

BANCROFT FUND LTD  
Form N-Q  
September 29, 2011

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, 2011

Date of reporting period: July 31, 2011

ITEM 1. SCHEDULE OF INVESTMENTS.

---

*Bancroft Fund Ltd. – Schedule of Investments (unaudited)*

*July 31, 2011*

|  | Principal<br>Amount | Value        |
|--|---------------------|--------------|
| <b>Convertible Bonds and Notes - 69.3%</b>                 |                     |              |
| <b>Aerospace and Defense - 1.6%</b>                        |                     |              |
| Alliant Techsystems, Inc., 2.75%, Due 9/15/11, (BB)        | \$ 1,000,000        | \$ 1,007,500 |
| Kaman Corp., 3.25%, Due 11/15/17, (A)                      | 500,000             | 620,625      |
|  |                     | 1,628,125    |
| <b>Automotive - 1.8%</b>                                   |                     |              |
| A123 Systems, Inc., 3.75%, Due 4/15/16, (BB)               | 1,000,000           | 877,500      |
| Titan International, Inc., 5.625%, Due 1/15/17, (B)        | 375,000             | 1,001,719    |
|  |                     | 1,879,219    |
| <b>Computer Hardware - 3.8%</b>                            |                     |              |
| EMC Corp., 1.75%, Due 12/1/13, (A)                         | 1,900,000           | 3,175,375    |
| NetApp, Inc., 1.75%, Due 6/1/13, (A)                       | 500,000             | 776,250      |
|  |                     | 3,951,625    |
| <b>Computer Software - 6.3%</b>                            |                     |              |
| Digital River, Inc., 2.00%, Due 11/1/30, (A)               | 1,000,000           | 922,500      |
| Electronic Arts, Inc., 0.75%, Due 7/15/16, (AA)(1)         | 375,000             | 373,594      |
| Microsoft Corp., Due 6/15/13, (AAA)(2)                     | 500,000             | 519,375      |
| Nuance Communications, Inc., 2.75%, Due 8/15/27, (BB)      | 2,000,000           | 2,512,500    |
| RightNow Technologies, Inc., 2.50%, Due 11/15/30, (BBB)    | 250,000             | 325,000      |
| Rovi Corp., 2.625%, Due 2/15/40, (BBB)                     | 750,000             | 971,250      |
| THQ, Inc., 5.00%, Due 8/15/14, (CCC)                       | 500,000             | 444,375      |
| WebMD Health Corp., 2.50%, Due 1/31/18, (BBB)              | 500,000             | 445,000      |
|  |                     | 6,513,594    |
| <b>Construction Material - 0.9%</b>                        |                     |              |
| CEMEX, S.A.B. de C.V., 4.875%, Due 3/15/15, (NR)           | 1,000,000           | 891,250      |
| <b>Consumer Goods - 0.5%</b>                               |                     |              |
| Iconix Brand Group, Inc., 2.50%, Due 6/1/16, (A)(1)        | 250,000             | 260,625      |
| Regis Corp., 5.00%, Due 7/15/14, (BB)                      | 250,000             | 300,312      |
|  |                     | 560,937      |
| <b>Data Processing - 0.5%</b>                              |                     |              |
| CSG Systems International, Inc., 3.00%, Due 3/1/17, (BBB)  | 500,000             | 500,625      |
| <b>Energy - 6.6%</b>                                       |                     |              |
| Endeavour International Corp., 5.50%, Due 7/15/16, (BB)(1) | 500,000             | 483,750      |
| Goodrich Petroleum Corp., 5.00%, Due 10/1/29, (CCC)        | 1,000,000           | 997,500      |
| JinkoSolar Holding Co. Ltd., 4.00%, Due 5/15/16, (NR)(1)   | 1,000,000           | 756,250      |

Edgar Filing: BANCROFT FUND LTD - Form N-Q

|  |           |           |
|--|-----------|-----------|
| Oil States International, Inc., 2.375%, Due 7/1/25, (BB) | 400,000   | 1,020,000 |
| Renesola Ltd., 4.125%, Due 3/15/18, (NR)(1)              | 500,000   | 341,250   |
| SunPower Corp., 4.75%, Due 4/15/14, (NR)                 | 500,000   | 521,250   |
| SunPower Corp., 4.50%, Due 3/15/15, (NR)                 | 1,250,000 | 1,346,875 |
| Transocean, Inc., 1.50%, Due 12/15/37, (BBB)             | 500,000   | 493,125   |
| Trina Solar Ltd., 4.00%, Due 7/15/13, (NR)               | 750,000   | 921,562   |
|  |           | 6,881,562 |

***Bancroft Fund Ltd. – Schedule of Investments (continued)***

***July 31, 2011***

|   | Principal<br>Amount | Value     |
|---|---------------------|-----------|
| <b>Financial Services - 5.8%</b>                                  |                     |           |
| Annaly Capital Management, Inc., 4.00%, Due 2/15/15, (NR)         | 750,000             | 860,625   |
| BGC Partners, Inc., 4.50%, Due 7/15/16, (BBB)(1)                  | 250,000             | 249,375   |
| Euronet Worldwide, Inc., 3.50%, Due 10/15/25, (B)(3)              | 1,000,000           | 1,005,000 |
| Knight Capital Group, Inc., 3.50%, Due 3/15/15, (NR)              | 750,000             | 702,656   |
| National Financial Partners, 4.00%, Due 6/15/17, (NR)             | 750,000             | 838,125   |
| Old Republic International Corp., 8.00%, Due 5/15/12, (BBB)       | 1,250,000           | 1,332,812 |
| Tower Group, Inc., 5.00%, Due 9/15/14, (NR)                       | 1,000,000           | 1,077,500 |
|   |                     | 6,066,093 |
| <b>Foods - 0.5%</b>   |                     |           |
| Chiquita Brands International, 4.25%, Due 8/15/16, (B)            | 500,000             | 472,500   |
| <b>Healthcare - 6.1%</b>  |                     |           |
| Chemed Corp., 1.875%, Due 5/15/14, (AA)                           | 890,000             | 912,250   |
| China Medical Technologies, Inc., 4.00%, Due 8/15/13, (NR)        | 1,100,000           | 771,375   |
| Insulet Corp., 3.75%, Due 6/15/16, (BBB)                          | 500,000             | 509,375   |
| Integra Lifesciences Holdings Co., 2.375%, Due 6/1/12, (BBB)(1)   | 1,067,000           | 1,069,668 |
| Integra Lifesciences Holdings Co., 1.625%, Due 12/15/16, (BBB)(1) | 250,000             | 248,125   |
| Kinetic Concepts, Inc., 3.25%, Due 4/15/15, (BB)                  | 1,000,000           | 1,432,500 |
| NuVasive, Inc., 2.75%, Due 7/1/17, (BBB)                          | 250,000             | 243,750   |
| Sonosite, Inc., 3.75%, Due 7/15/14, (BBB)                         | 1,000,000           | 1,107,500 |

|  |           |           |
|--|-----------|-----------|
|  |           | 6,294,543 |
| <b>Machinery - 0.5%</b>                                    |           |           |
| Chart Industries, Inc., 2.00%, Due 8/1/18, (B)             | 500,000   | 506,250   |
| <b>Metals and Mining - 3.4%</b>                            |           |           |
| Jaguar Mining, Inc., 4.50%, Due 11/1/14, (BB)              | 525,000   | 470,531   |
| James River Coal Co., 3.125%, Due 3/15/18, (CCC)(1)        | 125,000   | 122,500   |
| Kaiser Aluminum Corp., 4.50%, Due 4/1/15, (A)              | 1,000,000 | 1,316,300 |
| Northgate Minerals Corp., 3.50%, Due 10/1/16, (NR)         | 500,000   | 550,625   |
| RTI International Metals, Inc., 3.00%, Due 12/1/15, (BB)   | 475,000   | 553,375   |
| United States Steel Corp., 4.00%, Due 5/15/14, (BB)        | 375,000   | 538,125   |
|  |           | 3,551,456 |
| <b>Pharmaceuticals - 9.6%</b>                              |           |           |
| Akorn, Inc., 3.50%, Due 6/1/16, (AA)(1)                    | 250,000   | 270,625   |
| Amgen, Inc., 0.375%, Due 2/1/13, (A)                       | 1,000,000 | 1,006,250 |
| Amylin Pharmaceuticals, Inc., 3.00%, Due 6/15/14, (BB)     | 500,000   | 466,875   |
| Cephalon, Inc., 2.50%, Due 5/1/14, (NR)                    | 500,000   | 616,875   |
| Cubist Pharmaceuticals, Inc., 2.25%, Due 6/15/13, (AA)     | 750,000   | 929,062   |
| Endo Pharmaceuticals Holdings, 1.75%, Due 4/15/15, (BB)    | 750,000   | 1,032,188 |
| Gilead Sciences, Inc., 1.00%, Due 5/1/14, (A)              | 750,000   | 843,750   |
| Gilead Sciences, Inc., 1.625%, Due 5/1/16, (A)             | 750,000   | 883,125   |
| Millipore Corp. (Merck KGA), 3.75%, Due 6/1/26, (BBB)(3,5) | 750,000   | 902,775   |
| Mylan, Inc., 1.25%, Due 3/15/12, (BB)                      | 1,500,000 | 1,590,000 |
| Onyx Pharmaceuticals, Inc., 4.00%, Due 8/15/16, (BBB)      | 750,000   | 867,188   |
| Salix Pharmaceuticals, Inc., 2.75%, Due 5/15/15, (A)       | 500,000   | 568,125   |
|  |           | 9,976,838 |

---

***Bancroft Fund Ltd. – Schedule of Investments (continued)***

***July 31, 2011***

|  | Principal<br>Amount | Value   |
|--|---------------------|---------|
| <b>Real Estate - 1.7%</b>                                |                     |         |
| Corporate Office Properties LP, 4.25%, Due 4/15/30, (NR) | 500,000             | 496,875 |

Edgar Filing: BANCROFT FUND LTD - Form N-Q

|  |           |           |
|--|-----------|-----------|
| Lexington Realty Trust, 6.00%, Due 1/15/30, (NR)                       | 1,000,000 | 1,306,250 |
|  |           | 1,803,125 |
| <b>Semiconductors - 6.7%</b>   |           |           |
| Intel Corp., 2.95%, Due 12/15/35, (A)(3)                               | 1,000,000 | 1,032,500 |
| Intel Corp., 3.25%, Due 8/1/39, (A)                                    | 1,250,000 | 1,487,500 |
| Mentor Graphics Corp., 4.00%, Due 4/1/31, (BBB)(1)                     | 250,000   | 241,875   |
| Micron Technology, Inc., 1.875%, Due 6/1/14, (BB)                      | 1,000,000 | 968,750   |
| Micron Technology, Inc., 1.50%, Due 8/1/31, (A)(1)                     | 125,000   | 121,719   |
| Micron Technology, Inc., 1.875%, Due 8/1/31, (A)(1)                    | 250,000   | 240,625   |
| Novellus Systems, Inc., 2.625%, Due 5/15/41, (A)(1,3)                  | 500,000   | 479,375   |
| Photronics, Inc., 3.25%, Due 4/1/16, (A)(1)                            | 250,000   | 265,938   |
| Rudolph Technologies, Inc., 3.75%, Due 7/15/16, (A)(1)                 | 500,000   | 481,250   |
| Sandisk Corp., 1.50%, Due 8/15/17, (BB)                                | 1,000,000 | 1,082,500 |
| Xilinx, Inc., 2.625%, Due 6/15/17, (BBB)                               | 500,000   | 618,750   |
|  |           | 7,020,782 |
| <b>Telecommunications - 8.8%</b>                                       |           |           |
| Alaska Communications Systems Group, Inc., 6.25%, Due 5/1/18, (BBB)(1) | 250,000   | 227,500   |
| Anixter International, Inc., 1.00%, Due 2/15/13, (B)                   | 750,000   | 868,125   |
| Comtech Telecommunications Co., 3.00%, Due 5/1/29, (A)                 | 500,000   | 523,750   |
| Equinix, Inc., 3.00%, Due 10/15/14, (B)                                | 1,500,000 | 1,695,000 |
| Equinix, Inc., 4.75%, Due 6/15/16, (B)                                 | 500,000   | 725,625   |
| Finisar Corp., 5.00%, Due 10/15/29, (NR)                               | 75,000    | 137,719   |
| General Cable Corp., 4.50%, Due 11/15/29, (B)                          | 500,000   | 657,500   |
| Interdigital, Inc., 2.50%, Due 3/15/16, (AA)(1)                        | 375,000   | 506,719   |
| NII Holdings, Inc., 3.125%, Due 6/15/12, (B)                           | 1,000,000 | 1,006,250 |
| SBA Communications Corp., 4.00%, Due 10/1/14, (BBB)                    | 500,000   | 703,125   |
| SBA Communications Corp., 1.875%, Due 5/1/13, (BBB)                    | 1,000,000 | 1,100,000 |
| TeleCommunication Systems, Inc., 4.50%, Due 11/1/14, (BBB)             | 1,000,000 | 965,000   |
|  |           | 9,116,313 |
| <b>Transportation - 2.1%</b>   |           |           |
| Dryships, Inc., 5.00%, Due 12/1/14, (NR)                               | 750,000   | 632,812   |
| The Greenbrier Companies, Inc., 3.50%, Due 4/1/18, (CCC)               | 375,000   | 346,406   |
| Hawaiian Holdings, Inc., 5.00%, Due 3/15/16, (BB)                      | 500,000   | 465,625   |
| Ultrapetrol (Bahamas) Limited, 7.25%, Due 1/15/17, (NR)(1)             | 750,000   | 725,625   |
|  |           | 2,170,468 |
| <b>Travel &amp; Leisure - 2.1%</b>                                     |           |           |
| Home Inns & Motels Management, 2.00%, Due 12/15/15, (NR)               | 500,000   | 498,750   |
| MGM Resorts International, 4.25%, Due 4/15/15, (CCC)                   | 750,000   | 854,062   |
| Morgans Hotel Group Co., 2.375%, Due 10/15/14, (BB)                    | 1,000,000 | 873,750   |
|  |           | 2,226,562 |

**TOTAL CONVERTIBLE BONDS AND NOTES**

72,011,867

***Bancroft Fund Ltd. – Schedule of Investments (continued)******July 31, 2011***

|   | Principal<br>Amount | Value     |
|---|---------------------|-----------|
| <b>CORPORATE BONDS - 0.2%</b>                               |                     |           |
| <b>Financial Services - 0.2%</b>                            |                     |           |
| Lehman Brothers Holdings, Inc., 1.00%, Due 3/23/09, (NR)(4) | 1,500,000           | 247,500   |
| <b>TOTAL CORPORATE BONDS</b>                                |                     | 247,500   |
| <b>CONVERTIBLE PREFERRED STOCKS - 15.0%</b>                 |                     |           |
|   | Shares              |           |
| <b>Banking/Savings and Loan - 6.0%</b>                      |                     |           |
| Bank of America Corporation, 7.25%, (BB)                    | 1,600               | 1,559,568 |
| Fifth Third Bancorp, 8.50%, (BB)                            | 9,750               | 1,378,942 |
| New York Community Capital Trust V, 6.00%, (BB)             | 24,000              | 1,141,920 |
| Wells Fargo & Co., 7.50%, (A)                               | 2,000               | 2,123,400 |
|   |                     | 6,203,830 |
| <b>Energy - 3.4%</b>  |                     |           |
| ATP Oil & Gas Corp., 8.00%, (NR)                            | 10,000              | 901,275   |
| Chesapeake Energy Corp., 5.00%, (B)                         | 25,000              | 2,625,000 |
| Whiting Petroleum Corp., 6.25%, (B)                         | 131                 | 36,578    |
|   |                     | 3,562,853 |
| <b>Financial Services - 0.7%</b>                            |                     |           |
| Hartford Financial Services Group, Inc., 7.25%, (BB)        | 30,000              | 714,000   |
| <b>Foods - 0.7%</b>   |                     |           |
| Bunge Ltd., 4.875%, (BB)                                    | 7,500               | 765,000   |

**Real Estate - 0.5%**

|                                     |        |         |
|-------------------------------------|--------|---------|
| Health Care REIT, Inc., 6.50%, (BB) | 10,000 | 518,500 |
|-------------------------------------|--------|---------|

**Retail - 0.7%**

|   |         |         |
|---|---------|---------|
| Amerivon Holdings LLC, 4.00%, (NR)(1,5,6) | 572,925 | 763,585 |
|---|---------|---------|

**Telecommunications - 0.9%**

|  |        |         |
|--|--------|---------|
| Crown Castle International Corp., 6.25%, (B) | 16,000 | 956,000 |
|--|--------|---------|

**Tools - 1.1%**

|  |        |           |
|--|--------|-----------|
| Stanley Black & Decker, Inc., 4.75%, (BBB) | 10,000 | 1,127,900 |
|--|--------|-----------|

**Utilities - 1.0%**

|                        |        |           |
|------------------------|--------|-----------|
| PPL Corp., 9.50%, (NR) | 18,500 | 1,037,665 |
|------------------------|--------|-----------|

|   |  |                   |
|---|--|-------------------|
| <b>TOTAL CONVERTIBLE PREFERRED STOCKS</b> |  | <b>15,649,333</b> |
|---|--|-------------------|

***Bancroft Fund Ltd. – Schedule of Investments (continued)******July 31, 2011***

|   | Shares | Value     |
|---|--------|-----------|
| <b>MANDATORY CONVERTIBLE SECURITIES - 13.5% (7)</b>       |        |           |
| <b>Automotive - 1.8%</b>                                  |        |           |
| General Motors Co., 4.75%, Due 12/1/13, (NR)              | 40,000 | 1,848,400 |
| <b>Data Processing - 0.3%</b>                             |        |           |
| Unisys Corp., 6.25%, Due 3/1/14, (B)                      | 5,000  | 338,850   |
| <b>Energy - 3.6%</b>                                      |        |           |
| Apache Corp., 6.00%, Due 8/1/13, (A)                      | 25,000 | 1,628,500 |
| Great Plains Energy, Inc., 12.00%, Due 6/15/12, (BBB)(3)  | 20,000 | 1,275,400 |
| UBS AG Exchangeable Note (GTAT), 6.75%, Due 9/15/13, (AA) | 20,000 | 830,200   |
|   |        | 3,734,100 |



|   |        |                |
|---|--------|----------------|
| <b>Financial Services - 2.4%</b>  |        |                |
| Citigroup, Inc., 7.50%, Due 12/15/12, (A)   | 14,000 | 1,570,100      |
| MetLife, Inc., 5.00%, Due 10/8/14, (BBB)  | 12,500 | 974,250        |
|   |        | 2,544,350      |
| <b>Foods - 0.8%</b>   |        |                |
| 2009 Dole Food ACES Trust, 7.00%, Due 11/1/12, (NR)                               | 60,000 | 791,250        |
| <b>Home Building - 0.2%</b>   |        |                |
| Beazer Homes USA, Inc., 7.25%, Due 8/15/13, (CCC)                                 | 17,500 | 261,625        |
| <b>Metals and Mining - 2.7%</b>   |        |                |
| AngloGold Ashanti Ltd., 6.00%, Due 9/15/13, (NR)                                  | 5,900  | 291,578        |
| UBS AG Exchangeable Note (SWC), 9.375%, Due 6/15/12, (AA)                         | 12,000 | 242,400        |
| Vale Capital II (Vale S.A.), 6.75%, Due 6/15/12, (NR)                             | 25,700 | 2,336,289      |
|   |        | 2,870,267      |
| <b>Transportation - 0.7%</b>  |        |                |
| 2010 Swift Mandatory Common Exchange Security Trust, 6.00%,<br>Due 12/31/13, (NR) | 60,000 | 687,600        |
| <b>Utilities - 1.0%</b>   |        |                |
| Nextera Energy, Inc., 7.00%, Due 9/1/13, (NR)                                     | 20,000 | 1,016,400      |
| <b>TOTAL MANDATORY CONVERTIBLE SECURITIES (7)</b>                                 |        | 14,092,842     |
| <b>Convertible Bonds and Notes - 69.3%</b>  |        | \$ 72,011,867  |
| <b>Corporate Bonds - 0.2%</b>   |        | 247,500        |
| <b>Convertible Preferred Stocks - 15.0%</b>                                       |        | 15,649,333     |
| <b>Mandatory Convertible Securities - 13.5%</b>                                   |        | 14,092,842     |
| <b>Total Investments - 98.0%</b>  |        | 102,001,542    |
| <b>Other Assets, Net of Liabilities - 2.0%</b>                                    |        | 2,030,504      |
| <b>Total Net Assets - 100.0%</b>  |        | \$ 104,032,046 |

---

*Bancroft Fund Ltd. – Schedule of Investments (continued)*

*July 31, 2011*

(1) Security not registered under the Securities Act of 1933, as amended (the Securities Act ) (i.e., 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, 2011 was \$9,307,472 which represented 8.9% of the Fund's net assets.

(2) Non-income producing security.

(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 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 \$1,666,360 at July 31, 2011, which represented 1.6% 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. In some cases, the issuer of restricted securities has agreed to register such securities for resale at the issuer's expense, either upon demand by the Fund or in connection with another registered offering of the securities. Investments in restricted securities are valued at fair value as determined in good faith in accordance with 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. As of July 31, 2011, the Fund was invested in the following restricted security:

Amerivon Holdings LLC 4.00% preferred

(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.

#### **PORTFOLIO RATINGS:**

Where a security is rated by Standard & Poor's, such rating appears in parentheses next to such security (but without any applicable + or - that might apply).

Where a security is rated by Standard & Poor's and at least one other rating agency and the Fund believes the ratings to be functionally equivalent to one another, the Standard & Poor's rating appears in parentheses next to such security (but without any applicable + or - that might apply).

Where a security is rated by Standard & Poor's and at least one other rating agency and the Fund believes the ratings not to be functionally equivalent to one another, the Fund puts in parentheses next to such security the Standard & Poor's rating which it believes approximates the average of all such ratings (but without any applicable + or - that might apply).

Where a security is not rated by Standard & Poor's, the Fund puts in parentheses next to such security the Standard & Poor's rating which it believes approximates the average of all such ratings (but without any applicable + or - that might apply).

NR is used whenever a rating is unavailable.

---

***Bancroft Fund Ltd. – Schedule of Investments (continued)***

***July 31, 2011***

**SUMMARY OF PORTFOLIO RATINGS \***

|             |     |
|-------------|-----|
| AAA         | 1%  |
| AA          | 5%  |
| A           | 23% |
| BBB         | 13% |
| BB          | 19% |
| B           | 12% |
| CCC & below | 3%  |
| Not Rated   | 24% |

\* Excludes equity securities and cash.

*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 quotation provided by the independent pricing service, or, if an evaluated quotation 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 quotation by obtaining dealer quotations, analyzing the listed markets, reviewing trade execution data, evaluating the price of the underlying common stock and employing sensitivity analysis. Evaluated quotations may also reflect appropriate factors such as individual characteristics of the issue, broker/dealer quotations, and additional inputs such as benchmark yields, reported trades, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference 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 approved 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.

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

Edgar Filing: BANCROFT FUND LTD - Form N-Q

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 investments of the Fund as of July 31, 2011:

|                                  | Level 1 | Level 2       | Level 3     |
|----------------------------------|---------|---------------|-------------|
| Investments in Securities:       |         |               |             |
| Convertible Bonds and Notes      | \$ ---  | \$ 71,109,092 | \$ 902,775  |
| Convertible Preferred Stocks     | ---     | 14,885,748    | 763,585     |
| Mandatory Convertible Securities | ---     | 14,092,842    | ---         |
| Corporate Bonds and Notes        | ---     | 247,500       | ---         |
| Common Stock                     | ---     | ---           | ---         |
| <b>Total Investments</b>         | \$ ---  | \$100,335,182 | \$1,666,360 |

---

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

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

|   | Convertible<br>Bonds and<br>Notes | Corporate<br>Bonds and<br>Notes | Convertible<br>Preferred<br>Stocks | Total       |
|---|-----------------------------------|---------------------------------|------------------------------------|-------------|
| Beginning balance                                   | \$914,625                         | \$ ---                          | \$760,858                          | \$1,675,483 |
| Change in unrealized<br>appreciation (depreciation) | (11,850)                          | ---                             | ---                                | (11,850)    |
| Net transfers in/out of level 3                     | ---                               | ---                             | 2,727                              | 2,727       |

|                |           |        |           |             |
|----------------|-----------|--------|-----------|-------------|
| Ending balance | \$902,775 | \$ --- | \$763,585 | \$1,666,360 |
|----------------|-----------|--------|-----------|-------------|

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 on 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 two cents per share for the nine months ended July 31, 2011. In addition, Federal tax regulations require the Fund to reclassify realized gains on contingent payment debt instruments to interest income. At July 31, 2011, there were unrealized losses of approximately two cents per share on contingent payment debt instruments.

**Federal Income Tax Cost** - At July 31, 2011, 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 \$97,251,608, \$10,135,525, \$(5,385,589) and \$4,749,936 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, 2011 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 Rules 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.

Bancroft Fund Ltd.

By: /s/Thomas H. Dinsmore

Thomas H. Dinsmore

Chairman of the Board and

Chief Executive Officer

(Principal Executive Officer)

Date: September 29, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this

Edgar Filing: BANCROFT FUND LTD - Form N-Q

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 29, 2011

By: /s/Gary I. Levine

Gary I. Levine

Chief Financial Officer

(Principal Financial Officer)

Date: September 29, 2011

---