

ROYCE FOCUS TRUST INC  
Form N-CSR  
March 03, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT**  
**OF**  
**REGISTERED MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

Address of Registrant: 745 Fifth Avenue

New York, NY 10151

Name and address of agent for service: John E. Denneen, Esquire

745 Fifth Avenue

New York, NY 10151

Registrant's telephone number, including area code: (212) 508-4500

Date of fiscal year end: December 31

Date of reporting period: January 1, 2010 - December 31, 2010

**Item 1. Reports to Shareholders.**

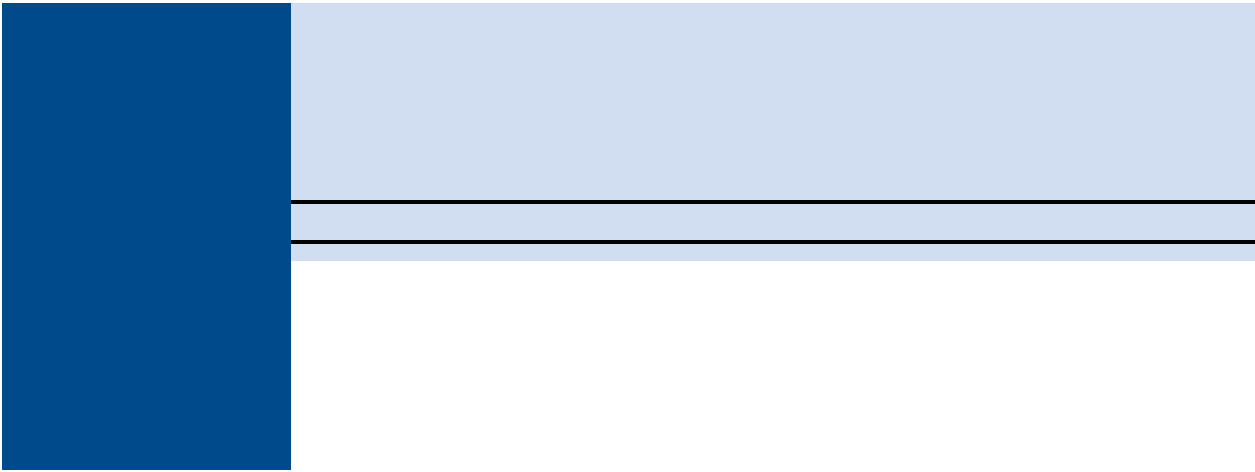
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[Royce Value Trust](#)

[Royce Micro-Cap Trust](#)

[Royce Focus Trust](#)

# ANNUAL REVIEW AND REPORT TO STOCKHOLDERS



## A Few Words on Closed-End Funds

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**Royce & Associates, LLC manages three closed-end funds: Royce Value Trust, the first small-cap value closed-end fund offering; Royce Micro-Cap Trust, the only micro-cap closed-end fund; and Royce Focus Trust, a closed-end fund that invests in a limited number of primarily small-cap companies.**

A closed-end fund is an investment company whose shares are listed and traded on a stock exchange. Like all investment companies, including open-end mutual funds, the assets of a closed-end fund are professionally managed in accordance with the investment objectives and policies approved by the Fund's Board of Directors. A closed-end fund raises cash for investment by issuing a fixed number of shares through initial and other public offerings that may include shelf offerings and periodic rights offerings. Proceeds from the offerings are invested in an actively managed portfolio of securities. Investors wanting to buy or sell shares of a publicly traded closed-end fund after the offerings must do so on a stock exchange, as with any publicly traded stock. This is in contrast to open-end mutual funds, in which the fund sells and redeems its shares on a continuous basis.

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## A Closed-End Fund Offers Several Distinct Advantages Not Available From An Open-End Fund Structure

- Since a closed-end fund does not issue redeemable securities or offer its securities on a continuous basis, it does not need to liquidate securities or hold uninvested assets to meet investor demands for cash redemptions, as an open-end fund must.
- In a closed-end fund, not having to meet investor redemption requests or invest at inopportune times is ideal for value managers who attempt to buy stocks when prices are depressed and sell securities when prices are high.
- A closed-end fund may invest more freely in less liquid portfolio securities because it is not subject to potential stockholder redemption demands. This is particularly beneficial for Royce-managed closed-end funds, which invest in small- and micro-cap securities.
- The fixed capital structure allows permanent leverage to be employed as a means to enhance capital appreciation potential.
- Unlike Royce's open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. In January 2011, the Funds announced the resumption of the quarterly distribution policies for their common stock, at a 5% annual rate, beginning in March 2011. As of December 31, 2010, each Fund had fully utilized its capital loss carryforwards for federal income tax purposes, allowing the managed distribution policies to be reinstated. Please see page 18-19 for more details.

*We believe that the closed-end fund structure is very suitable for the long-term investor who understands the benefits of a stable pool of capital.*

## Why Dividend Reinvestment Is Important

A very important component of an investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 13, 15 and 17. For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, please see page 19 or visit our website at [www.roycefunds.com](http://www.roycefunds.com).

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This page is not part of the 2010 Annual Report to Stockholders

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*For more than 35 years, we have used a value approach to invest in small-cap securities. We focus primarily on the quality of a company's balance sheet, its ability to generate free cash flow and other measures of profitability or sound financial condition. We then use these factors to assess the company's current worth, basing the assessment on either what we believe a knowledgeable buyer might pay to acquire the entire company, or what we think the value of the company should be in the stock market.*

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## Performance Table

### NAV Average Annual Total Returns

Through December 31, 2010

	Royce Value Trust	Royce Micro-Cap Trust	Royce Focus Trust	Russell 2000
Fourth Quarter 2010*	16.68%	17.66%	18.32%	16.25%
One-Year	30.27	28.50	21.79	26.86
Three-Year	0.81	0.88	2.41	2.22
Five-Year	5.16	4.82	6.91	4.47
10-Year	8.77	10.25	11.80	6.33
15-Year	10.70	10.89	n.a.	7.64
20-Year	12.65	n.a.	n.a.	10.83
Since Inception	11.06	11.19	11.56	
Inception Date	11/26/86	12/14/93	11/1/96**	—

\* Not annualized

\*\* Date Royce &amp; Associates, LLC assumed investment management responsibility for the Fund.

### Important Performance and Risk Information

All performance information in this *Review and Report* reflects past performance, is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The Royce Funds invest primarily in securities of micro-cap, small-cap and mid-cap companies, which may involve considerably more risk than investments in securities of larger-cap companies.

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## Letter to Our Stockholders

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### Into The Great Wide Open

The stock market enjoyed a very good year in 2010. In a normal year, this would be an unremarkable observation, perhaps one not even worth making, at least not as a statement on its own. Twenty-ten, however, was no normal year, even applying the most generous range to that modifier. One could even argue that the mostly terrific results for equities were one of the major symptoms of the year's glaring lack of normalcy. Consider the fact that equity markets across the globe did all right to very well in the midst of ongoing economic uncertainty not just here in the United States, but in fellow economic heavyweights China and Europe as well.

The nature and direction of that uncertainty is also worth noting, as it took on a generally western drift and included crises some real, others perceived and a few arguably exaggerated in each of the aforementioned locales. It began early in 2010 with an economic slowdown in China, which hurt hard asset prices everywhere while sending a chill through most of the world's capital markets. By spring, it had rolled into Europe in the form of the sovereign debt crisis before blowing across the Atlantic in the summer with fears of a double-dip recession in the U.S. The prospect of crisis then drifted back to China early in the autumn with attempts by the Chinese government to slow the nation's economy, before again lingering in Europe later in the fall with another sovereign debt problem, this time in Ireland.

Interestingly, and perhaps tellingly, the world's equity markets began to shake off these events, or their possible materialization, in July. Share prices mostly climbed from that



One could even argue that the mostly terrific results for equities were one of the major symptoms of the year's glaring lack of normalcy. Consider the fact that equity markets across the globe did all right to very well in the midst of ongoing economic uncertainty not just here in the United States, but in fellow economic heavyweights China and Europe as well.

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Charles M. Royce, President

*Here at Royce, we have consistently applied a highly disciplined approach that surveys the entire universe of micro-cap, small-cap and mid-cap companies, striving to uncover mispriced and underappreciated businesses. Our experience over nearly four decades, a span encompassing multiple market and economic cycles, has given us a unique perspective into what makes companies grow, what can lead them to be overvalued and what makes them undervalued.*

*Our long-term perspective involves an attempt to understand what a business is worth and, consequently, what a private buyer might pay for the entire enterprise. In other words, we think like owners, not renters. So as holding periods have contracted of late, we find our thoughts more closely aligned with private equity investors who seek to buy entire companies because, like them, we evaluate the financial and business dynamics of an enterprise as if we were purchasing the entire company. Our goal is to buy businesses, not just stocks.*

*This business buyer's mentality has served us very well over the years as styles have gone in and out of favor,*

*Continued on page 6...*

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## Letter to Our Stockholders

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month through the end of the year, with the third and fourth quarters producing healthy, double-digit returns for most of the world's major indexes. So what happened to swing the mood of investors? **While clearly concerned about a repeat of 2008, even a more muted version, investors at the same time seemed to respond a little better to the news of each impending difficulty. They may have seen some of what we saw—companies that, since the financial crisis erupted in the fall of 2008, have been managing their businesses successfully, providing many pockets of strength in a domestic economy that was slowly and, at least in our estimation, surely recovering.**

So while serious problems remain—housing, unemployment, the sorry state of national, state and municipal balance sheets—we see better times ahead. At the same time, we accept that the coming year (and perhaps longer) represents something like uncharted territory. To some, the

immediate future feels like the great wide open, a place where all of the uncertainty and contradictory signals create a free-falling sensation that lacks the solid footing one might otherwise expect two years' worth of strong market returns to supply. After breaking down the year's returns for the major indexes and *The Royce Funds* in this *Review and Report*, we'll make our case that we are on more solid ground than many think.

## Breakdown

While the year ended well for most major equity indexes, results through the first half of the year were fairly dismal, with all of the major domestic and non-U.S. indexes posting negative returns. Following domestic market lows in early July, however, share prices began an ascent that took them through the end of the year, making 2010 the second consecutive year of double-digit positive performance for the three major U.S. indexes. Small-caps led the way by a substantial margin. **For the calendar year, the small-cap Russell 2000 gained 26.9%, the large-cap S&P 500 climbed 15.1% and the more tech-heavy Nasdaq Composite rose 16.9%.** (Although returns for the Russell Midcap index were also quite healthy, they lagged those of small-cap in 2010, with the Russell Midcap index up 25.5%.)

Each index's showing from the interim small-cap low on July 6, 2010—a period that coincided with the greatest anxiety over a double-dip recession—was particularly impressive. From that date through December 31, 2010 the Russell 2000 was up 33.6% versus respective gains of 23.6% and 26.7% for the S&P 500 and Nasdaq Composite. **The advantage for small-cap stocks during both the recent bull run and the year as a whole was sealed during the fourth quarter, when the Russell 2000 was up 16.3% versus respective gains of 10.8% and 12.0% for the larger-cap S&P 500 and Nasdaq Composite. Better relative first-half performance was also a factor, as the small-cap index lost less than its larger siblings through the first six months of 2010.** As welcome and strong as 2010's returns were, the three U.S. indexes remained shy of their respective peaks, though the Russell 2000, only 3.8% off its previous peak on July 13, 2007, came closest to setting a new market cycle high. The S&P 500 finished the year 13.6% shy of its

peak on October 9, 2007, while the Nasdaq has still not surpassed its peak from March 10, 2000 and ended the year 47.5% off that high.

Non-U.S. indexes performed in line with their U.S. counterparts, though small-cap's edge was even more pronounced in 2010 than it was here at home. For the calendar year, the MSCI World (ex U.S.) Small Core index gained 24.5%, while the MSCI EAFE index was up 7.8%. Both the small-cap and large-cap non-U.S. indexes were strong off the early July domestic small-cap low. From July 6, 2010 through December 31, 2010, the MSCI World (ex U.S.) Small Core index climbed 29.8%, and the MSCI EAFE index rose 21.3%. Three-year average annual returns for both overseas indexes were negative, as they were for the S&P 500. The Nasdaq was essentially flat for the three-year period ended December 31, 2010, while the Russell 2000 gained 2.2%. **For the five-year period ended December 31, 2010, the two non-U.S. and three domestic indexes were all positive, with the Russell 2000 and MSCI World (ex U.S.) Small Core index in the lead, followed by the S&P 500, the MSCI EAFE and the Nasdaq.**

Our work was showing many pockets of strength in the economy that accelerated throughout the year, businesses that were benefiting from the decline of the dollar, and renewed activity in many sectors and industries. So the market's strength through much of 2010 was not a surprise to us.

Within small-cap, growth continued its leadership, outperforming value in 2010. The Russell 2000 Value index rose 24.5% compared to a gain of 29.1% for the Russell 2000 Growth index. Small-cap growth also held an edge for the five-year period ended December 31, 2010, while annualized periods of 10 years or more saw a sizeable edge for small-cap value. Micro-cap companies performed even better in the calendar year, with the Russell Microcap index up 28.9% in 2010. As was the case with small-cap, growth provided an edge relative to value within the Russell Microcap index for the calendar-year period.

## Good Enough

Accepting that there is more to portfolio management and life than beating a benchmark, we were very satisfied with performance as a whole for the three close-end funds featured in this *Annual Review and Report*. **We were especially pleased with two developments: All three of our Funds performed very well on a relative basis in 2010's lone significant correction, the period from the interim small-cap high on April 23, 2010 through the interim small-cap low on July 6, 2010. More importantly, each Fund finished the year with strong returns on an absolute basis.** The two are not unrelated in our view. Key to our disciplined value ethos is the idea that not losing money is as critical as making it.

We suspect that the reign of high-beta, often low-quality companies is likely to end soon, usurped by companies with characteristics such as high returns on invested capital, free cash flow generation and dividends.

Relative results for the calendar year were also strong, with Royce Value Trust and Royce Micro-Cap Trust outpacing the Russell 2000 for the calendar-year period on both an NAV (net asset value) and market price basis. All three of our closed-end portfolios also outpaced the Russell 2000 for the five-year and 10-year periods ended December 31, 2010 on an NAV basis. Factoring in the Funds' strong down market results, absolute calendar-year returns and generally better

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*many times driven by economic cycles.*

*Our analytical work centers first on evaluating what a business is worth today, in recognition of the fact that it is a far more difficult proposition to discern what a business will be worth in the future. Once we have appropriate conviction on the value of an enterprise, we then establish a share price that we are willing to pay that discounts a required rate of return on our capital and adds additional margin for our inevitable mistakes. Generally speaking, we target a discount of at least 30% and preferably 50% below our assessment of a business's worth. This would translate into a 44%-100% return on our investment in the event that our share price objective is met.*

*So what differentiates a business buyer's analysis from the traditional approach more concerned with earnings growth? First and most importantly, the business is measured over a long-term period and not on financial results from one quarter or even one year. Businesses tend not to change overnight. However, we know from experience that their stock prices certainly can.*

*Measuring the profitability of a business is not a novel idea, but it's a task that we perform diligently in an attempt to understand the quality and sustainability of a business. Return on Invested Capital (ROIC), Return on Assets (ROA) and Free Cash Flow are our favored metrics, but they are obviously just numbers that are readily available to everyone and,*

*Continued on page 8...*

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## Letter to Our Stockholders

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longer-term performance records versus their benchmark, we were pleased with overall returns for the calendar year. The strong performance by the Funds allowed their Board to announce in January 2011, the resumption of their managed distribution policy, at a 5% annual rate, commencing in March 2011.

**Within the small-cap market as a whole, stocks in the energy and technology sectors were the top performers in 2010, according to data from Russell Investments.** Although we organize our own sector and industry breakdowns a little differently than Russell, we saw strength in similar areas, namely our own Technology, Industrial Products and Natural Resources sectors. Net gains for the latter sector were driven by several precious metals and mining companies as well as many energy services stocks. Taken as a whole, the portfolios also had a lot of success with investments in the Industrial Services, Financial Services and Consumer Products sectors. In fact, there were net contributors in nearly all sector and industry group, another testament to the depth and breadth of the market's recovery.

## Long After Dark

As wonderful as it was to see a second straight year of terrific equity returns, particularly coming off the financial collapse of late 2008-early 2009, the issue remains that the market rose markedly in a period of intense economic anxiety, which has engendered a host of questions about how and why this happened. It puts us in mind of the old adage that the market climbs a wall of worry. It also dovetails nicely with the notion that the market is almost always looking ahead a few years, which, if nothing else, makes it clear that investors were more optimistic about the global economy than many others.

In fact, both of those ideas define what happened in 2010 pretty well. Looking more closely, we think what happened was that the media focused on a narrow set of economic news, namely deficits, housing and unemployment, and missed much of what was going

on elsewhere in the economy. **For months, the dominant stories were budget woes, foreclosures and jobless claims. While these are undoubtedly serious problems, they also offer very narrow lenses through which to view the economy, whether that of the U.S. or the world.** Our own work was showing many pockets of strength in the economy that accelerated throughout the year, businesses that were benefiting from the decline of the dollar, and renewed activity in many sectors and industries. So the market's strength through much of 2010 was not a surprise to us.

If not for those worrisome problems just mentioned, the success of the market in 2010 would be a very different kind of story. However, we remain convinced that what took place in equities last year was simply the historical advantage that small-caps have typically enjoyed coming out of recessions. They are often thought of as being more nimble and thus more responsive to economic events, and 2010 represents to us the latest phase in the post-recession recovery for stocks that began after the market low in March 2009. Of course, the world is not as complacent as it was in the middle part of the decade. Much of the wariness about the recent bull market is symptomatic of the generally more cautious attitude that many people now possess. **As value investors, we are always all for caution, but we see the intelligence with which so many companies have managed themselves over the last two or three years as more meaningful than the economic problems we are currently laboring to solve. This is what inspires our confidence in the economy going forward.**

## The Waiting

Returning to the more narrow sphere of stocks, we have noticed that the world seems to have been waiting for a while now for large-cap to post a pronounced gain in performance at the expense of their small-cap counterparts. As of this writing, this grand shift to large-cap leadership has not materialized. From our somewhat biased perspective, we do not see it coming soon, though we do see what we regard as an important change in the market. As indiscriminately good as most of the last 22 months have been for stocks, we suspect that the reign of high-beta, often low-quality companies is likely to end soon, usurped by companies with characteristics such as high returns on invested capital, free cash flow generation and dividends. These elements are more likely to determine leadership than market capitalization. So while it would not be surprising to see large-cap enjoying periods of outperformance in the months to come, we do not expect the spread to be significant. **We believe that the days of wide divergence between small-cap and large-cap, such as we saw in the '90s, are over, at least for the intermediate term.**

As long-established believers in reversion to the mean, we think that the decade ahead should be a positive one for stocks if for no other reason than that the previous one was so difficult. We also see the next few years as something of a reverse of the previous two—our expectation is that the economy will heat up and grow more quickly than the stock market. While we remain essentially confident about the long-

Overall, our outlook is fairly positive. Corrections in the 10% or greater range should create opportunities for us on a global scale. We think that returns will remain positive and that volatility will remain a presence which we seek to use to our advantage in the months and years ahead.

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*on their own, only reveal so much. While each plays an important part in determining a company's valuation, it is ultimately the subjective assessment of an enterprise that tests our analytical acumen.*

*Enterprise Conviction (EC) is a proprietary methodology that we developed at Royce to isolate our assessment of conviction in the quality of a business from its valuation. We have developed core tenets designed to reveal the structure of the company's market, the sustainable or competitive edge that it possesses, its future prospects, and the ability of the management team to guide the business going forward.*

*Importantly, this combination of Enterprise Conviction backed up by traditional analytics has also created a consistent approach to our interactions with company management teams. Meeting and interviewing the key leaders of a business is a critical part of Royce's business evaluation process. Using our specialized process offers a measure of protection against common investor pitfalls such as "value traps," commitment bias or allowing an interesting management story to morph into investment conviction.*

*At Royce, our process centers on uncovering the worth of a business, not on what its stock may do in the near term. By establishing conviction about our knowledge of an entire enterprise, we can more easily assess the financial opportunities, weigh the risks of investment, and determine an appropriate price to pay.*

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## Letter to Our Stockholders

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term prospects for stocks, we do not see the kind of returns on an annualized basis that we saw in 2009 and 2010 and instead see annualized returns in the high single digits for the decade as a whole. **There should be a lot of differentiation and an ample number of corrections, some of them, like 2010's spring-summer downturn, more than capable of temporarily suspending investors' confidence. We view this as a near-ideal environment for disciplined and discriminating stock pickers such as ourselves.** Overall, then, our outlook is fairly positive. Corrections in the 10% or greater range should create opportunities for us on a global scale. We think that returns will remain positive and that volatility will remain a presence which we seek to use to our advantage in the months and years ahead.

Sincerely,

Charles M.  
Royce  
*President*

W.  
Whitney  
George  
*Vice  
President*

Jack E.  
Fockler, Jr.  
*Vice  
President*

January 31, 2011

*We dedicate this Review and Report to the memory of our beloved partner and colleague, Denis Fitzgerald, who passed away in February. Denis was a valued member of our marketing and research teams and contributed immeasurably to the production and design of our materials. He worked alongside of us for nearly 22 years. His commitment to our firm and its betterment were unsurpassed. His energy and spirit not only define our firm, but will remain with us forever.*

## Style Points

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*It is impossible to produce superior performance unless you do something different from the majority.*

Sir John Templeton

Every active manager needs an edge. There needs to be relate to how we look at companies. First, we use a time something dynamic and at least somewhat unique about tested approach that most commonly focuses on strong the security selection process that sets their portfolios balance sheets, high returns on invested capital and a apart. This is especially true if their goal as it is for us hererecord of success as a business. Second, we pay very close at *The Royce Funds* is to generate strong absoluteattention to risk at multiple levels. While most managers long-term returns. The quote above from Sir John focus chiefly on potential returns, we devote at least equal Templeton illustrates this perfectly. How any superiorand sometimes more attention to the risk side of the performance is produced, however, is another matter. equation. Our contention is that failing to do so can erode, or even destroy, long-term returns.

After all, the world is full of ostensibly great investment approaches, seemingly sound strategies and apparently foolproof methods for making money in the stock market. Yet these techniques do not always accomplish what they set out to do. With this in mind, it seems to us that the key questions are, how does one establish a long-term performance edge? How does a manager do something differently from the majority, and do it successfully?

These questions have only grown in importance over the last three years, as the world just barely avoided a collapse of the global financial system late in 2008 and has been struggling to create a more lasting recovery ever since. The difficulties of the more recent period further validate the importance of measuring performance over full market cycles (or rolling five- and 10-year periods), spans that include both up and down phases. On those scores, a close look at page 10 will provide the market cycle returns for several Royce Funds and their showings against their respective benchmarks.

The success that we have enjoyed over these periods is the result of three closely related elements. The first two

Our Funds seek to help investors build wealth as consistently, and with as little volatility, as possible within our investment universe. Without the requisite discipline, such a goal could not be reached. Our approach and our unshakeable commitment to it are the vital things that we believe have helped us to separate our Funds from the portfolio pack.

Combined with this is an equally important third factor: our managers willingness to stick to their respective approaches, regardless of market movements and trends. Adhering to the discipline is as vital to our success as the approach itself. This is especially relevant during market extremes such as those we have seen over the last several years.

For us, the security selection process and the discipline and commitment to stick with it are inextricably bound together. Our goal is always to grow capital. While we enjoy besting benchmarks as much as any active asset manager, our focus is never on beating the market. When it happens, we see it only as a happy byproduct of the successful execution of our investment discipline. Our Funds seek to help investors build wealth as consistently, and with as little volatility, as possible within our investment universe. Without the requisite discipline, such a goal could not be reached. Our approach and our unshakeable commitment to it are the vital things that we believe have helped us to separate our Funds from the portfolio pack.

## Small-Cap Market Cycle Performance

**We believe strongly in the idea that a long-term investment perspective is crucial for determining the success of a particular investment approach. Flourishing in an up market is wonderful. Surviving a bear market by losing less (or not at all) is at least as good. However, the true test of a portfolio's mettle is performance over full market cycle periods, which include both up and down market periods. We believe that providing full market cycle results is more appropriate even than showing three- to five-year standardized returns because the latter periods may not include the up and down phases that constitute a full market cycle.**

Since the Russell 2000's inception on 12/31/78, value—as measured by the Russell 2000 Value index—outperformed growth—as measured by the Russell 2000 Growth index—in six of the small-cap index's eight full market cycles. The most recently concluded cycle, which ran from 3/9/00 through 7/13/07, was the longest in the index's history, and represented what we believe was a return to more historically typical performance in that value provided a significant advantage during its downturn (3/9/00 - 10/9/02) and for the full cycle. In contrast, the new market cycle that began on 7/13/07 has so far favored growth over value, an unsurprising development when one considers how thoroughly value dominated growth in the previous full cycle.

For the full cycle, value provided a sizeable margin over growth, which finished the period with a loss. Each of our closed-end funds held a sizeable performance advantage over the Russell 2000 on both an NAV (net asset value) and market price basis. On an NAV basis, Royce Focus Trust (+264.2%) was our best performer by a wide margin, followed by Royce Micro-Cap Trust (+175.9%) and Royce Value Trust (+161.3%). The latter two funds in particular benefited from their use of leverage during this, as well as in subsequent bullish periods.

### Peak-to-Current (7/13/07-12/31/10)

During the difficult, volatile decline that ended 3/9/09, both value and growth posted similarly negative returns. Events in the financial markets immediately preceding the end of 2008's third quarter caused the Russell 2000 to decline significantly. After a brief rally at the end of 2008, the index continued to fall, though it has since recovered significantly, gaining 134.0% from 3/9/09 through 12/31/10.

Royce Focus Trust narrowly outperformed the index during the decline, while all three closed-end funds outpaced the Russell 2000 during the rally from 3/9/09 through 12/31/10.

ROYCE FUNDS NAV TOTAL RETURNS VS. RUSSELL 2000 INDEX: MARKET CYCLE RESULTS				
	Peak-to-Peak 3/9/00- 7/13/07	Peak-to-Trough 7/13/07- 3/9/09	Trough-to-Current 3/9/09- 12/31/10	Peak-to-Current 7/13/07- 12/31/10
<b>Russell 2000</b>	<b>54.8%</b>	<b>-58.9%</b>	<b>134.0%</b>	<b>-3.8%</b>
<b>Russell 2000 Value</b>	<b>189.4</b>	<b>-61.1</b>	<b>134.2</b>	<b>-9.0</b>
<b>Russell 2000 Growth</b>	<b>-14.8</b>	<b>-56.8</b>	<b>133.6</b>	<b>1.0</b>
	161.3	-65.6	176.7	-4.7

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Royce Value  
Trust

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Royce  
Micro-Cap  
Trust

175.9    -66.3    174.9    -7.4

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Royce Focus  
Trust

264.2    -58.3    138.3    -0.5

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Past performance is no guarantee of future results. See page 2 for important performance information for all of the above funds.

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