ROYCE FOCUS TRUST INC
Form N-CSRS
September 02, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT
OF
REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-05379

Name of Registrant: Royce Focus Trust, Inc.

Address of Registrant: 1414 Avenue of the Americas
New York, NY 10019

Name and address of agent for service: John E. Denneen, Esquire
1414 Avenue of the Americas
New York, NY 10019

Registrant's telephone number, including area code: (212) 486-1445
Date of fiscal year end: December 31
Date of reporting period: January 1, 2003 - June 30, 2003

Item 1: Reports to Shareholders

2003 Semiannual Report

THE ROYCE FUNDS

Value Investing In Small Companies
For More Than 25 Years

ROYCE VALUE TRUST

ROYCE MICRO-CAP TRUST

ROYCE FOCUS TRUST

www.roycefunds.com

A FEW WORDS ON CLOSED-END FUNDS

Royce & Associates, LLC manages three closed-end funds: Royce Value Trust, the first small-cap value closed-end fund offering; Royce Micro-Cap Trust, the only micro-cap closed-end fund; and Royce Focus Trust, a closed-end fund that invests in a limited number of domestic 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 and Royce Micro-Cap Trust have adopted a quarterly distribution policy for their common stock.

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

Why Dividend Reinvestment Is Important

A very important component of an investor's total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 13, 15 and 17. For additional information on the Funds Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see page 18.

SEMIANNUAL REPORT REFERENCE GUIDE

For more than 25 years, our approach has focused on evaluating a companys current worth our assessment of what we believe a knowledgeable buyer might pay to acquire the entire company, or what we think the value of the company should be in the stock market. This analysis takes into consideration a number of relevant factors, including the companys future prospects. We select these securities using a risk-averse value approach, with the expectation that their market prices should increase toward our estimate of their current worth, resulting in capital appreciation for Fund investors.

NAV AVERAGE ANNUAL TOTAL RETURNS Through June 30, 2003

FUND	2ND QUARTER 2003*	JAN-JUN 2003*	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION	INCEPTION DATE
Royce Value Trust	21.90%	13.77%	-4.01%	6.17%	6.51%	11.34%	11/26/86
Royce Micro-Cap Trust	27.45	19.32	-2.68	8.18	7.02	11.88	12/14/93
Royce Focus Trust	28.06	18.66	3.40	11.07	5.64	8.89	11/1/96**
Russell 2000	23.42	17.88	-1.64	-3.30	0.97		

Royce Value Trusts 10-year NAV average annual total return for the period ended 6/30/03 was 11.21%.

* Not annualized.
** Date Royce & Associates, LLC assumed investment management responsibility.

Letter To Our Stockholders

Charles M. Royce, *President*

We are often asked what role earnings play in our company valuations. Along with balance sheet and cash flow analysis, an examination of earnings is one of the key components in our stock selection process. In general, we think of

The Market: Reloaded

As any viewer of the film *The Matrix: Reloaded* can testify, perceptions are often mistaken and reality is not always what it appears to be. One needs to be careful not to confuse what might *feel* real with what actually *is* real. As experienced investors, we would never confuse a three-month market rally with a substantial recovery for equities, yet even we were stunned by the markets reversal of direction during the opening half of 2003. It was a period marked by extreme events, both in the stock market and the wider world. Initially, the equity market eerily reflected the mood of the country. Information about the war was instantly mirrored in the movements of the market. Prices were wildly volatile, though mostly

earnings in two ways, each of which is highly important. First, we closely examine a companys earnings history. This tells us not only if a company has been good at making money, but also gives us insight into how it has fared when earnings were poor or non-existent. This kind of analysis is especially critical when looking at cyclical businesses, which often have variant earnings patterns more or less in line with their business cycle.

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falling, in the weeks leading up to the invasion of Iraq, giving most equity securities negative first-quarter returns. Once the fighting began, equity prices stabilized until it looked for a brief moment as if Shock and Awe was not running as smoothly as planned, which sent prices plummeting once again. Shortly after victory seemed assured, stocks shared in the celebration by moving higher. With victory came the perception that the stock market had somehow righted itself after the long bear market. When se veral companies reported modest earnings growth around the time that Baghdad fell, the stage was set

for a full-scale rally. Prices continued to climb through April, and by mid-May some genuine momentum had been established. Like the omnipresent computer program that gives *The Matrix* its name, the market proved relentless and nearly impossible to stop once it was up and running again.

How does an intrepid investor make sense of the now reloaded stock market? The dramatic comeback of equities is surely welcome news, but with only a partial earnings recovery to support it, how much longer can it last? The investment mindset has shifted from the fatalistic attitude of the last few years (especially virulent from 2002s third quarter through this years first) to a confident outlook that seemed to spring up as soon as spring began. The perception of many is that the stock market is in great shape again, the bear market is over and all is well. The reality may not be quite so fabulous. While we still believe that the October 2002 market bottoms should hold, we would offer the caveat that there are many stocks whose gains have outraced their underlying value in anticipation of earnings (or similar good news) that may not arrive for some time. **On the whole, we think that the improved picture is encouraging, yet the gap between perception and reality can be quite costly in equity investing. Investors should bear in mind that market volatility remains a reality even in the midst of a rally.**

We do not want to see a return to the often uninformed euphoria that characterized the late 90s, but the frantic pace of the current rally leads us to suspect that a certain amount of this kind of optimism may have crept back into buyers minds. A new form of speculation seems to be emerging in which investors unhappy with the limited return potential for bonds are therefore eager to purchase stocks on the idea that their returns are higher. We cannot think of a poorer reason to buy equities. More to the point, if bonds do poorly which we view as likely in a rising interest rate environment it is not necessarily a positive for stocks. **Stocks have historically represented higher return potential than bonds, but the attendant risk is higher, too. We suspect that this latter point may be lost on investors reeling from the effects of years of falling interest rates and plummeting stock prices.**

The perception of many is that the stock market is in great shape again, the bear market is over and all is well. The reality may not be quite so fabulous.

These types of companies appeal to us because we are often able to buy them near the low point in the cycle, when negative sentiment is exaggerated. Negative earnings are not a deterrent as long as we think that a company has what it takes to recover and resume its growth. We generally look at normalized earnings over three years or more, which gives us a good idea of not only what a companys long-term earnings pattern has been, but its specific earnings history as well. We might discover that a particular company did not suffer earnings difficulties to the same degree as its competitors, or that it recovered quickly from a slowdown or cessation of earnings. How a business deals with adversity is very revealing.

Letter To Our Stockholders

Small-Caps Go Wild!

While some people opted for the beach or the movie theater, many investors decided that small-cap and Technology stocks would be the hot summer destinations. The Russell 2000 finished the year-to-date period ended 6/30/03 up 17.9%, ahead of its large-cap counterpart the S&P 500, which finished the same period up 11.8%. The rally has thus far been especially kind to growth-oriented companies, as evidenced by the Nasdaq Composit;s strong showing year-to-date, up 21.5%. This stands to reason in part because many of the more speculative issues had been so severely punished throughout the long bear market. In fact, Technologys relative strength was apparent both in 2002s late-year rally and in the early months of 2003. Of the three major stock indices, only the Nasdaq Composite emerged from the mostly dismal first quarter with a positive return. It was up 0.4% versus respective losses of 4.5% and 3.2% for the Russell 2000 and S&P 500.

What is less certain is how long the markets advance will hold up: Many Technology (and other) companies have shown improved earnings, but arguably not enough to support the gains that their increased share prices might

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otherwise indicate. **Simply because certain stocks lost money over an extended period of time does not mean that a proportionate recovery should be expected as the environment for equities begins to improve. This is especially the case for those securities that were grossly over-inflated prior to their descent.** While it is not unusual in the early stages of a rally for an up market to operate on the inverted logic that what went down must come up, unimpeded progress is not the market's historical norm.

Considering their own reputation for volatility (as well as frailty), small-cap stocks have shined in the current rally after weathering the bear market surprisingly well. **From the October 2002 small-cap bottom, the Russell 2000 was up 38.6%, versus respective gains of 45.7% and 27.1% for the Nasdaq Composite and S&P 500.** In this year's second quarter, the Russell 2000 was up 23.4%, enjoying its best quarterly showing in nearly 16 years and its fourth best quarterly performance since its inception in 1979. The S&P 500 (+15.4%) had its best showing since the fourth quarter of 1998, while the Nasdaq Composite (+21.0%) cruised to its best mark since 2001's fourth quarter.

Finding Value

Just as small-caps held their own through the bear market in defiance of conventional wisdom, small-cap value stocks have so far acquitted themselves well in the recent rally. Many market analysts hold the idea that value stocks should lag in vigorous up markets, at times becoming as lost as the tiny fish, Nemo, in the current animated film, *Finding Nemo*. While Nemo's father needed help to search the ocean for his missing son, small-cap value companies did not vanish from the sea of equities, but instead swam near the front of the school, though small-cap growth took the lead. The Russell 2000 Growth Index stayed ahead of the Russell 2000 Value Index in both the second quarter and the year-to-date period ended 6/30/03. Small-cap growth was up 24.2% for the quarter and 19.3% year to date, while small-cap value was up 22.7% for the quarter and 16.5% year to date. It marked the third consecutive quarter in which growth outpaced value within small-cap. In fact, when small-cap value lost ground to growth in the more difficult first quarter, -5.1% versus -3.9%, it revealed the market strength shown by more growth-oriented companies before the current upswing was fully underway. As measured by the respective Russell 2000 Indices, growth has also had the performance edge from the small-cap market bottom on 10/9/02 through 6/30/03, returning 41.9% versus 35.5% for value.

The substantial breadth of the rally has allowed small-cap value returns to remain competitive even in the midst of recent outperformance by their growth cousins. The price of Technology and other growth stocks soared, but nearly all industries have been participating. **Small-cap value's competitiveness is a pleasant sequel to its strong performance in the recent bear market. When viewed over longer-term periods, small-cap value has generally outperformed small-cap growth.** From the small-cap market peak on 3/9/00 through 6/30/03, the Russell 2000 Value Index was up 38.1% versus a decline of 55.2% for the Russell 2000 Growth Index. Russell's small-cap value index also beat small-cap growth for the three-, five-, 10-, 15- and 20-year periods ended 6/30/03.

We use many different measures to determine company quality, generally beginning with strong balance sheets that show relatively little or no debt, solid long-term earnings histories and the proven ability to generate free cash flow. A company's unrecognized asset values, future prospects for growth or turnaround potential following difficulties such as an earnings disappointment can also be critical factors as we search for value as diligently as Nemo's dad.

Letter To Our Stockholders

During this process, we focus primarily on operating earnings which to us represent earnings in their purest form. This helps us to avoid the often confusing accounting practices of adjusting earnings for items such as interest expenses, gains from sales of business units and other non-recurring items. As long-term investors, we are

Charlie's (asin Royce's) Angels

However, recent competitive returns versus growth and long-term outperformance by value would mean little if The Royce Funds themselves failed to hold up well both in the bear market and in the recent rally. Fortunately, overall performance of the Funds has been strong in the short term and reasonably solid over longer-term periods as well. It was somewhat surprising that in the midst of a strong rally, two portfolios – Royce Micro-Cap and Focus Trust – beat the Russell 2000 on both a net asset value (NAV) and

also interested in long-term expenses such as depreciation because they offer clues as to the sustainability of current earnings and what the effects have been on past earnings. Rather than buy stocks based on high current earnings or promising projected earnings, we want to know more about where a company has been because in our experience that's the best gauge of where a company is going. If business has been poor recently, we expect that our investigations will give us some idea of what the earnings might be under more

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market price basis by turning in strong performances year-to-date through 6/30/03. **In addition, all three closed-end Royce Funds then in existence outperformed the Russell 2000 for the three-, five-, 10-, 15-year, and since inception periods ended 6/30/03.**

While we continue to believe that a performance discussion of the small-cap indices is relevant, it is also true that the depths of the bear market and the opening months of the rally blurred much of the line that separates value and growth stocks. **Our own stance has always been that we are less interested in classifying stocks as growth or value than we are in trying to find what we think are terrific businesses trading for less than our estimate of their current worth.** We use many different measures to determine company quality, generally beginning with strong balance sheets that show relatively little or no debt, solid long-term earnings histories and the proven ability to generate free cash flow. A company's unrecognized asset values, future prospects for growth or turnaround potential following difficulties such as an earnings disappointment can also be critical factors as we search for value as diligently as Nemo's dad.

Throughout the bear market, especially during the second half of 2002 and the first quarter of 2003, we found what we thought were extraordinary values in industries as diverse as telecommunications, insurance, drugs and biotech, oil and gas, and various consumer and industrial areas. **We see a distinction between our style of value investing, in which we search high and low throughout the market for what we deem to be attractively undervalued small- and micro-cap companies, and value stocks, which are frequently defined in ways that we find unnecessarily narrow.** Many portfolio holdings in the Technology and Health sectors, for example, may not fit strict definitions of value, but in our estimation we purchased strong businesses at deep discounts in both sectors. It pleases us that so many companies in a wide variety of industries have been reaping a fruitful harvest after a long and sometimes painful planting season. Our style of investing often requires considerable patience, and 2003 has so far provided an interesting combination of quicker-than-expected turnarounds and long-awaited rewards.

2 Fast, 2 Furious?

As of this writing, none of the major market indices has regained the peaks that they reached in March 2000. Even allowing for the recent rally, the past three years have been a trying period for investors. Although small-caps fared well relative to their larger counterparts, the recent decline was the worst for the Russell 2000 since the index❑s inception in January 1979. When looking further back, and using the Center for Research in Securities Prices (CRSP) 6-10 index as a small-cap proxy, one finds that the recent bear market was the second worst for small-caps in the post World War II era (the worst took place between 1968 and 1974). **Because significant down periods have often been followed by furious rallies, the Russell 2000❑s 38.6% return from the small-cap market bottom on 10/9/02 through 6/30/03 is not at all surprising.** Since the inception of the Russell 2000, rallies from small-cap bottoms to their subsequent market peaks lasted an average of 29 months *(see the table below)*, so we do not expect to see a new small-cap peak anytime soon.

RUSSELL 2000 MARKET RALLIES: 1979-2002 TROUGH-TO-PEAK DURATION

DATE OF BOTTOM	DATE OF TOP	DURATION MONTHS
08/12/82	06/24/83	10
07/25/84	08/25/87	36
10/28/87	10/09/89	23
10/30/90	05/22/96	66
07/24/96	04/21/98	21
10/09/98	03/09/00	17
10/09/02	???	???
	Average:	**29**

favorable circumstances. If recent earnings have been strong, we still need a sense of the company❑s history.

The second part of our earnings analysis results in a forecast that looks ahead two or three years, sometimes longer. This is especially crucial for a company that❑s just been through an earnings disappointment. Combining the two helps us to determine where we think the stock price may be headed. It gives us a sense of what we deem to be the company❑s overall ❑earnings power.❑ It❑s something of a hybrid of qualitative and quantitative analysis. It❑s certainly not a precise projection, although it takes factors into account such as return on invested capital, earnings history and the relative strength or weakness of

LETTER TO OUR STOCKHOLDERS

Looking for Small-Cap❑s Next Peak

It would also not surprise us to see the pace of the rally slacken substantially. We measure full market cycle periods from peak to peak. As of 6/30/03, the Russell 2000 was still off 22.6% from its previous peak on 3/9/00. In order to

an industry. Because ultimately we believe earnings and stock price are correlated, its a critical step in the process.

surpass this previous peak (thus completing the market cycle), the small-cap index would need to return more than 29% from the end of June onward. **The critical question, then, is not whether the rally will continue we believe that the market will almost certainly find a new peak but how long it will take for this new peak to be reached.** Our belief is that this could take at least three to five years. Another issue worth considering is how much volatility will be involved in the remaining climb. The market may have made a hurried conclusion that the remaining ascent will be as smooth and quick as the early stages of the current rally. Our thought is that expectations for equities may have raced ahead of reality. As believers in the ubiquity of volatility, we see corrections as an inevitable part of small-caps move to a new peak.

Small Almighty?

The last three-and-a-half months have been enjoyable for most equity investors. Those of us who invest for the long term have been gratified to see a protracted season of purchasing at ever-dwindling prices yield to a fast, dynamic rally, even if we believe that investors perceptions are in advance of reality. Our suspicion is that a more widespread earnings and economic recovery is still ahead of us, and will not begin in earnest until probably 2004 or even early 2005. The stirrings of each are with us currently, which has helped the market to recover, but we do not think that we will see sustained, robust earnings or overall economic recovery for a while. We also think that we will see regular market leadership rotation between small- and large-cap for the next several years. However, considering their head start during the bear market, we believe that small-caps should finish the decade ahead of their larger siblings.

The rally has made it difficult to find value in the market. We have not been very aggressive buyers lately because so little looks attractive to us. However, there are always companies that, for one reason or another, are being penalized disproportionately. Recently, the number of companies that fit that description has been low, but they are out there and an increase in volatility should create greater buying opportunities. This supports our contention that careful stock picking should continue to bear fruit in the years ahead.

Our thought is that expectations for equities may have raced ahead of reality. As believers in the ubiquity of volatility, we see corrections as an inevitable part of small-caps move to a new peak.

We appreciate your continued support.

Sincerely,

Charles M. Royce	W. Whitney George	Jack E. Fockler, Jr.
President	*Vice President*	*Vice President*

July 31, 2003

P.S. This reports section headings are variations on current summer movie offerings. In order of appearance, we used *The Matrix: Reloaded, Rugrats Go Wild!, Finding Nemo, Charlies Angels, 2 Fast, 2 Furious* and *Bruce Almighty*.

SMALL-CAP MARKET CYCLE PERFORMANCE

Since the Russell 2000s inception in 1979, value has outperformed growth in five of the six full small-cap market cycles (defined as a move of 15% from a previous peak or trough). The last small-cap market cycle (4/21/98 3/9/00) was the exception. **The current cycle represents what we believe is a return to a more historically typical performance pattern in that value has provided a significant advantage during the downturn (3/9/00 10/9/02) and through June 30, 2003.**

	PEAK-TO-PEAK 4/21/98 3/9/00	PEAK-TO-TROUGH 3/9/00 10/9/02	TROUGH-TO-CURRENT 10/9/02 6/30/03	PEAK-TO-CURRENT 3/9/00 6/30/03	PEAK-TO-CURRENT 4/21/98 6/30/03
Russell 2000	26.3%	-44.1%	38.6%	-22.6%	-2.2%
Russell 2000 Value	-12.7	2.0	35.5	38.1	20.6
Russell 2000 Growth	64.8	-68.4	41.9	-55.2	-26.1
NAV CUMULATIVE TOTAL RETURN					
Royce Value Trust	10.0	-12.2	35.4	18.9	30.8
Royce Micro-Cap Trust	10.6	-13.6	42.2	22.2	35.2
Royce Focus Trust	-10.7	-4.9	42.6	35.7	21.2

PEAK-TO-TROUGH: Not only did value outperform growth (as measured by the Russell 2000 style indices), but it provided positive performance during the downdraft. All three Royce Funds outperformed the Russell 2000 in this period.

TROUGH-TO-CURRENT: Through June 30, 2003, growth led value during the rally from the October low. All Royce Funds posted total returns of more than 35% during this period, with Royce Micro-Cap Trust and Royce Focus Trust outperforming the Russell 2000.

PEAK-TO-CURRENT: From March 9, 2000 through June 30, 2003, value maintained a sizeable lead over growth. Again, all three Royce Funds held performance advantages over the Russell 2000 (-22.6%) and all provided positive performance. When current cycle returns are combined with those of the prior full market cycle, a period which includes both the pre-bubble rally and the ensuing bear market, values positive results compare favorably against growths negative results. During this period, all three Royce Funds outperformed the Russell 2000 and Russell 2000 Value returns.

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 can maximize 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 **
Royce Value Trust						
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
1997	Annual distribution total $1.21		15.374	230	52,556	46,814
1998	Annual distribution total $1.54		14.311	347	54,313	47,506
1999	Annual distribution total $1.37		12.616	391	60,653	50,239
2000	Annual distribution total $1.48		13.972	424	70,711	61,648
2001	Annual distribution total $1.49		15.072	437	81,478	73,994
2002	Annual distribution total $1.51		14.903	494		
1/28/03	Rights Offering	5,600	10.770	520		
2003	Year-to-date distribution total $0.65		13.143	273		
6/30/03		**$16,322**		**5,995**	**$85,848**	**$89,565**
Royce Micro-Cap Trust						
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	18,051	14,769
12/6/00	Distribution $1.72		8.469	333	20,016	17,026
12/6/01	Distribution $0.57		9.880	114	24,701	21,924
2002	Annual distribution total $0.80		9.518	180		
2003	Year-to-date distribution total $0.47		8.523	127		

6/30/03		**$ 8,900**		**2,395**	**$25,411**	**$23,399**
Royce Focus Trust						
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	6,742	5,356
12/6/00	Distribution $0.34		5.563	69	8,151	6,848
12/6/01	Distribution $0.14		6.010	28	8,969	8,193
12/6/02	Distribution $0.09		5.640	19		
6/30/03		**$ 4,375**		**1,251**	**$ 9,307**	**$ 8,469**

* Beginning with 1997 (RVT) and 2002 (OTCM) distribution, the purchase price on distributions is an average of the Fund's full year distribution reinvestment cost.

** Other than for initial purchase and 6/30/03, values are stated as of December 31 of the year indicated, after reinvestment of distributions.

ROYCE VALUE TRUST

AVERAGE ANNUAL TOTAL RETURNS Through 6/30/03	
Second Quarter 2003*	21.90%
Jan-June 2003*	13.77
1-Year	-4.01
3-Year	6.17
5-Year	6.51
10-Year	11.21
15-Year	11.86
Since Inception (11/26/86)	11.34

*Not annualized.

RISK/RETURN COMPARISON
3-Year Period ended 6/30/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Value Trust (NAV)	**6.2%**	**24.1**	**0.26**

MANAGER'S DISCUSSION

Royce Value Trust's (RVT) diversified portfolio of small- and micro-cap stocks did well in 2003's first half. **For the year-to-date period ended 6/30/03, the Fund was up 13.8% on a net asset value (NAV) basis and 18.4% on a market price basis,** compared to respective returns of 17.9% and 12.9% for its small-cap benchmarks, the Russell 2000 and the S&P 600. After an underwhelming first quarter, RVT rebounded in the more bullish second quarter, up 21.9% on an NAV basis and 25.1% on a market price basis. Over longer-term periods, the Fund enjoyed a pronounced performance advantage over both the Russell 2000 and the S&P 600. From the small-cap market peak on 3/9/00 through 6/30/03, RVT was up 18.9% on an NAV basis versus a loss of 22.6% for the Russell 2000 and a gain of 1.6% for the S&P 600. The Fund outperformed each of its benchmarks on an NAV and market price basis for the three-, five-, 10-, 15-year and since inception (11/26/86) periods ended 6/30/03. **RVT's average annual NAV total return since inception was 11.3%.**

Holdings in Technology, the Fund's largest sector, made the most significant contribution to performance. While we do not shy away from Technology stocks in the Fund's portfolio, we are cautious about our purchases in the sector. Tech enjoys a well-deserved reputation as an historically volatile

S&P 600	2.4%	22.7	0.11
Russell 2000	-3.3%	22.8	-0.14

*Return Efficiency 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.

area, but also as a fast-growing and dynamic one. Our goal when investing in Technology companies is to try to take advantage of some of the sector's high growth while avoiding as much of the volatility as possible. We look for companies that possess strong balance sheets, earnings histories and the ability to generate free cash flow. In the latter stages of the bear market including most of 2002 even many of these less aggressive stocks took substantial lumps. Fortunately, many began to recover in October 2002.

While Tech stocks were the brightest stars, gains came from a variety of industries throughout the portfolio. We continue to hold a large position in E*TRADE Group because we like the way in which the firm survived the internet stock bubble and expanded its online discount brokerage business into a full array of financial services. We first began to buy shares of FactSet Research Systems last year at prices that we thought were attractive. Increased revenues and rising earnings helped to boost the price of this leading provider of financial and economic information to the global investment community, but we are still holding a good-sized stake. Perceptron manufactures specialty electronic components as well as information-based process improvement solutions for various businesses. We like its niche business, low debt and growing profitability, characteristics that may have attracted investors to the stock in the second quarter. We are holding our shares for now. Insurance companies performed well as a group. We took some gains in medical malpractice specialist ProAssurance Corporation and in White Mountains Insurance Group, which provides property and casualty insurance, reinsurance and financial guaranty insurance. We also built our position in top holding, Erie Indemnity Company, the operator of Erie Insurance Exchange, which specializes in automotive, property and casualty insurance. Improved industry conditions helped its stock price to recover, although it has not yet regained its 2002 highs, which helps to explain why we have continued to buy shares.

CALENDAR YEAR NAV TOTAL RETURNS

Year	RVT	Year	RVT
2002	-15.6%	1994	0.1
2001	15.2	1993	17.3
2000	16.6	1992	19.3
1999	11.7	1991	38.4
1998	3.3	1990	-13.8
1997	27.5	1989	18.3
1996	15.5	1988	22.7
1995	21.1	1987	-7.7

Performance and Portfolio Review

GOOD IDEAS THAT WORKED

Net Realized and Unrealized Gain Year-to-Date Through 6/30/03	
Velcro Industries	$3,601,730
Keane	2,314,825
Marvel Enterprises	2,228,361
FactSet Research Systems	2,209,200
E*TRADE Group	2,093,000

Velcro Industries This past April, we had an opportunity to sell our position at a substantial gain in this company, which is primarily involved in the manufacturing and marketing of hook and loop fasteners.

Keane We like the core business of this consulting, e-business and information technology services firm. Although its year-to-date performance in 2003 has been encouraging, we are still waiting for our longer-term experience to become profitable. Fortunately, we still like the firm's prospects.

GOOD IDEAS AT THE TIME

Net Realized and Unrealized Loss Year-to-Date Through 6/30/03	
Allegiance Telecom	$1,488,021
Payless ShoeSource	1,300,264
Covance	861,223
PXRE Group	829,789
Sotheby's Holdings Cl. A	818,522

Allegiance Telecom Our overall experience with this telecommunications service provider to small-and mid-sized businesses only became more disappointing as our hopes for a turnaround vanished when the firm recently filed for bankruptcy.

Payless ShoeSource Retracing our steps tells us that we probably began to buy this family footwear retailer too soon because inventory and expansion concerns have kept its price underfoot. Nonetheless, we still like its long-term prospects and have been increasing our stake.

PORTFOLIO DIAGNOSTICS

Median Market Capitalization	$821 million
Weighted Average P/E Ratio	18.8x*
Weighted Average P/B Ratio	1.7x
Weighted Average Yield	0.7%
Fund Net Assets	$859 million
Turnover Rate	12%
Net Leverage	12%
Symbol - Market Price	RVT
- NAV	XRVTX

*Excludes 19% of portfolio holdings with zero or negative earnings as of 6/30/03.

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

Erie Indemnity Company Cl. A	0.8%
Simpson Manufacturing	0.8
Keane	0.8
White Mountains Insurance Group	0.8
Arrow International	0.8
Florida Rock Industries	0.7
FactSet Research Systems	0.7
Ritchie Bros. Auctioneers	0.7

Ash Grove Cement Company Cl. B	0.7
Allied Waste Industries	0.7

The regular reinvestment of distributions makes a difference!

[1] Reflects the cumulative performance of an investment made by a stockholder who purchased one share at inception ($10.00 IPO) and then reinvested all annual distributions as indicated, and participated in the primary subscriptions of the Fund's rights offerings.

[2] Reflects the actual market price of one share as it has traded on the NYSE.

PORTFOLIO SECTOR BREAKDOWN % of Net Assets	
Technology	20.2%
Industrial Products	13.4
Industrial Services	13.4
Financial Intermediaries	9.3
Health	8.2
Consumer Products	7.0
Natural Resources	6.6
Financial Services	6.2
Consumer Services	5.1
Utilities	0.1
Miscellaneous	1.7
Bonds & Preferred Stocks	0.3
Treasuries, Cash & Cash Equivalents	8.5

CAPITAL STRUCTURE Publicly Traded Securities Outstanding at 6/30/03 at NAV or Liquidation Value	
48.8 million shares of Common Stock	$699 million
7.80% Cumulative Preferred Stock	$60 million
7.30% Tax-Advantaged Cumulative Preferred Stock	$100 million

Royce Micro-Cap Trust

NAV AVERAGE ANNUAL TOTAL RETURNS Through 6/30/03	
Second Quarter 2003*	27.45%
Jan - June 2003*	19.32
1-Year	-2.68
3-Year	8.18
5-Year	7.02
Since Inception (12/14/93)	11.88

*Not annualized.

RISK/RETURN COMPARISON 3-Year Period ended 6/30/03	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Micro-Cap Trust (NAV)	**8.2%**	**26.2**	**0.31**
Russell 2000	-3.3%	22.8	-0.14

*Return Efficiency 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 both an absolute and a risk-adjusted basis.

Manager's Discussion

Micro-cap stocks were among the big winners in the first half of 2003, which helped Royce Micro-Cap Trust's (OTCM) diversified portfolio of micro-cap companies to turn in a strong first-half performance. **For the year-to-date period ended 6/30/03, the Fund was up 19.3% on a net asset value (NAV) basis and 22.2% on a market price basis, in both cases ahead of its small-cap benchmark, the Russell 2000, which was up 17.9% for the same period.** OTCM's first-half performance was primarily the result of its strong second quarter in which it was up 27.5% on an NAV basis and 30.0% on a market price basis. We were even more pleased with the Fund's performances over longer-term periods. From the 3/9/00 small-cap peak through 6/30/03, OTCM was up 22.2% on an NAV basis and 35.0% on a market price basis versus a loss of 22.6% for the benchmark. The Fund outperformed the Russell 2000 for the three-year, five-year and since inception (12/14/93) periods ended 6/30/03 on both an NAV and market price basis. **OTCM's average annual NAV total return since inception was 11.9%.**

A large portion of the Fund's second-quarter recovery (and its strong year-to-date showing as well) can be attributed to holdings in Technology, its largest sector, and Health. Unlike Tech stocks, which were stirring back to life late in 2002 and earlier this year, the prices of many Health stocks in the market did not begin to get in shape until late March 2003. Aksys provides hemodialysis products and services for patients suffering from chronic kidney failure. We have been building a large position even as its price climbed in the spring because we like its core business. We took advantage of fast-rising prices to take gains in Martek Biosciences, a company that extracts fatty acids from fish and mixes it with baby formula because those fatty acids have been found to help in the development of human intelligence. Contact lens manufacturer Ocular Sciences enjoyed a healthy second quarter after its price slumped late in 2002 following negative earnings. Subsequent positive earnings helped its price to recover, though it is still shy of last year's highs.

Sapient Corporation provides a range of business and technology consulting services. We like its core business and, while still not profitable, its price rose steadily in the second quarter. Centillium Communications, a firm that makes semiconductors for DSL systems, is a conservatively capitalized firm with a reasonably growing business. Its price soared in the recent rally, as DSL orders grew and profits rose. Although we still hold a good-sized position, we sold some shares of REMEC, a company that makes telecommunications infrastructure products and microwave electronic subsystems for various military applications. Improved sales gave a boost to the price of Excel Technology, a manufacturer of laser systems and electro-optical components for scientific, industrial and medical applications.

In May, we sold our shares of LendingTree, an internet-based marketplace for consumers and lenders to collect, exchange and compare credit information, after it was announced that USA Interactive would be acquiring the company at a substantial premium. We also slightly trimmed our position in men's footwear manufacturer, Weyco Group, a long-time holding, when its price made upward strides earlier in the year.

CALENDAR YEAR NAV TOTAL RETURNS	
Year	**OTCM**
2002	-13.8%
2001	23.4
2000	10.9
1999	12.7
1998	-4.1
1997	27.1
1996	16.6
1995	22.9
1994	5.0

GOOD IDEAS THAT WORKED Net Realized and Unrealized Gain Year-to-Date Through 6/30/03	
E-LOAN	$1,599,907
HomeFed Corporation	1,292,947
Sapient Corporation	893,147
REMEC	736,061
Aceto	683,815

E-LOAN We first began to buy shares of this online provider of consumer loans, mortgages, car loans, credit cards and small business loans late in 2001 because we liked the prospects for its business. It has become that rarest of gems, an internet company that has not simply survived, but thrived. We reduced our position in the spring.

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$230 million
Weighted Average P/B Ratio	1.4x
Weighted Average Yield	0.4%
Fund Net Assets	$237 million
Turnover Rate	11%
Net Leverage	12%

HomeFed Corporation The price of this southern California-based real estate development company more than tripled from where we first began buying it a few years ago, as investors seemed to find value in its real estate activities in the San Diego area.

GOOD IDEAS AT THE TIME Net Realized and Unrealized Loss Year-to-Date Through 6/30/03	
On Assignment	$596,640
PRG-Schultz International	563,391
Allegiance Telecom	504,321
Syntel	460,066
The Boyds Collection	440,720

On Assignment We began to build our position in this medical staffing services company in the Fund's portfolio during the summer of 2002 because we liked its balance sheet and its excellent reputation. Its earnings have been disappointing as its industry continues to struggle, yet we remain hopeful for a turnaround.

PRG-Schultz International Business has been mostly poor for this provider of recovery audit services, but we added to our stake in this year's first half in the hope of an eventual turnaround owing to our belief in its core business.

The regular reinvestment of distributions makes a difference!

1 Reflects the cumulative performance of an investment made by a stockholder who purchased one share at inception ($7.50 IPO) and then reinvested distributions as indicated and participated in the primary subscription of the 1994 rights offering.

2 Reflects the actual market price of one share as it has traded on the Nasdaq.

Symbol - Market Price	OTCM
- NAV	XOTCX

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	
Seneca Foods	1.2%
Sapient Corporation	1.2
800 JR Cigar	1.1
HomeFed Corporation	1.0
Delta Apparel	1.0
Dension International ADR	1.0
Excel Technology	0.9
Young Innovations	0.9
Bonavista Petroleum	0.9
BHA Group Holdings	0.8

PORTFOLIO SECTOR BREAKDOWN % of Net Assets	
Technology	24.0%
Industrial Products	13.7
Industrial Services	12.2
Health	11.2
Consumer Products	9.0
Natural Resources	8.6
Financial Intermediaries	5.1
Consumer Services	4.5
Financial Services	1.6
Diversified Investment Companies	0.2

Miscellaneous	2.9
Preferred Stocks	0.5
Treasuries, Cash & Cash Equivalents	6.5

CAPITAL STRUCTURE Publicly Traded Securities Outstanding at 6/30/03 at NAV or Liquidation Value	
18.5 million shares of Common Stock	$197 million
7.75% Cumulative Preferred Stock	$40 million

ROYCE FOCUS TRUST

NAV AVERAGE ANNUAL TOTAL RETURNS Through 6/30/03	
Second Quarter 2003*	28.06%
Jan-June 2003*	18.66
1-Year	3.40
3-Year	11.07
5-Year	5.64
Since Inception (11/1/96)	8.89

*Not annualized.
Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

RISK/RETURN COMPARISON
3-Year Period ended 6/30/03

	Average Annual Total Return	Standard Deviation	Return Efficiency*
Royce Focus Trust (NAV)	**11.1%**	**26.2**	**0.42**
Russell 2000	-3.3%	22.8	-0.14

*Return Efficiency 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 outperformed the Russell 2000 on both an

MANAGER'S DISCUSSION

Royce Focus Trust's (FUND) concentrated portfolio of small- and micro-cap stocks did relatively well in an environment that showed great favor to micro-cap issues in the first half of 2003. **The Fund finished the year-to-date period ended 6/30/03 up 18.7% on a net asset value (NAV) basis and 21.8% on a market price basis, in each case ahead of its small-cap benchmark, the Russell 2000, which was up 17.9% for the same period.** The Fund's first-half performance was strong on both an absolute and relative basis and was especially pleasing to us because we would typically not expect it to beat its benchmark in the early stages of a dramatic rally. We were also pleased with the Fund's performance advantage over the Russell 2000 over longer-term periods. From the small-cap market peak on 3/9/00 through 6/30/03, the Fund was up 35.7% on an NAV basis and 47.5% on a market price basis versus a loss of 22.6% for the Russell 2000. The Fund also outperformed its benchmark on both an NAV and market price basis for the one-, three-, five-year and since inception (11/1/96) periods ended 6/30/03. **The Fund's average annual NAV total return since inception was 8.9%.**

Holdings in most sectors and industries scored gains in the first half. In a market that was so good to Technology, as well as financial and investment management stocks, it would have been hard for online discount broker and banker E*TRADE Group not to succeed. Although we initiated our position with a large purchase in 2001, we purchased some shares in 2002 when it was trading at close to book value and have

absolute and a risk-adjusted basis.

watched its price more than double from that level. In our view, the company has room to grow before its stock would be overpriced. Insurance companies performed well as a group. We reduced our position in medical malpractice specialist ProAssurance Corporation as its price climbed during the spring, though we still hold a good-sized position. We also took some gains in property-casualty insurer, Zenith National Insurance, although based on our estimation of the firms strengths, we thought that it would have recovered sooner. We are still holding a large stake.

Cornell Companies, which provides privatized correctional, treatment and educational services outsourced by federal, state and local government agencies, successfully rehabilitated itself from management and accounting issues. Investors seemed to take notice of improved earnings and increased opportunities for privatization in a recessionary economy. Winnebago Industries is the kind of company that we feel is made for the Funds portfolio. It has an established business with a history of strong earnings, free cash flow and talented management. We first began to buy the stock in the Funds portfolio this past March when its price fell to levels that we found attractive. If only every investment could turn around so quickly. Shortly after we began to purchase shares, its price began cruising upward. With an aging consumer market and an excellent reputation for high quality recreation vehicles, we like its prospects and are holding on to a large position. We also like the prospects for strong-performing, top-ten holding TSX Group, a Canadian firm that operates the Toronto Stock Exchange, the third largest exchange in North America, in addition to exchanges in Vancouver, Alberta and Winnipeg. We like the firms solid dividend and large amount of cash per share.

CALENDAR YEAR NAV TOTAL RETURNS

Year	FUND
2002	-12.5%
2001	10.0
2000	20.9
1999	8.7
1998	-6.8
1997	20.5

GOOD IDEAS THAT WORKED Net Realized and Unrealized Gain Year-to-Date Through 6/30/03	
Endo Pharmaceuticals Holdings	$1,374,980
West Corporation	856,404
Cornell Companies	818,733
E*TRADE Group (Bond)	690,000
TSX Group	634,208

Endo Pharmaceuticals Holdings – We first bought shares of this pharmaceutical company that specializes in pain management drugs last November. Its price continued to climb, and we took some gains in the spring.

West Corporation – We first bought shares of this telecommunications services company in February, when its price fell to a level that we found enticing. In April and May, we sold some shares as its price began to rise quickly, but are otherwise content to keep holding for now.

GOOD IDEAS AT THE TIME Net Realized and Unrealized Loss Year-to-Date Through 6/30/03	
Durect Corporation	$318,944
Lightspan	279,556
Lincoln Electric Holdings	258,367
Monaco Coach	232,987
Natuzzi ADR	198,018

Durect Corporation – We initiated our position in May, although we have long admired the core product of this pharmaceuticals firm – a matchstick-sized, implantable device for pain medication that lasts as long as 90 days. We are hopeful that the company's stock price can recover.

Lightspan – The price of this educational software maker nearly dropped out in the first half, proving that not every Tech company was an "A" student in the first half. We are holding on to our shares for now.

PORTFOLIO DIAGNOSTICS	
Median Market Capitalization	$812 million
Weighted Average P/E Ratio	19.6x*
Weighted Average P/B Ratio	1.9x
Weighted Average Yield	0.5%
Fund Net Assets	$89 million
Turnover Rate	34%
Net Leverage†	8%
Symbol - Market Price - NAV	FUND XFUNX

* Excludes 21% of portfolio holdings with zero or negative earnings as of 6/30/03.

† 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	
New Zealand Government Bond	5.7%
E*TRADE Group	4.8
Simpson Manufacturing	2.9
TSX Group	2.7
Florida Rock Industries	2.7
Goldcorp	2.4
Nu Skin Enterprises Cl. A	2.4
Lincoln Electric Holdings	2.3
Winnebago Industries	2.1
Endo Pharmaceuticals Holdings	1.9

PORTFOLIO SECTOR BREAKDOWN
% of Net Assets

Technology	13.7%
Natural Resources	12.2
Health	10.4
Financial Intermediaries	9.3
Industrial Products	9.1
Industrial Services	7.1
Consumer Products	6.2
Consumer Services	5.2
Financial Services	1.7
Bonds	9.0
Treasuries, Cash & Cash Equivalents	16.1

[1] Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

[2] Reflects the cumulative performance experience of a continuous common stockholder who reinvested all distributions.

[3] Reflects the actual market price of one share as it has traded on the Nasdaq.

CAPITAL STRUCTURE
Publicly Traded Securities Outstanding at 6/30/03 at NAV or Liquidation Value

9.2 million shares of Common Stock	$69 million
7.45% Cumulative Preferred Stock	$20 million

Distribution Reinvestment and Cash Purchase Options For Common Stockholders

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 transfer agent, EquiServe, in writing. A registered stockholder also has the option to receive the distribution in the form of a stock certificate or in cash if EquiServe 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 EquiServe on a monthly basis, and to deposit certificates representing your Fund shares with EquiServe for safekeeping. The Funds□ investment adviser is absorbing all commissions on optional cash purchases under the Plans through December 31, 2003.

How do the Plans work for registered stockholders?

EquiServe 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 EquiServe 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 EquiServe 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, EquiServe 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 EquiServe. All correspondence (including notifications) should be directed to: [Name of Fund] Distribution Reinvestment and Cash Purchase Plan, c/o EquiServe, PO Box 43011, Providence, RI 02940-3011, telephone (800) 426-5523.

Directors and Officers

All Directors and Officers may be reached c/o The Royce Funds, 1414 Avenue of the Americas, New York, NY 10019

NAME AND POSITION: Charles M. Royce (63), Director* and President
Term Expires: 2003
Tenure: Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 18
Non-Royce Directorships: None
Principal Occupation(s) During Past Five Years:

NAME AND POSITION: David L. Meister (63), Director
Term Expires: 2003
Tenure: Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 18
Non-Royce Directorships: None

President, Chief Investment Officer and Member of Board of Managers of Royce & Associates, LLC (Royce), the Trusts investment adviser.

NAME AND POSITION: Mark R. Fetting (48), Director*
Term Expires: 2004 **Tenure:** Since 2001
No. of Funds Overseen: 18 **Non-Royce Directorships:** Director/Trustee of the registered investment companies constituting the 22 Legg Mason Funds.

Principal Occupation(s) During Past Five Years: Executive Vice President of Legg Mason, Inc.; Member of Board of Managers of Royce; Division President and Senior Officer, Prudential Financial Group, Inc. and related companies, including Fund Boards and consulting services to subsidiary companies (from 1991 to 2000). Mr. Fettings prior business experience includes having served as Partner, Greenwich Associates and Vice President, T. Rowe Price Group, Inc.

NAME AND POSITION: Donald R. Dwight (72), Director
Term Expires: 2005 **Tenure:** Since 1998
No. of Funds Overseen: 18 **Non-Royce Directorships:** None
Principal Occupation(s) During Past Five Years: President of Dwight Partners, Inc., corporate communications consultant; Chairman (from 1982 to March 1998) and Chairman Emeritus (since March 1998) of Newspapers of New England, Inc. Mr. Dwights prior experience includes having served as Lieutenant Governor of the Commonwealth of Massachusetts, as President and Publisher of Minneapolis Star and Tribune Company, and as Trustee of the registered investment companies constituting the 94 Eaton Vance Funds.

NAME AND POSITION: Richard M. Galkin (65), Director
Term Expires: 2004 **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 18 **Non-Royce Directorships:** None
Principal Occupation(s) During Past Five Years: Private investor. Mr. Galkins prior business experience includes having served as President of Richard M. Galkin Associates, Inc., telecommunications consultants, President of Manhattan Cable Television (a subsidiary of Time, Inc.), President of Haverhills Inc. (another Time, Inc. subsidiary), President of Rhode Island Cable Television and Senior Vice President of Satellite Television Corp. (a subsidiary of Comsat).

NAME AND POSITION: Stephen L. Isaacs (63), Director
Term Expires: 2005 (RVT), 2005 (OTCM), 2003 (FUND) **Tenure:** Since 1986 (RVT), 1993 (OTCM), 1996 (FUND)
No. of Funds Overseen: 18 **Non-Royce Directorships:** None
Principal Occupation(s) During Past Five Years: President of The Center for Health and Social Policy (since September 1996); Attorney and President of Health Policy Associates, Inc., consultants. Mr. Isaacss prior business experience includes having served as Director of Columbia University Development Law and Policy Program and Professor at Columbia University (until August 1996).

NAME AND POSITION: William L. Koke (68), Director
Term Expires: 2003 (RVT), 2003 (OTCM), 2005 (FUND) **Tenure:** Since 2001 (RVT), 2001 (OTCM), 1997 (FUND)
No. of Funds Overseen: 18 **Non-Royce Directorships:** None

Principal Occupation(s) During Past Five Years: Chairman and Chief Executive Officer of The Tennis Channel (since June 2000). Chief Executive Officer of Seniorlife.com (from December 1999 to May 2000). Mr. Meisters prior business experience includes having served as a consultant to the communications industry, President of Financial News Network, Senior Vice President of HBO, President of Time-Life Films and Head of Broadcasting for Major League Baseball.

NAME AND POSITION: G. Peter OBrien (57), Director
Term Expires: 2003 **Tenure:** Since 2001
No. of Funds Overseen: 18 **Non-Royce Directorships:** None
Principal Occupation(s) During Past Five Years: Trustee of Colgate University; Director of Renaissance Capital Greenwich Funds; Vice President of Hill House, Inc.; Managing Director/Equity Capital Markets Group of Merrill Lynch & Co. (from 1971 to 1999).

NAME AND POSITION: John D. Diederich (52), Vice President and Treasurer
Tenure: Since 1997

Principal Occupation(s) During Past Five Years: Managing Director, Chief Operating Officer and Member of Board of Managers of Royce (since October 2001); Director of Administration of the Funds since April 1993.

NAME AND POSITION: Jack E. Fockler, Jr. (44), Vice President
Tenure: Since 1995 (RVT), 1995 (OTCM), 1996 (FUND)

Principal Occupation(s) During Past Five Years: Managing Director and Vice President of Royce, having been employed by Royce since October 1989.

NAME AND POSITION: W. Whitney George (45), Vice President
Tenure: Since 1995 (RVT), 1995 (OTCM), 1996 (FUND)

Principal Occupation(s) During Past Five Years: Managing Director and Vice President of Royce, having been employed by Royce since October 1991.

NAME AND POSITION: Daniel A. OByrne (41), Vice President and Assistant Secretary
Tenure: Since 1994 (RVT), 1994 (OTCM), 1996 (FUND)

Principal Occupation(s) During Past Five Years: Vice President of Royce, having been employed by Royce since October 1986.

NAME AND POSITION: John E. Denneen (36), Secretary
Tenure: 1996-2001 and Since April 2002

Principal Occupation(s) During Past Five Years: General Counsel (Deputy General Counsel prior to 2003), Principal, Chief Compliance Officer and Secretary of Royce and Principal of Credit Suisse First Boston Private Equity (2001-2002).

Principal Occupation(s) During Past Five Years:
Financial planner with Shoreline Financial Consultants. Mr. Koke's prior business experience includes having served as Director of Financial Relations of SONAT, Inc., Treasurer of Ward Foods, Inc. and President of CFC, Inc.

*Interested Director.

NOTES TO PERFORMANCE AND STATISTICAL INFORMATION

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, 2003. 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 offerings are within each Board's discretion.

NOTES TO PERFORMANCE AND STATISTICAL INFORMATION

All performance information is presented on a total return basis and reflects the reinvestment of distributions. Past performance is no guarantee of future results or volatility. Investment return and principal value 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. The thoughts expressed in this report concerning recent market movements and future prospects for small company stocks are solely the current opinion of Royce, and, of course, historical market trends are not necessarily indicative of future market movements. Statements regarding the future prospects for particular securities held in the Funds' portfolios and Royce's investment intentions with respect to those securities reflect Royce's opinions as of June 30, 2003 and are subject to change at any time without notice. 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, Nasdaq Composite, and S&P 500 are unmanaged indices of domestic common stocks. CRSP (Center for Research in Security Pricing) divides the U.S. equity market into 10 deciles. Deciles 1-5 represent the largest domestic equity companies and deciles 6-10 represent the smallest. By way of comparison, the CRSP 1-5 would have similar capitalization parameters to the S&P 500 and the CRSP 6-10 would approximately match those of the Russell 2000. Returns for the market indices used in this report were based on information supplied to Royce by Frank Russell, CRSP and Morningstar. Royce has not independently verified the above described information. The Royce Funds is a service mark of The Royce Funds.

Forward-looking Statements

This material contains forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve risks and uncertainties, including, among others, statements as to:

- the Funds' future operating results,
- the prospects of the Funds' portfolio companies,
- the impact of investments that the Funds have made or may make,
- the dependence of the Funds' future success on the general economy and its impact on the companies and industries in which the Funds invest, and
- the ability of the Funds' portfolio companies to achieve their objectives.

This report uses words such as "anticipates," "believes," "expects," "future," "intends," and similar expressions to identify forward-looking statements. Actual results may differ materially from those projected in the forward-looking statements for any reason.

The Royce Funds have based the forward-looking statements included in this report on information available to us on the date of the report, and we assume no obligation to update any such forward-looking statements. Although The Royce Funds undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make through future stockholder communications or reports.

Royce Value Trust, Inc.

SCHEDULES OF INVESTMENTS JUNE 30, 2003 (UNAUDITED)

COMMON STOCKS 91.2%

	SHARES	VALUE
Consumer Products 7.0%		
Apparel and Shoes - 2.5%		
Jones Apparel Group [a]	81,500	$ 2,384,690
K-Swiss Cl. A	119,000	4,107,880
Nautica Enterprises [a]	83,700	1,073,871
Oshkosh BGosh Cl. A	104,300	2,816,100
Polo Ralph Lauren Cl. A	150,000	3,868,500
Timberland Company Cl. A [a]	10,000	528,600
Weyco Group	112,664	5,183,671
Wolverine World Wide	94,400	1,818,144
		21,781,456
Collectibles - 0.2%		
The Boyds Collection [a]	234,200	1,103,082
Enesco Group [a]	117,200	867,280
		1,970,362
Food/Beverage/Tobacco - 0.6%		
800 JR Cigar [a,e]	172,400	2,241,200
Hain Celestial Group [a]	37,800	604,422
Hershey Creamery	709	1,772,500
Lancaster Colony	16,900	653,354
		5,271,476
Home Furnishing/Appliances - 1.1%		
Bassett Furniture Industries	116,675	1,549,444
Falcon Products [a,c]	782,600	3,310,398
La-Z-Boy [d]	68,200	1,526,316
Lifetime Hoan [d]	295,327	2,250,392
Natuzzi ADR [b]	62,200	498,844
		9,135,394
Publishing - 0.5%		
Martha Stewart Living Omnimedia Cl. A [a,d]	6,000	56,340
Scholastic Corporation [a]	130,000	3,871,400
		3,927,740

	SHARES	VALUE
Shuffle Master [a,d]	5,000	$ 146,950
TiVo [a]	17,000	209,950
		4,163,495
Restaurants/Lodgings - 1.4%		
Benihana Cl. A [a,d]	57,500	759,000
CEC Entertainment [a]	30,000	1,107,900
Four Seasons Hotels [d]	80,000	3,460,800
IHOP Corporation [d]	161,700	5,104,869
Jack in the Box [a]	10,000	223,000
Prime Hospitality [a,d]	106,100	711,931
Ryans Family Steak Houses [a,d]	48,900	684,600
		12,052,100
Retail Stores - 2.3%		
Big Lots [a]	307,200	4,620,288
Charming Shoppes [a,d]	803,400	3,992,898
Claires Stores	127,700	3,238,472
Payless ShoeSource [a]	289,600	3,620,000
Stein Mart [a]	192,800	1,154,872
Urban Outfitters [a,d]	83,800	3,008,420
		19,634,950
Other Consumer Services - 0.9%		
ITT Educational Services [a]	120,000	3,510,000
Sothebys Holdings Cl. A [a,d]	540,200	4,019,088
Strayer Education	10,000	794,500
		8,323,588
Total (Cost $42,102,506)		44,174,133
Financial Intermediaries 9.3%		
Banking - 2.3%		
BOK Financial [a]	125,561	4,842,888
Farmers & Merchants Bank of Long Beach	1,266	4,665,210
First National Bank Alaska	2,130	3,197,130
Mechanics Bank	200	3,500,000

Sports and Recreation - 0.7%		
Callaway Golf	35,000	462,700
Coachmen Industries	67,700	809,015
Fleetwood Enterprises [a,d]	234,300	1,733,820
Monaco Coach [a]	141,050	2,162,296
Thor Industries	22,100	902,122
		6,069,953
Other Consumer Products - 1.4%		
Blyth	54,700	1,487,840
Burnham Corporation Cl. B	18,000	859,500
Fossil [a]	15,000	353,400
Lazare Kaplan International [a]	103,600	600,880
Matthews International Cl. A	196,000	4,852,960
Oakley [a]	243,100	2,861,287
Scotts (The) Cl. A [a]	20,000	990,000
		12,005,867
Total (Cost $42,721,425)		60,162,248
Consumer Services 5.1%		
Leisure/Entertainment - 0.5%		
Ascent Media Group Cl. A [a,d]	380,900	472,316
Corus Entertainment Cl. B [a,d]	22,000	370,920
Gemstar-TV Guide International [a]	215,100	1,094,859
Hasbro	50,000	874,500
Magna Entertainment Cl. A [a]	198,800	994,000

Mercantile Bankshares	20,000	787,600
NetBank	70,000	921,200
Oriental Financial Group	79,750	2,048,777
		19,962,805
Insurance - 6.3%		
Argonaut Group [a]	187,000	2,305,710
Erie Indemnity Company Cl. A	169,900	7,008,375
Everest Re Group	12,600	963,900
Fidelity National Financial	12,843	395,051
First American	31,700	835,295
Leucadia National	51,500	1,911,680
Markel Corporation [a]	4,200	1,075,200
Montpelier Re Holdings [a]	53,000	1,674,800
NYMAGIC	85,200	1,726,152
Navigators Group [a]	83,200	2,481,024
PICO Holdings [a]	154,300	2,005,900
PMA Capital Cl. A [d]	231,700	2,912,469
PXRE Group	176,551	3,495,710
Philadelphia Consolidated Holding [a]	35,000	1,414,000
The Phoenix Companies [d]	81,900	739,557
ProAssurance Corporation [a]	202,070	5,453,869
RLI	118,724	3,906,020
Reinsurance Group of America [d]	30,000	963,000
Trenwick Group [a,d]	212,260	65,801
Wesco Financial	9,850	3,073,200

ROYCE VALUE TRUST, INC.

SCHEDULE OF INVESTMENTS — JUNE 30, 2003 (UNAUDITED)

	SHARES	VALUE
Financial Intermediaries (continued)		
Insurance (continued)		

	SHARES	VALUE
Affymetrix [a,d]	96,600	$ 1,903,986
Antigenics [a,d]	38,500	443,520

White Mountains Insurance Group [d]	16,900	$ 6,675,500
Zenith National Insurance [d]	106,900	3,046,650
		54,128,863
Securities Brokers - 0.6%		
E*TRADE Group [a]	575,000	4,887,500
Knight Trading Group [a]	115,000	715,300
		5,602,800
Other Financial Intermediaries - 0.1%		
Chicago Mercantile Exchange [d]	10,000	696,300
Total (Cost $50,876,045)		80,390,768
Financial Services – 6.2%		
Information and Processing - 2.1%		
BARRA [a]	42,200	1,506,540
eFunds Corporation [a]	167,675	1,933,293
FactSet Research Systems [d]	140,000	6,167,000
Fair Isaac	5,190	267,025
Global Payments	61,500	2,183,250
Moody's Corporation	50,000	2,635,500
National Processing [a,d]	20,000	321,600
SEI Investments	93,200	2,982,400
		17,996,608
Insurance Brokers - 1.0%		
Brown & Brown	20,000	650,000
Crawford & Co. Cl. A	297,350	1,442,147
Crawford & Co. Cl. B	75,300	369,723
Gallagher (Arthur J.) & Company	106,200	2,888,640
Hilb, Rogal & Hamilton	105,550	3,592,922
		8,943,432
Investment Management - 2.7%		
Affiliated Managers Group [a,d]	60,000	3,657,000
Alliance Capital Management Holding L.P.	139,000	5,073,500
BKF Capital Group [a]	94,000	2,052,020
BlackRock Cl. A [a,d]	35,000	1,576,400
Eaton Vance	80,200	2,534,320
Federated Investors Cl. B	35,000	959,700
Neuberger Berman [d]	105,000	4,190,550

Applera Corporation - Celera Genomics Group [a]	199,200	2,055,744
Biopure Corporation Cl. A [a,d]	43,200	263,952
BioSource International [a]	1,600	11,040
Celgene Corporation [a]	40,000	1,216,000
Cephalon [a]	4,900	201,684
Cerus Corporation [a]	21,700	163,401
Chiron Corporation [a]	21,800	953,096
DUSA Pharmaceuticals [a]	79,700	200,047
Endo Pharmaceuticals Holdings [a]	120,000	2,030,400
Genzyme Corporation - General Division [a]	28,000	1,170,400
Human Genome Sciences [a]	90,000	1,144,800
IDEC Pharmaceuticals [a,d]	28,100	955,400
Invitrogen Corporation [a]	40,000	1,534,800
Lexicon Genetics [a]	256,200	1,719,102
Millennium Pharmaceuticals [a]	50,000	786,500
Perrigo Company	169,900	2,657,236
Shire Pharmaceuticals Group ADR [a,b]	20,853	410,804
		20,220,532
Health Services - 1.3%		
Accredo Health [a]	8,705	189,769
Albany Molecular Research [a]	65,000	981,500
First Consulting Group [a]	315,900	1,475,253
Gene Logic [a,d]	138,100	824,457
Gentiva Health Services [a]	30,150	271,350
Health Management Associates Cl. A	27,400	505,530
IMPATH [a,d]	93,000	1,315,020
Lincare Holdings [a]	24,600	775,146
Manor Care [a]	58,300	1,458,083
MedQuist [a]	73,893	1,495,594
On Assignment [a]	293,200	1,172,800
Quovadx [a]	168,400	503,516
		10,968,018
Personal Care - 0.6%		
Ocular Sciences [a,d]	177,500	3,523,375
Regis	57,200	1,661,660
		5,185,035
Surgical Products and Devices - 2.4%		
Allied Healthcare Products [a]	60,000	214,200
Arrow International	151,100	6,671,065

Nuveen Investments Cl. A	119,200	3,247,008
		23,290,498
Other Financial Services - 0.4%		
PRG-Schultz International [a,d]	284,200	1,676,780
Van der Moolen Holding ADR [b]	119,000	1,642,200
		3,318,980
Total (Cost $37,351,067)		53,549,518
Health 8.2%		
Commercial Services - 1.6%		
IDEXX Laboratories [a]	104,100	3,506,088
PAREXEL International [a,d]	277,700	3,873,915
Pharmaceutical Product Development [a]	10,000	287,300
Quintiles Transnational [a]	130,300	1,848,957
Sybron Dental Specialties [a,d]	21,000	495,600
The TriZetto Group [a]	190,200	1,148,808
Young Innovations [a]	77,550	2,210,175
		13,370,843
Drugs and Biotech - 2.3%		
Abgenix [a,d]	38,000	398,620

CONMED Corporation [a]	38,500	703,010
Datascope	34,000	1,009,460
Diagnostic Products	25,000	1,026,250
Haemonetics [a]	92,900	1,737,230
Invacare	100,000	3,300,000
Novoste [a]	66,500	399,000
STERIS [a]	48,600	1,122,174
Varian Medical Systems [a]	60,800	3,500,256
Zoll Medical [a]	20,200	677,912
		20,360,557
Total (Cost $60,623,736)		70,104,985
Industrial Products 13.4%		
Building Systems and Components - 1.1%		
Decker Manufacturing	6,022	198,726
Preformed Line Products Company	131,600	1,928,598
Simpson Manufacturing [a,d]	190,400	6,968,640
		9,095,964

Royce Value Trust, Inc.

Schedule of Investments — June 30, 2003 (unaudited)

	SHARES	VALUE
Industrial Products (continued)		
Construction Materials - 1.8%		
Ash Grove Cement Company Cl. B	50,518	$ 5,961,124

	SHARES	VALUE
Diebold	100,000	$ 4,325,000
IMPCO Technologies [a]	15,500	95,480
Kimball International Cl. B	334,880	5,224,128

ElkCorp	25,000	562,500
Florida Rock Industries	153,800	6,348,864
Oregon Steel Mills [a]	247,900	718,910
Synalloy Corporation [a,c]	345,000	1,873,350
		15,464,748
Industrial Components - 1.8%		
Bel Fuse Cl. A	53,200	1,090,600
Belden [d]	95,800	1,522,262
C & D Technologies	50,000	718,000
Donaldson Company	26,000	1,155,700
Kaydon Corporation	171,200	3,560,960
Penn Engineering & Manufacturing	251,600	3,434,340
Penn Engineering & Manufacturing Cl. A	77,600	942,064
PerkinElmer	135,000	1,864,350
Powell Industries [a]	57,400	840,336
Woodhead Industries	45,400	568,408
		15,697,020
Machinery - 3.5%		
Cognex Corporation [a]	163,400	3,651,990
Coherent [a]	233,700	5,534,016
Federal Signal [d]	58,600	1,029,602
Graco	26,550	849,600
Lincoln Electric Holdings	237,880	4,855,131
National Instruments [a,d]	41,100	1,552,758
Nordson Corporation	172,200	4,106,970
Oshkosh Truck	13,000	771,160
PAXAR Corporation [a]	370,100	4,071,100
Woodward Governor	83,600	3,594,800
		30,017,127
Paper and Packaging - 0.4%		
Peak International [a]	408,400	1,816,972
Sealed Air [a]	34,000	1,620,440
		3,437,412
Pumps, Valves and Bearings - 0.7%		
Baldor Electric	62,900	

Maxwell Technologies [a,d]	21,500	123,840
Myers Industries	52,727	500,907
Peerless Mfg. [a,c]	158,600	1,752,530
Quantum Fuel Systems Technologies Worldwide [a,d]	15,500	34,565
Steelcase Cl. A [d]	82,500	970,200
Trinity Industries [d]	20,000	370,200
		21,421,802
Total (Cost $83,669,214)		115,236,150
Industrial Services — 13.4%		
Advertising/Publishing - 0.7%		
Catalina Marketing [a,d]	60,000	1,059,000
Cordiant Communications Group ADR [a,b]	100,000	28,000
Grey Global Group	3,817	2,948,671
Interpublic Group of Companies [a]	155,000	2,073,900
		6,109,571
Commercial Services - 5.0%		
ABM Industries [d]	119,200	1,835,680
Allied Waste Industries [a]	569,800	5,726,490
Carlisle Holdings [a]	204,900	676,170
Central Parking [d]	171,400	2,118,504
Convergys Corporation [a]	156,000	2,496,000
Core Laboratories [a]	125,200	1,352,160
Cornell Companies [a]	124,400	1,883,416
Covance [a]	132,700	2,401,870
Hewitt Associates Cl. A [a]	40,000	942,000
Hudson Highland Group [a,d]	11,174	212,418
iGATE Corporation [a]	144,500	501,415
Iron Mountain [a]	127,450	4,727,120
Korn/Ferry International [a]	189,400	1,534,140
Learning Tree International [a,d]	53,400	834,642
MPS Group [a]	539,300	3,710,384
Manpower	55,800	2,069,622
Metro One Telecommunications [a,d]	25,000	129,000
Monster Worldwide [a]	149,000	2,939,770
New Horizons Worldwide [a]	136,500	584,220
RemedyTemp Cl. A [a,d]	78,500	724,555