ROYCE VALUE TRUST INC
Form N-CSR
March 05, 2014

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: 811-04875

Name of Registrant: Royce Value Trust, Inc.

Address of Registrant: 745 Fifth Avenue
New York, NY 10151

Name and address of agent for service: John E. Denneen, Esquire
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New York, NY 10151

Registrant s telephone number, including area code: (212) 508-4500
Date of fiscal year end: December 31
Date of reporting period: January 1, 2013 December 31, 2013

Item 1. Reports to Shareholders.

ANNUAL
REVIEW AND REPORT
TO STOCKHOLDERS

Royce Value Trust

Royce Micro-Cap Trust

Royce Focus Trust

Royce Global Value Trust

www.roycefunds.com

A Few Words on Closed-End Funds

Royce & Associates, LLC manages four 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; Royce Focus Trust, a closed-end fund that invests in a limited number of primarily small-cap companies; and Royce Global Value Trust, the first global closed-end offering that invests in a broadly diversified portfolio of both U.S. and non-U.S. small-cap stocks.

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

A Closed-End Fund Offers Several Distinct Advantages Not Available from an Open-End Fund Structure

Since a closed-end fund does not issue redeemable securities or offer its securities on a continuous basis, it does not need to liquidate securities or hold uninvested assets to meet investor demands for cash redemptions, as an open-end fund must.

In a closed-end fund, not having to meet investor redemption requests or invest at inopportune times is ideal for value managers who attempt to buy stocks when prices are depressed and sell securities when prices are high.

A closed-end fund may invest more freely in less liquid portfolio securities because it is not subject to potential stockholder redemption demands. This is particularly beneficial for Royce-managed closed-end funds, which invest in small- and micro-cap securities.

The fixed capital structure allows permanent leverage to be employed as a means to enhance capital appreciation potential.

Unlike Royce s open-end funds, our closed-end funds are able to distribute capital gains on a quarterly basis. Each of the Funds other than Royce Global Value Trust has adopted a quarterly distribution policy for its common stock. Please see pages 18-20 for more details.

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

Why Dividend Reinvestment is Important

A very important component of an investor s total return comes from the reinvestment of distributions. By reinvesting distributions, our investors can maintain an undiluted investment in a Fund. To get a fair idea of the impact of reinvested distributions, please see the charts on pages 11, 13, and 15. For additional information on the Funds Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, please see page 20 or visit our website at www.roycefunds.com.

The Board of Directors for each of Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust has authorized a managed distribution policy (MDP) paying quarterly distributions at an annual rate of 5% of the average of the prior four quarter-end net asset values. With each distribution, these Funds will issue a notice to stockholders and an accompanying press release which will provide detailed information regarding the amount and composition of the distribution and other information required by a Fund s MDP. You should not draw any conclusions about a Fund s investment performance from the amount of distributions or from the terms of a Fund s MDP. A Fund s Board of Directors may amend or terminate the MDP at any time without prior notice to stockholders; however, at this time, there are no reasonably foreseeable circumstances that might cause the termination of any of the MDPs.

This page is not part of the 2013 Annual Report to Stockholders

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For more than 40 years, we have used a value approach to invest in small-cap securities. We focus primarily on the quality of a company s balance sheet, its ability to generate free cash flow, and other measures of profitability or sound financial condition. We then use these factors to assess the company s current worth, basing the assessment on either what we believe a knowledgeable buyer might pay to acquire the entire company or what we think the value of the company should be in the stock market.

Performance Table

NAV Average Annual Total Returns

Through December 31, 2013

	Royce Value Trust	Royce Micro-Cap Trust	Royce Focus Trust	Royce Global Value Trust	Russell 2000 Index	Russell Microcap Index	Russell 2500 Index	Russell Global Small Cap Index
One-Year	34.14%	44.52%	19.73%	n.a.	38.82%	45.62%	36.80%	24.77%
Three-Year	11.66	16.11	6.08	n.a.	15.67	16.52	16.28	8.09
Five-Year	21.27	24.12	17.49	n.a.	20.08	21.05	21.77	18.49
10-Year	8.95	9.64	9.38	n.a.	9.07	6.99	9.81	9.23
15-Year	10.04	11.60	11.01	n.a.	8.42	n.a.	9.67	8.67
20-Year	10.80	11.93	n.a.	n.a.	9.27	n.a.	10.77	n.a.
25-Year	11.55	n.a.	n.a.	n.a.	10.20	n.a.	11.62	n.a.
Since Inception	11.13	11.92	10.58	2.76%[1]	n.a.	n.a.	n.a.	n.a.
Inception Date	11/26/86	12/14/93	11/1/96[2]	10/17/13	n.a.	n.a.	n.a.	n.a.

[1] Not annualized, cumulative since inception on 10/17/13.
[2] Date Royce & Associates, LLC assumed investment management responsibility for the Fund.

Important Performance and Risk Information

All performance information in this *Review and Report* reflects past performance, is presented on a total return basis, and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at www.roycefunds.com. Certain immaterial adjustments were made to the net assets of Royce Micro-Cap Trust at 12/31/12 for financial reporting purposes, and as a result the net asset value originally calculated on that date and the total return based on that net asset value differs from the adjusted net asset value and total return reported in the Financial Highlights. The Funds are closed-end registered investment companies whose shares of common stock trade at a discount to their net asset value. Shares of each Fund s common stock are also subject to the market risks of investing in the underlying portfolio securities held by each Fund, respectively. All indexes referenced are unmanaged and capitalization-weighted. Each index s returns include net reinvested dividends and/or interest income. Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group. The Russell 2000 Index is an index of domestic small-cap stocks that measures the performance of the 2,000 smallest publicly traded U.S. companies in the Russell 3000 Index. The Russell Microcap Index includes 1,000 of the smallest securities in the small-cap Russell 2000 Index, along with the next smallest eligible securities as determined by Russell. The Russell 2500 Index is an index of the 2,500 smallest publicly traded U.S. companies in the Russell 3000 Index. The Russell Global Small Cap Index is an unmanaged, capitalization-weighted index of global small-cap stocks. The performance of an index does not represent exactly any particular investment, as you cannot invest directly in an index. Index returns include net reinvested dividends and/or interest income. Royce Fund Services, Inc (RFS) is a member of FINRA and has filed this Review and Report with FINRA on behalf of each Fund. RFS is not an underwriter or distributor of any of the Funds.

Letter to Our Stockholders

Everybody Had a Good Year

2013 will enter the annals of history as one of the stock market s better years. Not only were there healthy double-digit returns for all of the major U.S. indexes, there were also no major corrections along the way. The closest the market came to a bearish phase was during the second quarter, when the rate on the 10-year Treasury began to rise off its calendar-year low in early May, mostly as a result of talk that the Federal Reserve would begin to reduce its $85 billion monthly bond-buying program. The Fed s intentions to taper, made official by an announcement in June, then sent markets across the globe into a tailspin, while the 10-year Treasury rate mostly kept rising. (From its low on May 2 through the end of the year, it climbed more than 83%.) Yet by mid-summer, all or most of this seemed to be forgotten. Share prices climbed more or less uninterruptedly into December, where a couple of unsettled weeks in the middle of the month failed to put a Scrooge-like face on returns. Stocks quietly rallied through the last weeks of the year, making the fourth quarter as solidly bullish as the first and third.

The market s ability to shrug off negative news potential or otherwise may have been its most salient trait in 2013. Here at home, investors had to cope with the sequester, the government shutdown, questions about Fed policy, and who would succeed Federal Reserve Chairman Ben Bernanke. Outside the U.S., it was not much quieter. There was economic uncertainty in Europe, China, Brazil, among other places, unrest in the Mideast, and a significant, still-brewing political scandal in Turkey. Yet none of these things, taken alone or in concert, possessed enough force to slow the pace of the rally. Even murmurings later in the year about overvalued stocks and a market bubble gave investors little pause.

The market s ability to shrug off negative news potential or otherwise may have been its most salient trait in 2013.

Charles M. Royce, President

Letter to Our Stockholders

In addition to staying on top of the performance of The Royce Funds, we also regularly review returns for the major indexes, especially those that invest mostly or exclusively in small-cap stocks. Each month, we also carefully look over long-term results on an annualized basis. For the period ended December 31, 2013, the returns both for our portfolios and for the small-cap Russell 2000 Index were of particular interest to us. (These results can be found on page 5.)

Seen from the perspective of long-term market history, we think the results look improbable, even absurd, and certainly counterintuitive. We have always been fond of the idea that a healthy target for absolute long-term returns should be low-to-mid double digits. So what does it mean when these results are in the range of the high teens to the mid-twenties? Did we and others do something different or unusually smart to achieve these results?

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The rally seemed to gain strength from the notion that the U.S. economy was finally entering a faster, more historically typical expansion after five years of slow and uncertain growth. This would be more than welcome news. Consider for a moment how strange and singular our present situation is. **The economy has received unprecedented levels of federal stimulus in the form of both quantitative easing and historically low interest rates even as the economy has looked strong enough to stand more firmly on its own for more than a year.** However, we still face stubbornly high, only slowly declining unemployment, still-stagnant levels of demand, and lower consumer confidence. On the other hand, we also have robust markets in housing and auto sales, record corporate revenues, and companies sitting on piles of cash. This complicated economic picture is set against the political background of a falling federal deficit, a national healthcare plan that refuses to be anything less than wildly controversial, and a culture in Washington so dysfunctional that it now plays like a bleak tragicomedy worthy of Samuel Beckett. (Or at least it would if politicians weren t so verbose.) All of this makes the question of what happens next even harder to answer than it would be in more sanguine times. **Resisting the temptation to prognosticate at length on larger matters, we ll say only that we agree with the consensus that the economy is indeed growing faster and stronger.** For reasons we ll detail later, we think this is good news both for small-cap stocks and our own disciplined approach to stock selection.

As measured by the Russell 2000 Index, the small-cap market has been on a remarkable run since the bottom in March 2009. However, there were a number of notable twists prior to last year s mostly smooth ascent. The three years prior to 2013 all exhibited a similar performance pattern in the first half of the year. During 2010, 2011, and 2012, the opening quarter extended a bull run that had gotten underway no later than the previous year s fourth quarter. These gains were then eroded to varying degrees by a bearish second quarter, with the market starting to reverse course in April, making it indeed the cruelest month. The motive force behind each reversal was macro oriented recurring fears about the uneasy state of the U.S., Chinese, and/or developed European economies. (The persistence of macro factors influencing sell-offs at the expense of company fundamentals was the most troubling element to us.) In 2010 and 2012, the third quarter saw a resumption of rising stock prices, while in 2011 the third quarter was the year s worst political dithering in Europe and contention in the U.S. exacerbating the economic and fiscal concerns. The fourth quarter was positive for small-caps in all three years (as it was in 2009), though in 2011 its gains were not enough to keep the major indexes from finishing the year in the red.

This pattern is worth mentioning because we saw a more muted version of it play out in 2013. The critical difference was that initially rattled investors recovered their confidence in equities before the second quarter had ended and before quarterly returns turned negative. This suggests perhaps not so much a new-found confidence as it does a steadier sense of conviction. With the economy improving and our fiscal situation increasingly more manageable, investors appear to be seeing the value of staying invested. We see this as one of several encouraging signs for active management as we enter 2014. It makes sense to us that longer investment horizons will lead larger numbers of investors to higher-quality companies.

Everybody Saw the Sunshine

Small-caps were once again leaders in what was a magnificent year for equities. For the full year, the Russell 2000 (+38.8%) and the tech-centric Nasdaq Composite (+38.3%) outpaced the large-cap Russell 1000 (+33.1%) and S&P 500 (+32.4%) Indexes. **The Russell 2000 enjoyed its best calendar-year performance since 2003. 2013 was also the best since 1995 for the Russell 1000, since 1997 for the S&P 500, and since 2009 for the Nasdaq Composite.** The latter index, however, has not yet topped the high it made back on March 10, 2000. By contrast, the small-cap index, the Russell 1000, and the S&P 500 all established new highs on the last day of 2013. It was also the first year since 1996 in which the Russell 2000 posted positive returns in all four quarters.

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After a strong first half, in which all the major domestic indexes were positive both through the end of June and for the more volatile second quarter, both small-cap and large-cap stocks sailed through the rest of the year. As it did in the second quarter, the Nasdaq led in the third, up an impressive 10.8% compared to a 10.2% gain for the Russell 2000 and respective increases of 5.2% and 6.0% for the S&P 500 and Russell 1000. As mentioned, December saw a brief squall of volatility, though fourth-quarter results for all four indexes wound up solidly positive. The Nasdaq marked its third consecutive quarter of market leadership, advancing 10.7% for the fourth quarter versus 8.7% for the Russell 2000 Index, 10.2% for the Russell 1000, and 10.5% for the S&P 500. It was also notable that from the 10-year Treasury yield low of 1.66% on May 2, 2013 through the end of the year small-caps were strong. The Russell 2000 gained 25.0% during this period versus respective gains of 17.9% and 17.4% for the Russell 1000 and S&P 500. (The 10-year yield finished 2013 at 3.04%.)

Along with the onset of tapering, rising rates though still historically low on an absolute basis strongly suggest to us that we are moving closer, if at times by fits and starts, to a stock market that will reward quality businesses, especially those poised to benefit from a healthy, growing economy.

Outside the U.S., life was generally less bullish in 2013. Most non-U.S. indexes finished behind their stateside cousins in the first quarter and were in the red for the second. Results improved significantly in the second half, with European indexes turning in conspicuously high returns. For the third quarter, the Russell Global ex-U.S. Small Cap Index advanced 10.7% while the Russell Global ex-U.S. Large Cap Index increased 10.4%. The indexes also ended the year on a high note. For the fourth quarter, the Russell Global ex-U.S. Small Cap rose 4.0% while the Russell Global ex-U.S. Large Cap was up 5.0%. Calendar-year results were solid, though each index lagged its domestic peers. For 2013, the Russell Global ex-U.S. Small Cap Index climbed 17.2% while its large-cap sibling gained 16.1%.

The Russell Microcap Index posted impressive results for both the third (+11.6%) and fourth (+10.3%) quarters of 2013. This second-half strength helped the micro-cap index achieve an eye-catching 45.6% return for the calendar year. Results for both the second half and full year were not quite as robust for mid-cap stocks, as measured by the Russell

We suspect that the answer is both a lot simpler and less flattering to our stock-picking acumen. The high five-year returns are in part a consequence of the market s recent strength (especially in 2013) and, more important, the result of dropping some unusually bad results from the fourth quarter of 2008 the onset of the Financial Crisis. The five-year average annual total return for the Russell 2000 as of December 31, 2012 was 3.6% (+19.1% on a cumulative basis). Yet when we fast-forward to the end of December 2013, we see the five-year return for the Russell 2000 jump to 20.1% (+149.7% on a cumulative basis).

Most of the time, a five-year period would capture a variety of experiences, perhaps an entire market cycle or two. But occasionally it does not, and the result is a distortion springing from an uncommonly steady, mostly bullish period. So as wonderful as they are, it seems clear to us that the five-year returns for several mutual funds, indexes, and ETFs are simply too good to last. Markets simply do not move up forever, or even for several years in a row.

We believe in reversion to the mean; the cyclical nature of markets is very real to us. Of course, we do not pretend to know how to time market

cycles. All we know is that at some point, the current cycle will change.

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Letter to Our Stockholders

Midcap Index, though they were more than respectable on an absolute basis. For the third quarter, the mid-cap index advanced 7.7% before rising 8.4% in the fourth, leading to a terrific 34.8% return for the full year.

Fixing A Hole

For the most part, calendar-year returns for our three oldest closed-end funds left us with mixed emotions (Royce Global Value Trust had less than three full months of performance). We were pleased, for the most part, with the Funds absolute results. However, on both an NAV (net asset value) and market price basis both Royce Value Trust and Focus Trust lagged their respective benchmarks, in the latter case by a sizable margin. Royce Micro-Cap Trust outpaced the small-cap Russell 2000 Index on both an NAV and market price basis for the calendar year. The Fund also beat the Russell Microcap Index on a market price basis in 2013 while it very narrowly trailed that index on an NAV basis.

Our disciplined, risk-averse approach has often left us looking up at benchmarks during dynamic bull markets. In a more historically typical market cycle, 2013 s results would have given us less to explain or complain about. But these calendar-year results came after several portfolios underperformed their benchmarks in 2012 and 2011. The last three years, then, have left us increasingly frustrated, even as the reasons behind these underperformances are clear. Small-cap companies with high returns on invested capital (ROIC) and low-debt balance sheets have, as a group, underperformed their more leveraged counterparts. In addition, more economically sensitive cyclical sectors, including Energy, Industrials, Materials, and Technology, have trailed more defensive areas (such as Utilities) and less conservatively-capitalized, higher-yielding vehicles (e.g., REITs and MLPs) where we have little if any exposure. Over the last several years, we have found many of what we think are highly attractive opportunities in cyclical stocks and/or in companies with strong balance sheets and high

ROIC. Most have had only limited participation in the rally that began in March 2009. There have also been industries, such as precious metals & mining, that did very well in the initial phase of the recovery following the Financial Crisis before they began to correct sharply in 2011 and are yet to recover. So while nearly all sectors and industries across all asset classes did well in 2013, companies with many of the qualities that we look for have not yet led for long. **Our approach leads us to conservatively capitalized companies with high ROIC and strong cash flow characteristics, among other attributes.** Investors have still not gravitated to these kinds of companies in comparatively large numbers. However, it s worth mentioning that many quality small-cap companies did very well on an absolute basis in 2013, particularly in the year s last eight months.

Let It Be

There have also been signs over the last year-and-a-half that this leadership pattern is beginning to change. Two dates stand out to us as significant. The first was June 4, 2012. From that date through the end of December 2012, investors showed a preference for companies with those quality characteristics mentioned earlier at the expense of high-yield

2013 NAV TOTAL RETURNS FOR ROYCE S CLOSED-END FUNDS VS. RUSSELL 2000, RUSSELL MICROCAP, RUSSELL 2500 AND THE RUSSELL GLOBAL SMALL-CAP as of 12/31/13

[1] Not annualized, cumulative since RGTs inception on 10/17/13.

vehicles, highly leveraged stocks, and explosive growth stories. (This helps to explain why many of our portfolios outpaced their benchmarks in the final half of 2012.) Unfortunately, this quality rally was short lived, petering out early in the first quarter of 2013. But we saw it as a significant step in the right direction. **After all, we have been arguing for some time now that many quality stocks underperformed over the last several years because the Fed s zero-interest-rate policies and multiple rounds of quantitative easing led to an outsized hunger for high yield and too few consequences for businesses carrying a lot of debt.** This in turn led to a comparative neglect of companies with more pristine balance sheets and those with steady, but lower, dividends. We have also insisted, however, that these advantages have largely played themselves out in the context of a strengthening economy.

So it probably comes as no surprise that our second important date is the May 2, 2013 low for the 10-year Treasury yield, which marked the beginning of a rising interest-rate environment. Along with the onset of tapering, rising rates though still historically low on an absolute basis strongly suggest to us that we are moving closer, if at times by fits and starts, to a stock market that will reward quality businesses, especially those poised to benefit from a healthy, growing economy. In addition to the mini-rally in 2012, we saw improved results for many cyclical companies in the second half of 2013, especially compared to more defensive sectors. We have also seen a recovery in M&A and IPO activity. Most important, there have been increased levels of overall business activity, evidenced by the final revision of third-quarter GDP, which leaped from 3.6% to 4.1%.

In our position as bottom-up stock-pickers, we have always thought less about markets and indexes than we do about stocks and businesses. As has always been the case, our daily work focuses squarely on finding what we think are great companies at attractive prices.

We ve Got a Feeling

Of course, considering where we have been over the last five-plus, even 13-plus, years, it seems fair to ask what a return to an Old Normal would look like in the market. **Our sense is that small-caps are not on a collision course with a sustained decline or a catastrophic correction such as we saw in late 2008-early 2009.** It seems more likely to us that the market will undergo a series of small corrections that will slow the current breakneck pace of returns. From our perspective, this would be part of the larger normalization process affecting the economy and the financial markets. Corrections are a fact of life, and we have

No one knows exactly when or to what degree, but it will shift. This helps to explain why we think it s important to never get too excited during bullish phases like the current period, just as we believe investors should not get too upset during corrections.

Markets are always changing. We work hard to be prepared for these changes, which is why we use volatility and falling share prices to our advantage. Related to this is the idea of rotation. We cannot say for sure what part of the equity market will lead next we are obviously hoping that it s high quality but it s clear that a move will come. So we do not expect five-year returns to remain this robust, but we are still enthusiastic about the potential for small-cap returns.

Equally important, we have always thought that any evaluation of returns must be both long-term and multi-dimensional in order to measure more accurately what is being accomplished. For example, rolling returns are an excellent tool to examine mutual fund performance. It allows us to look at returns over multiple time periods and to gauge the experience of investors who enter the market at different points of time. We always try to keep in mind the following maxim: If the number looks too high, it probably is.

Letter to Our Stockholders

not seen one in more than a year. **So there will be some pullback, but we believe it will be manageable, at least for those of us with a disciplined, long-term approach.**

As of this writing, the Russell 2000 Index may have hit, or may be nearing, another peak. Nonetheless, we see opportunity in our chosen asset class. So while the index as a whole looked overvalued to us at year-end, the primary selection universe for our domestic small-cap portfolios is much wider than the Russell 2000. It encompasses more than 4,000 companies with market caps up to $2.5 billion; we are also active in mid-cap stocks, a segment where the market caps fall between $2.5 billion and $5 billion. This area provides more than 400 additional names. Indeed, no small-cap index, including the Russell 2000, takes in the full measure of small-cap valuations or offers the most appropriate selection space. In these days of ETFs and strong relative results for index-based investing, we think the enormous breadth of the small-cap world has been forgotten to some degree. In our position as bottom-up stock-pickers, we have always thought less about markets and indexes than we do about stocks and businesses. As has always been the case, our daily work focuses squarely on finding what we think are great companies at attractive prices. Our goal remains strong absolute returns over long-term periods. We cannot say for sure when conservatively capitalized, well-managed, and fundamentally sound businesses might assume market leadership. However, we are confident that they will in the not-too-distant future as the expanding economy leads investors to focus once more on fundamentals, particularly those that reveal high quality.

Sincerely,

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

January 31, 2014

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Annual Report to Stockholders

Royce Value Trust

AVERAGE ANNUAL NAV TOTAL RETURNS
Through 12/31/13

July December 2013[1]	19.32%
One-Year	34.14
Three-Year	11.66
Five-Year	21.27
10-Year	8.95
15-Year	10.04
20-Year	10.80
25-Year	11.55
Since Inception (11/26/86)	11.13

[1] Not annualized

CALENDAR YEAR NAV TOTAL RETURNS

Year	RVT	Year	RVT
2013	34.1%	2005	8.4%
2012	15.4	2004	21.4
2011	-10.1	2003	40.8
2010	30.3	2002	-15.6
2009	44.6	2001	15.2
2008	-45.6	2000	16.6
2007	5.0	1999	11.7
2006	19.5	1998	3.3

TOP 10 POSITIONS % of Net Assets

HEICO Corporation	1.4%
Tejon Ranch	1.0
On Assignment	0.9
Reliance Steel & Aluminum	0.9
Wabtec Corporation	0.9
Federated Investors Cl. B	0.8
E-L Financial	0.8
Coherent	0.8
Helmerich & Payne	0.8
Kennametal	0.8

PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Industrials	28.5%
Information Technology	18.2
Financials	12.4
Consumer Discretionary	11.4
Materials	6.5
Health Care	4.8
Energy	4.4
Consumer Staples	1.1
Telecommunication Services	0.7
Diversified Investment Companies	0.3
Miscellaneous	4.9
Preferred Stock	0.1
Cash and Cash Equivalents, Net of Outstanding Line of Credit	6.7

Manager s Discussion

Royce Value Trust (RVT) gained 34.1% on an NAV (net asset value) basis and 35.6% on a market price basis in 2013, capturing most of the respective gains of 38.8% and 41.3% for its unleveraged small-cap benchmarks, the Russell 2000 Index and S&P SmallCap 600 Index, for the same period.

Equities came off a subdued, in some cases bearish, fourth quarter of 2012 and kicked off 2013 with a dynamic first quarter. RVT gained 10.6% on an NAV basis and 13.7% on a market price basis to finish this bullish quarter, in the latter case outperforming the Russell 2000 (+12.4%) and S&P SmallCap 600 (+11.8%). The second quarter was more volatile and uncertain. Macro concerns once again influenced market sentiment as the globe s capital markets fell precipitously in late June following the announcement by Fed Chairman Ben Bernanke that the central bank was likely to slow the pace of its monthly bond purchases later in the year. Along with less-than-stellar news out of China, Brazil, Turkey, and Europe, and the rapidly rising yield on the 10-year Treasury, these negative headlines helped drive share prices lower. The markets stabilized, however, before the end of June, which enabled most major domestic indexes to finish the period in the black. RVT trailed both of its benchmarks in the second quarter, gaining 1.7% on an NAV basis and 1.9% on a market price basis compared to the Russell 2000 s 3.1% increase and the 3.9% gain for the S&P SmallCap 600.

The second half of the year saw a resumption of the first s quarter s feverish pace. The third quarter was another strong bullish period for equities, especially small-caps, which maintained their dynamic showing. On an NAV basis, RVT s 10.5% gain was enough to outperform the Russell 2000 s 10.2% increase though it was not enough to match the S&P SmallCap 600 s 10.7% return. On a market price basis, the Fund increased 7.6%. Fourth-quarter results were in general a bit more muted than those in the first and third, but remained generally robust. During this period, RVT gained 7.9% on an NAV basis and 8.8% on a market price basis, in the latter case beating the Russell 2000 s 8.7% advance but falling short of the S&P SmallCap 600 s 9.8% increase.

While we have generally been pleased with the Fund s recent performances on an absolute basis, relative results were not as consistent. On an NAV and market price basis, RVT outperformed the Russell 2000 for the five-, 15-, 20-, 25-year, and since inception (11/26/86) periods ended December 31, 2013 but only outpaced the S&P SmallCap 600 for the 25-year and since inception periods on an NAV basis and the 25-year period on a market price basis. **RVT s average annual NAV total return for the since inception period ended December 31, 2013 was 11.1%.**

Ten of the Fund s 12 equity sectors finished the year in the black. Industrials made by far the largest positive impact on calendar-year performance, followed by Information

GOOD IDEAS THAT WORKED

Top Contributors to 2013 Performance[1]

E-L Financial	0.49%
HEICO Corporation	0.48
On Assignment	0.47
PAREXEL International	0.46
Wabtec Corporation	0.43

[1] Includes dividends

Important Performance and Risk Information

All performance information reflects past performance, is presented on a total return basis, and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the most recent month-end may be obtained at www.roycefunds.com. The market price of the Fund s shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund invests primarily in securities of small- and micro-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. Regarding the two Good Ideas tables shown above, the sum of all contributors to, and all detractors from, performance for all securities in the portfolio would approximate the Fund s performance for 2013.

Performance and Portfolio Review

Technology, Financials, and Consumer Discretionary. Materials and Diversified Investment Companies detracted from performance, but their net losses were relatively tiny. At the industry level, metals & mining was the Fund s leading detractor, as businesses could not cope with the respective 36% and 28% drops in silver and gold prices in 2013. Two of RVT s top five, and half of its 20, worst performers came from this category. Three other holdings that posted net losses came from outside the industry but nonetheless had significant exposure to it, including two of the Fund s largest detractors, Central Fund of Canada, and ASA Gold and Precious Metals both are closed-end funds. After adding shares of each throughout much of the year, we trimmed our positions in December. We parted ways with Hochschild Mining in June and added shares of Canadian gold miner IAMGOLD Corporation. Outside the precious metals area, we significantly built our stake in Daphne International Holdings, a maker and retailer of Chinese footwear that sells Aerosole shoes in China. China s economic slowdown has hurt its share price as a cutback in consumer spending has contributed to declining sales and revenues. The company s strong management and market position give us confidence in its long-term potential.

E-L Financial, an investment and insurance holding company based in Toronto, was the Fund s top contributor and a top-ten holding at the end of 2013. We like its core business and dividend and were pleased to see other investors take note of the company. We trimmed our position in January and then again in December. HEICO Corporation is a tech-driven aerospace, industrial, defense, and electronics company located in Florida. The company benefited from both a recovery and a positive long-term outlook for the airline industry as well as ongoing profitability in its more space and defense-oriented Electronic Technologies Group. This resulted not only in improved margins and earnings, but also better free cash flows. It s a long-time Royce holding that we think is well managed and a leader in its field. On Assignment runs a global business that provides in-demand, skilled professionals in the technology, healthcare, and life sciences fields. We like its steady earnings and cash flows as well as its niche in staffing industries that we think have very strong growth potential.

GOOD IDEAS AT THE TIME
Top Detractors from 2013 Performance[1]

Daphne International Holdings	-0.22%
Central Fund of Canada Cl. A	-0.19
ASA Gold and Precious Metals	-0.15
Hochschild Mining	-0.12
IAMGOLD Corporation	-0.11

[1] Net of dividends

MARKET PRICE PERFORMANCE HISTORY SINCE INCEPTION
(11/26/86) through 12/31/13

1 Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception ($10.00 IPO), reinvested all annual distributions and fully participated in primary subscriptions of the Fund s rights offerings.
2 Reflects the actual market price of one share as it traded on the NYSE.

FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

Fund Total Net Assets	$1,308 million
Number of Holdings	539
Turnover Rate	33%
Symbol Market Price NAV	 RVT XRVTX
Average Market Capitalization[2]	$1,782 million
Weighted Average P/E Ratio[3,4]	21.6x
Weighted Average P/B Ratio[3]	2.1x
U.S. Investments (% of Net Assets)	78.1%
Non-U.S. Investments (% of Net Assets)	15.2%

1 **Geometric Average.** This weighted calculation uses each portfolio holding s market cap in a way designed to not skew the effect of very large or small holdings; instead, it aims to better identify the portfolio s center, which Royce believes offers a more accurate measure of average market cap than a simple mean or median.
2 **Harmonic Average.** This weighted calculation evaluates a portfolio as if it were a single stock and measures it overall. It compares the total market value of the portfolio to the portfolio s share in the earnings or book value, as the case may be, of its underlying stocks.
3 The Fund s P/E ratio calculation excludes companies with zero or negative earnings (24% of portfolio holdings as of 12/31/13).

DOWN MARKET PERFORMANCE COMPARISON
All Down Periods of 7.5% or Greater
Over the Last 7 Years, in Percentages (%)

Royce Micro-Cap Trust

AVERAGE ANNUAL NAV TOTAL RETURNS
Through 12/31/13

July-December 2013[1]	27.42%
One-Year	44.52
Three-Year	16.11
Five-Year	24.12
10-Year	9.64
15-Year	11.60
20-Year	11.93
Since Inception (12/14/93)	11.92

[1] Not annualized

CALENDAR YEAR NAV TOTAL RETURNS

Year	RMT	Year	RMT
2013	44.5%	2005	6.8%
2012	17.3	2004	18.7
2011	-7.7	2003	55.5
2010	28.5	2002	-13.8
2009	46.5	2001	23.4
2008	-45.5	2000	10.9
2007	0.6	1999	12.7
2006	22.5	1998	-4.1

TOP 10 POSITIONS % of Net Assets

Integrated Electrical Services	1.2%
Mesa Laboratories	1.1

Drew Industries	1.1
Computer Task Group	1.1
Patriot Transportation Holding	1.1
Raven Industries	1.1
Quaker Chemical	1.0
Sun Hydraulics	1.0
Seneca Foods	1.0
Tejon Ranch	1.0

PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Industrials	28.9%
Information Technology	21.0
Financials	16.1
Consumer Discretionary	12.2
Health Care	8.7
Materials	5.8
Energy	3.5
Consumer Staples	2.4
Telecommunication Services	0.4
Utilities	0.1
Miscellaneous	4.8
Preferred Stock	0.3
Outstanding Line of Credit, Net of Cash and Cash Equivalents	-4.2

Manager s Discussion

Royce Micro-Cap Trust (RMT) gained 44.5% on an NAV (net asset value) basis and 49.4% on a market price basis in 2013 compared to its unleveraged benchmarks, the Russell 2000 Index and Russell Microcap Index, which had respective gains of 38.8% and 45.6%, for the same period. During the highly bullish first quarter, RMT gained 11.4% on an NAV basis, falling behind both the Russell 2000 and the Russell Microcap, which rose 12.4% and 12.6%, respectively. On a market price basis, RMT outpaced both indexes, gaining 14.6% during the first quarter. The second quarter was more volatile. Market sentiment soured in late June after the Fed announced that it would likely begin winding down its quantitative easing policies later in the year. Adding to the uncertainty was the less-than-stellar news out of China, Brazil, Turkey, and Europe, which led to a drop in stock prices for several sessions before the markets stabilized here in the U.S. just before the end of June. RMT trailed both the Russell 2000 and Russell Microcap Indexes in the second quarter, gaining 1.8% on an NAV basis and 2.4% on a market price basis compared to respective gains of 3.1% and 5.1%.

The Fund enjoyed a particularly strong third quarter, outpacing each of its benchmarks. RMT advanced 13.9% on an NAV basis (and gained 9.6% based on market price) while the small-cap index was up 10.2% and the micro-cap index rose 11.6% in the third quarter. The fourth quarter saw mostly lower though still positive returns, though micro-caps were something of an exception to this rule. The Fund increased 11.9% on an NAV basis and an impressive 16.2% on a market price basis versus respective gains of 8.7% and 10.3% for the Russell 2000 and Russell Microcap Indexes.

On a long-term NAV basis, we were pleased that the Fund outperformed the Russell 2000 for the three-, five-, 10-, 15-, 20-year, and since inception (12/14/93) periods ended December 31, 2013. The Fund also outpaced the Russell Microcap for the one-, five-, and 10-year periods on an NAV basis. On a market price basis, RMT outperformed the Russell 2000 for the one-, three-, five-, 20-year, and since inception (12/14/93) periods ended December 31, 2013; the Fund also outpaced the Russell Microcap for the one-, three-, five-, and 10-year periods. (Data for the Russell Microcap only goes back to 2000.) **RMT s average annual NAV total return for the since inception period was 11.9%. We are proud of the Fund s long-term record and are pleased that RMT celebrated 20 years of history in December 2013.**

Nine of the Fund s 10 equity sectors made net contributions to performance in 2013. Industrials led comfortably, though strong net gains also came from Information Technology and Financials. At the position level, the largest contributions came from companies in the Financials and Industrials sectors. San Diego-based BofI Holding has been a holding in the

GOOD IDEAS THAT WORKED
Top Contributors to 2013 Performance[1]

BofI Holding	0.99%
Altisource Asset Management	0.87
Virtus Investment Partners	0.82
Kennedy-Wilson Holdings	0.79
AAON	0.76

[1] Includes dividends

Important Performance and Risk Information

All performance information reflects past performance, is presented on a total return basis, and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the most recent month-end may be obtained at www.roycefunds.com. Certain immaterial adjustments were made to the net assets of Royce Micro-Cap Trust at 12/31/12 for financial reporting purposes, and as a result the net asset value originally calculated on that date and the total return based on that net asset value differs from the adjusted net asset value and total return reported in the Financial Highlights. The market price of the Fund s shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund normally invests in micro-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. Regarding the two Good Ideas tables shown above, the sum of all contributors to, and all detractors from, performance for all securities in the portfolio would approximate the Fund s performance for 2013.

Performance and Portfolio Review

portfolio since late August of 2006. BofI saw its web-based banking services in both the consumer and commercial markets in high demand. We liked its long-term prospects, but its soaring stock price convinced us to greatly reduce our position. Altisource Asset Management provides asset management and corporate governance services to investment vehicles that own real estate related assets. We began to sell our stake in September when its share price rose well beyond our price target. A rising stock price also led us to take gains in Virtus Investment Partners, a financial advisory and consulting firm, and Kennedy-Wilson Holdings, a vertically-integrated real estate investment and services company. The latter benefited from investing aggressively in West Coast commercial real estate when those markets were in distress, and the firm s performance in 2013 reflected their much healthier condition.

Five out of the Fund s top 10 detractors, and 10 of its top 20, came from the metals & mining industry. Respective commodity price declines of 28% and 36% for gold and silver in 2013 were the primary cause of the industry s woes. After adding to our stake in the first half, we chose to sell our shares in Vista Gold in the fall after further alarming share price declines. We also parted ways with Golden Star Resources. Confident that it could benefit from an eventual turnaround, we added shares in closed-end fund ASA Gold and Precious Metals, which invests primarily in companies involved in gold mining. After initiating a position in March, we substantially built our position in Sprott, a Canadian investment management company that saw its share price slide as assets and fees declined, in large part the result of its significant exposure to the precious metals mining and energy industries. Coming from the Health Care sector, Celsion Corporation develops heat-based cancer treatments, currently focused on breast and liver cancer. After gains in the stock led us to reduce our stake between July 2012 and January 2013, we held a small position throughout the year, though it was not small enough to keep the stock from hurting performance. Its share price cratered late in January on news that its liver cancer treatment, ThermoDox, failed to meet efficacy expectations in the final stage of clinical testing. We still like its core business and were reasonably hopeful that it could recover.

GOOD IDEAS AT THE TIME
Top Detractors from 2013 Performance[1]

Vista Gold	-0.48%
Celsion Corporation	-0.41
ASA Gold and Precious Metals	-0.25
Golden Star Resources	-0.21
Sprott	-0.14

[1] Net of dividends

MARKET PRICE PERFORMANCE HISTORY SINCE INCEPTION (12/14/93) through 12/31/13

1 Reflects the cumulative total return of an investment made by a stockholder who purchased one share at inception ($7.50 IPO), reinvested distributions and fully participated in the primary subscription of the 1994 rights offering.
2 Reflects the actual market price of one share as it traded on the NYSE and, prior to 12/1/03, on the Nasdaq.

FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

Fund Total Net Assets	$433 million
Number of Holdings	392
Turnover Rate	29%
Symbol Market Price NAV	 RMT XOTCX
Net Leverage[1]	4%
Average Market Capitalization[2]	$453 million
Weighted Average P/E Ratio[3,4]	21.0x
Weighted Average P/B Ratio[3]	1.9x
U.S. Investments (% of Net Assets)	91.5%
Non-U.S. Investments (% of Net Assets)	12.7%

1 Net leverage is the percentage, in excess of 100%, of the total value of equity type investments, divided by net assets.
2 **Geometric Average.** This weighted calculation uses each portfolio holding s market cap in a way designed to not skew the effect of very large or small holdings; instead, it aims to better identify the portfolio s center, which Royce believes offers a more accurate measure of average market cap than a simple mean or median.
3 **Harmonic Average.** This weighted calculation evaluates a portfolio as if it were a single stock and measures it overall. It compares the total market value of the portfolio to the portfolio s share in the earnings or book value, as the case may be, of its underlying stocks.
4 The Fund s P/E ratio calculation excludes companies with zero or negative earnings (24% of portfolio holdings as of 12/31/13).

DOWN MARKET PERFORMANCE COMPARISON
All Down Periods of 7.5% or Greater
Over the Last 7 Years, in Percentages(%)

Royce Focus Trust

AVERAGE ANNUAL NAV TOTAL RETURNS
Through 12/31/13

July-December 2013[1]	16.69%
One-Year	19.73
Three-Year	6.08
Five-Year	17.49
10-Year	9.38
15-Year	11.01
Since Inception (11/1/96)[2]	10.58

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

CALENDAR YEAR NAV TOTAL RETURNS

Year	FUND	Year	FUND
2013	19.7%	2005	13.3%
2012	11.4%	2004	29.3%
2011	-10.5	2003	54.3
2010	21.8	2002	-12.5
2009	54.0	2001	10.0
2008	-42.7	2000	20.9
2007	12.2	1999	8.7
2006	15.8	1998	-6.8

TOP 10 POSITIONS % of Net Assets

Western Digital	5.0%
Franklin Resources	3.8

Berkshire Hathaway Cl. B	3.7
Helmerich & Payne	3.5
Exxon Mobil	3.2
Microsoft Corporation	3.1
Thor Industries	3.0
Apple	2.9
Buckle (The)	2.7
Myriad Genetics	2.5

PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Financials	18.7%
Materials	18.7
Information Technology	18.7
Energy	11.9
Consumer Discretionary	11.2
Industrials	8.7
Consumer Staples	6.3
Health Care	3.7
Cash and Cash Equivalents	2.1

Manager s Discussion

Following rough first- and second-quarter results, disappointing absolute and relative performance continued for Royce Focus Trust (FUND). **For the year, FUND rose 19.7% on an NAV (net asset value) basis and 22.0% on a market price basis, lagging the 36.8% gain for its benchmark, the Russell 2500 Index.**

The Fund could not keep pace through the first quarter of 2013, a more or less consistently bullish period that lifted share prices across asset classes. The Fund climbed 2.3% on an NAV basis and 7.3% on a market price basis in the first quarter, lagging behind the 12.8% advance for the Russell 2500. Following this bull run, the markets shifted to a more volatile and unsettled mode. The second quarter saw declines in the emerging markets and a slowdown in China that, combined with Fed Chairman Ben Bernanke s announcement that the pace of the central bank s $85 billion monthly bond purchase program was likely to slow by the end of the year, further distorted valuations and depressed asset prices. The market s reaction to these macro headlines was swift and dramatic, though U.S. stocks generally did a better job of pushing through these challenges than many non-U.S. stocks. Most U.S. indexes finished the quarter in the black. FUND lagged its benchmark in the second quarter, gaining 0.2% on an NAV basis and 1.3% on a market price basis versus a gain of 2.3% for the Russell 2500.

The third quarter was only slightly less bullish than the first, with returns for most of the major indexes demonstrating the market s resilience. Indeed, strong third-quarter results were a convincing sign that investors were happy to shrug off macro developments that were potentially similar to those that had hampered results in the previous three years. The Fund s NAV performance was a bit stronger during this quarter, though it continued to trail its benchmark. FUND advanced 8.9% on an NAV basis and 4.9% on a market price basis in the third quarter while the benchmark rose 9.1%. The markets were a bit less dynamic in the year s final quarter, though returns were still solidly in the black. FUND posted 7.0% on an NAV basis and 7.1% on a market price basis to finish the year, underperforming the Russell 2500 s 8.7% increase. While we were pleased that the Fund outpaced its benchmark for the 15-year and since inception of our management (11/1/96) periods ended December 31, 2013, relative results over other long-term periods were disappointing. **The Fund s average annual NAV total return for the since inception period ended December 31, 2013 was 10.6%.**

Six of the Fund s eight equity sectors contributed positively to calendar-year performance. Information Technology led by a wide margin, followed by notable net gains from the Consumer Staples, Financials, and Consumer Discretionary sectors. Materials was the Fund s most significant detractor, with most losses coming from the metals & mining industry. This group accounted for all five of FUND s five-largest detractors, as well as seven of its top 10.

GOOD IDEAS THAT WORKED

Top Contributors to 2013 Performance[1]

Western Digital	3.67%
Nu Skin Enterprises Cl. A	3.57
GameStop Corporation Cl. A	1.86
Helmerich & Payne	1.53
Microsoft Corporation	1.51

[1] Includes dividends

Important Performance and Risk Information

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Performance and Portfolio Review

Plummeting revenue and share prices were mostly the result of significant drops in silver and gold prices in 2013 36% and 28%, respectively as well as increased operating costs for many mining companies. In many cases, valuations have reached what we view as rock-bottom levels that have not been seen since the late 2008-early 2009 lows. For the most part, we have chosen to hold those companies that we think look best positioned for an eventual turnaround. We sold our positions in Allied Nevada Gold and Newmont Mining and added shares of Seabridge Gold and Fresnillo. We also held on to our shares in Pretium Resources.

Irvine, C.A.-based Western Digital was FUND s top contributor and a number one position at year-end. One of two firms that dominate disk drive production worldwide, Western Digital s core business solutions for the collection, storage, management, and protection of digital content grabbed our attention back in 2010 when we first began building a position in the portfolio. The company made some smart acquisitions in 2013, including Virident, sTec, and VeloBit, which strengthened its position in the hard disk drive and flash technology markets. A developer and distributor of personal care skin products worldwide, Nu Skin Enterprises was the Fund s second-largest contributor to 2013 performance. Its share price gained momentum from stronger-than-anticipated third-quarter earnings and improved full-year guidance for 2013 in October, driven by the success of a limited-time offer for its new weight management system, helped its share price gain momentum. We took gains throughout much of the year. GameStop Corporation is a video game retailer that sells new and pre-owned gaming products, including hardware and software. In contrast to Wall Street s prediction that GameStop would be the next Blockbuster Video, we have long been attracted to the company s management and buy-sell-trade model. Earlier in the year, announcements came from Microsoft and Sony that each would be introducing updated gaming consoles mollified worries. In addition to the updated consoles, the company s video game exchange business should continue to thrive as new games are introduced with the release of the new consoles and older games from outdated systems should be harder to find. The firm also enjoyed increased net sales in the third quarter and saw high demand for the new consoles. We reduced our position in 2013.

GOOD IDEAS AT THE TIME
Top Detractors from 2013 Performance[1]

Allied Nevada Gold	-2.15%
Seabridge Gold	-1.13
Pretium Resources	-1.10
Fresnillo	-0.99
Newmont Mining	-0.81

[1] Net of dividends

MARKET PRICE PERFORMANCE HISTORY SINCE INCEPTION (11/1/96)[3] through 12/31/13

[1] Reflects the cumulative total return experience of a continuous common stockholder who reinvested all distributions and fully participated in the primary subscription of the 2005 rights offering.
[2] Reflects the actual market price of one share as it traded on Nasdaq.
[3] Royce & Associates assumed investment management responsibility for the Fund on 11/1/96.

FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

Fund Total Net Assets	$191 million
Number of Holdings	52
Turnover Rate	23%
Symbol Market Price NAV	 FUND XFUNX
Average Market Capitalization[1]	$6,747 million
Weighted Average P/E Ratio[2,3]	16.7x
Weighted Average P/B Ratio[2]	2.1x
U.S. Investments (% of Net Assets)	71.2%
Non-U.S. Investments (% of Net Assets)	26.7%

[1] **Geometric Average.** This weighted calculation uses each portfolio holding s market cap in a way designed to not skew the effect of very large or small holdings; instead, it aims to better identify the portfolio s center, which Royce believes offers a more accurate measure of average market cap than a simple mean or median.
[2] **Harmonic Average.** This weighted calculation evaluates a portfolio as if it were a single stock and measures it overall. It compares the total market value of the portfolio to the portfolio s share in the earnings, or book value, as the case may be, of its underlying stocks.
[3] The Fund s P/E ratio calculation excludes companies with zero or negative earnings (13% of portfolio holdings as of 12/31/13).

DOWN MARKET PERFORMANCE COMPARISON

All Down Periods of 7.5% or Greater
Over the Last 7 Years, in Percentages(%)

Royce Global Value Trust

CUMULATIVE NAV TOTAL RETURN
Through 12/31/13

Since Inception (10/17/13)[1]	2.76%

[1] Not annualized

TOP 10 POSITIONS % of Net Assets

Stallergenes	1.7%
New World Department Store China	1.6
Lazard Cl. A	1.6
Midland Holdings	1.6
Television Broadcasts	1.6
Mayr-Melnhof Karton	1.6
Semperit AG Holding	1.6
Vaisala Cl. A	1.6
Daphne International Holdings	1.5
Lewis Group	1.4

PORTFOLIO SECTOR BREAKDOWN % of Net Assets

Consumer Discretionary	18.2%
Industrials	15.7
Materials	13.5
Information Technology	12.8
Financials	12.8
Health Care	7.1

Energy	2.0
Consumer Staples	2.0
Cash and Cash Equivalents	15.9

Manager s Discussion

Royce Global Value Trust (RGT), our newest offering, rose 2.8% on an NAV (net asset value) basis in its inaugural performance period versus a 3.3% gain for its benchmark, the Russell Global Small Cap Index, for the same period, which ran from October 17, 2013 through the end of 2013. We were pleased with the portfolio s early showing, especially considering that as 2013 closed, RGT held a relatively large cash percentage. These results also come with a caveat, however we believe that such a short-term span is not terribly relevant in evaluating any investment s merits. This period covered most of the year s bullish fourth quarter, which was generally less robust for non-U.S. stocks than it was for their domestic cousins. Results for both RGT and its benchmark reflected this.

The Fund came into existence as a spin-off from Royce Value Trust (RVT) in which the distribution of shares of RGT to its stockholders was done at the rate of one share of Global Trust common stock for every seven shares of RVT common stock owned. RGT s investment goal is long-term growth of capital. The Fund invests in a broadly diversified portfolio of both U.S. and non-U.S. small-cap stocks. Chuck Royce manages the Fund while Royce veterans Chris Flynn and David Nadel serve as assistant portfolio managers. We are very excited to be introducing a closed-end portfolio that seeks to take advantage of the growing opportunities among global small-caps, which we think remain outstanding. The Fund finished 2013 with 97 equity holdings and approximately 84% of its common stock positions were invested in countries located outside the U.S., which nonetheless remained the nation to which the portfolio had the most exposure at the end of December. RGT also had a good-sized amount of exposure to Hong Kong, Canada, Japan, the UK, and France at year-end.

The portfolio s best-performing equity sectors were also two of its largest at the end of 2013 Industrials and Information Technology. Financials, Health Care, and Materials rounded out the list of sectors that posted net gains while Energy was flat and Consumer Staples and Consumer Discretionary each posted comparably modest net losses for the opening performance period. Trading companies & distributors, from the Industrials sector, led all of RGT s industry groups by a sizable margin, though the electronic equipment,

GOOD IDEAS THAT WORKED
Top Contributors to 2013 Performance[1]

AerCap Holdings	0.86%
GrafTech International	0.36
Vaisala Cl. A	0.33
EPS Corporation	0.31
Lazard Cl. A	0.28

[1] Includes dividends

Important Performance and Risk Information

All performance information reflects past performance, is presented on a total return basis, and reflects the reinvestment of distributions. Past performance is no guarantee of future results. Current performance may be higher or lower than performance quoted. Returns as of the most recent month-end may be obtained at www.roycefunds.com. The Fund invests primarily in securities of small-cap and micro-cap companies, which may involve considerably more risk than investing in larger-cap companies. The Fund s broadly diversified portfolio does not ensure a profit or guarantee against loss. From time to time, the Fund may invest a significant portion of its net assets in foreign securities, which may involve political, economic, currency and other risks not encountered in U.S. investments. The Fund invests primarily in securities of small-cap and micro-cap companies, which may involve considerably more risk than investing in larger-cap companies. The Fund s broadly diversified portfolio does not ensure a profit or guarantee against loss. From time to time, the Fund may invest a significant portion of its net assets in foreign securities, which may involve political, economic, currency and other risks not encountered in U.S. investments. The market price of the Fund s shares will fluctuate, so that shares may be worth more or less than their original cost when sold. The Fund normally invests primarily in small-cap companies, which may involve considerably more risk than investing in a more diversified portfolio of larger-cap companies. Regarding the two Good Ideas tables shown above, the sum of all contributors to, and all detractors from, performance for all securities in the portfolio would approximate the Fund s performance for 2013.

Performance and Portfolio Review

instruments & components group and capital markets stocks also chipped in with good-sized gains. Among those groups that detracted from results, the textiles, apparel & luxury goods group led, followed by net losses for construction & engineering companies and the metals & mining group.

AerCap Holdings led all of the Fund s top contributors by a wide margin. The Netherlands-based company has a global business in aircraft leasing and aviation finance. It share price soared in mid-December on news that it would be buying American International Group s International Lease Finance, which stood to make AerCap the world s second-largest aircraft lessor. We sold our position in the dramatic run-up. GrafTech International is a long-time Royce favorite. It s a U.S. business that manufactures synthetic and natural graphite and carbon based products that are used to produce steel. The company had been enduring slowing demand for steel and capacity utilization before announcing plans for a turnaround that focuses on profitability, cash flow, and growth while also offering a sturdier outlook for steel demand in 2014.

Shanghai-based Daphne International Holdings led all of the portfolio s Good Ideas at the Time by a wide margin. In December, we used its slumping share price to add to our position. The overall slowdown in the Chinese economy has taken its toll on Daphne s business as lower levels of consumer spending in particular caused sales and revenues to decline. The company is a Chinese footwear maker and retailer that sells Aerosole shoes in China. Its strong management and market position gave us confidence in the company s long-term potential, though we recognize that this investment is likely to require patience. We had less confidence in the long-term prospects for Ekornes, a Norwegian home furnishings manufacturer that specializes in recliners and sofas. Declining sales and revenues left us less comfortable, so we reduced our position.

Daily NAVs (net asset values) for the Fund are available on our website and online through most ticker symbol lookup services, as well as on broker terminals under the symbol XRGTX. The Fund trades on the New York Stock Exchange under the symbol RGT. Of course, investors should consider the Fund s investment objectives, risks, fees, charges, and expenses carefully before investing.

GOOD IDEAS AT THE TIME
Top Detractors from 2013 Performance[1]

Daphne International Holdings	-0.37%
Ekornes	-0.19
Mardin Cimento Sanayii	-0.17
Raubex Group	-0.17
Fresnillo	-0.15

[1] Net of dividends

FUND INFORMATION AND PORTFOLIO DIAGNOSTICS

Fund Total Net Assets	$103 million
Number of Holdings	97
Turnover Rate	7%
Symbol Market Price NAV	 RGT XRGTX
Average Market Capitalization[1]	$1,230 million
Weighted Average P/E Ratio[2,3]	16.4x
Weighted Average P/B Ratio[2]	2.0x

1 **Geometric Average.** This weighted calculation uses each portfolio holding s market cap in a way designed to not skew the effect of very large or small holdings; instead, it aims to better identify the portfolio s center, which Royce believes offers a more accurate measure of average market cap than a simple mean or median.
2 **Harmonic Average.** This weighted calculation evaluates a portfolio as if it were a single stock and measures it overall. It compares the total market value of the portfolio to the portfolio s share in the earnings or book value, as the case may be, of its underlying stocks.
3 The Fund s P/E ratio calculation excludes companies with zero or negative earnings (12% of portfolio holdings as of 12/31/13).

PORTFOLIO COUNTRY BREAKDOWN[1,2]
% of Net Assets

United States	15.7%
Hong Kong	10.6
Canada	7.5
Japan	7.1
United Kingdom	6.3
France	5.4
South Africa	4.2
Austria	3.2

1 Represents countries that are 3% or more of net assets.

[2] Securities are categorized by the country of their headquarters.

History Since Inception

The following table details the share accumulations by an initial investor in the Funds who reinvested all distributions 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.

Amount	Purchase	NAV	Market