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BANCROFT CONVERTIBLE FUND INC
Form N-Q
September 28, 2005

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 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: July 31, 2005

ITEM 1. SCHEDULE OF INVESTMENTS.

PORTFOLIO OF INVESTMENTS JULY 31, 2005 (UNAUDITED)

| Principal Amount ----- | | Value (Note 1) ----- |
|------------------------------|--|----------------------------|
| | CONVERTIBLE BONDS AND NOTES -- 51.2% | |
| | AEROSPACE AND DEFENSE -- 1.3% | |
| \$1,500,000 | L-3 Communications Holdings, Inc. 3% 2035 CODES (Ba3) (Acquired 07/27/05 - 07/28/05; Cost \$1,515,938) (1,2)..... | \$1,526,25 |
| | AUTOMOTIVE -- 2.3% | |
| 625,000 | CSK Auto, Inc. 3.375% 2025 sr. exch. notes (NR) | |

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| | | |
|-----------|---|----------|
| | (conv. into CSK Auto Corp. common stock) | |
| | (Acquired 07/26/05; Cost \$637,500) (2)..... | 654,68 |
| 4,500,000 | Lear Corp. 0% 2022 cv. sr. notes (Ba2)..... | 2,055,93 |
| | | ----- |
| | | 2,710,62 |
| | | ----- |
| | BANKING/SAVINGS AND LOAN -- 1.5% | |
| 2,078,000 | The Bear Stearns Companies, Inc. 0.25% 2010 medium-term notes (A1) | |
| | (exch. for Fifth Third Bancorp common stock) (1)..... | 1,813,67 |
| | | ----- |
| | CONSUMER GOODS -- 1.6% | |
| 1,375,000 | Church & Dwight Co., Inc. 5.25% 2033 cv. sr. deb. (Ba2)..... | 1,872,69 |
| | | ----- |
| | ENERGY -- 5.1% | |
| 1,250,000 | OMI Corp. 2.875% 2024 cv. sr. notes (B+)..... | 1,139,06 |
| 2,000,000 | Oil States International, Inc. 2.375% 2025 contingent cv. sr. notes | |
| | (NR) (Acquired 06/16/05; Cost \$1,980,000) (2)..... | 2,288,75 |
| 4,000,000 | Weatherford International Ltd. 0% 2020 cv. sr. deb. (Baa1)..... | 2,608,96 |
| | | ----- |
| | | 6,036,77 |
| | | ----- |
| | ENTERTAINMENT -- 2.6% | |
| 3,000,000 | The Walt Disney Company 2.125% 2023 cv. sr. notes (Baa1)..... | 3,105,90 |
| | | ----- |
| | FINANCIAL AND INSURANCE -- 1.6% | |
| 1,000,000 | FTI Consulting, Inc. 3.75% 2012 cv. sr. notes (Ba3) | |
| | (Acquired 07/29/05; Cost \$1,028,125) (2)..... | 1,027,50 |
| 1,000,000 | Swiss Re America Holding Corp. 3.25% 2021 euro. sub. cv. bonds (A1) | |
| | (conv. into Swiss Reinsurance Company common stock) | |
| | (Acquired 11/15/01 - 12/05/01; Cost \$1,007,750) (2)..... | 930,70 |
| | | ----- |
| | | 1,958,20 |
| | | ----- |
| | HEALTH CARE -- 4.8% | |
| 1,500,000 | Community Health Systems, Inc. 4.25% 2008 cv. sub. notes (B3)..... | 1,750,35 |
| 1,750,000 | Isolagen, Inc. 3.5% 2024 cv. sub. notes (NR) | |
| | (Acquired 10/29/04 - 02/17/05; Cost \$1,771,250) (2)..... | 1,432,81 |
| 1,250,000 | Manor Care, Inc. 2.125% 2035 cv. sr. notes (Baa3) | |
| | (Acquired 07/27/05 - 07/28/05; Cost \$1,268,125) (2)..... | 1,271,87 |
| 750,000 | Mentor Corp. 2.75% 2024 cv. sub. notes (NR)..... | 1,301,25 |
| | | ----- |
| | | 5,756,28 |
| | | ----- |
| | MULTI-INDUSTRY -- 0.8% | |
| 1,000,000 | Lehman Brothers Holdings, Inc. 1% 2011 medium-term notes (A1) | |
| | (performance linked to Cendant Corp. common stock) (1)..... | 950,00 |
| | | ----- |
| | OFFICE EQUIPMENT -- 1.4% | |
| 1,750,000 | IOS Capital, LLC 5% 2007 cv. sub. notes (Ba3) | |
| | (exch. for IKON Office Solutions, Inc. common stock) | |
| | (Acquired 05/08/02 - 06/02/03; Cost \$1,746,250) (2)..... | 1,728,12 |
| | | ----- |

PORTFOLIO OF INVESTMENTS JULY 31, 2005 (CONTINUED)

| Principal Amount | Value (Note 1) |
|---------------------|-------------------|
| ----- | ----- |

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CONVERTIBLE BONDS AND NOTES -- (CONTINUED)

| | | |
|-------------|---|------------|
| | PHARMACEUTICALS -- 8.3% | |
| \$2,000,000 | Alza Corp. 0% 2020 cv. sub. deb. (Aa1) (exch. for Johnson & Johnson common stock)..... | \$ 1,763,4 |
| 2,000,000 | Amgen, Inc. 0% 2032 LYONS (A2) (1)..... | 1,565,1 |
| 550,000 | CV Therapeutics, Inc. 3.25% 2013 sr. sub. cv. notes (NR)..... | 685,4 |
| 1,500,000 | Cephalon, Inc. 2% 2015 cv. sr. sub. notes (B-)..... | 1,558,1 |
| 1,250,000 | Encysive Pharmaceuticals, Inc. 2.5% 2012 cv. sr. notes (NR)..... | 1,362,5 |
| 1,000,000 | Ivax Corp. 4.5% 2008 cv. sr. sub. notes (NR)..... | 1,010,0 |
| 1,000,000 | Teva Pharmaceutical Finance II, LLC series A 0.5% 2024 cv. sr. deb. (BBB) (exch. for ADR representing Teva Pharmaceutical Industries Ltd. common stock)..... | 977,5 |
| 1,000,000 | Teva Pharmaceutical Finance II, LLC series B 0.25% 2024 cv. sr. deb. (BBB) (exch. for ADR representing Teva Pharmaceutical Industries Ltd. common stock)..... | 991,2 |
| | | ----- |
| | | 9,913,3 |
| | | ----- |
| | RETAIL -- 3.3% | |
| 1,250,000 | Casual Male Retail Group, Inc. 5% 2024 cv. sr. sub. notes (NR)..... | 1,175,0 |
| 1,000,000 | Dick's Sporting Goods, Inc. 1.6061% 2024 sr. cv. notes (B)..... | 789,0 |
| 2,400,000 | The TJX Companies, Inc. 0% 2021 LYONS (Baa1)..... | 1,937,1 |
| | | ----- |
| | | 3,901,1 |
| | | ----- |
| | TECHNOLOGY -- 9.6% | |
| 1,250,000 | Advanced Micro Devices, Inc. 4.75% 2022 cv. sr. deb. (B3) (1)..... | 1,310,9 |
| 1,250,000 | Agilent Technologies, Inc. 3% 2021 sr. cv. deb. (Ba2) (1)..... | 1,235,9 |
| 2,000,000 | Citigroup Funding, Inc. 1% 2010 medium-term notes (Aa1) (exch. into cash equivalent of a basket of technology stocks) (1)..... | 1,964,2 |
| 2,750,000 | International Rectifier Corp. 4.25% 2007 cv. sub. notes (B2)..... | 2,719,0 |
| 1,500,000 | LSI Logic Corp. 4% 2010 cv. sub. notes (B)..... | 1,582,5 |
| 1,500,000 | Sybase, Inc. 1.75% 2025 cv. sub. notes (NR) (Acquired 2/15/05 - 04/20/05; Cost \$1,491,557) (2)..... | 1,536,0 |
| 1,000,000 | Vishay Intertechnology, Inc. 3.625% 2023 cv. sub. notes (B3)..... | 1,002,5 |
| | | ----- |
| | | 11,351,1 |
| | | ----- |
| | TELECOMMUNICATIONS -- 5.4% | |
| 1,000,000 | Converse Technology, Inc. 0% 2023 ZYPS (BB-) (3)..... | 1,453,1 |
| 1,000,000 | Lucent Technologies, Inc. 2.75% 2023 series A cv. sr. deb. (B1)..... | 1,080,5 |
| 500,000 | Lucent Technologies, Inc. 2.75% 2025 series B cv. sr. deb. (B1)..... | 565,0 |
| 1,250,000 | Nortel Networks Corp. 4.25% 2008 cv. sr. notes (B3)..... | 1,175,0 |
| 2,000,000 | Tekelec, Inc. 2.25% 2008 sr. sub. cv. notes (NR)..... | 2,102,4 |
| | | ----- |
| | | 6,376,1 |
| | | ----- |
| | UTILITIES -- 1.6% | |
| 1,500,000 | CMS Energy Corp. 2.875% 2024 cv. sr. notes (B1)..... | 1,878,7 |
| | | ----- |
| | TOTAL CONVERTIBLE BONDS AND NOTES..... | \$60,879,0 |
| | | ----- |
| Shares | | |
| ----- | | |
| | CONVERTIBLE PREFERRED STOCKS -- 26.7% | |
| | BANKING/SAVINGS AND LOAN -- 7.9% | |
| 17,500 | Commerce Capital Trust II 5.95% cv. trust pfd. (Baa1) | |

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| | | |
|--------|---|---------|
| | (exch. for Commerce Bancorp, Inc. common stock)..... | 1,129,2 |
| 40,000 | National Australia Bank Ltd. 7.875% exch. capital units (NR)..... | 1,574,0 |
| 45,000 | New York Community Bancorp, Inc. 6% BONUSES units (Baa2)..... | 2,317,5 |
| 35,000 | Sovereign Capital Trust IV 4.375% PIERS (Ba1) | |
| | (exch. for Sovereign Bancorp, Inc. common stock) (1)..... | 1,631,8 |
| 50,000 | Washington Mutual Capital Trust PIERS units (Baa1) | |
| | (exch. for Washington Mutual, Inc. common stock)..... | 2,700,0 |
| | | ----- |
| | | 9,352,6 |
| | | ----- |

PORTFOLIO OF INVESTMENTS JULY 31, 2005 (CONTINUED)

| Shares | | Value (Note 1) |
|---------|---|-------------------|
| ----- | | ----- |
| | CONVERTIBLE PREFERRED STOCKS -- (CONTINUED) | |
| | CHEMICALS -- 2.0% | |
| 85,000 | Celanese Corp. 4.25% cv. perp. pfd. (NR)..... | \$ 2,385,9 |
| | | ----- |
| | ENERGY -- 7.9% | |
| 33,000 | Chesapeake Energy Corp. 5% cum. cv. pfd. (B-) | |
| | (Acquired 04/13/05 - 6/30/05; Cost \$3,482,500) (2)..... | 4,166,2 |
| 13,000 | Semco Energy, Inc. 5% series B cv. cum. pfd. (B-) | |
| | (Acquired 03/09/05 - 07/21/05; Cost \$2,637,904) (2)..... | 2,712,9 |
| 25,000 | The Williams Companies, Inc. 5.5% 2033 jr. sub. cv. deb. (B-)..... | 2,503,1 |
| | | ----- |
| | | 9,382,3 |
| | | ----- |
| | ENTERTAINMENT -- 0.8% | |
| 22,500 | Emmis Communications Corp. 6.25% series A cum. cv. pfd. (Caal)..... | 973,1 |
| | | ----- |
| | FINANCIAL AND INSURANCE -- 5.0% | |
| 20 | Fannie Mae 5.375% non-cumulative cv. pfd. (Aa3) | |
| | (Acquired 12/29/04 01/11/05; Cost \$2,078,125) (2)..... | 1,915,0 |
| 20,000 | Reinsurance Group of America, Inc. 5.75% PIERS (Baa2)..... | 1,138,4 |
| 120,000 | The St. Paul Travelers Companies, Inc. 4.5% 2032 cv. jr. sub. | |
| | notes (Baa1)..... | 2,881,2 |
| | | ----- |
| | | 5,934,6 |
| | | ----- |
| | HEALTH CARE -- 1.5% | |
| 29,000 | Omnicare Capital Trust II 4% PIERS (Ba3) | |
| | (exch. for Omnicare, Inc. common stock) (1)..... | 1,811,7 |
| | | ----- |
| | MINING -- 1.6% | |
| 2,000 | Freeport-McMoRan Copper and Gold, Inc. 5.5% cv. perpetual pfd. (B-).... | 1,932,1 |
| | | ----- |
| | TOTAL CONVERTIBLE PREFERRED STOCKS..... | \$31,772,6 |
| | | ----- |
| | MANDATORY CONVERTIBLE SECURITIES -- 18.1% | |
| | CHEMICALS -- 1.7% | |
| 40,000 | Huntsman Corp. 5% mand. cv. pfd. (NR)..... | 1,991,9 |
| | | ----- |

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| | | |
|--------|--|---------|
| | CONSUMER GOODS -- 1.0% | |
| 30,000 | Constellation Brands, Inc. dep. shs. representing 5.75% series A mand. cv. pfd. (B)..... | 1,247,7 |
| | | ----- |
| | ENERGY -- 3.1% | |
| 20,000 | Amerada Hess Corp. 7% mand. cv. pfd. ACES (Ba3)..... | 2,020,8 |
| 20,000 | Valero Energy Corp. 2% mand. cv. pfd. (BB)..... | 1,639,7 |
| | | ----- |
| | | 3,660,5 |
| | | ----- |
| | FINANCIAL AND INSURANCE -- 6.6% | |
| 25,000 | The Chubb Corp. 7% 2006 equity units (A2) (1)..... | 809,2 |
| 30,000 | Merrill Lynch & Co., Inc. 6.75% mand. exch. sec. (Aa3) (exch. for Nuveen Investments, Inc. common stock)..... | 1,110,2 |
| 80,000 | MetLife, Inc. 6.375% common equity units (BBB+)..... | 2,234,4 |
| 42,500 | Morgan Stanley, Inc. 5.875% mand. exch. sec. (Aa3) (exch. for Nuveen Investments, Inc. common stock)..... | 1,559,7 |
| 40,000 | The PMI Group, Inc. 5.875% HITS units (A1) (1)..... | 999,0 |
| 45,000 | XL Capital, Ltd. 6.5% equity security units (A2)..... | 1,098,0 |
| | | ----- |
| | | 7,810,6 |
| | | ----- |

PORTFOLIO OF INVESTMENTS JULY 31, 2005 (CONTINUED)

| Principal Amount or shares ----- | | Value (Note 1) ----- |
|---|---|----------------------------|
| | MANDATORY CONVERTIBLE SECURITIES -- (CONTINUED) | |
| | FOODS -- 1.6% | |
| 40,000 shs | Albertson's, Inc. 7.25% HITS units (Baa2) (1)..... | \$ 903,6 |
| 40,000 shs | Lehman Brothers Holdings, Inc. 6.25% PIES (A1) (exch. for General Mills, Inc. common stock)..... | 1,040,0 |
| | | ----- |
| | | 1,943,6 |
| | | ----- |
| | PHARMACEUTICALS -- 3.0% | |
| 20,000 shs | Baxter International, Inc. 7% equity units (Baa1) (1)..... | 1,130,8 |
| 45,000 shs | Schering-Plough Corp. 6% mand. cv. pfd. (Baa3)..... | 2,461,5 |
| | | ----- |
| | | 3,592,3 |
| | | ----- |
| | UTILITIES -- 1.1% | |
| 50,000 shs | DTE Energy Co. 8.75% equity security units (BBB-) (1)..... | 1,267,5 |
| | | ----- |
| | TOTAL MANDATORY CONVERTIBLE SECURITIES..... | \$ 21,514,1 |
| | | ----- |
| | SHORT-TERM SECURITIES -- 3.4% | |
| | COMMERCIAL PAPER -- 3.4% | |
| \$4,000,000 | American Express Credit Corp. (P1) (3.18% maturing 08/02/05)..... | 3,997,9 |
| | | ----- |
| | U.S. GOVERNMENT OBLIGATIONS -- 0.0% | |
| 11,000 | U.S. Treasury notes 2.25% 04/30/06 (Aaa) (4)..... | 10,8 |

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| | |
|--|-------------|
| TOTAL SHORT-TERM SECURITIES..... | \$ 4,008,7 |
| ----- | |
| TOTAL CONVERTIBLE BONDS AND NOTES -- 51.2%..... | 60,879,0 |
| TOTAL CONVERTIBLE PREFERRED STOCKS -- 26.7%..... | 31,772,6 |
| TOTAL MANDATORY CONVERTIBLE SECURITIES -- 18.1%..... | 21,514,1 |
| TOTAL SHORT-TERM SECURITIES -- 3.4%..... | 4,008,7 |
| ----- | |
| TOTAL INVESTMENTS -- 99.4%..... | 118,174,6 |
| OTHER ASSETS AND LIABILITIES, NET -- 0.6%..... | 658,3 |
| TOTAL NET ASSETS -- 100.0%..... | \$118,832,9 |
| | ===== |

- (1) Contingent payment debt instrument which accrues contingent interest. See Note 1(B) below.
- (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 exempt 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 July 31, 2005 was \$21,190,934 which represented 17.8% of the Fund's net assets.
- (3) Non-income producing security.
- (4) 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. |
| 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.

At July 31, 2005: (1) the aggregate cost of investments for Federal income tax purposes was \$111,648,222, (2) aggregate gross unrealized appreciation was \$9,346,529, (3) aggregate gross unrealized depreciation was \$2,820,098, and (4) net unrealized appreciation was \$6,526,431.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

Bancroft Convertible Fund, Inc. (the "Fund") 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.

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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 9 cents per share for the nine months ended July 31, 2005. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At July 31, 2005 there were unrealized losses of approximately 5 cents per share on contingent payment debt instruments.

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 August 10, 2005, 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))).

(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 Convertible Fund, Inc.

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

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(Principal Executive Officer)

Date: September 28, 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 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: September 28, 2005

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

Date: September 28, 2005