Inc. 12%, due 6/15/12 equity units (NR) (3) | 20,000 | 1,225,000 |
| Merrill Lynch & Co., Inc. 5.40%, due 9/27/10 PRIDES (A+) (linked to the performance of ConocoPhillips common stock) | 1,000 | 629,600 |
| | | 2,426,325 |
| Finance - 1.0% | | |
| Citigroup, Inc. T-DECS 7.5%, due 12/12/12 (NR) | 7,500 | 911,400 |
| Foods - 1.5% | | |
| 2009 Dole Food ACES Trust 7%, due 11/1/12 (NR) (exchangeable for Dole Food Company, Inc. common stock) | 130,000 | 1,421,875 |
| Home Building - 0.4% | | |
| Beazer Homes USA, Inc. tangible equity units 7.25%, due 8/15/2013 (NR) | 17,500 | 349,825 |
| Metals and Mining - 2.2% | | |
| Vale Capital II 6.75%, due 6/15/12 mandatory cv. notes (BBBH) (exchangeable for ADS representing Vale S.A. common stock) | 19,200 | 1,531,008 |
| Vale Capital II 6.75%, due 6/15/12 mandatory cv. notes (BBBH) (exchangeable for ADS representing Vale S.A. preferred A shares) | 6,500 | 522,844 |
| | | 2,053,852 |
| TOTAL MANDATORY CONVERTIBLE SECURITIES (7) | | 7,163,277 |
| Total Convertible Bonds and Notes - 79.0% | | \$73,872,095 |
| Total Corporate Bonds and Notes - 0.4% | | 398,500 |
| Total Convertible Preferred Stocks - 9.5% | | 8,892,602 |
| Total Mandatory Convertible Securities - 7.7% | | 7,163,277 |
| Total Common Stocks - 0.0% | | - |
| Total Investments - 96.5% | | 90,326,474 |
| Other assets and liabilities, net - 3.5% | | 3,229,404 |
| Total Net Assets - 100.0% | | \$93,555,878 |

Notes:

(1) Non-income producing security.

(2) Security not registered under the Securities Act of 1933, as amended (the "Securities Act") (e.g., the security was purchased in a Rule 144A or a Regulation D transaction). The security may be resold only pursuant to an exemption from registration under the Securities Act, typically to qualified institutional buyers. The Fund generally has no rights to demand registration of such securities. The aggregate market value of these unregistered securities at July 31, 2010 was \$9,765,491 which represented 9.6% of the Fund's net assets.

(3) Contingent payment debt instrument which accrues contingent interest.

(4) Security is in default.

(5) Investment is valued at fair value as determined in good faith pursuant to procedures adopted by the Board of Trustees. It is possible that the estimated value may differ significantly from the amount that might ultimately be realized in the near term, and the difference could be material. The fair value of these securities amounted to \$750,000 at July 31, 2010, which represented 0.7% of the Fund's net assets.

(6) Restricted securities include securities that have not been registered under the Securities Act and securities that are subject to restrictions on resale. The Fund may invest in restricted securities that are consistent with the Fund's investment objective and investment strategies. As of July 31, 2010, the Fund was invested in the following restricted securities:

Amerivon Holdings LLC units containing series A cv. pfd. shares and common equity units, acquired April 1, 2010.

(7) Mandatory Convertible 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.

Investment Abbreviations:

ACES - Automatic Common Exchange Securities.

ADR - American Depositary Receipts.

ADS - American Depositary Shares.

BONUSES - Bifurcated Option Note Unit Securities.

PRIDES - Preferred Redeemable Increased Dividend Equity Securities.

T-DECS - Tangible Dividend Enhanced Common Stock.

Ratings in parentheses by Moody's Investors Service, Inc. or Standard & Poor's.

NR is used whenever a rating is unavailable.

See accompanying notes.

Bancroft Fund Ltd. - Selected Notes to Financial Statements (unaudited)

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

Security Valuation - Investments in securities traded on a national securities exchange are valued at market using the last reported sales price, supplied by an independent pricing service, as of the close of regular trading. Listed securities, for which no sales were reported, are valued at the mean between closing reported bid and asked prices as of the close of regular trading. Unlisted securities traded in the over-the-counter market are valued using an evaluated quote provided by the independent pricing service, or, if an evaluated quote is unavailable, such securities are valued using prices received from dealers, provided that if the dealer supplies both bid and asked prices, the price to be used is the mean of the bid and asked prices. The independent pricing service derives an evaluated quote by obtaining dealer quotes, analyzing the listed markets, reviewing trade execution data and employing sensitivity analysis. Evaluated quotes may also reflect appropriate factors such as individual characteristics of the issue, communications with broker-dealers, and other market data. Securities for which quotations are not readily available, restricted securities and other assets are valued at fair value as determined in good faith pursuant to procedures adopted by the Board of Trustees. Short-term debt securities with original maturities of 60 days or less are valued at amortized cost.

The Fund has adopted authoritative fair valuation accounting standards which establish an authoritative definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion in changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

Level 1 - Quoted unadjusted prices for identical instruments in active markets.

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Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuation in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers, and those received from an independent pricing service.

Level 3 - Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Fund's own assumptions that market participants would use to price an asset or liability based on the best available information.

The following is a summary of the inputs used to value the net assets of the Fund as of January 31, 2010:

The following is a reconciliation of assets for which level 3 inputs were used in determining value:

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of the markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

Securities Transactions and Related Investment Income - Security transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis, including accretion of discounts and amortization of non-equity premium. For certain securities, known as "contingent payment debt instruments," Federal tax regulations require the Fund to record non-cash, "contingent" interest income in addition to interest income actually received. Contingent interest income amounted to approximately 7 cents per share for the nine months ended July 31, 2010. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At July 31, 2010, there were unrealized losses of approximately 10 cents per share on contingent payment debt instruments.

Federal Income Tax Cost - At July 31, 2010, the cost basis of investments for federal income tax purposes, as well as the gross unrealized appreciation from investments for those securities having an excess of value over cost, gross unrealized depreciation from investments for those securities having an excess of cost over value and the net unrealized appreciation from investments were \$89,852,770, \$7,872,382, \$(7,398,677) and \$473,705, respectively.

ITEM 2. CONTROLS AND PROCEDURES.

Conclusions of principal officers concerning controls and procedures.

(a) The Fund's principal executive officer and principal financial officer have concluded that the Fund's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Act (17 CFR 270.30a-3(c))) are effective as of August 26, 2010 based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (17 CFR 240.13a-15(b) or 17 CFR 240.15d-15(b)).

(b) There have been no changes in the Fund'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 Fund's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting.

ITEM 3. EXHIBITS.

Certifications of the principal executive officer and the principal financial officer of the Fund, as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), 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.

Pursuant to the requirements of the Securities 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.
