

*1999 Annual Report*

THE  
ROYCE  
FUNDS

*Value Investing In Small Companies  
For More Than 25 Years*

ROYCE VALUE TRUST

ROYCE MICRO-CAP TRUST

ROYCE FOCUS TRUST

*Royce & Associates, Inc. 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, formerly named Royce Global Trust, a closed-end fund that typically invests in a limited number of domestic and foreign companies.*

A closed-end fund is an investment company whose shares are listed on a stock exchange or are traded in the over-the-counter market. 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 which may include 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 or the Nasdaq market, as with any publicly traded stock. This is in contrast to open-end mutual funds where the fund sells and redeems its shares on a continuous basis.

### 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 open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. Royce Value Trust has adopted a quarterly distribution policy.

*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 11, 13 and 15. For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see page 18.

## ANNUAL REPORT REFERENCE GUIDE

*For more than 25 years, our approach has focused on evaluating a company's current worth — what we believe a business would sell for in a private transaction between rational and well-informed parties. This requires a thorough analysis of the financial and operating dynamics of a business, as though we were purchasing the entire company. The price we pay for a security must be substantially lower than our appraisal of its current worth.*



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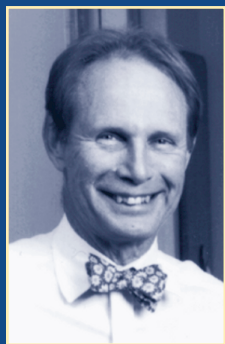
## NAV AVERAGE ANNUAL TOTAL RETURNS Through December 31, 1999

FUND	4TH QUARTER 1999*	JUL-DEC 1999*	1-YEAR	3-YEAR	5-YEAR	FROM INCEPTION	INCEPTION DATE
Royce Value Trust	11.8%	6.5%	11.7%	13.7%	15.8%	12.9%	11/26/86
Royce Micro-Cap Trust	13.6	10.1	12.7	11.2	14.5	13.0	12/14/93
Royce Focus Trust	5.9	-1.3	8.7	6.9	n/a	8.0	11/01/96**
Russell 2000	18.4	11.0	21.3	13.1	16.7		

Royce Value Trust's 10-year NAV average annual total return for the period ended 12/31/99 was 13.7%.

\* Not annualized.

\*\* Date Royce & Associates, Inc. assumed investment management responsibility.



Charles M. Royce, *President*

Over the last 20 years, falling interest rates have been the engine driving the stock market's record-breaking run, but the ride may soon slow down. As of December 31, 1999, the annual coupon yield on the long-term Treasury bond had declined 57% from its 1981 high of 15.2% to the current 6.5%. Short-term yields declined 70% from an annual rate high of 17.7% in 1981 to 5.3% currently. In order to match the magnitude of this drop, long-term rates would have to decline below 2.8% and short-term rates would have to fall below 1.6% — a possible, but unlikely scenario. Without this powerful backdrop, we think that the longevity of high stock market returns is questionable.



*Watching for Value at the Dot.Com Party*

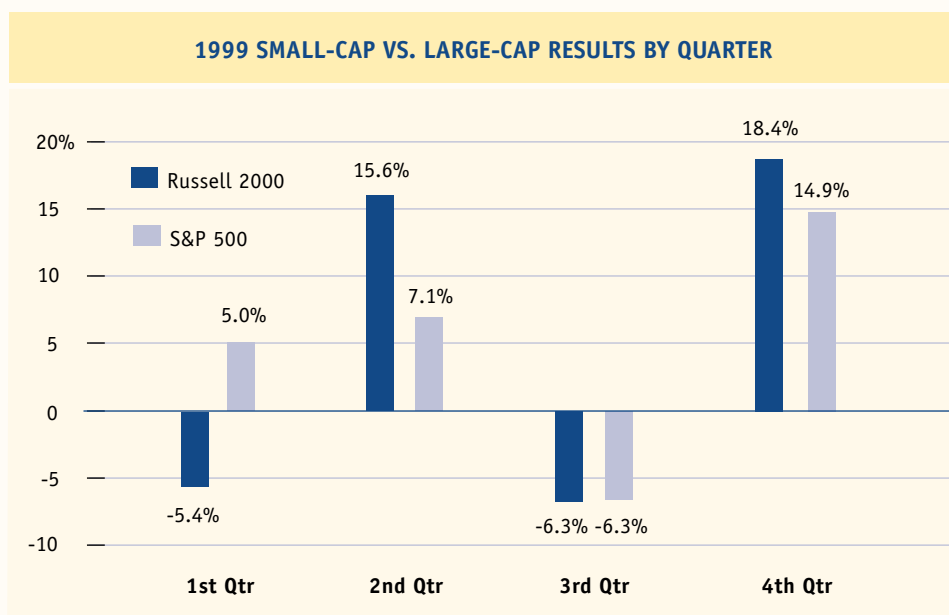
### BETTER LATE THAN NEVER: SMALL-CAPS JOIN THE PARTY

It was only fitting that the stock market concluded the year with a fireworks display that would have made the pyrotechnists at the Eiffel Tower envious. The technology-laden Nasdaq Composite exploded with an 85.6% gain for 1999, the best single-year performance ever by a diversified domestic equity index. For an unprecedented fifth consecutive year, large-cap indices, the S&P 500 and Dow Jones Industrial Average, concluded 1999 with strong double-digit gains. Small-cap companies managed a fourth-quarter flurry of their own that enabled the Russell 2000 (+21.3%) to edge out the S&P 500 (+21.1%) in 1999 for the first time since 1993, news that risks being lost in the wake of the Nasdaq Composite's record-shattering year.

If all of this were not enough to convince you that the stock market succumbed to millennium madness, consider that, according to Lipper, Inc., the average technology fund rose 134.8% in 1999. Contributing to this unheard of ascent was a torrid IPO (initial

public offering) market that produced first-day gains of 100% or more for 101 companies. If this were to continue, IPO would need to be relabeled “instant profit opportunity.” To put 1999 into perspective, over the prior 207 years, or since investors began gathering at Wall Street’s buttonwood tree in 1792, there had only been 42 IPOs with first-day gains of more than 100% (Source: *The Wall Street Journal*).

We can perhaps be indulged in a bit of hyperbole in saying that small-cap stocks, like the heroic warriors in *Braveheart*, refused to surrender to their large-cap counterparts. After five long years of underperformance, the Russell 2000 eked out its small edge versus the S&P 500 with better performance in the second and fourth quarters after a complete disconnect in the first quarter. Not on most investors’ radar screens is the fact that 1999’s calendar year results also reflected excellent small-cap performance from both the 10/8/98 Russell 2000 market trough (Russell 2000 +65.2% versus S&P 500 +55.6%) and the 1999 Russell 2000 low on 3/23/99 (Russell 2000 +33.1% versus S&P 500 +17.5%). Another little noticed, but compelling statistic is that, *for the first time ever*, the dividend yield of the Russell 2000 is greater than that of the S&P 500 and was so for all of 1999. Do we think that this is the start of something good for our asset class? “You betcha.”



We looked at historical Russell 2000, Russell 2000 Value and Russell 2000 Growth index full market cycle returns to see if growth stocks had generally outperformed in up markets and value stocks in down markets over the last two decades. A full market cycle incorporates at least one up and one down phase and requires a move of at least 15% from the previous peak or trough.

Small-cap value outperformed growth during five out of six down market periods. Surprisingly, value also outperformed growth in four out of six up market periods. So despite strong recent performance by growth stocks — on the verge of winning their first full-market cycle out of six full market cycle periods throughout the small-cap index's history (since 1979) — we believe that the long-term case for value remains compelling.

### NEVER SURRENDER

Technology's dominance extended across all capitalization categories. The sector now accounts for approximately 29% of the stocks in the S&P 500. In 1999, 66% of the S&P 500's return was attributable to just 10 stocks, eight of which were technology issues. Approximately 93% of the Russell 2000's gain for the year resulted from stocks in the technology sector, and it is now the largest sector in the Russell 2000, up from third at the beginning of 1999. In spite of these impressive statistics, technology's impact was perhaps nowhere more evident than in the divergence between the growth and value investment styles. In all capitalization classes, growth stocks, typically those with high price/earnings and price/book ratios and high earnings growth rates, handily trounced value stocks, typically those with low P/E and P/B ratios and cyclical growth rates. In 1999, the year was like the old country music song, in which growth investors got the goldmine and value investors got the shaft.

The divergence between growth and value in the small-cap sector was especially prominent. There was also substantial disparity within small-cap value itself. While performance spreads were consistent between growth and value in the Russell and the Wilshire small-cap style indices — growth outdistanced value — 1999 returns in the value category were markedly different for each index. The Russell 2000 Value index lost 1.5% in 1999, yet the Wilshire Small-Cap Value

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index's return was even more miserable, down 15.6%. Since the Wilshire Small-Cap Value Index is made up of arguably higher-quality companies than the Russell 2000 Value, as measured by lower debt-to-capital and higher return-on-assets and return-on-equity ratios, the travails suffered by small-cap value investors in 1999 are readily evident (Source: Prudential Securities).

## EXPECT THE UNEXPECTED

If Julius Caesar had gotten his way and been allowed to begin the calendar year with the spring equinox, we would be quite pleased with our closed-end funds' performance in 1999, in what was as confounding and at times difficult a year as we have seen for some time. After getting off to a collectively slow start in the first quarter, each fund finished the year strongly. On a Net Asset Value basis, for the last nine months of the year (3/31/99 – 12/31/99), Royce Value Trust was up 28.0%, Royce Micro-Cap Trust was up 28.3% and Royce Focus Trust was up 27.8%. These returns compare favorably with that of the small-cap oriented Russell 2000 — up 28.2% — for the same period.

Unfortunately, 1999's results were measured by the twelve-month calendar that begins in January, and our closed-end portfolios were unable to shake off the adverse effects of the first-quarter downturn. All underperformed the Russell 2000 during the first quarter — in which small-cap value atypically lost ground to small-cap growth — only to outperform the index in the dynamic second quarter. During the difficult third quarter, in which the Russell 2000 was down 6.3%, Royce Value Trust and Royce Micro-Cap Trust outperformed the index, but Royce Focus Trust slightly lagged. Unfortunately, all three closed-end funds were unable to keep pace in the potent fourth quarter, when the Russell 2000 soared, up 18.4%.

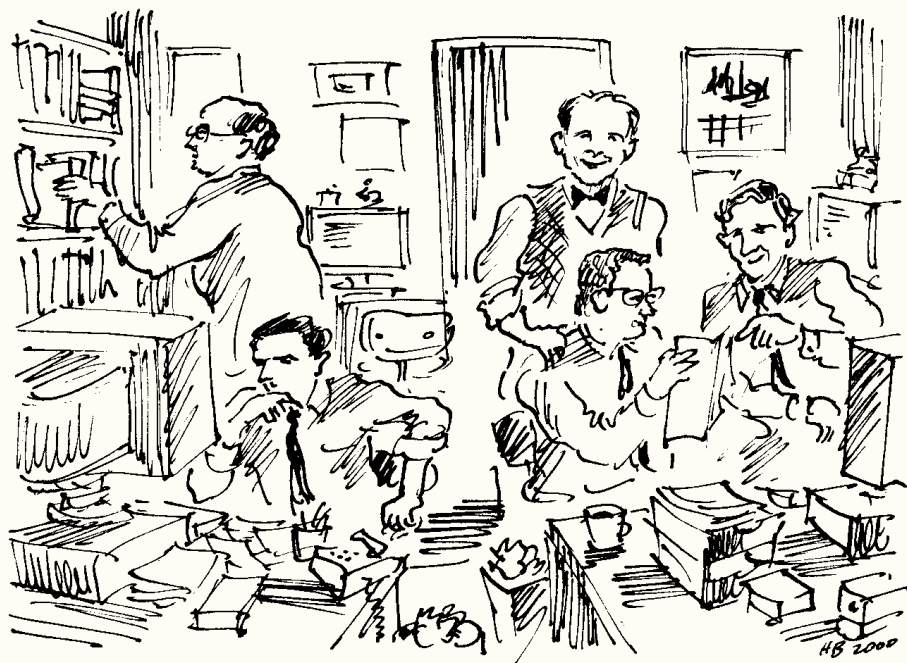
Portfolio diversification, or lack thereof, did not seem to have a bearing on performance in 1999. For the full year, Royce Value Trust (+ 11.7%) and Royce Micro-Cap Trust (+12.7%), our two broadly diversified portfolios, and Royce Focus Trust (+8.7%), our concentrated small-cap portfolio, all turned in relatively solid, but unspectacular, performances in 1999, lagging the Russell 2000 (+21.3%). For a complete review and discussion of individual fund results and risk profiles, see pages 10-15.

If Julius Caesar had gotten his way and been allowed to begin the calendar year with the spring equinox, we would be quite pleased with our closed-end funds' performance in 1999, in what was as confounding and at times difficult a year as we have seen for some time.

It comes as no surprise that technology, representing an average 15% of the index for the year, was the Russell 2000's best performing sector in 1999, surging 101%. Less well-known is the fact that the Utilities sector (7% of the index) was up more than 40%. Offsetting these strong performances was the poor return of the highest weighted sector in the index, Financial Services (22% of the index), which was down almost 6% for the year.

Among small-caps, performance was skewed across the P/E range in 1999.

The best performance was turned in by the companies with no earnings, up more than 85%, while the quintile with the lowest P/E ratios (median P/E of 7.5x) had the worst performance, down more than 10%.



*Investors in a Speculators' Market*

## NEW MILLENNIUM CONJECTURE

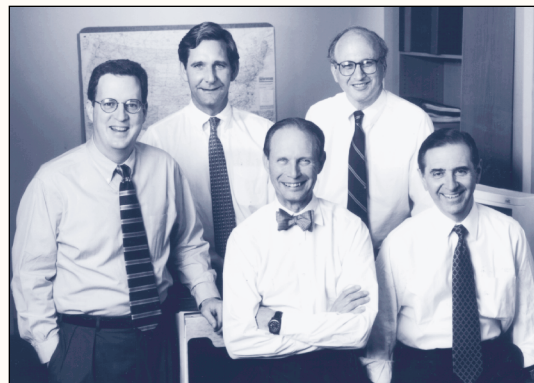
Like most people, we have spent some time reflecting on what the future might bring. Perhaps it is an occupational hazard, but looking forward always involves some looking backward for us as well. Investors in general seem comfortable taking more risk in order to achieve higher returns. Within the small-cap universe in 1999, the market appeared to us to undervalue good financial characteristics and to overvalue hopes, dreams and potential earnings growth. As a result, many “higher-quality” small-cap stocks

Building long-term wealth is not simply a matter of participating in a favorable market. It is produced by applying a consistent discipline over time, and recognizing that in order to provide excellent long-term, absolute and relative results, our portfolios are likely to underperform over some short-term periods.

are still waiting for their chance to shine. We have many portfolio companies that are very attractive to us from an earnings and balance sheet standpoint, yet their stocks performed worse in 1999 than most momentum-driven stocks that are highly leveraged and that have no earnings history. “Go figure.”



What does it all mean for the future? Consider that, aside from technology, most stocks had an unspectacular year. Technology certainly led the market in terms of performance, but other sectors were generally unable to follow its lead. We think that this very narrow market environment could be followed by a return to “quality,” a period where market performance will be driven less by momentum and more by business characteristics. While we recognize that technology is a very important factor in our economy, this offers no assurance that it must inevitably remain a market leader.



(l-r) Jack Fockler, Whitney George, Chuck Royce, Charlie Dreifus, Buzz Zaino

## TO THE INVESTOR GO THE SPOILS

As we evaluate 1999's performance and consider what 2000 may hold, it occurs to us that the traditional distinction between the terms “speculator” and “investor” is more relevant than ever. **Speculators (“traders”) are only concerned about a short-term change in price, whereas investors, ourselves included, are concerned about the long-term appreciation potential of an enterprise.**

We think that the current environment of record-setting stock market returns is unlikely to continue. For the speculator, this is bad news; for the long-term investor, it is of less concern. Building long-term wealth is not simply a byproduct of a favorable market. It is produced by applying a consistent discipline over time, and recognizing that in order to provide excellent long-term, absolute and relative results, our portfolios are likely to underperform over some short-term periods.

In this period of extreme divergence between growth and value, we have no interest in exchanging our investment charter for that of the speculator. Current conditions seem ripe to us for a return to value, with the accompanying prospect of higher short-term returns for this style. Whatever the outcome in the near term, we believe that the individual companies in the Funds' portfolios offer substantial long-term performance opportunity.

Sincerely,

Charles M. Royce  
*President*

W. Whitney George  
*Vice President*

Jack E. Fockler, Jr.  
*Vice President*

January 31, 2000

PS We invite you to visit our Website at [www.roycefunds.com](http://www.roycefunds.com) for up-to-date information on our Funds and our company. Your questions and comments are welcome.

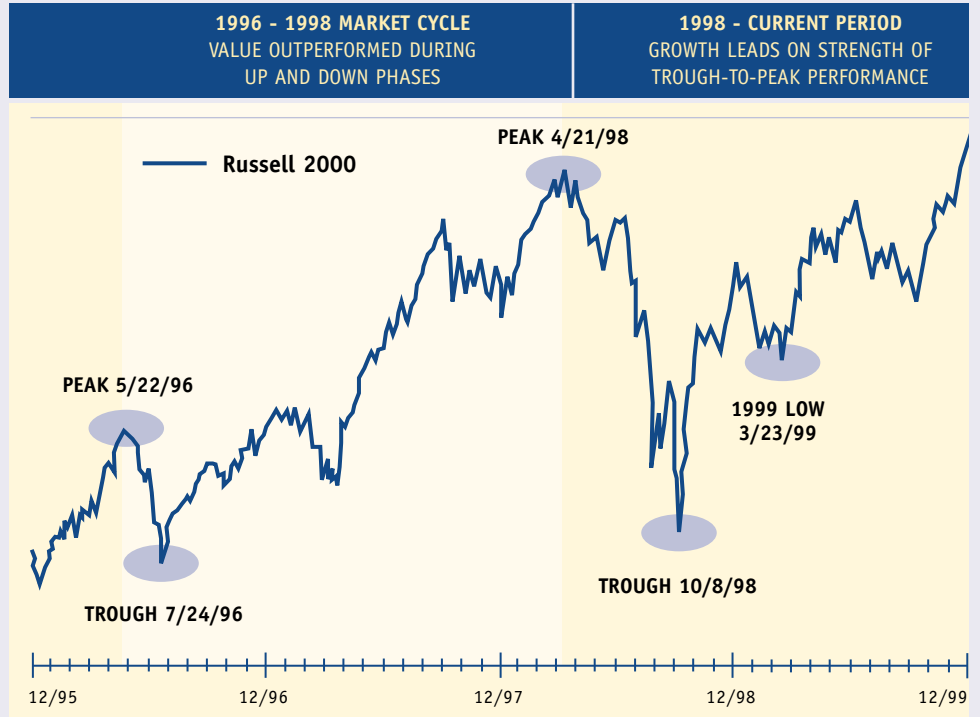
## RECENT MARKET CYCLE RESULTS

### ROYCE FUNDS VS. RUSSELL 2000

Performance measurement refers to the idea of comparing returns against a benchmark — exactly which benchmark and over what time periods are always the questions.

Although a number of style indices within the small-cap sector are now available, each incorporates different, in some cases substantially different, definitions of value. Since we select securities from the entire small-cap universe, not just the “value” portion of the sector, we believe that the broadly defined Russell 2000 is a better index with which to compare our investment results.

Traditional performance presentations revolve around fixed time periods (e.g., one-, three- and five-year returns), rather than around market cycles, even though this method may not reveal the complete picture. In contrast, we believe that peak-to-peak, or full-market-cycle, analyses capture performance more completely because they include both up and down phases.



	1996 PEAK TO 1998 PEAK 5/22/96 - 4/21/98	1998 PEAK TO CURRENT 4/21/98 - 12/31/99	1996 PEAK TO CURRENT 5/22/96 - 12/31/99
Russell 2000	38.5%	5.0%	45.4%
Russell 2000 Value	60.2	-16.6	33.7
Russell 2000 Growth	19.3	26.2	50.6
<b>NAV CUMULATIVE TOTAL RETURN</b>			
Royce Value Trust	54.1	1.4	56.3
Royce Micro-Cap Trust	48.6	-3.9	42.7
Royce Focus Trust	n/a	-12.3	n/a

Both Royce Value Trust and Royce Micro-Cap Trust beat the Russell 2000 index during the last full market cycle, attributable primarily to outperformance during the cycle's decline.

All three Royce Funds are trailing the index in the 1998 peak-to-current period.

Royce Value Trust is outperforming the Russell 2000 from the 1996 peak.

## HISTORY SINCE INCEPTION

The following table details the share accumulations by an initial investor in the Funds who reinvested all distributions (including fractional shares) and participated fully in primary subscriptions for each of the rights offerings. Full participation in distribution reinvestments and rights offerings maximizes the returns available to a long-term investor. This table should be read in conjunction with the Performance and Portfolio Reviews of the Funds.

HISTORY		AMOUNT INVESTED	PURCHASE PRICE	SHARES	NAV VALUE*	MARKET VALUE*
<b>Royce Value Trust</b>						
11/26/86	Initial Purchase	\$ 10,000	\$ 10.000	1,000	\$ 9,280	\$ 10,000
10/15/87	Distribution \$0.30		7.000	42		
12/31/87	Distribution \$0.22		7.125	32	8,578	7,250
12/27/88	Distribution \$0.51		8.625	63	10,529	9,238
9/22/89	Rights Offering	405	9.000	45		
12/29/89	Distribution \$0.52		9.125	67	12,942	11,866
9/24/90	Rights Offering	457	7.375	62		
12/31/90	Distribution \$0.32		8.000	52	11,713	11,074
9/23/91	Rights Offering	638	9.375	68		
12/31/91	Distribution \$0.61		10.625	82	17,919	15,697
9/25/92	Rights Offering	825	11.000	75		
12/31/92	Distribution \$0.90		12.500	114	21,999	20,874
9/27/93	Rights Offering	1,469	13.000	113		
12/31/93	Distribution \$1.15		13.000	160	26,603	25,428
10/28/94	Rights Offering	1,103	11.250	98		
12/19/94	Distribution \$1.05		11.375	191	27,939	24,905
11/3/95	Rights Offering	1,425	12.500	114		
12/7/95	Distribution \$1.29		12.125	253	35,676	31,243
12/6/96	Distribution \$1.15		12.250	247	41,213	36,335
9/8/97	Distribution \$0.33		15.625	61		
12/5/97	Distribution \$0.88		15.313	169	52,556	46,814
3/6/98	Distribution \$0.37		16.688	69		
6/5/98	Distribution \$0.39		16.250	76		
9/8/98	Distribution \$0.40		12.563	104		
12/7/98	Distribution \$0.38		13.000	98	54,313	47,506
3/8/99	Distribution \$0.37		11.875	108		
6/7/99	Distribution \$0.34		13.313	91		
9/7/99	Distribution \$0.33		12.688	95		
12/6/99	Distribution \$0.33		12.750	97		
<b>12/31/99</b>		<b>\$ 16,322</b>		<b>3,846</b>	<b>\$ 60,653</b>	<b>\$ 50,239</b>
<b>Royce Micro-Cap Trust</b>						
12/14/93	Initial Purchase	\$ 7,500	\$ 7.500	1,000	\$ 7,250	\$ 7,500
10/28/94	Rights Offering	1,400	7.000	200		
12/19/94	Distribution \$0.05		6.750	9	9,163	8,462
12/7/95	Distribution \$0.36		7.500	58	11,264	10,136
12/6/96	Distribution \$0.80		7.625	133	13,132	11,550
12/5/97	Distribution \$1.00		10.000	140	16,694	15,593
12/7/98	Distribution \$0.29		8.625	52	16,016	14,129
12/6/99	Distribution \$0.27		8.781	49		
<b>12/31/99</b>		<b>\$ 8,900</b>		<b>1,641</b>	<b>\$ 18,051</b>	<b>\$ 14,769</b>
<b>Royce Focus Trust</b>						
10/31/96	Initial Purchase	\$ 4,375	\$ 4.375	1,000	\$ 5,280	\$ 4,375
12/31/96					5,520	4,594
12/5/97	Distribution \$0.53		5.250	101	6,650	5,574
12/31/98					6,199	5,367
12/6/99	Distribution \$0.145		4.750	34		
<b>12/31/99</b>		<b>\$ 4,375</b>		<b>1,135</b>	<b>\$ 6,742</b>	<b>\$ 5,356</b>

\* Other than for initial purchase, values are stated as of December 31 of the year indicated, after reinvestment of distributions. THE ROYCE FUNDS ANNUAL REPORT 1999 | 9

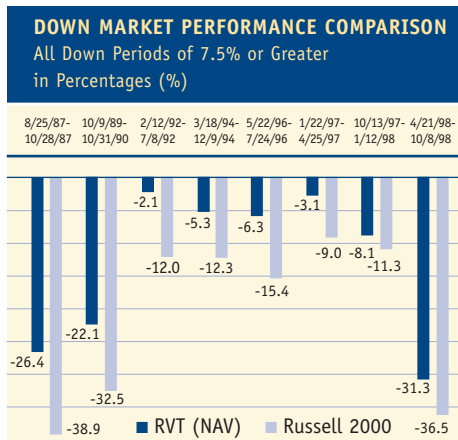
NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	11.8%
Jul-Dec 1999*	6.5
1-Year	11.7
3-Year	13.7
5-Year	15.8
10-year	13.7
Since Inception (11/26/86)	12.9

\* Not annualized.

RISK/RETURN COMPARISON 3-Year Period ended 12/31/99			
	Average Annual Total Return	Standard Deviation	RUR*
<b>Royce Value Trust (NAV)</b>	<b>13.7</b>	<b>17.5</b>	<b>0.78</b>
S&P 600	11.7	20.5	0.57
Russell 2000	13.1	20.9	0.63

\* Return per unit of risk (RUR) is the average annual total return divided by the annualized standard deviation over a designated time period.

**Over the last three years, Royce Value Trust has outperformed the S&P 600 and the Russell 2000 on both an absolute and a risk-adjusted basis.**



CALENDAR YEAR NAV TOTAL RETURNS			
Year	RVT	Year	RVT
1999	11.7%	1992	19.9%
1998	3.3	1991	39.5
1997	27.5	1990	-13.1
1996	15.5	1989	19.2
1995	22.6	1988	22.8
1994	1.1	1987	-7.7
1993	17.9		

## MANAGER'S DISCUSSION

**R**oyce Value Trust (RVT), our broadly diversified closed-end fund of small- and micro-cap stocks, was up 11.7% on a Net Asset Value basis and 5.7% on a market price basis in 1999. Although we think that the Fund's NAV return was reasonable considering the difficulties that small-cap value endured last year, it was disappointing compared to its small-cap benchmarks, the S&P 600 (+12.4%) and the Russell 2000 (+21.3%). The Fund's average annual NAV total return since inception (11/26/86) was 12.9%. This compares to respective returns of 12.3% for the Russell 2000 and 10.9% for the S&P 600.

For small-cap value in general, and RVT in particular, performance anomalies were common in 1999. After losing ground against its benchmark during the first quarter, the Fund outperformed the Russell 2000 during the more dynamic second quarter and in the third-quarter downturn. With these gyrations, RVT's NAV performance was virtually flat through the end of the third quarter and holding its own relative to its benchmarks. During the explosive fourth quarter, however, the Fund could not keep pace, gaining 11.8% on an NAV basis, versus 12.5% for the S&P 600 and 18.4% for the Russell 2000.

In 1999, our holdings received little attention from a market that was focused on momentum, and our valuations, as measured by its weighted average P/E ratio, actually declined from the end of 1998. The attributes that we seek, namely strong balance sheets and strong records of earnings, did not consistently translate into high performance in 1999.

We increased our holdings in the Technology sector, which also generated the greatest positive impact on performance. For example, we took new positions in information technology service companies, such as CIBER and JDA Software Group, when Y2K anxiety created an earnings slowdown. We also sold our position in Unitrode Corporation, an analog semiconductor manufacturer, at a substantial profit.

Several new companies placed among our top-ten positions. Interim Services, new to the portfolio as a whole, is a staffing and career management services company that offers what we think is a winning combination of attractive value and balance sheet quality. We nearly doubled our position in Arnold Industries, in our view a very attractively valued trucking company in an industry that received scant investment attention in 1999 (Circle International Group, a freight forwarder company in the portfolio, has a similar profile). Lilly Industries, a manufacturer of industrial coatings and specialty chemicals, represents another significant increase, although we have held shares since RVT's inception in November 1986.

In our view, RVT's portfolio is well-positioned to take advantage of opportunities in the small- and micro-cap sectors. We believe that when the market again emphasizes "quality," as opposed to its current emphasis on momentum, good things will follow for Royce Value Trust.

**GOOD IDEAS THAT WORKED**  
1999 Net Realized and Unrealized Gain

Exar	\$8,331,788
Unitrode Corporation	4,642,115
Integral Systems	3,687,054
MicroStrategy Cl. A	3,367,006
Topps Company (The)	3,216,198

**Exar** — The management of this analog semiconductor manufacturer developed new telecommunications products that created a major turn-around in the company's prospects and caused the stock price to surge in the fourth quarter.

**Unitrode Corporation**— Small-cap stocks are often subject to an advantageous “urge to merge,” and a takeover last summer by Texas Instruments sent the price of this analog semiconductor manufacturer well beyond our initial sell target.

**GOOD IDEAS AT THE TIME**  
1999 Net Realized and Unrealized Loss

Axiohm Transaction Solutions	\$2,747,124
Stone & Webster	2,416,906
Medical Assurance	2,233,311
PXRE Group	2,051,178
Nvest LP	1,956,101

**Axiohm Transaction Solutions** — It appeared that we had overstayed our welcome with this designer and manufacturer of thermal printheads and printer components when management began to take the majority of shares private. We were left with a

minority stake of ever-dwindling value before selling what remained of our entire position last October.

**Stone & Webster** — The stock of this engineering, construction and design firm declined precipitously in the fourth quarter in the midst of a financial crisis. Selling the building that housed its corporate headquarters gave a small boost both to the company and its stock price. We are hopeful that the recovery can continue.

**PORTFOLIO DIAGNOSTICS**

Median Market Cap.	\$519 million
Weighted Average P/E Ratio	13.7x
Weighted Average P/B Ratio	1.6x
Weighted Average Yield	1.3%
Fund Net Assets	\$713 million
Turnover Rate	41%
Net Leverage <sup>1</sup>	13%
Symbol – Market Price	RVT
– NAV	XRVTX

<sup>1</sup> Net leverage is the percentage, in excess of 100%, of the total value of equity type investments divided by net assets, excluding preferred stock.

**TOP 10 POSITIONS % of Net Assets**

Charming Shoppes	1.3%
National Computer Systems	0.9
Gallagher (Arthur J.) & Co.	0.9
Velcro Industries	0.8
Pioneer-Standard Electronics	0.8
Circle International Group	0.8
Arnold Industries	0.8
Lilly Industries Cl. A	0.8
Simpson Manufacturing	0.8
Interim Services	0.8

**PORTFOLIO SECTOR BREAKDOWN**  
% of Net Assets

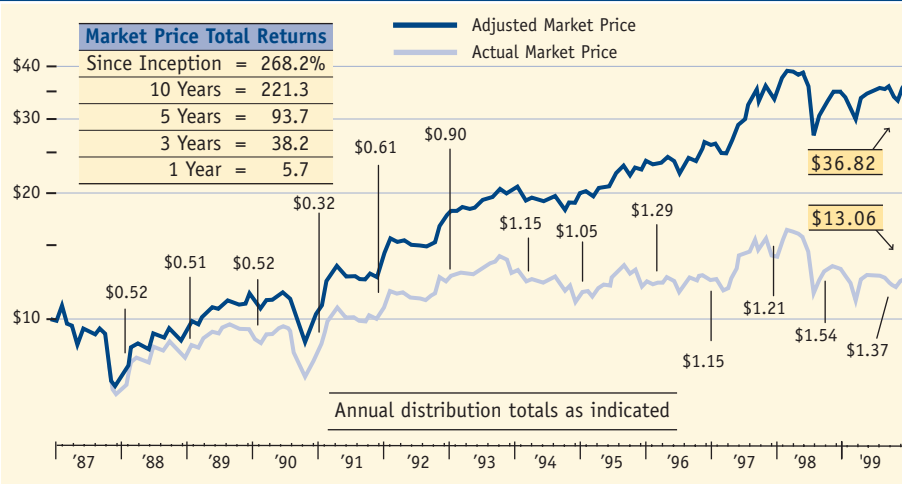
Technology	19.2%
Industrial Products	13.8
Industrial Services	12.7
Financial Intermediaries	7.8
Consumer Products	7.6
Financial Services	7.2
Natural Resources	5.1
Health	4.1
Consumer Services	2.9
Miscellaneous	4.9
Bonds & Preferred Stocks	2.5
Treasuries, Cash & Cash Equivalents	12.2

**CAPITAL STRUCTURE**

Publicly Traded Securities Outstanding at 12/31/99 at NAV or Liquidation Value

35.1 million shares of Common Stock	\$553 million
2.4 million shares of 7.80% Cumulative Preferred Stock	\$60 million
4.0 million shares of 7.30% Tax-Advantaged Cumulative Preferred Stock	\$100 million

**ROYCE VALUE TRUST MARKET PRICE — ACTUAL vs. ADJUSTED\***



\* Reflects market price total return experience of a continuous stockholder who reinvested all distributions and fully participated in primary subscriptions of rights offerings. This graph illustrates the market price change from IPO of \$10 per share on 11/26/86.

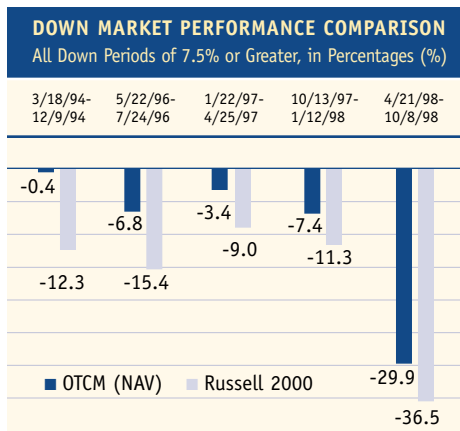
NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	13.6%
Jul-Dec 1999*	10.1
1-Year	12.7
3-Year	11.2
5-Year	14.5
Since Inception (12/14/93)	13.0

\* Not annualized.

RISK/RETURN COMPARISON 3-Year Period ended 12/31/99			
	Average Annual Total Return	Standard Deviation	RUR*
<b>Royce Micro-Cap Trust (NAV)</b>	<b>11.2</b>	<b>16.6</b>	<b>0.67</b>
Russell 2000	13.1	20.9	0.63

\* Return per unit of risk (RUR) is the average annual total return divided by the annualized standard deviation over a designated time period.

**Over the last three years, Royce Micro-Cap Trust has outperformed the Russell 2000 on a risk-adjusted basis.**



CALENDAR YEAR NAV TOTAL RETURNS	
Year	OTCM
1999	12.7%
1998	-4.1
1997	27.1
1996	16.6
1995	22.9
1994	6.0

## MANAGER'S DISCUSSION

Never give your opponent a quarter-mile start in a one-mile race. After moving backwards in the first quarter (down 12.1% on a Net Asset Value basis), Royce Micro-Cap Trust (OTCM) finished the year strongly on both an NAV and market price basis. Although the Fund bested its benchmark, the Russell 2000, by a nose for the last three quarters (28.4% versus 28.2%, respectively), the difficult first quarter hindered 1999 performance. For the full year, OTCM was up 12.7% on an NAV basis and a relatively disappointing 4.5% on a market price basis, versus a gain of 21.3% for the Russell 2000. The Fund's average annual NAV total return since inception (12/14/93) was 13.0%.

Virtually ignored from April '98 through April '99, micro-cap securities began to get their wind back in the second quarter, led by the technology sector. OTCM followed suit, posting strong second-quarter results, holding its own in the third-quarter down-draft and performing solidly in the fourth quarter. In a year characterized by wildly divergent micro-cap stock performance, we are not unhappy with OTCM's NAV total return, considering its relatively low-risk profile. The micro-cap companies that we hold generally possess solid balance sheets and earnings records.

The Technology sector, which dominated every asset class in the market last year and accounted for approximately 20% of the Fund's equity holdings, was our best performer in 1999. We enjoyed particular success in the semiconductor industry with companies such as Exar and Electroglas, as well as with Integral Systems, a ground-systems satellite builder whose stock price vaulted from the teens into the mid-forties near the end of the year.

There are several new names among the Fund's top-ten holdings, such as Aurora Biosciences, a company that designs and develops proprietary drug discovery systems, services and technologies that accelerate and enhance the discovery of new medicines. BARRA, another strong performer, provides investment information products that combine technology, data, software and services. MSC.Software, another new addition to the top ten, is a designer and manufacturer of proprietary software for use in automotive, aerospace and other types of engineering whose price fell close to 50% in 1998's third-quarter correction (when we first increased our position) before beginning to recover in the fourth quarter of this year.

We are pleased by the recent resurgence in micro-cap performance, but we are even more excited about the opportunities remaining in the non-technology sectors. We believe that these companies remain considerably undervalued by the market, which can be seen in the Fund's low P/E and P/B ratios. The lack of correlation between individual company quality and market performance in 1999 fuels our hopes for a profitable new year.

**GOOD IDEAS THAT WORKED**  
1999 Net Realized and Unrealized Gain

Exar	\$2,569,978
Aurora Biosciences	1,967,404
Kronos	1,543,205
Corel	1,535,684
Newport	1,463,182

**Exar** — The management of this analog semiconductor manufacturer developed new telecommunications products that created a major turnaround in the company's prospects and caused the stock price to surge in the fourth quarter.

**Aurora Biosciences** — Both institutional interest and the stock price were low early in 1999 for this designer and developer of systems that enhance and accelerate the discovery of new drugs, although we were drawn by what we thought was terrific management. Late in the year, the company attracted serious attention from Wall Street, which led to a significant increase in the stock price.

**GOOD IDEAS AT THE TIME**  
1999 Net Realized and Unrealized Loss

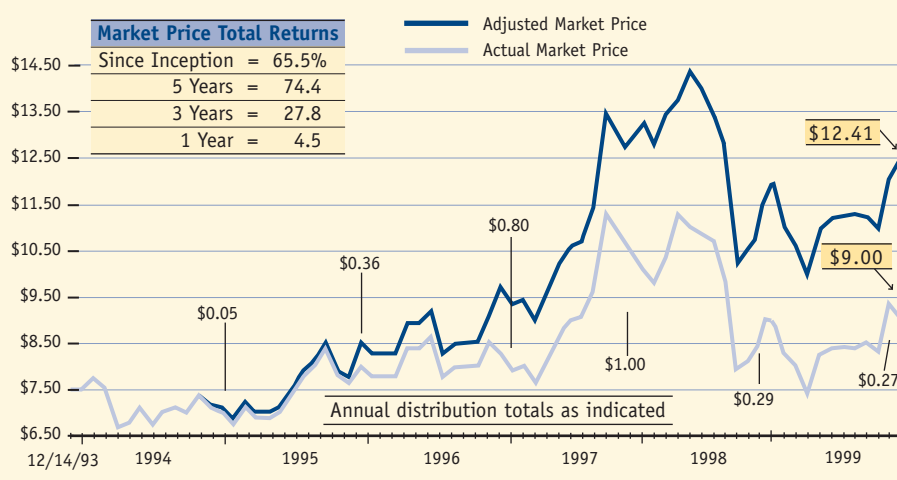
800 JR Cigar	\$1,173,423
Midwest Grain Products	1,078,850
North Face (The)	757,825
International Isotopes	740,254
Wellington Underwriting	669,713

**800 JR Cigar** — A glut of premium cigars caused this mail-order distributor to miss quarterly earnings estimates and subsequently slump just like other tobacco-related companies did in 1999. We remain optimistic due to the company's low valuation and the fact

that management holds about 75% of the stock.

**Midwest Grain Products** — The stock of this manufacturer of wheat gluten, premium wheat starch, food grade and fuel grade alcohol suffered an almost 50% decline last year. We expected that the stock would recover with the resolution of trade issue difficulties, but currently these issues remain unresolved. Their solid product line and valuable assets feed our hopes for an eventual turnaround.

**ROYCE MICRO-CAP TRUST MARKET PRICE — ACTUAL vs. ADJUSTED\***



\* Reflects market price total return experience of a continuous stockholder who reinvested all distributions and fully participated in the 1994 rights offering. This graph illustrates the market price change from IPO of \$7.50 per share on 12/14/93.

**PORTFOLIO DIAGNOSTICS**

Median Market Cap.	\$236 million
Weighted Average P/E Ratio	14.1x
Weighted Average P/B Ratio	1.5x
Weighted Average Yield	1.1%
Fund Net Assets	\$191 million
Turnover Rate	49%
Net Leverage <sup>1</sup>	0%
Symbol – Market Price	OTCM
– NAV	XOTCX

<sup>1</sup> Net leverage is the percentage, in excess of 100%, of the total value of equity type investments divided by net assets, excluding preferred stock.

**TOP 10 POSITIONS % of Net Assets**

Kronos	1.6%
Duff & Phelps Credit Rating	1.5
Matthews International Cl. A	1.2
Simpson Manufacturing	1.1
Ash Grove Cement Company	1.0
Aurora Biosciences	1.0
Titan Exploration	1.0
Florida Rock Industries	1.0
BARRA	1.0
MSC.Software	0.9

**PORTFOLIO SECTOR BREAKDOWN**

Technology	18.3%
Industrial Products	11.6
Industrial Services	11.3
Consumer Products	10.0
Health	6.3
Natural Resources	5.9
Financial Intermediaries	4.1
Financial Services	3.4
Consumer Services	1.8
Utilities	0.2
Miscellaneous	4.8
Bond & Preferred Stock	0.6
Treasuries, Cash & Cash Equivalents	21.7

**CAPITAL STRUCTURE**

Publicly Traded Securities Outstanding at 12/31/99 at NAV or Liquidation Value	
13.8 million shares of Common Stock	\$151 million
1.6 million shares of 7.75% Cumulative Preferred Stock	\$40 million

NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/99	
Fourth Quarter 1999*	5.9%
Jul-Dec 1999*	-1.3
1-Year	8.7
3-Year	6.9
Since Inception (11/1/96) <sup>1</sup>	8.0

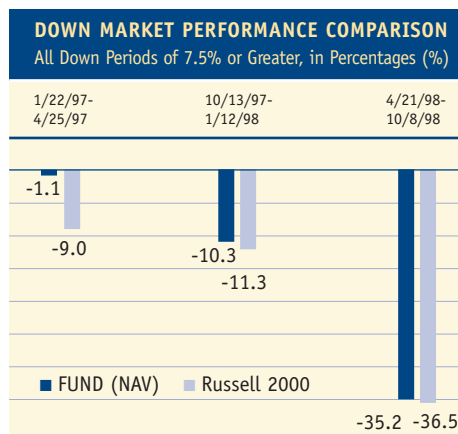
\* Not annualized.

<sup>1</sup> Date Royce & Associates, Inc. assumed investment management responsibility.

RISK/RETURN COMPARISON 3-Year Period ended 12/31/99			
	Average Annual Total Return	Standard Deviation	RUR*
<b>Royce Focus Trust (NAV)</b>	<b>6.9</b>	<b>19.8</b>	<b>0.35</b>
Russell 2000	13.1	20.9	0.63

\* Return per unit of risk (RUR) is the average annual total return divided by the annualized standard deviation over a designated time period.

**Over the last three years, Royce Focus Trust has had volatility comparable to the Russell 2000, but with lower performance.**



CALENDAR YEAR NAV TOTAL RETURNS	
Year	FUND
1999	8.7%
1998	-6.8
1997	20.5

## MANAGER'S DISCUSSION

We think that Robert Ripley would have readily agreed that the performance of Royce Focus Trust (FUND) in 1999 was strange indeed. For the full year, the Fund's concentrated portfolio of small-cap companies was up 8.7% on a Net Asset Value basis, but down a disappointing 0.3% on a market price basis. Both returns fell well behind the benchmark, the small-cap oriented Russell 2000, which was up 21.3%.

"Believe it or not," the Fund was no exception to the oddities that affected small-cap value investing in 1999, atypically losing ground against its benchmark in the first-quarter downturn, only to outperform the index — again atypically — during the subsequent second-quarter rally. It narrowly underperformed the Russell 2000 in the third-quarter downdraft and lagged dramatically in the fourth-quarter upswing. All of this took place during a difficult year for small-cap value stocks, in which the Russell 2000 Value index was down 1.5%.

The Fund's use of concentration, in our view, acted as neither a help nor a hindrance to its 1999 performance. FUND's preference for small-cap companies with great balance sheets trading at low valuations was out of step with a market that seemed bent on rewarding higher-risk, higher-valuation investments.

Portfolio holdings in the Technology sector made the greatest positive impact on performance. This was not surprising, owing to the sector's market dominance last year. The bulk of our technology holdings are not "cutting edge" companies, but instead offer solid balance sheets and proven earnings records. Hurting the Fund's performance in 1999 were companies in the Consumer Products and Financial Intermediaries sectors. We took advantage of low prices in the latter sector throughout the year, particularly when insurance company stocks declined to what we believe were attractive levels. We added significantly to our position in Arthur J. Gallagher & Co., an insurer specializing in risk management, that recovered nicely before the end of the year.

Several positions made new appearances in our top-ten holdings. Comdisco is a computer and technology leasing firm that has leveraged its expertise into some profitable Internet opportunities. Plantronics is a leader in the fast-growing telephone headset industry whose stock price endured some precipitous drops before rebounding in the fourth quarter. Arrow International is a designer and manufacturer of clinically advanced medical products for critical and cardiac care whose stock we bought when slower-than-expected growth rates caused its price to plummet last spring.

In our view, the underlying fundamentals of the individual portfolio companies possess substantial untapped performance opportunity. We believe that a return to "quality," as opposed to the current environment that has been dominated by momentum investing, will result in good things for Royce Focus Trust.



**GOOD IDEAS THAT WORKED**  
1999 Net Realized and Unrealized Gain

Marshall Industries	\$2,186,393
Charming Shoppes	1,976,297
Comdisco	1,868,548
Gallagher (Arthur J.) & Co.	1,032,707
Avnet	1,030,909

**Charming Shoppes** — The stock of this women’s fashion retailer, a long-term holding with solid (and, in our view, improving) business fundamentals, continues to benefit from the increasing attention of other investors.

**Comdisco** — This firm has leveraged their expertise in leasing computer equipment and technology into a profitable combination of leasing information technology services, Internet access and Internet venture capital opportunities.

**GOOD IDEAS AT THE TIME**  
1999 Net Realized and Unrealized Loss

Gibson Greetings	\$1,480,054
Oakley	1,193,287
Enesco Group	1,185,466
Morrison Knudsen	742,370
New England Business Service	675,461

**Gibson Greetings** — We began to sell our position in this greeting card and novelty toy company in May 1999, selling the position entirely out of the portfolio by October, once it appeared that its creative management might be unable to revitalize the company.

American Greetings announced plans to buy the company with a tender offer in November.

**Oakley** — The company continues to be the dominant force in the sunglasses business, but its stock price was stomped on as a result of its slow start in the footwear industry. We still have high hopes based on their strong brand name and talented management.

**PORTFOLIO DIAGNOSTICS**

Median Market Cap.	\$725 million
Weighted Average P/E Ratio	13.8x
Weighted Average P/B Ratio	1.9x
Weighted Average Yield	1.2%
Fund Net Assets	\$71 million
Turnover Rate	60%
Net Leverage <sup>1</sup>	12%
Symbol – Market Price	FUND
– NAV	XFUNX

<sup>1</sup> Net leverage is the percentage, in excess of 100%, of the total value of equity type investments divided by net assets, excluding preferred stock.

**TOP 10 POSITIONS % of Net Assets**

Charming Shoppes	6.8%
Morrison Knudsen	4.9
Gallagher (Arthur J.) & Co.	4.8
New England Business Service	4.6
Florida Rock Industries	4.6
Comdisco	4.5
Lincoln Electric Holdings	4.2
Plantronics	3.8
Arrow International	3.7
Oakley	3.2

**PORTFOLIO SECTOR BREAKDOWN**  
% of Net Assets

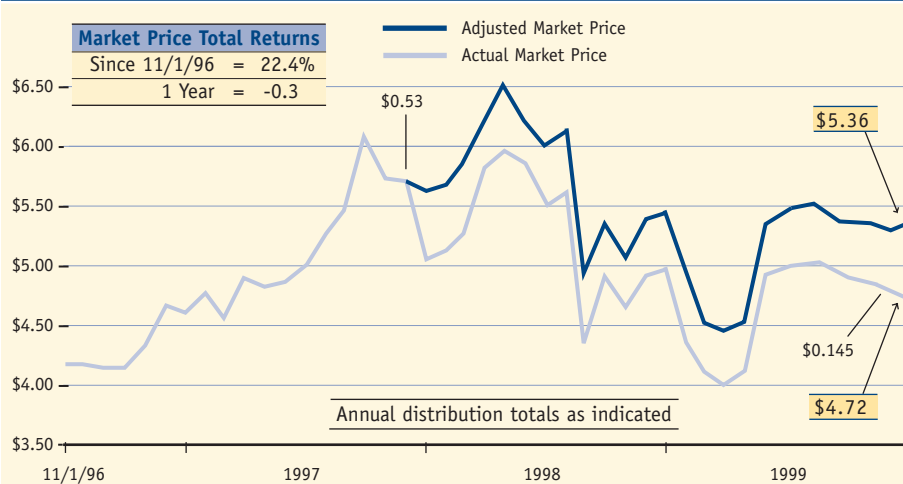
Technology	14.9%
Industrial Products	13.7
Industrial Services	13.3
Natural Resources	9.5
Financial Services	9.3
Consumer Services	6.8
Financial Intermediaries	6.3
Health	3.7
Consumer Products	3.2
Treasuries, Cash & Cash Equivalents	19.3

**CAPITAL STRUCTURE**

Publicly Traded Securities Outstanding at 12/31/99 at NAV or Liquidation Value

8.6 million shares of Common Stock	\$51 million
800,000 shares of 7.45% Cumulative Preferred Stock	\$20 million

**ROYCE FOCUS TRUST MARKET PRICE — ACTUAL vs. ADJUSTED<sup>2</sup>**



<sup>2</sup> Reflects market price total return experience of a continuous stockholder who reinvested all distributions. This graph illustrates the market price change from \$4.375 on 11/1/96, the date Royce & Associates, Inc. assumed investment management responsibility.

Senior staff members Chuck Royce, Jack Fockler and Whitney George recently sat down to discuss some of the changes that have taken place in money management.

Chuck Royce has been President of Royce & Associates since 1973 and manages most of the firm's offerings.

Whitney George, who joined the firm as an analyst in 1991 and became a portfolio manager in 1997, is a Vice President and Managing Director of Royce & Associates.

Vice President and Managing Director of Royce & Associates, Jack Fockler has worked closely with Chuck since joining the firm in 1989. Jack, Whitney and Chuck are also members of the firm's Executive Committee.

**JACK:** Individual stocks such as Microsoft and AOL have had extraordinary returns through the '90s. At the same time, managed account investing is no longer the exclusive province of the wealthiest institutions and individuals. Why, then, should investors buy closed-end funds today?

**CHUCK:** The classic argument in favor of closed-end investing was to build a diversified investment portfolio by using an active manager. Recently, the Internet has given individual investors access to information, trading, and order placement that they lacked five or ten years ago. It has also provided people with a greater sense of control over their money. However, these developments have not invalidated the idea that there are advantages to professional management, particularly in the small-cap world, even if this year's results and the longer-term returns of a few very successful stocks appear to have obscured its importance.

**WHITNEY:** The individual may feel that he or she is winning in the short-term, especially if they've invested in Internet stocks or those in the Nasdaq 100, but I have substantial doubts about the long-term viability of such high returns and the idea that risk doesn't need to be a primary consideration. *With our approach, there is always an attempt to reduce risk, and we continue to view active professional management as having a distinct advantage over the long term.* Which is not to say that owning closed-end funds is mutually exclusive from owning individual stocks, only that there are important differences between the two.

**JACK:** Do you think that there has been a tendency among investment managers to emphasize short-term performance?

**WHITNEY:** To some degree, this is true. Money managers have to answer to stockholders and institutional clients, and no manager wants to have to explain why he or she didn't do something that they could have done. As a result, many professional investors have hopped on the momentum bandwagon to pacify and preserve their client base, even if they may not think it's the right move over the long term.

**CHUCK:** I agree. *The dream of high performance with little or no consideration of risk has affected almost everyone to a certain extent, so it's understandable that some professional investors would capitulate to the trend.* We're looking like the turtles in this race because we continue to pick stocks the way we always have. Fortunately, we have very experienced managers and a solid base of informed investors in our open- and closed-end funds, as well as in our institutional business.

**JACK:** Chuck, when you began to manage Pennsylvania Mutual Fund in the early '70s, you weren't wed to a particular asset class or investment style—you simply bought the stocks of companies that satisfied your own risk-averse criteria. Did the increasing professionalization and popularity of money management in the '90s have a negative effect by limiting managers to style and asset categories too rigidly? How valid are the lines that many of us draw between value and growth?

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**CHUCK:** I think it has had an unintended limiting effect, but more in terms of investment style than asset class. Many companies that we look at don't fit the classic, Ben Graham-style value mold, but they probably wouldn't be classified as growth companies, either. We try to buy cheap companies that we believe have the potential to grow, but we also pay close attention to risk factors that should give us protection against the downside. I don't really like being considered a straight-out value investor. I want to be known as a very good investor in the small-cap world, one who takes into account both risk and reward. Whether small-cap growth is doing better than value, or vice-versa, is not something that affects our day-to-day work.

**JACK:** Has the delineation of asset classes and investment styles created too much emphasis on relative performance and not enough on absolute?

**WHITNEY:** Unfortunately, there's no question that relative performance is the name of the game today. We've often said that you can't eat from the table of relative performance, but many investors think that a fund's investment objective is to be the top performer in its asset class every single quarter. *We think our job as active managers is to deliver above-average absolute returns, adjusted for both risk and inflation. We try to accomplish this over long-term periods, usually three or more years. It's unreasonable to expect a manager to outperform in every short-term performance period.* It's a nice idea, and we're certainly proud of our relative performance achievements, but that's not our goal. Short-term returns are only important insofar as they contribute to the goal of building strong absolute returns over the long term.

I want to be known as a very good investor in the small-cap world, one who takes into account both risk and reward. Whether small-cap growth is doing better than value, or vice-versa, is not something that affects our day-to-day work.

**JACK:** Is it old-fashioned to talk about absolute performance when so many investors own funds in different classes with different styles and are generally just looking at the top performers in the most recent period and making their picks that way?

**CHUCK:** It's true that many people tend to invest by looking in the rearview mirror—they want yesterday's stellar returns today and in the future. Since this is essentially impossible, we think that investors should look instead at a fund's long-term returns and how they were achieved. They should also learn about a manager's methodology, philosophy and risk tolerance. *Unfortunately, the typical investor presumes that what worked in the last few years will work in the next few.* I certainly couldn't have predicted in 1998 how the Funds would perform in 1999. I'm sure that this year will have its own surprises. This takes us back to the importance of staying true to our approach over the long haul.

### **WHY SHOULD I REINVEST MY DISTRIBUTIONS?**

By reinvesting distributions, a stockholder can maintain an undiluted investment in the Fund. The regular reinvestment of distributions has a significant impact on stockholder returns. In contrast, the stockholder who takes distributions in cash is penalized when shares are issued below net asset value to other stockholders.

### **HOW DOES THE REINVESTMENT OF DISTRIBUTIONS FROM THE ROYCE CLOSED-END FUNDS WORK?**

The Funds automatically issue shares in payment of distributions unless you indicate otherwise. The shares are issued at the lower of the market price or net asset value on the valuation date.

### **HOW DOES THIS APPLY TO REGISTERED STOCKHOLDERS?**

If your shares are registered directly with a Fund, your distributions are automatically reinvested unless you have otherwise instructed the Funds' custodian, State Street Bank and Trust Company, in writing. A registered stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if State Street is properly notified.

### **WHAT IF MY SHARES ARE HELD BY A BROKERAGE FIRM OR A BANK?**

If your shares are held by a brokerage firm, bank, or other intermediary as the stockholder of record, you should contact your brokerage firm or bank to be certain that it is automatically reinvesting distributions on your behalf. If they are unable to reinvest distributions on your behalf, you should have your shares registered in your name in order to participate.

### **WHAT OTHER FEATURES ARE AVAILABLE FOR REGISTERED STOCKHOLDERS?**

The Distribution Reinvestment and Cash Purchase Plans also allow registered stockholders to make optional cash purchases of shares of a Fund's common stock directly through State Street on a monthly basis, and to deposit certificates representing your Fund shares with State Street for safekeeping. The Funds' investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2000.

### **HOW DO THE PLANS WORK FOR REGISTERED STOCKHOLDERS?**

State Street maintains the accounts for registered stockholders in the Plans and sends written confirmation of all transactions in the account. Shares in the account of each participant will be held by State Street in non-certificated form in the name of the participant, and each participant will be able to vote those shares at a stockholder meeting or by proxy. A participant may also send other stock certificates held by them to State Street to be held in non-certificated form. There is no service fee charged to participants for reinvesting distributions. If a participant elects to sell shares from a Plan account, State Street will deduct a \$2.50 fee plus brokerage commissions from the sale transaction. If a nominee is the registered owner of your shares, the nominee will maintain the accounts on your behalf.

### **HOW CAN I GET MORE INFORMATION ON THE PLANS?**

You can call an Investor Services Representative at (800) 221-4268 or you can request a copy of the Plan for your Fund from State Street. All correspondence (including notifications) should be directed to: [Name of Fund] Distribution Reinvestment and Cash Purchase Plan, c/o State Street Bank and Trust Company, PO Box 8200, Boston, MA 02110, telephone (800) 426-5523.

### FIRM UPDATES

We are pleased to report that we began the new year with no Y2K-related problems in our internal computer systems.

### NEW @ [www.roycefunds.com](http://www.roycefunds.com)

We completed the redesign of our website in November, with a new look for our homepage and improved navigation. Please e-mail us at [funds@roycenet.com](mailto:funds@roycenet.com) and let us know what you think.

This Annual Report is available on our website in both PDF (Portable Document Format) for easy printing and HTML format for easy online reading.



### AUTHORIZED SHARE TRANSACTIONS

Each of Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may repurchase up to 300,000 shares of its common stock and up to 10% of the issued and outstanding shares of each series of its preferred stock during the year ending December 31, 2000. Any such repurchases would take place at then prevailing prices in the open market or in other transactions. Common stock repurchases would be effected at a price per share that is less than the share's then current net asset value, and preferred stock repurchases would be effected at a price per share that is less than the share's liquidation value.

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust are also authorized to offer their common stockholders an opportunity to subscribe for additional shares of their common stock through rights offerings at a price per share that may be less than the share's then current net asset value. The timing and terms of any such offering are within each Board's discretion.

### NOTES TO PERFORMANCE AND RISK INFORMATION

All performance information is presented on a total return basis and reflects the reinvestment of distributions and participation in primary subscriptions of any rights offerings. Past performance is no guarantee of future results. Share prices will fluctuate, so that shares may be worth more or less than their original cost when sold. The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies that may involve considerably more risk than investments in securities of larger-cap companies. Historical market trends are not necessarily indicative of future market movements. There can be no assurance that securities mentioned in this report will be included in any Royce-managed portfolio in the future.

Standard deviation is a statistical measure within which a fund's total returns have varied over time. The greater the standard deviation, the greater a fund's volatility.

The Russell 2000, Russell 2000 Value, Russell 2000 Growth, Wilshire Small-Cap Value, Nasdaq Composite, Dow Jones Industrial Average, S&P 500 and S&P 600 SmallCap are unmanaged indices of domestic common stocks. The Royce Funds is a service mark of The Royce Funds.

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

**COMMON STOCKS — 85.3%**

	SHARES	VALUE
<b>Consumer Products — 7.6%</b>		
Apparel and Shoes – 1.8%		
Garan	96,900	\$ 2,773,763
K-Swiss Cl. A	82,700	1,536,411
North Face (The)*	451,100	1,832,594
Oshkosh B’Gosh Cl. A	114,300	2,407,444
Timberland Company Cl. A*	900	47,587
Weyco Group	159,400	4,094,588
		<u>12,692,387</u>
Collectibles – 0.4%		
Action Performance*	2,000	23,000
Department 56*	51,200	1,158,400
Enesco Group	176,700	1,954,744
		<u>3,136,144</u>
Food/Beverage/Tobacco – 0.6%		
Celestial Seasonings*	40,000	744,375
800 JR Cigar*	172,400	1,497,725
Hershey Creamery	583	1,224,300
J & J Snack Foods*	5,000	102,500
Tootsie Roll Industries	13,000	428,187
		<u>3,997,087</u>
Home Furnishing/Appliances – 1.2%		
Bassett Furniture Industries	194,187	3,106,992
Burnham Corporation Cl. A	46,956	1,666,938
Burnham Corporation Cl. B	18,000	639,000
Conso International*	174,175	1,502,259
La-Z-Boy	28,200	474,113
Lifetime Hoan	238,992	1,254,708
		<u>8,644,010</u>
Publishing – 0.6%		
Gibson Greetings*	173,400	1,555,181
Marvel Enterprises*	383,200	2,107,600
Reader’s Digest Association (The) Cl. A	5,000	146,250
Scholastic*	1,200	74,625
		<u>3,883,656</u>
Sports and Recreation – 1.3%		
Johnson Worldwide Associates Cl. A*	251,800	1,786,206
Lund International Holdings*	153,600	902,400
Oakley*	362,200	2,014,737
++RockShox*	1,060,400	1,855,700
Sturm, Ruger & Co.	298,800	2,651,850
		<u>9,210,893</u>
Other Consumer Products – 1.7%		
Lazare Kaplan International*	190,100	1,544,563
Matthews International Cl. A	115,200	3,168,000
Starrett (L. S.) Company Cl. A	75,400	1,691,787
Velcro Industries	497,500	6,001,094
		<u>12,405,444</u>
		<u>53,969,621</u>

**Consumer Services — 2.9%**

	SHARES	VALUE
Leisure/Entertainment – 0.1%		
Anchor Gaming*	1,000	\$ 43,438
Linea Aerea Nacional Chile ADR+	10,000	75,625
Seattle FilmWorks*	237,287	659,954
		<u>779,017</u>
Restaurants/Lodgings – 0.6%		
Buffets*	443,435	4,434,350
Papa John’s International*	5,000	130,312
		<u>4,564,662</u>
Retail Stores – 2.2%		
Abercrombie & Fitch Cl. A*	2,000	53,375
Charming Shoppes*	881,900	5,842,587
Claire’s Stores	70,200	1,570,725
Consolidated Stores*	10,000	162,500
Family Dollar Stores	4,700	76,669
Mikasa	168,900	1,699,556
Pier 1 Imports	52,500	334,688
Sunglass Hut International*	226,800	2,551,500
Suzy Shier	248,000	944,926
Urban Outfitters*	79,300	2,309,612
		<u>15,546,138</u>
		<u>20,889,817</u>
<b>Financial Intermediaries — 7.8%</b>		
Banking – 1.4%		
Argonaut Group	34,800	691,650
BOK Financial*	41,509	838,612
Boston Private Financial Holdings*	10,000	85,000
First National Bank of Anchorage	2,100	2,018,100
Fulton Financial	17,146	308,628
HomeFed*	429,990	376,241
Mechanics Bank	200	2,600,000
National Bancorp of Alaska	73,880	2,073,258
Oriental Financial Group	58,000	1,279,625
		<u>10,271,114</u>
Closed End Funds – 0.1%		
Baker, Fentress & Co.	45,000	638,438
Insurance – 6.2%		
Baldwin & Lyons Cl. B	126,000	2,787,750
CNA Surety	20,000	260,000
Capitol Transamerica	106,415	1,070,801
Chicago Title	37,015	1,711,944
Commerce Group	54,318	1,419,058
Erie Indemnity Company Cl. A	17,000	550,375
Highlands Insurance Group*	236,800	2,249,600
Independence Holding	58,164	668,886
Leucadia National	4,500	104,062
Market*	2,200	341,000

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	SHARES	VALUE
<b>Financial Intermediaries (continued)</b>		
Insurance – (continued)		
Medical Assurance*	188,068	\$ 3,984,691
Mutual Risk Management	246,900	4,151,006
NYMAGIC	47,700	629,044
Nobel Insurance*	121,500	30,375
Old Republic International	73,700	1,004,162
PMA Capital Cl. A	214,200	4,257,225
PXRE Group	298,151	3,875,963
RLI	41,162	1,399,508
Trenwick Group	245,950	4,165,778
Wesco Financial	11,990	2,937,550
Zenith National Insurance	206,700	4,263,188
White Mountains Insurance Group	22,200	2,675,100
		<u>44,537,066</u>
Securities Brokers – 0.1%		
Raymond James Financial	7,500	140,156
		<u>55,586,774</u>
<b>Financial Services — 7.2%</b>		
Information and Processing – 1.6%		
BARRA*	58,800	1,866,900
Duff & Phelps Credit Rating	60,200	5,354,038
Fair, Isaac and Co.	71,600	3,794,800
		<u>11,015,738</u>
Insurance Brokers – 2.6%		
Blanch (E.W.) Holdings	42,600	2,609,250
Clark/Bardes Holdings*	80,900	1,162,937
Crawford & Co. Cl. A	327,350	3,723,606
Crawford & Co. Cl. B	75,300	1,025,963
Gallagher (Arthur J.) & Co.	101,900	6,598,025
Hilb, Rogal & Hamilton	112,675	3,183,069
		<u>18,302,850</u>
Investment Management – 3.0%		
Affiliated Managers Group*	107,800	4,359,162
Alliance Capital Management Holding L.P.	107,200	3,209,300
Eaton Vance	97,100	3,689,800
Federated Investors Cl. B	10,000	200,625
John Nuveen Company Cl. A	41,400	1,492,987
Lexington Global Asset Managers*	21,100	51,431
Nvest LP	198,300	3,148,013
PIMCO Advisors Holdings LP	42,740	1,610,764
Phoenix Investment Partners	202,700	1,646,937
Pioneer Group (The)*	103,600	1,631,700
SEI Investments	2,000	238,031
U.S. Global Investors Cl. A*	249,205	373,808
		<u>21,652,558</u>
		<u>50,971,146</u>

	SHARES	VALUE
<b>Health — 4.1%</b>		
Commercial Services – 1.2%		
IDEXX Laboratories*	20,000	\$ 322,500
PAREXEL International*	320,200	3,782,362
Quintiles Transnational*	61,600	1,151,150
Schein (Henry)*	239,000	3,181,688
Young Innovations*	49,700	729,969
		<u>9,167,669</u>
Drugs and Biotech – 1.5%		
Affymetrix*	15,000	2,545,312
Biogen*	4,000	338,000
BioReliance*	61,000	348,844
Cerus Corporation*	26,800	710,200
Dura Pharmaceuticals*	6,200	86,413
Genzyme Corporation – General Division*	40,000	1,800,000
Genzyme Corporation – Tissue Repair*	15,300	43,987
Genzyme Corporation – Molecular Oncology*	4,322	30,254
Genzyme Corporation – Surgical Products*	7,160	41,618
IDEC Pharmaceuticals*	30,000	2,947,500
Incyte Pharmaceuticals*	13,000	780,000
Liposome Company (The)*	5,000	61,016
Millennium Pharmaceuticals*	5,000	610,000
Shire Pharmaceuticals Group ADR+*	20,853	607,344
		<u>10,950,488</u>
Consumer Health Services – 0.1%		
Invacare	17,000	341,063
Personal Care – 0.1%		
Chattem*	5,000	95,000
Surgical Products and Devices – 1.2%		
Arrow International	98,700	2,862,300
Biomet	5,000	200,000
Haemonetics*	208,200	4,957,762
NMT Medical*	150,600	432,975
PE Corporation – PE Biosystems Group	2,000	240,625
PE Corporation – Celera Genomics Group*	500	74,500
		<u>8,768,162</u>
		<u>29,322,382</u>
<b>Industrial Products — 13.8%</b>		
Building Systems and Components – 3.5%		
Decker Manufacturing	6,022	319,166
Falcon Products	349,400	3,013,575
Fleetwood Enterprises	20,000	412,500

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Products (continued)</b>			Specialty Chemicals and Materials – 2.5%		
Building Systems and Components (continued)			Aceto 60,010 \$ 660,110		
International Aluminum	51,700	\$ 1,214,950	Brady (W.H.) Cl. A 121,100 4,109,831		
Juno Lighting	19,008	197,208	Calgon Carbon 10,000 59,375		
Kimball International Cl. B	168,580	2,781,570	Chemfab* 133,219 2,081,547		
Mueller (Paul)	53,200	1,536,150	Hawkins Chemical 301,278 2,617,353		
Preformed Line Products Company	127,600	2,105,400	Lilly Industries Cl. A 414,283 5,566,928		
Simpson Manufacturing*	126,700	5,543,125	MacDermid 72,331 2,970,092		
Skyline	123,400	2,899,900	18,065,236		
Thor Industries	159,950	4,868,478	Textiles – 0.9%		
24,892,022			Delta Woodside Industries 125,400 235,125		
Construction Materials – 2.0%			Fab Industries 175,500 1,897,594		
Ameron International	13,000	514,312	++Thomaston Mills Cl. A* 327,800 491,700		
Ash Grove Cement Company Cl. B	50,518	5,051,800	Unifi* 319,800 3,937,537		
Florida Rock Industries	148,000	5,096,750	Wellman 15,000 279,375		
Puerto Rican Cement	98,300	3,342,200	6,841,331		
14,005,062			Other Industrial Products – 0.6%		
Industrial Components – 0.1%			BHA Group Holdings 123,209 970,271		
Woodhead Industries	45,400	527,775	Baldor Electric 27,000 489,375		
Industrial OEM – 0.1%			Landauer 112,900 2,469,688		
Ionics*	5,000	140,625	Myers Industries 34,862 549,076		
140,625			4,478,410		
Machinery – 1.6%			98,312,381		
Atchison Casting*	58,600	534,725	<b>Industrial Services — 12.7%</b>		
Federal Signal	114,900	1,845,581	Advertising/Publishing – 0.7%		
Hurco Companies*	5,000	17,500	Grey Advertising 4,817 1,926,800		
Lincoln Electric Holdings	243,580	5,023,838	True North Communications 63,000 2,815,313		
Nordson	41,100	1,983,075	4,742,113		
Oshkosh Truck	59,100	1,732,369	Commercial Services – 3.2%		
PAXAR*	40,000	337,500	CDI* 100,000 2,412,500		
Tecumseh Products Company Cl. A	3,300	155,719	Carlisle Holdings* 251,100 3,013,200		
11,630,307			Catalina Marketing* 5,000 578,750		
Paper and Packaging – 1.1%			Cornell Corrections* 80,400 673,350		
CLARCOR	4,550	81,900	Fisher Companies 16,096 993,928		
Liqui-Box	59,978	2,968,911	Interim Services* 223,000 5,519,250		
PalEx*	250,800	1,755,600	Korn/Ferry International* 53,700 1,953,337		
Peak International*	44,500	456,125	Marketing Specialists* 124,900 468,375		
Shorewood Packaging*	134,850	2,553,722	Modis Professional Services* 324,700 4,626,975		
7,816,258			Olsten 86,600 979,662		
Pumps, Valves and Bearings – 1.4%			++Open Plan Systems* 354,300 708,600		
ConBraCo Industries	7,630	3,891,300	Shared Medical Systems 21,900 1,115,531		
Denison International ADR+*	88,400	906,100	23,043,458		
Kaydon Corporation	159,100	4,265,869	Engineering and Construction – 1.9%		
Robroy Industries Cl. A	40,523	283,661	Danaher 14,396 694,607		
Sun Hydraulics	87,450	568,425	McDermott International 11,000 99,688		
9,915,355			Morrison Knudsen* 494,100 3,860,156		
			Sevenson Environmental Services 265,720 2,557,555		
			Stone & Webster 218,500 3,673,531		



SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Services (continued)</b>			Oil and Gas – 2.8%		
Engineering and Construction (continued)			Barrett Resources*	185,700	\$ 5,466,544
Todd Shipyards*	39,200	\$ 308,700	Tom Brown*	103,000	1,377,625
Willbros Group*	483,700	2,237,112	Denbury Resources*	1,173,500	5,060,719
		<u>13,431,349</u>	Devon Energy	79,200	2,603,700
Food/Tobacco Processors – 1.0%			Forest Oil*	2,000	26,375
DIMON	253,600	824,200	PetroCorp*	121,900	708,544
Farmer Bros.	26,000	4,134,000	Renaissance Energy*	36,400	365,639
Midwest Grain Products*	231,800	1,709,525	Titan Exploration*	682,500	3,711,094
Seaboard	3,750	728,438	Toreador Royalty*	97,100	424,813
		<u>7,396,163</u>			<u>19,745,053</u>
Industrial Distribution – 0.5%			Real Estate – 0.5%		
Central Steel & Wire	3,699	2,256,390	Alico	52,000	871,000
Ritchie Bros. Auctioneers*	40,900	1,134,975	Consolidated-Tomoka Land	13,564	172,941
TBC*	21,300	133,125	FRP Properties*	119,900	2,817,650
		<u>3,524,490</u>			<u>3,861,591</u>
Printing – 1.3%					<u>36,207,900</u>
Bowne & Co.	122,200	1,649,700	<b>Technology — 19.2%</b>		
Ennis Business Forms	302,100	2,341,275	Aerospace/Defense – 1.5%		
New England Business Service	86,000	2,101,625	Curtiss-Wright	121,900	4,495,063
Standard Register (The)	163,200	3,162,000	Special Metals*	676,300	2,155,706
		<u>9,254,600</u>	Woodward Governor	138,600	3,811,500
Transportation and Logistics – 4.1%					<u>10,462,269</u>
Air Express International	152,268	4,920,160	Components and Systems – 4.0%		
AirNet Systems*	240,200	1,711,425	American Power Conversion*	10,000	263,750
Arnold Industries	418,348	5,883,019	Coherent*	80,900	2,164,075
C. H. Robinson Worldwide	5,000	198,750	Dionex*	101,000	4,159,937
Circle International Group	266,725	5,934,631	Ezenia!*	166,100	1,318,419
Eagle USA Airfreight*	20,000	862,500	IFR Systems*	9,133	91,901
Fritz Companies*	56,000	588,000	Imation Corporation*	50,000	1,678,125
Frozen Food Express Industries	220,670	855,096	Keithley Instruments	2,600	52,975
Hub Group Cl. A*	107,000	2,140,000	Logitech International ADR+*	1,000	27,562
Kenan Transport	63,300	2,005,819	National Instruments*	72,600	2,776,950
Pittston BAX Group	285,300	3,031,313	Newport	65,400	2,992,050
Ryanair Holdings ADR+*	22,000	1,212,750	PCD*	124,600	841,050
		<u>29,343,463</u>	Penn Engineering & Manufacturing	153,600	3,552,000
		<u>90,735,636</u>	Penn Engineering & Manufacturing Cl. A	39,800	840,775
<b>Natural Resources — 5.1%</b>			Perceptron*	242,100	968,400
Energy Services – 1.7%			PerkinElmer	1,000	41,687
Carbo Ceramics	148,100	3,239,687	Rainbow Technologies*	32,800	762,600
Global Industries*	108,100	932,363	SAES Getters ADR+	5,000	30,000
Helmerich & Payne	149,800	3,267,512	Scitex*	307,100	4,472,144
Input/Output*	343,100	1,736,944	Vicor*	5,000	202,500
Nabors Industries*	26,000	804,375	Zebra Technologies Cl. A*	25,000	1,462,500
++Peerless Mfg.	79,300	1,030,900			<u>28,699,400</u>
Tidewater	28,000	1,008,000			
Valley National Gases*	30,100	95,944			
		<u>12,115,725</u>			
Gold – 0.1%					
MK Gold*	517,900	485,531			

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	<u>SHARES</u>	<u>VALUE</u>		<u>SHARES</u>	<u>VALUE</u>
<b>Technology (continued)</b>					
Distribution – 1.5%					
Arrow Electronics*	37,500	\$ 951,562			
Avnet	81,659	4,940,370			
Daisytek International*	65,300	1,522,306			
Pioneer-Standard Electronics	123,925	1,789,167			
Richardson Electronics	195,600	1,467,000			
		<u>10,670,405</u>			
Semiconductors and Equipment – 4.0%					
BE Semiconductor Industries*	112,500	1,518,750			
Credence Systems*	15,300	1,323,450			
Cymer*	29,000	1,334,000			
Dallas Semiconductor	46,100	2,970,569			
DuPont Photomasks*	35,000	1,688,750			
Electroglas*	178,400	4,526,900			
Etec Systems*	5,000	224,375			
Exar*	75,100	4,421,512			
Helix Technology	50,700	2,271,994			
Intevac*	198,050	693,175			
Kulicke & Soffa Industries*	30,400	1,293,900			
Lam Research*	13,000	1,450,313			
Micrel*	30,000	1,708,125			
Novellus Systems*	4,000	490,125			
Varian Semiconductor Equipment Associates*	55,000	1,870,000			
Veeco Instruments*	5,400	252,788			
		<u>28,038,726</u>			
Software/Services – 7.4%					
ANSYS*	95,100	1,046,100			
Aspect Development*	35,000	2,397,500			
Aspen Technology*	54,400	1,438,200			
Autodesk	82,100	2,770,875			
Avant!*	46,000	690,000			
Benchmark Electronics*	26,000	596,375			
Business Objects ADR+*	12,000	1,603,500			
CIBER*	117,100	3,220,250			
Cognex*	93,700	3,654,300			
Comdisco	75,500	2,812,375			
Documentum*	5,000	299,375			
FileNet*	10,000	255,000			
Harbinger*	36,500	1,161,156			
IMRglobal Corporation*	118,000	1,482,375			
Integral Systems*	117,800	5,197,925			
Integrated Systems*	5,000	167,813			
i2 Technologies*	10,000	1,950,000			
JDA Software Group*	194,500	3,184,937			
Kronos*	19,600	1,176,000			
MSC Software*	128,800	1,304,100			
Macromedia*	3,000	219,375			
			Manugistics Group*	20,000	\$ 646,250
			MicroStrategy Cl. A*	10,000	2,100,000
			National Computer Systems	176,000	6,622,000
			Pegasystems*	45,000	506,250
			Phoenix Technologies*	4,700	74,319
			QRS Corporation*	7,500	787,500
			Radiant Systems*	15,000	602,812
			Remedy*	10,600	502,175
			Siebel Systems*	4,000	336,000
			Sterling Commerce*	50,000	1,703,125
			Structural Dynamics Research*	141,200	1,800,300
			Sybase*	5,000	85,000
			Tecnomatix Technologies*	10,000	287,500
			Wind River Systems*	7,500	274,687
					<u>52,955,449</u>
			Telecommunication – 0.8%		
			Davel Communications Group	65,000	308,750
			FirstWorld Communications (Warrants)	4,239	423,900
			Level 3 Communications*	2,200	180,125
			Plantronics*	28,100	2,010,906
			REMEC*	83,200	2,121,600
			++Technical Communications*	106,700	626,863
			Visual Networks*	1,000	79,250
					<u>5,751,394</u>
					<u>136,577,643</u>
			<b>Miscellaneous — 4.9%</b>		<u>35,231,851</u>
			<b>TOTAL COMMON STOCKS</b>		
			(Cost \$461,224,237)		<u>607,805,151</u>
			<b>PREFERRED STOCKS — 0.6%</b>		
			Pioneer-Standard Electronics 6.75% Conv.	80,000	4,160,000
			SVB Capital I 8.25%	20,000	368,750
			<b>TOTAL PREFERRED STOCKS</b>		
			(Cost \$4,315,000)		<u>4,528,750</u>

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	PRINCIPAL AMOUNT	VALUE		PRINCIPAL AMOUNT	VALUE
<b>CORPORATE BONDS — 1.9%</b>			<b>U. S. TREASURY OBLIGATIONS — 10.7%</b>		
Charming Shoppes 7.50% Conv. Sub. Note due 7/15/06	\$3,694,000	\$ 3,767,880	U.S. Treasury Notes		
Dixie Group 7.00% Conv. Sub. Deb. due 5/15/12	728,000	521,430	4.875%, due 3/31/01	\$55,000,000	\$ 54,149,150
FirstWorld Communications 0% (Step)** Sr. Note due 4/15/08	6,700,000	3,685,000	6.25%, due 8/31/02	10,000,000	9,984,400
MSC.Software 7.875% Conv. Sub. Deb. due 8/18/04	2,765,000	2,419,375	4.75%, due 2/15/04	13,000,000	<u>12,262,640</u>
Richardson Electronics 8.25% Conv. Sub. Deb. due 6/15/06	2,049,000	1,639,200	<b>TOTAL U.S. TREASURY OBLIGATIONS</b>		
Richardson Electronics 7.25% Conv. Sub. Deb. due 12/15/06	1,319,000	989,250	(Cost \$77,731,405)		<u>76,396,190</u>
Sunglass Hut International 5.25% Conv. Sub. Note due 6/15/03	500,000	408,125	<b>REPURCHASE AGREEMENT — 1.2%</b>		
Tops Appliance City 6.50% Conv. Sub. Deb. due 11/30/03	1,000,000	<u>380,000</u>	State Street Bank & Trust Company		
<b>TOTAL CORPORATE BONDS</b>		<u>13,810,260</u>	2.50% dated 12/31/99, due 1/3/00, maturity value \$8,532,777 (collateralized by U.S. Treasury Bonds, 7.25%–8.50% due 5/15/16–2/15/20, valued at \$8,707,175)		
(Cost \$13,898,190)			(Cost \$8,531,000)		<u>8,531,000</u>
			<b>TOTAL INVESTMENTS — 99.7%</b>		
			(Cost \$565,699,832)		711,071,351
			<b>CASH AND OTHER ASSETS</b>		
			<b>LESS LIABILITIES — 0.3%</b>		<u>1,857,078</u>
			<b>NET ASSETS — 100.0%</b>		<u><b>\$712,928,429</b></u>

\* Non-income producing.

+ American Depository Receipt.

++ At December 31, 1999, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940.

\*\* Coupon rate of 0% to 4/2003; thereafter 13%.

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$568,478,231. At December 31, 1999, net unrealized appreciation for all securities was \$142,593,120, consisting of aggregate gross unrealized appreciation of \$200,813,807 and aggregate gross unrealized depreciation of \$58,220,687. The Fund designated \$41,325,401 as a capital gain dividend for the purpose of its dividend paid deduction.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# ROYCE VALUE TRUST, INC.

## STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1999

### ASSETS:

Investments at value (identified cost \$557,168,832)	\$702,540,351
Repurchase agreement (at cost and value)	8,531,000
Cash	161,537
Receivable for investments sold	2,102,335
Receivable for dividends and interest	2,190,974
Prepaid expenses	24,689
<b>Total Assets</b>	<b>715,550,886</b>

### LIABILITIES:

Payable for investments purchased	1,650,189
Payable for investment advisory fee	507,773
Preferred dividends accrued but not yet declared	266,223
Accrued expenses	198,272
<b>Total Liabilities</b>	<b>2,622,457</b>

<b>Net Assets</b>	<b>\$712,928,429</b>
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Net Assets applicable to Preferred Stock at a liquidation value of \$25 per share	\$160,000,000
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Net Assets applicable to Common Stock (net asset value per share – \$15.77)	\$552,928,429
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### SUMMARY OF STOCKHOLDERS' EQUITY:

7.80% Cumulative Preferred Stock-par value \$0.001 per share; 2,400,000 shares outstanding	\$ 2,400
7.30% Tax-Advantaged Cumulative Preferred Stock-par value \$0.001 per share; 4,000,000 shares outstanding	4,000
Common Stock-par value \$0.001 per share; 35,071,781 shares outstanding (150,000,000 shares authorized)	35,072
Additional paid-in capital	548,391,715
Undistributed net investment income	4,175,310
Accumulated net realized gain on investments	15,214,636
Net unrealized appreciation on investments	145,371,519
Preferred dividends accrued but not yet declared	(266,223)
<b>Net Assets</b>	<b>\$712,928,429</b>

## STATEMENTS OF CHANGES IN NET ASSETS

	Year ended December 31, 1999	Year ended December 31, 1998
<b>INVESTMENT OPERATIONS:</b>		
Net investment income	\$ 7,312,087	\$ 5,725,999
Net realized gain on investments	61,397,109	53,554,124
Net change in unrealized appreciation on investments	(2,262,846)	(31,906,113)
<b>Net increase in net assets from investment operations</b>	<b>66,446,350</b>	<b>27,374,010</b>
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>		
Net investment income	(1,338,166)	(944,176)
Net realized gain on investments	(10,641,834)	(8,134,436)
Preferred dividends accrued but not yet declared	—	(159,555)
<b>Total distributions to Preferred Stockholders</b>	<b>(11,980,000)</b>	<b>(9,238,167)</b>
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>		
Net investment income	(5,152,339)	(5,045,674)
Net realized gain on investments	(40,974,216)	(43,475,552)
<b>Total distributions to Common Stockholders</b>	<b>(46,126,555)</b>	<b>(48,521,226)</b>
<b>CAPITAL STOCK TRANSACTIONS:</b>		
Conversion of Notes to Common Stock	—	26,814,113
Reinvestment of distributions to Common Stockholders	27,625,539	29,819,441
Net proceeds from issuance of Preferred Stock	—	96,484,000
<b>Total capital stock transactions</b>	<b>27,625,539</b>	<b>153,117,554</b>
<b>NET INCREASE IN NET ASSETS</b>	<b>35,965,334</b>	<b>122,732,171</b>
<b>NET ASSETS:</b>		
Beginning of year	676,963,095	554,230,924
End of year (including undistributed net investment income of \$4,175,310 and \$1,846,013, respectively)	\$712,928,429	\$676,963,095

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

## STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1999

**INVESTMENT INCOME:**

Income:	
Dividends	\$ 7,963,383
Interest	6,302,331
<b>Total Income</b>	<b>14,265,714</b>
Expenses:	
Investment advisory fees	6,350,354
Administrative and office facilities expenses	306,685
Stockholder reports	264,069
Custodian and transfer agent fees	207,334
Directors' fees	77,133
Professional fees	69,240
Other expenses	122,530
<b>Total Expenses</b>	<b>7,397,345</b>
Fees Waived by Investment Adviser	(443,718)
<b>Net Expenses</b>	<b>6,953,627</b>
<b>Net Investment Income</b>	<b>7,312,087</b>
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>	
Net realized gain on investments	61,397,109
Net change in unrealized appreciation on investments	(2,262,846)
<b>Net realized and unrealized gain on investments</b>	<b>59,134,263</b>
<b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b>	<b>\$66,446,350</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# ROYCE VALUE TRUST, INC.

## FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

	Years ended December 31,				
	1999	1998	1997	1996	1995
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$15.72	\$16.91	\$14.32	\$13.56	\$12.34
<b>INVESTMENT OPERATIONS(a):</b>					
Net investment income	0.26	0.17	0.21	0.26	0.04
Net realized and unrealized gain on investments	1.64	0.67	3.85	1.92	2.70
Total investment operations	1.90	0.84	4.06	2.18	2.74
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>					
Net investment income	(0.04)	(0.03)	(0.03)	(0.01)	—
Net realized gain on investments	(0.32)	(0.26)	(0.15)	(0.06)	—
Total distributions to Preferred Stockholders	(0.36)	(0.29)	(0.18)	(0.07)	—
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>					
Net investment income	(0.15)	(0.16)	(0.19)	(0.15)	(0.03)
Net realized gain on investments	(1.22)	(1.38)	(1.02)	(1.00)	(1.26)
Total distributions to Common Stockholders	(1.37)	(1.54)	(1.21)	(1.15)	(1.29)
<b>CAPITAL STOCK TRANSACTIONS:</b>					
Effect of reinvestment of distributions by Common Stockholders	(0.12)	(0.09)	(0.08)	(0.11)	(0.11)
Effect of Preferred Stock offering or rights offerings	—	(0.11)	—	(0.09)	(0.12)
Total capital stock transactions	(0.12)	(0.20)	(0.08)	(0.20)	(0.23)
<b>NET ASSET VALUE, END OF PERIOD(a)</b>	\$15.77	\$15.72	\$16.91	\$14.32	\$13.56
<b>MARKET VALUE, END OF PERIOD</b>	\$13.063	\$13.750	\$15.063	\$12.625	\$11.875
<b>TOTAL RETURN(b):</b>					
Net Asset Value(a)	11.7%	3.3%	27.5%	15.5%	22.6%
Market Value	5.7%	1.5%	28.8%	16.3%	20.5%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO</b>					
<b>COMMON STOCKHOLDERS:</b>					
Total expenses (c,d)	1.39%	1.31%	1.12%	1.28%	2.01%
Management fee expense	1.18%	1.10%	0.39%	0.39%	0.97%
Interest expense	—	—	0.45%	0.64%	0.75%
Other operating expenses	0.21%	0.21%	0.28%	0.25%	0.29%
Net investment income	1.47%	1.11%	1.53%	1.27%	0.34%
<b>SUPPLEMENTAL DATA:</b>					
Net Assets, End of Period (in thousands)	\$712,928	\$676,963	\$554,231	\$441,837	\$338,970
Portfolio Turnover Rate	41%	43%	29%	34%	32%
<b>PREFERRED STOCK:</b>					
Total shares outstanding	6,400,000	6,400,000	2,400,000	2,400,000	—
Asset coverage per share	\$111.40	\$105.78	\$165.72	\$120.46	—
Liquidation preference per share	\$25.00	\$25.00	\$25.00	\$25.00	—
Average market value per share:					
7.80% Cumulative (e)	\$24.98	\$25.91	\$25.70	\$25.20	—
7.30% Tax-Advantaged Cumulative (e)	\$24.24	\$25.43	—	—	—
<b>NOTES:</b>					
Total amount outstanding (in thousands)	—	—	\$27,801	\$40,000	\$40,000
Asset coverage per note	—	—	\$2,093.56	\$1,201.51	\$944.35
Average market value per note (e)	—	—	\$107.69	\$100.68	\$96.92

(a) From June 21, 1995 through December 31, 1997, Net Asset Value per share, Net Asset Value Total Returns and Income from Investment Operations were calculated assuming that the then outstanding convertible notes had been fully converted, except when the effect of doing so resulted in a higher Net Asset Value per share than would have been calculated without such assumption. If it were not assumed the Notes had been converted, the Net Asset Value per share would have been increased by \$0.31, \$0.17, and \$0.09 at December 31, 1997, 1996 and 1995, respectively.

(b) The Net Asset Value and Market Value Total Returns assume a continuous Common Stockholder who reinvested all net investment income dividends and capital gain distributions and fully participated in primary subscriptions for rights offerings.

(c) Expense ratios based on total average net assets were 1.06%, 1.06%, 0.99%, 1.20% and 2.01% for the periods ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

(d) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.48%, 1.34%, 1.14%, 1.31% and 2.04% for the periods ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

(e) The average of month-end market values during the period.

NOTES TO FINANCIAL STATEMENTS

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**Summary of Significant Accounting Policies:**

Royce Value Trust, Inc. ("the Fund") was incorporated under the laws of the State of Maryland on July 1, 1986 as a diversified closed-end investment company. The Fund commenced operations on November 26, 1986.

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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Valuation of Investments:**

Securities listed on an exchange or on the Nasdaq National Market System are valued on the basis of the last reported sale prior to the time the valuation is made or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid and asked prices for Nasdaq securities. Quotations are taken from the market where the security is primarily traded. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

**Investment Transactions and Related Investment Income:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date and any non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors Fees payable on or after July 1, 1999. The deferred fees remain invested in certain Royce Funds until distributed in accordance with the agreement.

**Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

**Repurchase Agreements:**

The Fund enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

**Investment Company Convertible Notes:**

On February 5, 1998, the Fund redeemed \$256,000 of Investment Company Convertible Notes ("Notes"), constituting all of the then outstanding Notes, at a price equal to 100% of the principal amount of each Note plus accrued unpaid interest to that date. Prior to February 5, 1998, the remainder of the Notes had been converted to Common Stock of the Fund. The Fund issued 2,091,425 shares of Common Stock upon conversion of Notes for the period ended December 31, 1998.

NOTES TO FINANCIAL STATEMENTS (continued)

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**Capital Stock:**

The Fund currently has two issues of Preferred Stock outstanding: 7.80% Cumulative Preferred Stock and 7.30% Tax-Advantaged Cumulative Preferred Stock. Both issues of Preferred Stock have a liquidation preference of \$25.00 per share.

Under the Investment Company Act of 1940, the Fund is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. The Fund has met these requirements since issuing Preferred Stock.

The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that dividends are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital.

The Fund issued 2,191,520 and 2,080,238 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 1999 and 1998, respectively.

**Investment Advisory Agreement:**

As compensation for its services under the Investment Advisory Agreement, Royce & Associates, Inc. ("Royce") receives a fee comprised of a Basic Fee ("Basic Fee") and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the S&P 600 SmallCap Index ("S&P 600").

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the month-end net assets of the Fund for the applicable performance period.

The performance period for each month will be from July 1, 1996 to the most recent month-end, until the Investment Advisory Agreement has been in effect for 60 full calendar months, when it will become a rolling 60-month period ending with the most recent calendar month.

The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the S&P 600 for the performance period by more than two percentage points. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the S&P 600 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the S&P 600 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

Notwithstanding the foregoing, Royce is not entitled to receive any fee for any month when the investment performance of the Fund for the rolling 36-month period ending with such month is negative. In the event that the Fund's investment performance for such a performance period is less than zero, Royce will not be required to refund to the Fund any fee earned in respect of any prior performance period.

Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to an issue of the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the applicable Preferred Stock dividend rate during that period.

For the year ended December 31, 1999, the Fund accrued and paid Royce advisory fees totaling \$5,906,636, which is net of \$443,718 voluntarily waived by Royce.

**Purchases and Sales of Investment Securities:**

For the year ended December 31, 1999, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$293,164,355 and \$256,637,558, respectively.



## ROYCE VALUE TRUST, INC.

### NOTES TO FINANCIAL STATEMENTS (continued)

#### Transactions in Shares of Affiliated Companies:

An "Affiliated Company", as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the company's outstanding voting securities. The Fund effected the following transactions in shares of such companies during the year ended December 31, 1999:

Affiliated Company	Purchases		Sales		Realized Gain/Loss	Dividend Income
	Shares	Cost	Shares	Cost		
Axiom Transaction Solutions	5,000	\$ 18,750	445,575	\$3,511,667	\$(3,376,304)	—
Open Plan Systems	209,300	\$523,105	—	—	—	—
Peerless Mfg.	—	—	—	—	—	\$39,650
RockShox	—	—	40,600	\$ 215,500	\$ (152,684)	—
Technical Communications	—	—	—	—	—	—
Thomaston Mills CL.A	—	—	—	—	—	—

### REPORT OF INDEPENDENT AUDITORS

#### To the Board of Directors and Stockholders of Royce Value Trust, Inc.

We have audited the accompanying statement of assets and liabilities of Royce Value Trust, Inc., including the schedule of investments, as of December 31, 1999, and the related statement of operations for the year then ended, and the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for periods indicated thereon. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 1999, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Value Trust, Inc. at December 31, 1999, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and the financial highlights for periods presented, in conformity with generally accepted accounting principles.

TAIT, WELLER & BAKER

Philadelphia, PA  
January 28, 2000

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

**COMMON STOCKS — 77.7%**

	SHARES	VALUE
<b>Consumer Products — 10.0%</b>		
Apparel and Shoes – 2.4%		
Garan	46,700	\$ 1,336,788
**Kleinert's*	14,200	142,000
North Face (The)*	84,600	343,687
Oshkosh B'Gosh Cl. A	46,600	981,513
Weyco Group	68,400	<u>1,757,025</u>
		<u>4,561,013</u>
Collectibles – 0.3%		
Enesco Group	60,800	<u>672,600</u>
Food/Beverage/Tobacco – 1.2%		
800 JR Cigar*	133,300	1,158,044
++Smithfield Companies (The)	148,400	<u>1,113,000</u>
		<u>2,271,044</u>
Home Furnishing/Appliances – 1.5%		
Bassett Furniture Industries	7,900	126,400
Conso International*	197,800	1,706,025
Lifetime Hoan	116,254	610,333
Mity-Lite*	21,300	<u>331,481</u>
		<u>2,774,239</u>
Publishing – 1.1%		
Gibson Greetings*	51,600	462,788
Marvel Enterprises*	208,600	1,147,300
Topps Company (The)*	42,000	<u>435,750</u>
		<u>2,045,838</u>
Sports and Recreation – 0.8%		
Allen Organ Cl. B	6,600	250,800
Johnson Worldwide Associates Cl. A*	60,000	425,625
Lund International Holdings*	146,700	<u>861,862</u>
		<u>1,538,287</u>
Other Consumer Products – 2.7%		
Koala Corporation*	80,000	1,120,000
Lazare Kaplan International*	110,100	894,563
Matthews International Cl. A	81,000	2,227,500
Velcro Industries	81,500	<u>983,094</u>
		<u>5,225,157</u>
		<u>19,088,178</u>
<b>Consumer Services — 1.8%</b>		
Restaurants/Lodgings – 0.3%		
Pizza Inn	145,700	<u>601,012</u>
Retail Stores – 1.5%		
Bombay Company (The)*	46,600	209,700
Brookstone*	13,000	228,313
Cato Cl. A	47,500	599,687
Piercing Pagoda*	3,000	45,375
Stein Mart*	76,400	434,525
Suzy Shier	156,800	597,437
Urban Outfitters*	24,600	<u>716,475</u>
		<u>2,831,512</u>
		<u>3,432,524</u>

**Financial Intermediaries — 4.1%**

	SHARES	VALUE
Banking – 0.3%		
Iron & Glass Bancorp	8,580	\$ 197,340
Queen City Investments*	948	<u>402,900</u>
		<u>600,240</u>
Closed End Funds – 0.3%		
Central Fund of Canada Cl. A	140,000	<u>586,250</u>
Insurance – 3.5%		
Capitol Transamerica	75,965	764,398
Highlands Insurance Group*	84,700	804,650
Independence Holding	33,300	382,950
NYMAGIC	52,700	694,981
Navigators Group*	42,600	426,000
Nobel Insurance*	183,000	45,750
PICO Holdings*	16,900	208,081
PMA Capital Cl. A	56,609	1,125,104
PXRE Group	75,164	977,132
Philadelphia Consolidated Holding*	34,200	495,900
Wellington Underwriting	444,712	<u>748,873</u>
		<u>6,673,819</u>
		<u>7,860,309</u>

**Financial Services — 3.4%**

Information and Processing – 2.5%		
BARRA*	58,250	1,849,438
Duff & Phelps Credit Rating	32,600	<u>2,899,362</u>
		<u>4,748,800</u>
Insurance Brokers – 0.9%		
Clark/Bardes Holdings*	46,200	664,125
CorVel*	10,000	235,000
Hilb, Rogal & Hamilton	30,300	<u>855,975</u>
		<u>1,755,100</u>
		<u>6,503,900</u>

**Health — 6.3%**

Commercial Services – 2.3%		
Analysts International	15,000	187,500
ChiRex*	56,500	826,313
Healthworld Corporation*	35,000	726,250
ICON ADR+*	1,000	17,000
PAREXEL International*	144,400	1,705,725
Young Innovations*	65,900	<u>967,906</u>
		<u>4,430,694</u>

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	SHARES	VALUE		SHARES	VALUE
<b>Health (continued)</b>			Specialty Chemicals and Materials – 2.0%		
Drugs and Biotech – 3.6%			Aceto	58,421	\$ 642,631
Aurora Biosciences*	75,000	\$ 1,987,500	CFC International*	23,200	152,250
BioReliance*	135,800	776,606	Chemfab*	80,700	1,260,937
Celgene Corporation*	12,000	840,000	Hauser*	45,400	141,875
Cephalon*	40,000	1,382,500	Hawkins Chemical	122,667	1,065,670
Myriad Genetics*	10,000	460,000	Synalloy	73,700	552,750
Scotia Holdings*	80,000	167,991			<u>3,816,113</u>
ViroPharma*	28,000	1,036,000	Other Industrial Products – 1.6%		
Visible Genetics*	10,000	300,000	BHA Group Holdings	126,915	999,456
		<u>6,950,597</u>	Landauer	32,300	706,563
Surgical Products and Devices – 0.4%			Myers Industries	52,459	826,229
Allied Healthcare Products*	97,200	230,850	Pioneer Metals*	1,570	596,600
NMT Medical*	126,900	364,837			<u>3,128,848</u>
Orthofix International*	12,000	171,750			<u>22,103,329</u>
		<u>767,437</u>	<b>Industrial Services — 11.3%</b>		
		<u>12,148,728</u>	Commercial Services – 3.8%		
<b>Industrial Products — 11.6%</b>			Applied Analytical Industries*	103,400	943,525
Building Systems and Components – 3.2%			++Business Resource Group*	315,000	1,673,437
Falcon Products	66,500	573,563	Carlisle Holdings*	128,400	1,540,800
LSI Industries	25,900	560,087	Cornell Corrections*	79,200	663,300
Mueller (Paul)	16,650	480,769	Exponent*	63,200	418,700
Simpson Manufacturing*	46,100	2,016,875	RCM Technologies*	62,300	1,074,675
Skyline	32,100	754,350	RemedyTemp Cl. A*	44,000	836,000
Thor Industries	55,200	1,680,150			<u>7,150,437</u>
		<u>6,065,794</u>	Engineering and Construction – 1.6%		
Construction Materials – 3.3%			Sevenson Environmental Services	125,120	1,204,280
Ash Grove Cement Company	20,000	2,000,000	Stone & Webster	85,100	1,430,744
Florida Rock Industries	55,000	1,894,063	Willbros Group*	100,000	462,500
Monarch Cement	50,410	1,033,405			<u>3,097,524</u>
Puerto Rican Cement	38,200	1,298,800	Food/Tobacco Processors – 1.3%		
		<u>6,226,268</u>	Farmer Bros.	4,000	636,000
Industrial Components – 0.5%			Midwest Grain Products*	121,122	893,275
Herley Industries*	50,000	759,375	Seneca Foods Cl. A*	1,500	17,250
Woodhead Industries	10,000	116,250	Seneca Foods Cl. B*	26,200	301,300
		<u>875,625</u>	Standard Commercial	166,755	594,065
Machinery – 0.2%					<u>2,441,890</u>
Oshkosh Truck	10,500	307,781	Printing – 1.2%		
Paper and Packaging – 0.6%			Ennis Business Forms	132,700	1,028,425
Liqui-Box	13,100	648,450	New England Business Service	45,300	1,107,019
PalEx*	40,100	280,700	Schawk	26,300	223,550
Tuscarora	23,000	278,875			<u>2,358,994</u>
		<u>1,208,025</u>			
Pumps, Valves and Bearings – 0.2%					
NN Ball & Roller	65,500	474,875			

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	SHARES	VALUE		SHARES	VALUE
<b>Industrial Services (continued)</b>					
Transportation and Logistics – 3.4%					
AirNet Systems*	194,300	\$ 1,384,387	Perceptron*	152,100	\$ 608,400
Circle International Group	62,100	1,381,725	Performance Technologies*	56,250	977,344
Forward Air*	36,600	1,587,525	Printronix*	20,000	455,000
Kenan Transport	34,800	1,102,725	Rainbow Technologies*	68,700	1,597,275
Knight Transportation*	12,500	214,063	SBS Technologies*	25,300	923,450
Pittston BAX Group	81,200	862,750	TSI	30,000	352,500
		<u>6,533,175</u>	TransAct Technologies*	68,200	515,762
		<u>21,582,020</u>			<u>12,072,069</u>
<b>Natural Resources — 5.9%</b>			Distribution – 1.0%		
Energy Services – 2.4%			Kent Electronics*	30,100	684,775
Carbo Ceramics	52,600	1,150,625	Richardson Electronics	158,500	1,188,750
Dril-Quip*	30,600	929,475			<u>1,873,525</u>
GulfMark Offshore*	49,600	725,400	Semiconductors and Equipment – 2.0%		
Input/Output*	170,600	863,662	Aetrium*	10,000	65,938
Lufkin Industries	25,000	375,000	Align-Rite International*	40,000	877,500
MarkWest Hydrocarbon*	32,600	211,900	Electroglas*	49,900	1,266,212
Peerless Mfg.	21,600	280,800	Exar*	14,800	871,350
		<u>4,536,862</u>	Helix Technology	9,500	425,719
			Intevac*	111,450	390,075
Gold – 0.3%					<u>3,896,794</u>
MK Gold*	603,700	565,969	Software/Services – 6.5%		
Oil and Gas – 2.7%			CCC Information Services Group*	46,300	792,888
Bonavista Petroleum*	105,000	1,185,660	CSP*	58,581	446,680
Denbury Resources*	139,200	600,300	Integral Systems*	32,600	1,438,475
Evergreen Resources*	20,000	395,000	JDA Software Group*	83,600	1,368,950
PetroCorp*	177,200	1,029,975	Kronos*	51,000	3,060,000
Titan Exploration*	350,500	1,905,844	MSC Software*	113,100	1,145,138
		<u>5,116,779</u>	Mastech Corporation*	64,800	1,603,800
Real Estate – 0.5%			New Horizons Worldwide*	92,600	1,099,625
FRP Properties*	27,700	650,950	SPSS*	32,700	825,675
Liberte Investors	103,300	355,094	Tyler Technologies*	97,300	535,150
		<u>1,006,044</u>			<u>12,316,381</u>
		<u>11,225,654</u>	Telecommunication – 1.6%		
<b>Technology — 18.3%</b>			Globecomm Systems*	30,000	757,500
Aerospace/Defense – 0.9%			REMEC*	63,600	1,621,800
Curtiss-Wright	35,000	1,290,625	Vertex Communications*	30,000	615,000
Special Metals*	154,300	491,831			<u>2,994,300</u>
		<u>1,782,456</u>			<u>34,935,525</u>
Components and Systems – 6.3%			<b>Utilities — 0.2%</b>		
Advanced Energy Industries*	14,600	719,050	EnergySouth	22,900	475,175
Aladdin Knowledge Systems*	27,300	464,100			
CEM*	84,800	911,600	<b>Miscellaneous — 4.8%</b>		<u>9,274,204</u>
Coherent*	45,000	1,203,750	<b>TOTAL COMMON STOCKS</b>		
MOCON	50,200	301,200	(Cost \$107,983,960)		<u>148,629,546</u>
Newport	28,100	1,285,575	<b>PREFERRED STOCK — 0.3%</b>		
PCD*	76,100	513,675	Seneca Foods Conv.*	51,250	589,375
Penn Engineering & Manufacturing	39,700	918,063	(Cost \$623,500)		
Penn Engineering & Manufacturing Cl. A	15,400	325,325			

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	PRINCIPAL AMOUNT	VALUE		VALUE
<b>CORPORATE BOND — 0.3%</b>			<b>REPURCHASE AGREEMENT — 4.4%</b>	
MSC.Software 7.875% Conv.			State Street Bank & Trust Company,	
Sub. Deb. due 8/18/04			2.50% dated 12/31/99, due 1/3/00	
(Cost \$593,250)	\$ 700,000	<u>\$ 612,500</u>	maturity value \$8,469,764	
<b>U.S. TREASURY OBLIGATIONS — 17.6%</b>			(collateralized by U.S. Treasury Bonds,	
U.S. Treasury Notes			6.00%–7.25%, due 5/15/16–2/15/26,	
6.25%, due 8/31/00	5,000,000	5,007,800	valued at \$8,639,188)	
4.875%, due 3/31/01	14,000,000	13,783,420	(Cost \$8,468,000)	<u>\$ 8,468,000</u>
6.25%, due 8/31/02	5,000,000	4,992,200		
6.00%, due 8/15/04	10,000,000	<u>9,843,700</u>	<b>TOTAL INVESTMENTS — 100.3%</b>	
<b>TOTAL U.S. TREASURY OBLIGATIONS</b>			(Cost \$151,659,882)	191,926,541
(Cost \$33,991,172)		<u>33,627,120</u>	<b>LIABILITIES LESS CASH</b>	
			<b>AND OTHER ASSETS — (0.3%)</b>	<u>(657,670)</u>
			<b>NET ASSETS — 100.0%</b>	<u><b>\$191,268,871</b></u>

\* Non-income producing.

\*\* A security for which market quotations are no longer readily available represents 0.07% of net assets. This security has been valued at its fair value under procedures established by the Fund's Board of Directors.

+ American Depository Receipt.

++ At December 31, 1999, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as the term is defined in the Investment Company Act of 1940.

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$151,920,032. At December 31, 1999, net unrealized appreciation for all securities was \$40,006,509, consisting of aggregate gross unrealized appreciation of \$48,066,683 and aggregate gross unrealized depreciation of \$8,060,174. The Fund designated \$4,273,110 as a capital gain dividend for the purpose of its dividend paid deduction.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# ROYCE MICRO-CAP TRUST, INC.

## STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1999

### ASSETS:

Investments at value (identified cost \$143,191,882)	\$183,458,541
Repurchase agreement (at cost and value)	8,468,000
Receivable for investments sold	886,265
Receivable for dividends and interest	744,626
Prepaid expenses	6,460
<b>Total Assets</b>	<b>193,563,892</b>

### LIABILITIES:

Payable for investments purchased	2,029,519
Payable for investment advisory fee	105,386
Preferred dividends accrued but not yet declared	68,889
Accrued expenses	91,227
<b>Total Liabilities</b>	<b>2,295,021</b>
<b>Net Assets</b>	<b>\$191,268,871</b>
Net Assets applicable to Preferred Stock at a liquidation value of \$25 per share	\$ 40,000,000
Net Assets applicable to Common Stock (net asset value per share—\$11.00)	\$151,268,871

### SUMMARY OF STOCKHOLDERS' EQUITY:

7.75% Cumulative Preferred Stock—par value \$0.001 per share; 1,600,000 shares outstanding	\$ 1,600
Common Stock—par value \$0.001 per share; 13,755,988 shares outstanding (150,000,000 shares authorized)	13,756
Additional paid-in capital	141,768,425
Undistributed net investment income	260,595
Accumulated net realized gain on investments and foreign currency	9,026,725
Net unrealized appreciation on investments and foreign currency	40,266,659
Preferred dividends accrued but not yet declared	(68,889)
<b>Net Assets</b>	<b>\$191,268,871</b>

## STATEMENTS OF CHANGES IN NET ASSETS

	Year ended December 31, 1999	Year ended December 31, 1998
<b>INVESTMENT OPERATIONS:</b>		
Net investment income	\$ 1,592,653	\$ 1,720,215
Net realized gain on investments and foreign currency	10,265,741	5,532,509
Net change in unrealized appreciation on investments and foreign currency	8,091,588	(10,118,947)
Net increase (decrease) in net assets from investment operations	19,949,982	(2,866,223)
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>		
Net investment income	(707,110)	(758,880)
Net realized gain on investments and foreign currency	(2,392,890)	(2,341,120)
Total distributions to Preferred Stockholders	(3,100,000)	(3,100,000)
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>		
Net investment income	(834,803)	(932,213)
Net realized gain on investments and foreign currency	(2,800,617)	(2,875,417)
Total distributions to Common Stockholders	(3,635,420)	(3,807,630)
<b>CAPITAL STOCK TRANSACTIONS:</b>		
Reinvestment of distributions to Common Stockholders	2,559,108	2,907,409
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>15,773,670</b>	<b>(6,866,444)</b>
<b>NET ASSETS:</b>		
Beginning of year	175,495,201	182,361,645
End of year (including undistributed net investment income of \$260,595 and \$209,855, respectively)	\$191,268,871	\$175,495,201

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1999

**INVESTMENT INCOME:**

Income:	
Dividends	\$ 1,279,590
Interest	2,001,276
<b>Total Income</b>	<b>3,280,866</b>

Expenses:	
Investment advisory fees	1,437,600
Custodian and transfer agent fees	103,216
Stockholder reports	86,345
Administration fees	85,611
Administrative and office facilities expenses	81,022
Professional fees	36,072
Directors' fees	34,230
Other expenses	50,692
<b>Total Expenses</b>	<b>1,914,788</b>
Fees Waived by Investment Adviser	(226,575)
<b>Net Expenses</b>	<b>1,688,213</b>
<b>Net Investment Income</b>	<b>1,592,653</b>

**REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCY:**

Net realized gain on investments and foreign currency	10,265,741
Net change in unrealized appreciation on investments and foreign currency	8,091,588
<b>Net realized and unrealized gain on investments and foreign currency</b>	<b>18,357,329</b>
<b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b>	<b>\$19,949,982</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# ROYCE MICRO-CAP TRUST, INC.

## FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

	Years ended December 31,				
	1999	1998	1997	1996	1995
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$10.06	\$10.84	\$9.38	\$8.89	\$7.58
<b>INVESTMENT OPERATIONS:</b>					
Net investment income	0.12	0.13	0.17	0.09	0.02
Net realized and unrealized gain (loss) on investments and foreign currency	1.35	(0.36)	2.61	1.32	1.69
Total investment operations	1.47	(0.23)	2.78	1.41	1.71
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>					
Net investment income	(0.05)	(0.06)	(0.02)	—	—
Net realized gain on investments and foreign currency	(0.18)	(0.18)	(0.12)	—	—
Total distributions to Preferred Stockholders	(0.23)	(0.24)	(0.14)	—	—
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>					
Net investment income	(0.06)	(0.07)	(0.16)	(0.10)	(0.02)
Net realized gain on investments and foreign currency	(0.21)	(0.22)	(0.84)	(0.70)	(0.34)
Total distributions to Common Stockholders	(0.27)	(0.29)	(1.00)	(0.80)	(0.36)
<b>CAPITAL STOCK TRANSACTIONS:</b>					
Effect of reinvestment of distributions by Common Stockholders	(0.03)	(0.02)	(0.06)	(0.12)	(0.04)
Effect of Preferred Stock offering	—	—	(0.12)	—	—
Total capital stock transactions	(0.03)	(0.02)	(0.18)	(0.12)	(0.04)
<b>NET ASSET VALUE, END OF PERIOD</b>	\$11.00	\$10.06	\$10.84	\$9.38	\$8.89
<b>MARKET VALUE, END OF PERIOD</b>	\$9.00	\$8.875	\$10.125	\$8.25	\$8.00
<b>TOTAL RETURN(a):</b>					
Net Asset Value	12.7%	(4.1)%	27.1%	16.6%	22.9%
Market Value	4.5%	(9.4)%	35.0%	13.9%	19.8%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>					
Total expenses (b,c)	1.27%	1.18%	0.83%	0.85%	1.36%
Management fee expense	0.91%	0.80%	0.40%	0.47%	0.77%
Other operating expenses	0.36%	0.38%	0.43%	0.38%	0.59%
Net investment income	1.20%	1.21%	1.77%	0.88%	0.26%
<b>SUPPLEMENTAL DATA:</b>					
Net Assets, End of Period (in thousands)	\$191,269	\$175,495	\$182,362	\$113,953	\$100,065
Portfolio Turnover Rate	49%	44%	34%	51%	51%
<b>PREFERRED STOCK:</b>					
Total shares outstanding	1,600,000	1,600,000	1,600,000	—	—
Asset coverage per share	\$119.54	\$109.68	\$113.98	—	—
Liquidation preference per share	\$25.00	\$25.00	\$25.00	—	—
Average market value per share (d)	\$24.67	\$25.40	\$25.56	—	—

(a) The Net Asset Value and Market Value Total Returns assume a continuous Common Stockholder who reinvested all net investment income dividends and capital gain distributions.

(b) Expense ratios based on total average net assets were 0.98%, 0.92%, 0.72%, 0.85% and 1.36% for the periods ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

(c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.44% and 1.24% for the periods ended December 31, 1999 and 1998, respectively.

(d) The average of month-end market values during the period.



NOTES TO FINANCIAL STATEMENTS

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**Summary of Significant Accounting Policies:**

Royce Micro-Cap Trust, Inc. (the "Fund") was incorporated under the laws of the State of Maryland on September 9, 1993 as a diversified closed-end investment company. The Fund commenced operations on December 14, 1993.

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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Valuation of Investments:**

Securities listed on an exchange or on the Nasdaq National Market System are valued on the basis of the last reported sale prior to the time the valuation is made or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid and asked prices for Nasdaq securities. Quotations are taken from the market where the security is primarily traded. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

**Foreign Currency:**

The Fund does not isolate that portion of the results of operations which result from changes in foreign exchange rates on investments from the portion arising from changes in market prices of securities held. Such fluctuations are included with net realized and unrealized gains and losses on investments.

Net realized foreign exchange gains or losses arise from currency gains or losses realized between the trade and settlement dates on securities transactions and from the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities, including investments in securities, as a result of changes in the exchange rates.

**Investment Transactions and Related Investment Income:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date and any non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors Fees payable on or after July 1, 1999. The deferred fees remain invested in certain Royce Funds until distributed in accordance with the agreement.

**Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

Distributions to Common Stockholders are recorded on the ex-dividend date and paid annually in December. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

**Repurchase Agreements:**

The Fund enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

NOTES TO FINANCIAL STATEMENTS (continued)

**Capital Stock:**

The Fund currently has 1,600,000 shares of 7.75% Cumulative Preferred Stock outstanding. The stock has a liquidation preference of \$25.00 per share.

Under the Investment Company Act of 1940, the Fund is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. The Fund has met these requirements since issuing the Preferred Stock.

The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital.

The Fund issued 291,429 and 334,780 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 1999 and 1998, respectively.

**Investment Advisory Agreement:**

As compensation for its services under the Investment Advisory Agreement, Royce & Associates, Inc. ("Royce") receives a fee comprised of a basic fee ("Basic Fee") and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the Russell 2000 for certain prescribed performance periods, as described below.

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the month-end net assets of the Fund for the rolling 36-month period ending with such month. The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the Russell 2000 for the performance period by more than two percentage points. The performance period for each such month was from January 1, 1997 to the most recent month-end, until the Investment Advisory Agreement had been in effect for 36 full calendar months, when the performance period became a rolling 36-month period ending with such month. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and would be payable if the investment performance of the Fund exceeded the percentage change in the investment record of the Russell 2000 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and would be payable if the percentage change in the investment record of the Russell 2000 exceeded the investment performance of the Fund by 12 or more percentage points for the performance period.

Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the Preferred Stock's dividend rate.

For the year ended December 31, 1999, the Fund accrued and paid Royce advisory fees totaling \$1,211,025, which is net of \$226,575 voluntarily waived by Royce.

**Administration Agreement:**

Under an Administration Agreement with the Fund, Mitchell Hutchins Asset Management Inc. (the "Administrator") served as the Administrator, and performed or assisted in certain aspects of the Fund's operations. The Agreement was terminated effective September 30, 1999. As compensation for its services, the Administrator was paid an annual fee, payable monthly, of \$50,000 plus .05% on the first \$125 million of the Fund's average daily net assets, and .03% of average daily net assets exceeding \$125 million.

**Purchases and Sales of Investment Securities:**

For the year ended December 31, 1999, the cost of purchases and the proceeds from sales of investment securities, other than short-term securities, amounted to \$91,600,193 and \$78,901,102, respectively.

**Transactions in Shares of Affiliated Companies:**

An "Affiliated Company", as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the company's outstanding voting securities. The Fund effected the following transactions in shares of such companies during the year ended December 31, 1999:

Affiliated Company	Purchases		Sales		Realized Gain/Loss	Dividend Income
	Shares	Cost	Shares	Cost		
Art's-Way Manufacturing	—	—	124,000	\$894,413	\$(505,965)	—
Business Resource Group	315,000	\$1,596,469	—	—	—	—
Smithfield Companies (The)	—	—	—	—	—	\$28,196

REPORT OF INDEPENDENT AUDITORS

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**To the Board of Directors and Stockholders of Royce Micro-Cap Trust, Inc.**

We have audited the accompanying statement of assets and liabilities of Royce Micro-Cap Trust, Inc., including the schedule of investments, as of December 31, 1999, and the related statement of operations for the year then ended, and the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for periods indicated thereon. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 1999, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Micro-Cap Trust, Inc. at December 31, 1999, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and the financial highlights for periods presented, in conformity with generally accepted accounting principles.

TAIT, WELLER & BAKER

Philadelphia, PA  
January 28, 2000

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

**COMMON STOCKS — 80.7%**

	SHARES	VALUE
<b>Consumer Products — 3.2%</b>		
Sports and Recreation — 3.2%		
Oakley*	407,800	<u>\$ 2,268,388</u>
<b>Consumer Services — 6.8%</b>		
Retail Stores — 6.8%		
Charming Shoppes*	725,100	<u>4,803,787</u>
<b>Financial Intermediaries — 6.3%</b>		
Insurance — 6.3%		
Medical Assurance*	71,600	1,517,025
White Mountains Insurance Group	10,000	1,205,000
Zenith National Insurance	84,800	<u>1,749,000</u>
		<u>4,471,025</u>
<b>Financial Services — 9.3%</b>		
Information and Processing — 1.9%		
Duff & Phelps Credit Rating	15,000	<u>1,334,063</u>
Insurance Brokers — 7.4%		
Blanch (E.W.) Holdings	30,000	1,837,500
Gallagher (Arthur J.) & Co.	52,800	<u>3,418,800</u>
		<u>5,256,300</u>
		<u>6,590,363</u>
<b>Health — 3.7%</b>		
Surgical Products and Devices — 3.7%		
Arrow International	90,700	<u>2,630,300</u>
<b>Industrial Products — 13.7%</b>		
Building Systems and Components — 3.0%		
Simpson Manufacturing*	48,600	<u>2,126,250</u>
Construction Materials — 4.6%		
Florida Rock Industries	95,000	<u>3,271,562</u>
Machinery — 4.2%		
Lincoln Electric Holdings	145,400	<u>2,998,875</u>
Pumps, Valves and Bearings — 1.9%		
Kaydon Corporation	50,000	<u>1,340,625</u>
		<u>9,737,312</u>
<b>Industrial Services — 13.3%</b>		
Commercial Services — 2.0%		
Carlisle Holdings*	120,800	<u>1,449,600</u>
Engineering and Construction — 4.9%		
Morrison Knudsen*	442,100	<u>3,453,906</u>

	SHARES	VALUE
Printing — 4.6%		
New England Business Service	135,000	<u>\$ 3,299,063</u>
Transportation and Logistics — 1.8%		
Circle International Group	56,200	<u>1,250,450</u>
		<u>9,453,019</u>
<b>Natural Resources — 9.5%</b>		
Energy Services — 5.1%		
Input/Output*	320,000	1,620,000
Nabors Industries*	64,800	<u>2,004,750</u>
		<u>3,624,750</u>
Gold — 2.7%		
Anglogold ADR+	74,100	<u>1,903,444</u>
Oil and Gas — 1.7%		
Tom Brown*	93,800	<u>1,254,575</u>
		<u>6,782,769</u>
<b>Technology — 14.9%</b>		
Aerospace/Defense — 1.6%		
Curtiss-Wright	30,300	<u>1,117,312</u>
Distribution — 4.8%		
Avnet	31,919	1,931,100
Richardson Electronics	193,000	<u>1,447,500</u>
		<u>3,378,600</u>
Software/Services — 4.7%		
Comdisco	84,900	3,162,525
National Computer Systems	5,000	<u>188,125</u>
		<u>3,350,650</u>
Telecommunication — 3.8%		
Plantronics*	38,000	<u>2,719,375</u>
		<u>10,565,937</u>
<b>TOTAL COMMON STOCKS</b>		
		<u>(Cost \$48,145,489)</u>
		<u>57,302,900</u>
<b>U.S. TREASURY OBLIGATIONS — 18.1%</b>		
U.S. Treasury Notes		
6.125%, due 12/31/01	\$4,000,000	3,991,240
5.75%, due 10/31/02	5,000,000	4,931,250
6.00%, due 8/15/04	4,000,000	<u>3,937,480</u>
<b>TOTAL U.S. TREASURY OBLIGATIONS</b>		
		<u>(Cost \$13,026,250)</u>
		<u>12,859,970</u>

SCHEDULE OF INVESTMENTS

DECEMBER 31, 1999

	<u>VALUE</u>		<u>VALUE</u>
<b>REPURCHASE AGREEMENT — 1.4%</b>		<b>TOTAL INVESTMENTS — 100.2%</b>	
State Street Bank & Trust Company,		(Cost \$62,150,739)	\$ 71,141,870
2.50% dated 12/31/99, due 1/3/00,		<b>LIABILITIES LESS CASH AND</b>	
maturity value \$979,204 (collateralized		<b>OTHER ASSETS — (0.2%)</b>	<u>(138,447)</u>
by U.S. Treasury Bonds, 8.00%		<b>NET ASSETS — 100.0%</b>	<b><u>\$71,003,423</u></b>
due 11/15/21, valued at \$1,001,875)			
(Cost \$979,000)	<u>\$ 979,000</u>		

\* Non income producing.  
+ American Depository Receipt.

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$62,197,980. At December 31, 1999, net unrealized appreciation for all securities was \$8,943,890, consisting of aggregate gross unrealized appreciation of \$12,762,264 and aggregate gross unrealized depreciation of \$3,818,374. The Fund designated \$1,820,974 as a capital gain dividend for the purpose of its dividend paid deduction.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# ROYCE FOCUS TRUST, INC.

## STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1999

### ASSETS:

Investments at value (identified cost \$61,171,739)	\$70,162,870
Repurchase agreement (at cost and value)	979,000
Cash	310
Receivable for dividends and interest	201,877
Prepaid expenses	2,477
<b>Total Assets</b>	<b>71,346,534</b>

### LIABILITIES:

Payable for investments purchased	205,652
Payable for investment advisory fee	40,722
Preferred dividends accrued but not yet declared	33,112
Accrued expenses	63,625
<b>Total Liabilities</b>	<b>343,111</b>
<b>Net Assets</b>	<b>\$71,003,423</b>

Net Assets applicable to Preferred Stock at a liquidation value of \$25 per share \$20,000,000

Net Assets applicable to Common Stock (net asset value per share—\$5.94) \$51,003,423

### SUMMARY OF STOCKHOLDERS' EQUITY:

7.45% Cumulative Preferred Stock—par value \$0.001 per share; 800,000 shares outstanding	\$ 800
Common Stock—par value \$0.001 per share; 8,584,506 shares outstanding (100,000,000 shares authorized)	8,585
Additional paid-in capital	62,139,076
Undistributed net investment income	690,366
Accumulated net realized loss on investments	(793,423)
Net unrealized appreciation on investments	8,991,131
Preferred dividends accrued but not yet declared	(33,112)
<b>Net Assets</b>	<b>\$71,003,423</b>

## STATEMENTS OF CHANGES IN NET ASSETS

	Year ended December 31, 1999	Year ended December 31, 1998
<b>INVESTMENT OPERATIONS:</b>		
Net investment income	\$ 690,366	\$ 991,047
Net realized gain (loss) on investments	(786,044)	1,937,257
Net change in unrealized appreciation on investments	5,599,612	(4,873,694)
Net increase (decrease) in net assets from investment operations	5,503,934	(1,945,390)
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>		
Net investment income	(89,608)	(1,343,086)
Net realized gain on investments	(1,400,392)	(146,914)
Total distributions to Preferred Stockholders	(1,490,000)	(1,490,000)
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>		
Net investment income	(73,455)	—
Net realized gain on investments	(1,147,941)	—
Total distributions to Common Stockholders	(1,221,396)	—
<b>CAPITAL STOCK TRANSACTIONS:</b>		
Reinvestment of distributions to Common Stockholders	753,514	—
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>3,546,052</b>	<b>(3,435,390)</b>
<b>NET ASSETS:</b>		
Beginning of year	67,457,371	70,892,761
End of year (including undistributed net investment income of \$690,366 and \$136,580, respectively)	\$71,003,423	\$67,457,371

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 1999

**INVESTMENT INCOME:**

Income:	
Dividends	\$ 634,991
Interest	761,791
<b>Total Income</b>	<b>1,396,782</b>

Expenses:

Investment advisory fees	668,522
Custodian and transfer agent fees	72,519
Stockholder reports	46,813
Administrative and office facilities expenses	30,975
Professional fees	29,183
Directors' fees	20,393
Other expenses	38,013
<b>Total Expenses</b>	<b>906,418</b>
Fees Waived by Investment Adviser	(200,002)
<b>Net Expenses</b>	<b>706,416</b>
<b>Net Investment Income</b>	<b>690,366</b>

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:**

Net realized loss on investments	(786,044)
Net change in unrealized appreciation on investments	5,599,612
<b>Net realized and unrealized gain on investments</b>	<b>4,813,568</b>

<b>NET INCREASE IN NET ASSETS FROM INVESTMENT OPERATIONS</b>	<b>\$5,503,934</b>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# ROYCE FOCUS TRUST, INC.

## FINANCIAL HIGHLIGHTS

This table is presented to show selected data for a share of Common Stock outstanding throughout each period, and to assist stockholders in evaluating the Fund's performance for the periods presented.

	Years ended December 31,				
	1999	1998	1997	1996	1995
<b>NET ASSET VALUE, BEGINNING OF PERIOD</b>	\$5.63	\$6.04	\$5.52	\$5.09	\$4.70
<b>INVESTMENT OPERATIONS:</b>					
Net investment income	0.08	0.12	0.08	0.06	0.13
Net realized and unrealized gain (loss) on investments and foreign currency	0.58	(0.35)	1.12	0.35	0.36
Total investment operations	0.66	(0.23)	1.20	0.41	0.49
<b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>					
Net investment income	(0.01)	(0.16)	—	—	—
Net realized gain on investments and foreign currency	(0.17)	(0.02)	(0.01)	—	—
Total distributions to Preferred Stockholders	(0.18)	(0.18)	(0.01)	—	—
<b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>					
Net investment income	(0.01)	—	(0.12)	—	(0.16)
Net realized gain on investments and foreign currency	(0.14)	—	(0.41)	—	(0.01)
Total distributions to Common Stockholders	(0.15)	—	(0.53)	—	(0.17)
<b>CAPITAL STOCK TRANSACTIONS:</b>					
Effect of reinvestment of distributions by Common Stockholders	(0.02)	—	(0.04)	—	—
Effect of Preferred Stock offering	—	—	(0.10)	—	—
Other Sources	—	—	—	0.02	0.07
Total capital stock transactions	(0.02)	—	(0.14)	0.02	0.07
<b>NET ASSET VALUE, END OF PERIOD</b>	\$5.94	\$5.63	\$6.04	\$5.52	\$5.09
<b>MARKET VALUE, END OF PERIOD</b>	\$4.72	\$4.88	\$5.06	\$4.59	\$4.19
<b>TOTAL RETURN(a):</b>					
Net Asset Value (b)	8.7%	(6.8)%	20.5%	—	—
Market Value	(0.3)%	(3.7)%	21.3%	9.6%	22.3%
<b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>					
Total expenses (c,d)	1.51%	1.62%	0.94%	1.91%	2.14%
Management fee expense	1.00%	1.14%	0.39%	0.83%	1.00%
Other operating expenses	0.51%	0.48%	0.55%	1.08%	1.14%
Net investment income	1.47%	1.95%	1.35%	1.80%	2.80%
<b>SUPPLEMENTAL DATA:</b>					
Net Assets, End of Period (in thousands)	\$71,003	\$67,457	\$70,893	\$44,154	\$41,385
Portfolio Turnover Rate	60%	90%	74%	159%	76%
<b>PREFERRED STOCK:</b>					
Total shares outstanding	800,000	800,000	800,000	—	—
Asset coverage per share	\$88.75	\$84.32	\$88.62	—	—
Liquidation preference per share	\$25.00	\$25.00	\$25.00	—	—
Average market value per share (e)	\$24.00	\$25.16	\$25.25	—	—

(a) The Net Asset Value and Market Value Total Returns assume a continuous Common Stockholder who reinvested all net investment income dividends and capital gain distributions.

(b) Net Asset Value Total Return is not available for years prior to 1997.

(c) Expense ratios based on total average net assets were 1.06%, 1.16%, 0.90%, 1.91% and 2.14% for the periods ended December 31, 1999, 1998, 1997, 1996 and 1995, respectively.

(d) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.93%, 1.88%, 1.60% and 2.08% for the periods ended December 31, 1999, 1998, 1997 and 1996, respectively.

(e) The average of month-end market values during the period.



NOTES TO FINANCIAL STATEMENTS

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**Summary of Significant Accounting Policies:**

Royce Focus Trust, Inc. (the "Fund") is a diversified closed-end investment company. Effective May 7, 1999, Royce Global Trust, Inc. changed its name to Royce Focus Trust, Inc. The Fund commenced operations on March 2, 1988. Royce & Associates, Inc. ("Royce") assumed investment management responsibility for the Fund on November 1, 1996.

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 and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Valuation of Investments:**

Securities listed on an exchange or on the Nasdaq National Market System are valued on the basis of the last reported sale prior to the time the valuation is made or, if no sale is reported for such day, at their bid price for exchange-listed securities and at the average of their bid and asked prices for Nasdaq securities. Quotations are taken from the market where the security is primarily traded. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

**Investment Transactions and Related Investment Income:**

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date and any non-cash dividend income is recorded at the fair market value of the securities received. Interest income is recorded on the accrual basis. Realized gains and losses from investment transactions are determined on the basis of identified cost for book and tax purposes.

**Expenses:**

The Fund incurs direct and indirect expenses. Expenses directly attributable to the Fund are charged to the Fund's operations, while expenses applicable to more than one of the Royce Funds are allocated in an equitable manner. Allocated personnel and occupancy costs related to The Royce Funds are included in administrative and office facilities expenses. The Fund has adopted a deferred fee agreement that allows the Fund's Directors to defer the receipt of all or a portion of Directors Fees payable on or after July 1, 1999. The deferred fees remain invested in certain Royce Funds until distributed in accordance with the agreement.

**Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

Distributions to Common Stockholders are recorded on the ex-dividend date and paid annually in December. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. Distributions are determined in accordance with income tax regulations that may differ from generally accepted accounting principles. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

**Repurchase Agreements:**

The Fund enters into repurchase agreements with respect to its portfolio securities solely with State Street Bank and Trust Company ("SSB&T"), the custodian of its assets. The Fund restricts repurchase agreements to maturities of no more than seven days. Securities pledged as collateral for repurchase agreements, which are held by SSB&T until maturity of the repurchase agreements, are marked-to-market daily and maintained at a value at least equal to the principal amount of the repurchase agreement (including accrued interest). Repurchase agreements could involve certain risks in the event of default or insolvency of SSB&T, including possible delays or restrictions upon the ability of the Fund to dispose of the underlying securities.

**Capital Stock:**

The Fund currently has 800,000 shares of 7.45% Cumulative Preferred Stock outstanding. The stock has a liquidation preference of \$25.00 per share.

Under the Investment Company Act of 1940, the Fund is required to maintain an asset coverage of at least 200% for the Preferred Stock. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. The Fund has met these requirements since issuing the Preferred Stock.

NOTES TO FINANCIAL STATEMENTS (continued)

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The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that dividends on the shares of Preferred Stock are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital.

The Fund issued 161,083 shares of Common Stock as reinvestment of distributions by Common Stockholders for the year ended December 31, 1999.

**Investment Advisory Agreement:**

The Investment Advisory Agreement between Royce and the Fund provides for fees to be paid at an annual rate of 1.0% of the average daily net assets of the Fund. Royce has voluntarily committed to waive the portion of its investment advisory fee attributable to the Fund's Preferred Stock for any month in which the Fund's average annual NAV total return since issuance of the Preferred Stock fails to exceed the Preferred Stock's dividend rate.

For the year ended December 31, 1999, the Fund accrued and paid Royce advisory fees totaling \$468,520, which is net of \$200,002 voluntarily waived by Royce.

**Purchases and Sales of Investment Securities:**

For the year ended December 31, 1999, the cost of purchases and proceeds from sales of investment securities, other than short-term securities, amounted to \$41,072,228 and \$38,151,336, respectively.

REPORT OF INDEPENDENT AUDITORS

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**To the Board of Directors and Stockholders of Royce Focus Trust, Inc.**

We have audited the accompanying statement of assets and liabilities of Royce Focus Trust, Inc., including the schedule of investments, as of December 31, 1999, and the related statement of operations for the year then ended, and the statement of changes in net assets for each of the two years in the period then ended and the financial highlights for periods indicated thereon. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 1999, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Focus Trust, Inc. at December 31, 1999, the results of its operations for the year then ended, and the changes in its net assets for each of the two years in the period then ended and the financial highlights for periods presented, in conformity with generally accepted accounting principles.

TAIT, WELLER & BAKER

Philadelphia, PA  
January 28, 2000

### THIS JUST IN ...

The advent of cable television, the proliferation of magazines and newsletters, and the increasing influence of the Internet have brought financial information closer to people than ever before. The effort to create a better educated investor is a great idea — one that we wholeheartedly support. We also think that, for the most part, the various media do a fine job of keeping the public informed about important financial events. At the cable networks, however, something seems to have gotten lost along the way. In their zeal to cover every price movement as an earth-shattering news event, they often get too caught up in short-term minutiae. Movement of an eighth of a point on a \$100 stock is treated as something that can only be properly understood by market experts who seem to never agree on anything. Have they forgotten that information and opinion are not synonymous with knowledge? Exposure to this endless stream of instant analysis throughout the day does not automatically result in a smarter investor. What follows is a cheerfully exaggerated version of the kind of constant commentary that often appears on financial networks:

**9:30 a.m.**

**TERESA:** Good Morning, I'm Teresa Bourse for Financial Update News Network. The Street is buzzing today with rumors that a major announcement is due regarding humongotech.com, the Internet services and technology company. Will it be another stock split? A merger, perhaps? Here's FUNN market expert Phil Fulminate with the latest. Phil?

**PHIL:** Terry, FUNN viewers may recall that I recommended this stock two years ago, at the time of its Initial Public Offering. This is a high-quality company with a major Internet presence whose stock has nowhere to go but up.

**9:51 a.m.**

**TERESA:** After-hours trading and endless gossip have resulted in a surprising opening for humongotech.com — the stock opened at \$120 per share, down 6 points. Let's go now to Steve deBear for additional insight into what has to be a shocking opening for many investors.

**STEVE:** Shocking for some, Teresa, but not to me. This stock is a dog that's been barking for some time. Call me old-fashioned, but no earnings means "Beware of the Dog."

**10:29 a.m.**

**TERESA:** This just in, humongotech.com has just jumped a point, to \$121.

**PHIL:** In today's lightning-paced New Economy, you simply cannot keep a strong company like this down for long. The market is showing us that right now.

**11:45 a.m.**

**TERESA:** We're getting word now that the stock is up again, a full five points, to \$126.

**PHIL:** That's not surprising — the sky's the only limit for humongotech.com.

**1:17 p.m.**

**TERESA:** Humongotech.com is on its way to a dazzling day, currently at \$154. Any comments, Steve?

**STEVE:** A sure sign that the bubble is about to burst. No bull can run forever. I may have been wrong about this in 1996. Okay, and in 1997, too. In 1998, my bear market prediction was more premature than inaccurate, but this time it's really true.

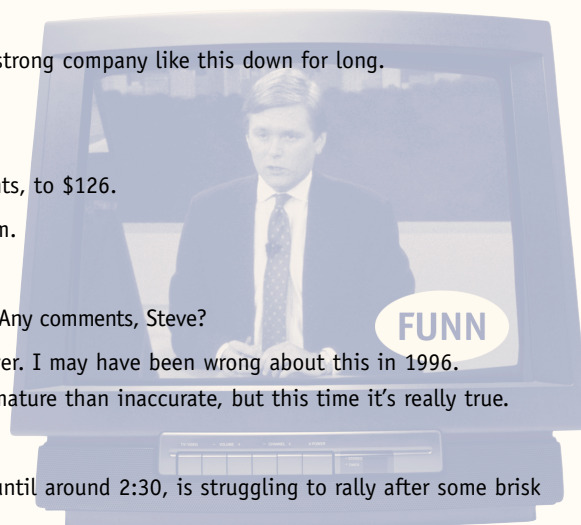
**3:17 p.m.**

**TERESA:** Humongotech.com, a market favorite well into afternoon trading until around 2:30, is struggling to rally after some brisk selling dragged it down to its current price of \$128.

**PHIL:** I think that this is actually a good sign, a sign that timid investors are getting out and the stock's true believers are hanging around and hanging tough. This is a terrific stock, and I think it's poised for a big run-up in the next few days.

**4:02 p.m.**

**TERESA:** What a day for humongotech.com. A disappointing opening, followed by some furious buying, then a late flurry of even more furious selling on the heels of less-than-optimistic comments by analysts at Great Bull Brokerage. When the smoke cleared, the stock closed unchanged at \$126 per share. Please stay tuned for our post-market analysis, folks.



# THE ROYCE FUNDS

## ONE OF THE INDUSTRY'S MOST EXPERIENCED AND HIGHLY RESPECTED SMALL-COMPANY VALUE MANAGERS

Charles M. Royce, who has been our primary portfolio manager since 1973, enjoys one of the longest tenures of any active mutual fund manager. Today, with \$3 billion in total assets under management, Royce & Associates remains an independent firm committed to the same principles that have served us well for more than 25 years.

## MULTIPLE FUNDS, COMMON FOCUS

Over the years, we have chosen to concentrate on small-company value investing. Chuck Royce and his team provide investors with a range of funds that take full advantage of the large and diverse small-cap sector. Our goal is to offer both individual and institutional investors the best available small-cap value portfolios.

## CONSISTENT DISCIPLINE

We cultivated our approach by paying close attention to risk and by always maintaining the same discipline, regardless of market movements and trends. The price we pay for a security must be significantly below our appraisal of its worth. This requires a thorough analysis of the financial and operating dynamics of a business, as though we were purchasing the entire company.

## CO-OWNERSHIP OF FUNDS

As part of this commitment, it is important that our employees and shareholders share a common financial goal; our officers, employees and their families currently have approximately **\$39 million** invested in *The Royce Funds*.

## THE ROYCE FUNDS

1414 AVENUE OF THE AMERICAS, NEW YORK NY 10019

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(800) 426-5523

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[www.roycefunds.com](http://www.roycefunds.com)  
[funds@roycenet.com](mailto:funds@roycenet.com)