

ROYCE FOCUS TRUST INC  
Form N-CSR  
March 08, 2005

**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: July 1, 2004  December 31, 2004

**Item 1: Reports to Shareholders**

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**A N N U A L R E P**  
**O R T**  
**2004**

**Royce Value Trust**

**Royce Micro-Cap Trust**

**Royce Focus Trust**

**www.roycefunds.com**



# TheRoyceFund

VALUE INVESTING IN SMALL COMPANIES FOR MORE THAN 30 YEARS

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## 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 primarily in a limited number of small-cap 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 that 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, 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 microcap 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. Each of the Funds has adopted a quarterly distribution policy for its 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. For additional information on the Funds' Distribution Reinvestment and Cash Purchase Options and the benefits for stockholders, see page 46.

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## PERFORMANCE TABLE

| NAV AVERAGE ANNUAL TOTAL RETURNS Through December 31, 2004 |                   |                       |                   |              |
|--|-------------------|-----------------------|-------------------|--------------|
|  | Royce Value Trust | Royce Micro-Cap Trust | Royce Focus Trust | Russell 2000 |
| &#160; &#160; <b>Fourth Quarter 2004*</b>                  | 13.18%            | 12.90%                | 12.65%            | 14.09%       |
| &#160; &#160; <b>July-December 2004*</b>                   | 10.81             | 9.53                  | 16.83             | 10.83        |
| &#160; &#160; <b>1-Year</b>                                | 21.42             | 18.69                 | 29.21             | 18.33        |
| &#160; &#160; <b>3-Year</b>                                | 12.99             | 16.75                 | 20.39             | 11.48        |
| &#160; &#160; <b>5-Year</b>                                | 14.15             | 16.84                 | 18.35             | 6.61         |
| &#160; &#160; <b>10-Year</b>                               | 14.84             | 15.67                 | n/a               | 11.54        |
| &#160; &#160; <b>Since Inception</b>                       | 12.85             | 14.61                 | 14.22             |              |
| &#160; &#160; <b>Inception Date</b>                        | 11/26/86          | 12/14/93              | 11/1/96**         |              |

\* Not annualized.

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

Royce Value Trust's 15-year NAV average annual total return for the period ended 12/31/04 was 13.47%.

### IMPORTANT PERFORMANCE, RISK AND OTHER INFORMATION

All performance information in this 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. Performance information does not reflect the deduction of taxes that a shareholder would pay on distributions or on the sale of Fund shares. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com). The Royce Funds invest primarily in securities of small-cap and/or micro-cap companies, which 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 opinion of Royce at December 31, 2004, 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 December 31, 2004 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. The Funds invest primarily in securities of small and micro-cap companies that may involve considerably more risk than investments of larger-cap companies. All publicly released material information is always disclosed by the Funds on the website at [www.roycefunds.com](http://www.roycefunds.com).

The Russell 2000, Russell 2000 Value, Russell 2000 Growth, Nasdaq Composite, S&P 500 and S&P 600 are unmanaged indices of domestic common stocks. Returns for the market indices used in this report were based on information supplied to Royce by Frank Russell and Morningstar. Royce has not independently verified the above described information. The Royce Funds is a service mark of The Royce Funds.

## LETTER TO OUR STOCKHOLDERS

### Dear Stockholder,

We have redesigned and reformatted our Annual Report for 2004 to focus on the information required by SEC regulations. It now includes Managers' Discussions of Fund Performance and Financial Statements for all three of our closed-end mutual funds. We have also created a new publication, the *Annual Review*, which features more wide-ranging commentary on the stock market as

***For more than 30 years, we have used various value approaches to invest in smaller-cap securities. We focus***

a whole and the Funds' portfolios. We hope that you find the material in each book useful and informative.

2004 was generally a positive one for the stock market as a whole, with small-cap securities enjoying a performance advantage over their large-cap counterparts. The small-cap oriented Russell 2000 index rose 18.3% in 2004, compared to respective gains of 10.9% and 8.6% for the S&P 500 and the Nasdaq Composite. For the sixth consecutive year, the Russell 2000 index outperformed the S&P 500. This past year also marked the fourth out of the last five calendar years in which the Russell 2000 outpaced the Nasdaq Composite. Small-cap value stocks also enjoyed a strong year in 2004, which can be seen in the calendar-year performances of our Funds. In contrast to 2003, a year in which micro-cap and Technology companies reigned supreme, 2004 was in general kinder to the upper tier of small-cap, as well as to individual companies in diverse sectors such as Natural Resources, Finance and Industrial Products (to name just a few strong-performing areas). The trend toward larger, arguably higher-quality, small-cap stocks dominating performance within the asset class was established early in the year, an unsurprising development given the red-hot performance of many micro-cap and Tech stocks in 2003.

We believe that *The Royce Funds*' performances generally were strong on an absolute basis in 2004 as well as over market cycles and long-term periods. While we would love to beat each Fund's respective benchmark during any particular performance period, we want to be clear that it remains our goal to achieve strong absolute returns over full market cycle and other long-term performance periods.

We appreciate your continued support.

Sincerely,

Charles M. Royce  
President

January 31, 2005

***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. At times, we may also look at other factors, such as a company's unrecognized asset values, its future growth prospects or its turnaround potential following an earnings disappointment or other business difficulties. 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.***

## ROYCE VALUE TRUST

| NAV AVERAGE ANNUAL TOTAL RETURNS<br>Through 12/31/04 |        |
|--|--------|
| Fourth Quarter 2004*                                 | 13.18% |
| July-December 2004*                                  | 10.81  |
| 1-Year   | 21.42  |
| 3-Year   | 12.99  |
| 5-Year   | 14.15  |

### Manager's Discussion

Royce Value Trust's (RVT) broadly diversified portfolio of small- and micro-cap stocks reaped the benefits of a strong year for small-cap value stocks. **In 2004, the Fund was up 21.4% on a net asset value (NAV) basis and 29.6% on a market price basis. RVT's calendar-year NAV performance was ahead of the small-cap oriented Russell 2000, which gained 18.3%, but trailed the small-cap S&P 600 index, which was up 22.7% for the same period.** The Fund's strong absolute results were achieved in spite of slightly lagging one of its benchmarks on an NAV basis (+13.2%) in

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|                            |       |
|----------------------------|-------|
| 10-Year                    | 14.84 |
| 15-Year                    | 13.47 |
| Since Inception (11/26/86) | 12.85 |

\*Not annualized.

**CALENDAR YEAR NAV TOTAL RETURNS**

| Year | RVT   | Year | RVT   |
|------|-------|------|-------|
| 2004 | 21.4% | 1996 | 15.5% |
| 2003 | 40.8  | 1995 | 21.1  |
| 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  |

**TOP 10 POSITIONS**  
% of Net Assets Applicable to Common Stockholders

|                                |      |
|--------------------------------|------|
| Apollo Investment              | 1.2% |
| Ritchie Bros. Auctioneers      | 1.0  |
| Arrow International            | 0.9  |
| Lincoln Electric Holdings      | 0.9  |
| Simpson Manufacturing          | 0.9  |
| Sotheby's Holdings Cl. A       | 0.9  |
| MacDermid                      | 0.9  |
| SEACOR Holdings                | 0.9  |
| Gabelli Asset Management Cl. A | 0.8  |
| MPS Group                      | 0.8  |

**PORTFOLIO SECTOR BREAKDOWN**  
% of Net Assets Applicable to Common Stockholders

|            |       |
|------------|-------|
| Technology | 21.5% |
|------------|-------|

the robust fourth-quarter rally. For this period, the Fund was up 16.6% on a market price basis, while the Russell 2000 was up 14.1% and the S&P 600 gained 13.0%. RVT's NAV performances over market cycle and long-term periods were similarly strong on an absolute and a relative basis. The Fund was up 78.6% from the previous small-cap market peak on 3/9/00 through 12/31/04 versus respective gains of 14.5% and 53.2% for the Russell 2000 and S&P 600. RVT gained 103.4% from the small-cap market trough on 10/9/02 through 12/31/04 versus respective gains of 104.8% and 96.5% for the Russell 2000 and the S&P 600. On an NAV basis, RVT outpaced the S&P 600 for the five-, 10-, 15-year and since inception (11/26/86) periods ended 12/31/04, while the Fund was ahead of the Russell 2000 for each of these periods as well as for the one-year and three-year periods. On a market price basis, RVT outperformed both benchmarks for the one-, three-, five-, 10-, 15-year and since inception (11/26/86) periods ended 12/31/04. **The Fund's average annual NAV total return since inception was 12.9%.**

The Fund enjoyed net gains on a dollar basis in virtually all of its sectors, particularly in Industrial Products, Natural Resources and Industrial Services. Several industrial companies had slumping prices in 2003, which gave us the opportunity to build existing positions. Although these businesses did not post the same heady gains as energy and financial stocks in 2004, they generally enjoyed strong returns. After hitting lows in their business cycle around the spring of 2003, many industrial companies began to recover, benefitting from increases in capital spending, the ability to pass on higher costs that came from increased raw materials prices and a robust rise in international economic growth. This led to earnings acceleration and correspondingly higher stock prices beginning late in 2003 and in general lasting through 2004.

***All performance information in this 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. Performance information does not***

|                                       |      |
|---------------------------------------|------|
| Industrial Products                   | 18.4 |
| Industrial Services                   | 14.4 |
| Financial Intermediaries              | 10.0 |
| Natural Resources                     | 9.2  |
| Consumer Products                     | 9.1  |
| Health                                | 9.0  |
| Financial Services                    | 8.7  |
| Consumer Services                     | 6.2  |
| Utilities                             | 0.2  |
| Miscellaneous                         | 5.0  |
| Bonds & Preferred Stock               | 0.2  |
| Treasuries, Cash and Cash Equivalents | 10.3 |

*reflect the deduction of taxes that a stockholder would pay on distributions or on the sale of shares. Investment return and principal value of an investment will fluctuate, so that shares may be worth more or less than their original cost when sold. Current performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com).*

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## ROYCE MICRO-CAP TRUST

### Managers Discussion

The performance of micro-cap stocks may have cooled down a bit in 2004 following their red-hot 2003, but that did little to dampen the performance of Royce Micro-Cap Trust (RMT). **For the calendar year, the Fund gained 18.7% on a net asset value (NAV) basis and an impressive 33.4% on a market value basis, both results ahead of its small-cap benchmark, the Russell 2000, which was up 18.3% for the same period.** The Fund accomplished this in spite

### NAV AVERAGE ANNUAL TOTAL RETURNS

Through 12/31/04

|                            |        |
|----------------------------|--------|
| Fourth Quarter 2004*       | 12.90% |
| July-December 2004*        | 9.53   |
| 1-Year                     | 18.69  |
| 3-Year                     | 16.75  |
| 5-Year                     | 16.84  |
| 10-Year                    | 15.67  |
| Since Inception (12/14/93) | 14.61  |

\* Not annualized.



of underperforming the small-cap index on an NAV basis in the dynamic fourth-quarter rally (+12.9% versus +14.1%). Over market cycle and long-term performance periods, RMT also posted strong absolute and relative returns. On both an NAV and market price basis for the periods ended 12/31/04, RMT dramatically outperformed the Russell 2000 from both the previous small-cap market peak on 3/9/00 (+89.1% and +141.0% versus +14.5%) and the small-cap market trough on 10/9/02 (+118.9% and +156.2% versus +104.8%). The Fund also outperformed its benchmark for the three-, five-, 10-year and since inception (12/14/93) periods ended 12/31/04 on an NAV and market price basis. **RMT's average annual NAV total return since inception was 14.6%.**

Each of the Fund's 10 sectors posted net gains in 2004, with companies from several industries contributing to the year's terrific results. Losses came at the individual stock level, with specialty retailer The Wet Seal and IT consultant iGATE Corporation posting the largest losses on a dollar basis. Holdings in the Natural Resources sector led in terms of overall net dollar gains in the portfolio, which was consistent with the impressive performance of stocks in the energy industry within small-cap as a whole. A supply squeeze first drove commodity prices higher which in turn helped to boost stock prices. The energy services and oil and gas industry groups posted the largest net gains in the

| CALENDAR YEAR NAV TOTAL RETURNS                   |       |      |       |
|---|-------|------|-------|
| Year  | RMT   | Year | RMT   |
| 2004  | 18.7% | 1998 | -4.1% |
| 2003  | 55.6  | 1997 | 27.1  |
| 2002  | -13.8 | 1996 | 16.6  |
| 2001  | 23.4  | 1995 | 22.9  |
| 2000  | 10.9  | 1994 | 5.0   |
| 1999  | 12.7  |      |       |
| TOP 10 POSITIONS                                  |       |      |       |
| % of Net Assets Applicable to Common Stockholders |       |      |       |
| Sapient Corporation                               |       |      | 1.4%  |
| Juno Lighting                                     |       |      | 1.3   |
| Stein Mart  |       |      | 1.3   |
| Delta Apparel                                     |       |      | 1.2   |
| Convansys Corporation                             |       |      | 1.2   |
| HomeFed Corporation                               |       |      | 1.2   |
| Aceto   |       |      | 1.2   |
| ASA Bermuda                                       |       |      | 1.1   |
| Seneca Foods                                      |       |      | 1.1   |
| PICO Holdings                                     |       |      | 1.0   |
| PORTFOLIO SECTOR BREAKDOWN                        |       |      |       |
| % of Net Assets Applicable to Common Stockholders |       |      |       |
| Technology  |       |      | 26.5% |
| Industrial Products                               |       |      | 15.0  |
| Industrial Services                               |       |      | 13.5  |
| Health  |       |      | 11.9  |
| Natural Resources                                 |       |      | 10.9  |
| Financial Intermediaries                          |       |      | 5.7   |
| Consumer Products                                 |       |      | 5.4   |

sector, with the share prices of oil and gas exploration and production company Treador Resources, geophysical data services business Veritas DGC and energy-related construction and engineering firm Willbros Group all posting large net gains on a dollar basis. Holdings in the Industrial Products sector generally enjoyed strong returns in 2004. The prices of many industrial companies began to slowly recover in 2003, benefiting from increases in capital spending, the ability to pass on higher costs that came from increased raw materials prices and a robust rise in international economic growth. This led to earnings acceleration and correspondingly higher stock prices that in general lasted through 2004.

|                                  |      |
|----------------------------------|------|
| Consumer Services                | 5.2  |
| Diversified Investment Companies | 1.6  |
| Financial Services               | 1.5  |
| Miscellaneous                    | 5.0  |
| Preferred Stocks                 | 0.5  |
| Cash & Cash Equivalents          | 17.9 |

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*performance may be higher or lower than performance quoted. Current month-end performance may be obtained at [www.roycefunds.com](http://www.roycefunds.com).*

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## ROYCE FOCUS TRUST

### NAV AVERAGE ANNUAL TOTAL RETURNS Through 12/31/04

### Manager's Discussion

The focus was on strong performance for several holdings in Royce Focus Trust's (FUND) limited portfolio of small-cap stocks in 2004, which helped to provide its strong return on both an absolute and relative basis. **For the calendar year, the Fund gained 29.2% on a net asset value (NAV) basis and 47.3% on a market price basis, both results well ahead of the 18.3% return of its small-cap benchmark, the Russell 2000, for the same period.** In the dynamic fourth-quarter rally, the Fund lagged its benchmark on an NAV basis (+12.7% versus +14.1%), while impressively outpacing the Russell 2000 on a market price basis (+27.5%). Although stock prices in general fell during 2004's second and third quarters, FUND posted positive returns in all four quarters of the calendar year on an NAV basis, which was critical both to its absolute return and its outperformance of the small-cap index. Over long-term and market cycle periods, FUND's results were equally impressive. For the periods ended 12/31/04, on both an NAV and market price basis, the Fund dramatically outgained the Russell 2000 from the previous small-cap market peak on 3/9/00 (+128.0% and +192.6% versus +14.5%) and the small-cap market trough on 10/9/02 (+139.7% and +172.8% versus +104.8%). FUND was also ahead of the small-cap index for the three-year, five-year and since inception of our management (11/01/96) periods ended 12/31/04. **The Fund's average annual NAV total return since inception was 14.2%.**

The Fund's two largest sectors at year end—Industrial Products and Natural Resources—also made the most significant contributions to performance on a dollar basis in 2004. This was mostly consistent with a vigorous small-cap market in which companies from the energy, finance and industrial areas led the way. Within Natural Resources, net dollar gains from the energy services group, including piping and oil drilling equipment maker Trican Well Service

and seismic acquisition imaging technology company Input/Output, were larger than those of seven of the Fund's nine equity sectors (all of which posted net gains). Improved business and consequent earnings acceleration proved a winning combination for many holdings in the Industrial Products sector, such as steel company IPSCO and construction aggregates company Florida Rock Industries. Portfolio losses were scattered across each sector, including life science medical products maker Bruker BioSciences, which we sold in October, and precious metals mining business Hecla Mining Company, a position we built as its share price declined.

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|   |        |
|---|--------|
| Fourth Quarter<br>2004*                   | 12.65% |
| July-December<br>2004*                    | 16.83  |
| 1-Year                                    | 29.21  |
| 3-Year                                    | 20.39  |
| 5-Year                                    | 18.35  |
| Since Inception<br>(11/1/96) <sup>□</sup> | 14.22  |

\*Not annualized.

Royce & Associates assumed  
investment management

responsibility for the Fund on 11/1/96.

| <b>CALENDAR YEAR NAV<br/>TOTAL RETURNS</b> |             |
|--|-------------|
| <b>Year</b>                                | <b>FUND</b> |
| 2004                                       | 29.2%       |
| 2003                                       | 54.3        |
| 2002                                       | -12.5       |
| 2001                                       | 10.0        |
| 2000                                       | 20.9        |
| 1999                                       | 8.7         |
| 1998                                       | -6.8        |
| 1997                                       | 20.5        |

| <b>TOP 10 POSITIONS</b><br>% of Net Assets Applicable<br>to Common Stockholders |      |
|---|------|
| New Zealand<br>Government<br>6.5% Bond  | 6.8% |
| Canadian<br>Government 3%<br>Bond   | 4.8  |
| Trican Well<br>Service  | 4.2  |
| Simpson<br>Manufacturing  | 4.0  |
| Nu Skin<br>Enterprises Cl. A  | 3.8  |
| IPSCO   | 3.6  |
| eFunds<br>Corporation   | 3.4  |
| Alleghany<br>Corporation  | 3.4  |
| Florida Rock<br>Industries  | 3.4  |
| Schnitzer Steel<br>Industries Cl. A   | 3.2  |

| <b>PORTFOLIO SECTOR BREAKDOWN</b>                 |       |
|---|-------|
| % of Net Assets Applicable to Common Stockholders |       |
| Industrial Products                               | 23.1% |
| Natural Resources                                 | 21.9  |
| Technology  | 9.8   |
| Health  | 9.6   |
| Financial Intermediaries                          | 8.9   |
| Industrial Services                               | 8.4   |
| Financial Services                                | 6.4   |
| Consumer Products                                 | 5.8   |
| Consumer Services                                 | 5.4   |
| Bonds   | 13.0  |
| Treasuries, Cash and Cash Equivalents             | 11.3  |

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## 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** |
|---|-----------------|-----------------|--------|-------------|----------------|
| <b>Royce Value Trust</b><br>11/26/86 Initial Purchase | \$ 10,000       | \$ 10.000       | 1,000  | \$ 9,280    | \$ 10,000      |

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|                 |                                  |       |                  |              |                   |                   |
|-----------------|----------------------------------|-------|------------------|--------------|-------------------|-------------------|
| 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          | 68,770            | 68,927            |
| 1/28/03         | Rights Offering                  | 5,600 | 10.770           | 520          |                   |                   |
| 2003            | Annual distribution total \$1.30 |       | 14.582           | 516          | 106,216           | 107,339           |
| 2004            | Annual distribution total \$1.55 |       | 17.604           | 568          |                   |                   |
| <b>12/31/04</b> |                                  |       | <b>\$ 21,922</b> | <b>6,805</b> | <b>\$ 128,955</b> | <b>\$ 139,094</b> |

**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          | 21,297           | 19,142           |
| 2003            | Annual distribution total \$0.92 |          | 10.004          | 217          | 33,125           | 31,311           |
| 2004            | Annual distribution total \$1.33 |          | 13.350          | 257          |                  |                  |
| <b>12/31/04</b> |                                  |          | <b>\$ 8,900</b> | <b>2,742</b> | <b>\$ 39,320</b> | <b>\$ 41,788</b> |

**Royce Focus Trust**

|          |                  |          |          |       |          |          |
|----------|------------------|----------|----------|-------|----------|----------|
| 10/31/96 | Initial Purchase | \$ 4,375 | \$ 4.375 | 1,000 | \$ 5,280 | \$ 4,375 |
|----------|------------------|----------|----------|-------|----------|----------|

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|                 |                                  |                 |              |                  |                  |
|-----------------|----------------------------------|-----------------|--------------|------------------|------------------|
| 12/31/96        |                                  |                 |              | 5,520            | 4,594            |
| 12/5/97         | Distribution \$0.53              | 5.250           | 101          | 6,650            | 5,574            |
| 12/31/98        | Distribution                     |                 |              | 6,199            | 5,367            |
|                 | \$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           | 7,844            | 6,956            |
| 12/8/03         | Distribution \$0.62              | 8.250           | 94           | 12,105           | 11,406           |
| 2004            | Annual distribution total \$1.74 | 9.325           | 259          |                  |                  |
| <b>12/31/04</b> |                                  | <b>\$ 4,375</b> | <b>1,604</b> | <b>\$ 15,639</b> | <b>\$ 16,794</b> |

\* Beginning with the 1997 (RVT), 2002 (RMT) and 2004 (FUND) distribution, the purchase price of distributions is a weighted average of the distribution reinvestment prices for the year.

\*\* Other than for initial purchase, values are stated as of December 31 of the year indicated, after reinvestment of distributions.

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## ROYCE VALUE TRUST

### Schedule of Investments

|  | SHARES  | VALUE        |  | SHARES  | VALUE        |
|--|---------|--------------|--|---------|--------------|
| <b>COMMON STOCKS</b> □ <b>111.7%</b>   |         |              | <b>Consumer Services</b> □ <b>6.2%</b> |         |              |
| <b>Consumer Products</b> □ <b>9.1%</b> |         |              | Direct Marketing - 0.2%                |         |              |
| Apparel and Shoes - 3.1%               |         |              | &#134Sportsman s Guide (The)           | 107,000 | \$ 2,407,500 |
| Jones Apparel Group                    | 81,500  | \$ 2,980,455 | Leisure and Entertainment -            |         |              |
| K-Swiss Cl. A                          | 220,400 | 6,418,048    | 0.3%                                   |         |              |
| &#134Steven Madden <u>a,d</u>          | 74,000  | 1,395,640    | Carmike Cinemas                        | 21,000  | 766,500      |
| Oshkosh B Gosh Cl. A                   | 104,300 | 2,232,020    | &#134Kids Entertainment <u>a,d</u>     | 21,000  | 441,420      |
| Polo Ralph Lauren Cl. A                | 150,000 | 6,390,000    | Gemstar-TV Guide                       |         |              |
| Timberland Company Cl. A <u>a</u>      | 30,000  | 1,880,100    | International <u>a,d</u>               | 201,100 | 1,190,512    |
| Tommy Hilfiger <u>a</u>                | 156,000 | 1,759,680    | Hasbro                                 | 50,000  | 969,000      |
| Warnaco Group (The) <u>a</u>           | 42,000  | 907,200      |  |         | 3,367,432    |
| Weyco Group                            | 153,996 | 6,820,483    | Restaurants and Lodgings -             |         |              |
|  |         | 30,783,626   | 0.9%                                   |         |              |
| Collectibles - 0.9%                    |         |              | Benihana Cl. A <u>a</u>                | 6,600   | 107,250      |
| Action Performance Companies           | 195,000 | 2,143,050    | CEC Entertainment <u>a,d</u>           | 45,000  | 1,798,650    |
|  |         |              | IHOP Corporation                       | 145,100 | 6,078,239    |
|  |         |              | Jack in the Box <u>a</u>               | 2,000   | 73,740       |



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|  |         |                   |  |         |            |
|--|---------|-------------------|--|---------|------------|
| The Boyds Collection <sup>a,d</sup>          | 524,200 | 2,306,480         | Ryan's Restaurant Group <sup>d</sup>                       | 60,900  | 939,078    |
| Enesco Group <sup>a</sup>                    | 47,200  | 381,376           |  |         |            |
| Topps Company (The)                          | 410,500 | 4,002,375         |  |         | 8,996,957  |
|  |         | <u>8,833,281</u>  |  |         |            |
| <b>Food/Beverage/Tobacco - 0.3%</b>          |         |                   | <b>Retail Stores - 3.3%</b>                                |         |            |
| Hain Celestial Group <sup>a,d</sup>          | 37,800  | 781,326           | AnnTaylor Stores <sup>a</sup>                              | 22,500  | 484,425    |
| Hershey Creamery Company                     | 709     | 1,701,600         | BJ's Wholesale Club <sup>b</sup>                           | 32,000  | 932,160    |
| Lancaster Colony                             | 16,900  | 724,503           | Big Lots <sup>a</sup>                                      | 255,300 | 3,096,789  |
|  |         | <u>3,207,429</u>  | &#134;Cabela's Cl. A <sup>d</sup>                          | 10,000  | 227,400    |
|  |         |                   | &#134;CarMax <sup>a,d</sup>                                | 111,000 | 3,446,550  |
| <b>Home Furnishing and Appliances - 0.5%</b> |         |                   | Charming Shoppes <sup>a</sup>                              | 484,400 | 4,538,828  |
| Ethan Allen Interiors                        | 15,000  | 600,300           | Claire's Stores  | 167,200 | 3,553,000  |
| Falcon Products <sup>a,c</sup>               | 941,600 | 197,736           | Dress Barn (The) <sup>a,d</sup>                            | 100,000 | 1,760,000  |
| La-Z-Boy                                     | 128,200 | 1,970,434         | GameStop Corporation Cl. A <sup>a,d</sup>                  | 38,000  | 849,680    |
|  |         | <u>5,082,399</u>  | &#134;Krispy Kreme Doughnuts <sup>a,d</sup>                | 17,000  | 214,200    |
|  |         |                   | Linens n Things <sup>g</sup>                               | 40,000  | 992,000    |
| Natuzzi ADR <sup>b</sup>                     | 213,100 | 2,312,135         | Movie Gallery  | 35,000  | 667,450    |
| &#134;Select Comfort <sup>a,d</sup>          | 100     | 1,794             | &#134;Neiman Marcus Group (The) Cl. A                      | 30,800  | 2,203,432  |
|  |         | <u>5,082,399</u>  | Payless ShoeSource <sup>a,d</sup>                          | 209,600 | 2,578,080  |
|  |         |                   | Stein Mart <sup>a</sup>                                    | 172,800 | 2,947,968  |
| <b>Publishing - 0.7%</b>                     |         |                   | Urban Outfitters <sup>a,d</sup>                            | 65,200  | 2,894,880  |
| &#134;Journal Communications Cl. A           | 100,200 | 1,810,614         | Wet Seal (The) Cl. A <sup>a,d</sup>                        | 202,000 | 458,540    |
| Scholastic Corporation <sup>a,d</sup>        | 130,000 | 4,804,800         | &#134;Wild Oats Markets <sup>a,d</sup>                     | 81,000  | 713,610    |
|  |         | <u>6,615,414</u>  |  |         |            |
|  |         |                   | <b>Other Consumer Services - 1.5%</b>                      |         |            |
| <b>Sports and Recreation - 1.4%</b>          |         |                   | &#134;Coinstar <sup>a,d</sup>                              | 17,000  | 456,110    |
| Callaway Golf Company                        | 275,800 | 3,723,300         | &#134;Corinthian Colleges <sup>a,d</sup>                   | 39,500  | 744,377    |
| Coachmen Industries                          | 47,700  | 828,072           | &#134;MoneyGram International                              | 217,100 | 4,589,494  |
| Monaco Coach                                 | 161,050 | 3,312,798         | <b>Sotheby's Holdings Cl. A <sup>a,d</sup></b>             | 485,200 | 8,811,232  |
| Oakley                                       | 325,000 | 4,143,750         |  |         | 14,601,213 |
| Sturm, Ruger & Company                       | 30,000  | 270,900           |  |         |            |
| Thor Industries                              | 43,100  | 1,596,855         | <b>Total</b> (Cost \$44,964,636)                           |         | 61,932,094 |
|  |         | <u>13,875,675</u> |  |         |            |
|  |         |                   | <b>Financial Intermediaries <math>\square</math> 10.0%</b> |         |            |
| <b>Other Consumer Products - 2.2%</b>        |         |                   | <b>Banking - 3.0%</b>                                      |         |            |
| Blyth  | 14,700  | 434,532           | BOK Financial <sup>a</sup>                                 | 129,327 | 6,305,985  |
| Burnham Corporation Cl. B <sup>a</sup>       | 36,000  | 936,000           | <b>Farmers &amp; Merchants Bank of Long Beach</b>          | 1,266   | 7,190,880  |
| &#134;Dorel Industries Cl. B <sup>a</sup>    | 34,500  | 1,178,865         | First National Bank Alaska                                 | 2,130   | 5,016,150  |
| Fossil <sup>a,d</sup>                        | 117,800 | 3,020,392         | Mechanics Bank <sup>a</sup>                                | 200     | 3,910,000  |
|  |         |                   | Mercantile Bankshares                                      | 20,000  | 1,044,000  |

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|                                       |         |                   |                                      |         |           |
|---------------------------------------|---------|-------------------|--------------------------------------|---------|-----------|
| Lazare Kaplan International <u>a</u>  | 103,600 | 985,236           | NetBank                              | 70,000  | 728,700   |
| &#134;Leapfrog Enterprises <u>a,d</u> | 234,700 | 3,191,920         | &#134;Ocwen Financial <u>a,d</u>     | 47,000  | 449,320   |
| Matthews International Cl. A          | 166,000 | 6,108,800         | Oriental Financial Group             | 54,147  | 1,532,916 |
| &#134;RC2 Corporation <u>a</u>        | 190,400 | 6,207,040         | &#134;Partners Trust Financial Group | 130,000 | 1,514,500 |
|                                       |         | <u>22,062,785</u> |                                      |         |           |
| <b>Total</b> (Cost \$65,762,887)      |         | <u>90,460,609</u> |                                      |         |           |

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

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DECEMBER 31, 2004

|   | SHARES  | VALUE             |                                      | SHARES  | VALUE             |
|---|---------|-------------------|--------------------------------------|---------|-------------------|
| <b>Financial Intermediaries (continued)</b> |         |                   |                                      |         |                   |
| Banking (continued)                         |         |                   | BKF Capital Group                    | 7,500   | \$ 284,250        |
| Whitney Holding                             | 27,000  | \$ 1,214,730      | Eaton Vance                          | 70,200  | 3,660,930         |
| Wilmington Trust                            | 31,000  | 1,120,650         | Federated Investors Cl. B            | 101,900 | 3,097,760         |
|   |         | <u>30,027,831</u> | <b>Gabelli Asset Management</b>      |         |                   |
|   |         |                   | Cl. A                                | 168,600 | 8,180,472         |
|   |         |                   | MVC Capital                          | 174,800 | 1,587,184         |
|   |         |                   | Nuveen Investments Cl. A             | 138,600 | 5,470,542         |
|   |         |                   |                                      |         | <u>41,541,030</u> |
| Insurance - 6.0%                            |         |                   |                                      |         |                   |
| Alleghany Corporation <u>a</u>              | 7,700   | 2,196,425         |                                      |         |                   |
| Argonaut Group <u>a</u>                     | 187,000 | 3,951,310         | Other Financial Services - 0.4%      |         |                   |
| Aspen Insurance Holdings                    | 58,000  | 1,422,160         | CharterMac                           | 59,600  | 1,456,624         |
| Baldwin & Lyons Cl. B                       | 22,200  | 594,738           | PRG-Schultz International <u>a,d</u> | 467,000 | 2,349,010         |
| Commerce Group                              | 49,500  | 3,021,480         | Van der Moolen Holding ADR           |         |                   |
| <b>Erie Indemnity Company Cl. A</b>         | 139,900 | 7,354,543         | <u>a,b</u>                           | 21,000  | 159,390           |
| HCC Insurance Holdings                      | 24,000  | 794,880           | World Acceptance <u>a,d</u>          | 21,700  | 596,967           |
| Leucadia National                           | 51,500  | 3,578,220         |                                      |         | <u>4,561,991</u>  |
| Markel Corporation <u>a,d</u>               | 4,200   | 1,528,800         |                                      |         |                   |
| Montpelier Re Holdings                      | 77,000  | 2,960,650         | <b>Total</b> (Cost \$61,909,042)     |         | <u>86,744,731</u> |
| NYMAGIC                                     | 85,200  | 2,155,560         |                                      |         |                   |

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|  |         |            |   |         |            |
|--|---------|------------|---|---------|------------|
| Navigators Group <sup>a</sup>                      | 83,200  | 2,505,152  | <b>Health</b> <sup>a</sup> <b>9.0%</b>          |         |            |
| Ohio Casualty <sup>a,d</sup>                       | 187,000 | 4,340,270  | Commercial Services - 1.9%                      |         |            |
| PXRE Group   | 166,551 | 4,198,751  | Covance <sup>a,d</sup>                          | 52,700  | 2,042,125  |
| Philadelphia Consolidated Holding <sup>a</sup>     | 35,000  | 2,314,900  | First Consulting Group <sup>a</sup>             | 520,900 | 3,182,699  |
| Phoenix Companies (The) <sup>d</sup>               | 81,900  | 1,023,750  | IDEXX Laboratories <sup>a</sup>                 | 94,300  | 5,147,837  |
| ProAssurance Corporation <sup>a,d</sup>            | 76,070  | 2,975,098  | PAREXEL International <sup>a</sup>              | 277,700 | 5,637,310  |
|  |         |            | Pharmaceutical Product Development <sup>a</sup> | 12,000  | 495,480    |
| RLI  | 99,724  | 4,145,527  | TriZetto Group (The) <sup>a</sup>               | 215,200 | 2,044,400  |
| Reinsurance Group of America                       | 30,000  | 1,453,500  |   |         |            |
| 21st Century Insurance Group                       | 62,000  | 843,200    |   |         |            |
| USI Holdings <sup>a,d</sup>                        | 20,000  | 231,400    |   |         | 18,549,851 |
| Wesco Financial                                    | 7,750   | 3,045,750  |   |         |            |
| Zenith National Insurance                          | 64,300  | 3,204,712  | <b>Drugs and Biotech - 3.1%</b>                 |         |            |
|  |         | 59,840,776 | Abgenix <sup>a,d</sup>                          | 38,000  | 392,920    |
|  |         |            | Affymetrix <sup>a,d</sup>                       | 90,800  | 3,318,740  |
|  |         |            | Antigenics <sup>a,d</sup>                       | 99,300  | 1,004,916  |
| <b>Real Estate Investment Trusts - 0.1%</b>        |         |            | Applera Corporation-                            |         |            |
| Sun Communities                                    | 20,400  | 821,100    | Celera Genomics Group <sup>a</sup>              | 139,200 | 1,914,000  |
|  |         |            | Cephalon <sup>a,d</sup>                         | 4,900   | 249,312    |
| <b>Securities Brokers - 0.9%</b>                   |         |            | Cerus Corporation <sup>a,d</sup>                | 21,700  | 64,232     |
| <b>E*TRADE Financial</b> <sup>a</sup>              | 498,700 | 7,455,565  | Chiron Corporation <sup>a,d</sup>               | 21,800  | 726,594    |
| Knight Trading Group <sup>a</sup>                  | 129,700 | 1,420,215  | DUSA Pharmaceuticals <sup>a,d</sup>             | 79,700  | 1,139,710  |
|  |         |            | Endo Pharmaceuticals Holdings <sup>a</sup>      | 318,200 | 6,688,564  |
|  |         | 8,875,780  | Eon Labs <sup>a,d</sup>                         | 31,000  | 837,000    |
|  |         |            | Gene Logic <sup>a,d</sup>                       | 365,000 | 1,343,200  |
| <b>Total</b> (Cost \$55,454,445)                   |         | 99,565,487 | Hi-Tech Pharmacal <sup>a,d</sup>                | 79,000  | 1,456,760  |
|  |         |            | Human Genome Sciences <sup>a,d</sup>            | 90,000  | 1,081,800  |
| <b>Financial Services</b> <sup>a</sup> <b>8.7%</b> |         |            | Lexicon Genetics <sup>a</sup>                   | 463,300 | 3,592,892  |
| Information and Processing - 2.9%                  |         |            | Millennium Pharmaceuticals <sup>a</sup>         | 50,000  | 606,000    |
| Advent Software <sup>a,d</sup>                     | 151,100 | 3,094,528  | Par Pharmaceutical Companies <sup>a,d</sup>     | 33,000  | 1,365,540  |
| eFunds Corporation <sup>a</sup>                    | 204,275 | 4,904,643  | Perrigo Company                                 | 171,750 | 2,966,122  |
| FactSet Research Systems                           | 78,500  | 4,587,540  | Priority Healthcare Cl. B <sup>a,d</sup>        | 47,500  | 1,034,075  |
|  |         |            | Shire Pharmaceuticals Group ADR <sup>b</sup>    | 20,853  | 666,253    |
| Fair Isaac   | 67,300  | 2,468,564  |   |         |            |
| Global Payments                                    | 68,500  | 4,009,990  |   |         | 30,448,630 |
| Interactive Data <sup>a</sup>                      | 134,300 | 2,919,682  |   |         |            |
| SEI Investments                                    | 165,700 | 6,947,801  |   |         |            |
|  |         | 28,932,748 | <b>Health Services - 0.7%</b>                   |         |            |
|  |         |            | Accredo Health <sup>a</sup>                     | 8,705   | 241,303    |
| <b>Insurance Brokers - 1.2%</b>                    |         |            | Albany Molecular Research <sup>a,d</sup>        | 85,000  | 946,900    |
| Crawford & Company Cl. A                           | 289,100 | 2,023,700  | Eclipsys Corporation <sup>a,d</sup>             | 20,000  | 408,600    |
|  |         |            | Gentiva Health Services <sup>a</sup>            | 30,150  | 504,108    |
| Crawford & Company Cl. B                           | 60,300  | 452,250    | Health Management Associates Cl. A              | 27,400  | 622,528    |
| Gallagher (Arthur J.) & Company                    | 111,200 | 3,614,000  | Lincare Holdings <sup>a</sup>                   | 34,600  | 1,475,690  |

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|   |         |                   |                            |         |                  |
|---|---------|-------------------|----------------------------|---------|------------------|
| Hilb Rogal & Hobbs Company                          | 155,050 | 5,619,012         | MedQuist <sup>a</sup>      | 73,893  | 1,093,616        |
|   |         |                   | On Assignment <sup>a</sup> | 425,200 | 2,206,788        |
|   |         | <u>11,708,962</u> | Quovadx <sup>a</sup>       | 3,000   | 7,170            |
| Investment Management -<br>4.2%                     |         |                   |                            |         | <u>7,506,703</u> |
| <b>Alliance Capital Management<br/>Holding L.P.</b> | 180,200 | 7,568,400         |                            |         |                  |
| <b>_Apollo Investment</b>                           | 774,271 | 11,691,492        |                            |         |                  |

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

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## ROYCE VALUE TRUST

### Schedule of Investments

|  | SHARES  | VALUE             |  | SHARES  | VALUE             |
|--|---------|-------------------|--|---------|-------------------|
| <b>Health (continued)</b>                |         |                   | <b>Machinery - 4.9%</b>                              |         |                   |
| Medical Products and Devices -<br>3.1%   |         |                   | Coherent <sup>a</sup>                                | 228,500 | \$ 6,955,540      |
| Allied Healthcare Products <sup>a</sup>  | 62,000  | \$ 406,100        | Federal Signal                                       | 58,600  | 1,034,876         |
| <b>Arrow International</b>               | 297,602 | 9,222,686         | GSI Lumonics <sup>a,d</sup>                          | 69,500  | 797,860           |
| ArthroCare Corporation <sup>a,d</sup>    | 10,000  | 320,600           | Global Power Equipment<br>Group <sup>a,d</sup>       | 45,000  | 442,800           |
| Bruker BioSciences <sup>a</sup>          | 390,200 | 1,572,506         | Graco  | 96,825  | 3,616,414         |
| CONMED Corporation <sup>a</sup>          | 81,500  | 2,316,230         | IDEX Corporation                                     | 36,000  | 1,458,000         |
| Datascope                                | 12,000  | 476,280           | <b>Lincoln Electric Holdings</b>                     | 265,880 | 9,183,495         |
| Diagnostic Products                      | 25,000  | 1,376,250         | National Instruments                                 | 71,400  | 1,945,650         |
| Invacare Corporation                     | 88,000  | 4,070,880         | Nordson Corporation                                  | 172,200 | 6,900,054         |
| Novoste Corporation <sup>a</sup>         | 66,500  | 113,715           | PAXAR Corporation <sup>a</sup>                       | 253,100 | 5,611,227         |
| Orthofix International <sup>a,d</sup>    | 20,000  | 789,580           | Pason Systems  | 79,000  | 2,429,557         |
| STERIS Corporation <sup>a,d</sup>        | 173,100 | 4,105,932         | T-3 Energy Services <sup>a,d</sup>                   | 346,710 | 2,472,042         |
| Sybron Dental Specialties <sup>a,d</sup> | 19,000  | 672,220           | UNOVA <sup>a,d</sup>                                 | 41,000  | 1,036,890         |
| Thoratec Corporation <sup>a,d</sup>      | 2,000   | 20,840            | Woodward Governor Company                            | 73,600  | 5,270,496         |
| Varian Medical Systems <sup>a</sup>      | 61,600  | 2,663,584         |  |         |                   |
| Young Innovations                        | 62,550  | 2,109,812         |  |         | <u>49,154,901</u> |
| Zoll Medical <sup>a</sup>                | 20,200  | 694,880           |  |         |                   |
|  |         | <u>30,932,095</u> | <b>Metal Fabrication and<br/>Distribution - 2.5%</b> |         |                   |
|  |         |                   | CompX International Cl. A                            | 302,300 | 4,997,019         |

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|  |         |            |  |         |            |
|--|---------|------------|--|---------|------------|
|  |         |            | Kaydon Corporation                       | 208,700 | 6,891,274  |
|  |         |            | Metal Management                         | 65,100  | 1,749,237  |
| Personal Care - 0.2%                       |         |            | NN                                       | 127,100 | 1,678,991  |
| Regis                                      | 37,200  | 1,716,780  | Oregon Steel Mills <sup>a,d</sup>        | 177,900 | 3,609,591  |
|  |         |            | Penn Engineering & Manufacturing         | 251,600 | 4,553,960  |
| <b>Total</b> (Cost \$65,402,809)           |         | 89,154,059 | Penn Engineering & Manufacturing         |         |            |
|  |         |            | Cl. A                                    | 77,600  | 1,164,000  |
| <b>Industrial Products</b> $\square$ 18.4% |         |            |  |         |            |
| Automotive - 1.0%                          |         |            |  |         |            |
| Adesa                                      | 126,900 | 2,692,818  |  |         | 24,644,072 |
| CLARCOR                                    | 22,000  | 1,204,940  |  |         |            |
| Gentex Corporation                         | 60,300  | 2,232,306  | Paper and Packaging - 0.2%               |         |            |
| IMPCO Technologies <sup>a,d</sup>          | 15,500  | 117,025    | Peak International <sup>a</sup>          | 408,400 | 1,671,990  |
| LKQ Corporation <sup>a,d</sup>             | 188,000 | 3,773,160  |  |         |            |
| Quantam Fuel Systems Technologies          |         |            | Pumps, Valves and Bearings - 0.5%        |         |            |
| Worldwide <sup>a,d</sup>                   | 15,500  | 93,310     | Baldor Electric                          | 62,900  | 1,731,637  |
|  |         |            | Conbraco Industries                      | 7,630   | 1,274,210  |
|  |         | 10,113,559 | Franklin Electric                        | 47,200  | 1,994,672  |
| Building Systems and Components - 1.2%     |         |            |  |         | 5,000,519  |
| Decker Manufacturing                       | 6,022   | 210,770    |  |         |            |
| Preformed Line Products Company            | 91,600  | 2,654,568  | Specialty Chemicals and Materials - 2.0% |         |            |
| <b>Simpson Manufacturing</b>               | 260,800 | 9,101,920  | Aceto                                    | 41,100  | 782,544    |
|  |         |            | Albemarle Corporation                    | 34,000  | 1,316,140  |
|  |         | 11,967,258 | Balchem Corporation                      | 31,200  | 1,082,328  |
| Construction Materials - 2.1%              |         |            | CFC International <sup>a</sup>           | 123,500 | 1,936,480  |
| Ash Grove Cement Company                   |         |            | Cabot Corporation                        | 56,500  | 2,185,420  |
| Cl. B <sup>a</sup>                         | 50,518  | 7,224,074  | Hawkins                                  | 206,878 | 2,449,436  |
| ElkCorp                                    | 43,000  | 1,471,460  | Lydall <sup>a,d</sup>                    | 50,000  | 593,000    |
| <b>Florida Rock Industries</b>             | 123,000 | 7,322,190  | <b>MacDermid</b>                         | 236,631 | 8,542,379  |
| Heywood Williams Group <sup>a</sup>        | 838,837 | 1,518,695  | Material Sciences <sup>a</sup>           | 29,000  | 521,710    |
| Synalloy Corporation <sup>a,c</sup>        | 345,000 | 3,415,500  |  |         |            |
|  |         |            |  |         | 19,409,437 |
|  |         | 20,951,919 |  |         |            |
| Industrial Components - 1.3%               |         |            | Textiles - 0.2%                          |         |            |
| AMETEK                                     | 86,000  | 3,067,620  | Tag-It Pacific <sup>a,d</sup>            | 118,500 | 533,250    |
| Bel Fuse Cl. A                             | 26,200  | 767,660    | Unifi <sup>a</sup>                       | 315,100 | 1,206,833  |
| C & D Technologies                         | 50,000  | 852,000    |  |         | 1,740,083  |
| Donaldson Company                          | 52,000  | 1,694,160  | Other Industrial Products - 2.5%         |         |            |
| Intermagnetics General <sup>a,d</sup>      | 26,450  | 672,094    | Albany International Cl. A               | 45,500  | 1,599,780  |
| PerkinElmer                                | 135,000 | 3,036,150  | <b>Brady Corporation Cl. A</b>           | 114,400 | 7,158,008  |
| Planar Systems <sup>a,d</sup>              | 46,900  | 526,687    | Diebold                                  | 85,000  | 4,737,050  |
| Powell Industries <sup>a</sup>             | 92,400  | 1,708,476  | Imagistics International <sup>a</sup>    | 19,000  | 639,540    |
| Woodhead Industries                        | 45,400  | 727,762    |  |         |            |

|            |                                   |         |           |
|------------|-----------------------------------|---------|-----------|
| 13,052,609 | Kimball International Cl. B       | 428,380 | 6,344,308 |
|            | Maxwell Technologies <sup>a</sup> | 21,500  | 218,010   |
|            | Myers Industries                  | 30,499  | 390,387   |

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

**DECEMBER 31, 2004**

|   | SHARES  | VALUE              |   | SHARES  | VALUE             |
|---|---------|--------------------|---|---------|-------------------|
| <b>Industrial Products (continued)</b>        |         |                    |   |         |                   |
| Other Industrial Products (continued)         |         |                    | McDermott International <sup>a</sup>          | 71,000  | \$ 1,303,560      |
| Peerless Manufacturing <sup>a,c</sup>         | 158,600 | \$ 2,299,700       | Washington Group International <sup>a,d</sup> | 140,000 | 5,775,000         |
| Quixote Corporation                           | 12,000  | 243,960            |   |         | <u>20,825,484</u> |
| Steelcase Cl. A                               | 50,000  | 692,000            |   |         |                   |
| Trinity Industries                            | 8,000   | 272,640            | <b>Food and Tobacco Processors - 0.6%</b>     |         |                   |
|   |         | <u>24,595,383</u>  | Farmer Bros.                                  | 150,000 | 3,636,000         |
|   |         |                    | MGP Ingredients                               | 216,400 | 1,869,696         |
|   |         |                    | Seneca Foods Cl. B <sup>a</sup>               | 6,500   | 118,631           |
| <b>Total</b> (Cost \$103,656,776)             |         | <u>182,301,730</u> | Sunopta <sup>a,d</sup>                        | 41,000  | 294,380           |
|   |         |                    |   |         | <u>5,918,707</u>  |
| <b>Industrial Services - 14.4%</b>            |         |                    |   |         |                   |
| Advertising and Publishing - 0.3%             |         |                    | <b>Industrial Distribution - 1.4%</b>         |         |                   |
| Interpublic Group of Companies <sup>a,d</sup> | 230,000 | 3,082,000          | Central Steel & Wire                          | 3,799   | 1,994,475         |
| ValueClick <sup>a,d</sup>                     | 20,000  | 266,600            | <b>Ritchie Bros. Auctioneers</b>              | 310,400 | 10,261,824        |
|   |         | <u>3,348,600</u>   | Strategic Distribution <sup>a</sup>           | 115,000 | 1,535,250         |
|   |         |                    |   |         | <u>13,791,549</u> |
| <b>Commercial Services - 5.7%</b>             |         |                    |   |         |                   |
| ABM Industries                                | 134,800 | 2,658,256          | <b>Printing - 0.2%</b>                        |         |                   |
| Aaron Rents                                   | 4,500   | 112,500            | Bowne & Co.                                   | 68,100  | 1,107,306         |
| Administaff <sup>a</sup>                      | 60,200  | 759,122            | Ennis   | 62,700  | 1,206,975         |
| Allied Waste Industries <sup>a,d</sup>        | 188,800 | 1,752,064          |   |         | <u>2,314,281</u>  |
| Brink's Company (The)                         | 107,278 | 4,239,627          |   |         |                   |
| Carlisle Holdings                             | 194,900 | 1,411,076          |   |         |                   |

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|                                      |         |            |                                       |                    |
|--------------------------------------|---------|------------|---------------------------------------|--------------------|
| Central Parking                      | 83,800  | 1,269,570  |                                       |                    |
| Collectors Universe <u>a,d</u>       | 15,500  | 316,045    | <b>Transportation and Logistics</b>   |                    |
| Convergys Corporation <u>a</u>       | 121,000 | 1,813,790  | - 3.6%                                |                    |
| Copart <u>a,d</u>                    | 138,100 | 3,634,792  | AirNet Systems <u>a,d</u>             | 219,000 764,310    |
| Digital Theater Systems <u>a,d</u>   | 18,600  | 374,418    | Alexander & Baldwin                   | 60,000 2,545,200   |
| Harsco Corporation                   | 12,000  | 668,880    | Atlas Air Worldwide                   |                    |
| Hewitt Associates Cl. A <u>a,d</u>   | 59,000  | 1,888,590  | Holdings <u>a,e</u>                   | 60,500 1,424,775   |
| Hudson Highland Group <u>a,d</u>     | 30,549  | 879,811    | C. H. Robinson Worldwide              | 40,000 2,220,800   |
| Iron Mountain <u>a</u>               | 191,175 | 5,828,926  | Continental Airlines Cl. B <u>a,d</u> | 100,000 1,354,000  |
| Kelly Services Cl. A                 | 25,000  | 754,500    | EGL <u>a,d</u>                        | 153,125 4,576,906  |
| Learning Tree International <u>a</u> | 53,400  | 715,560    | <b>Forward Air <u>a,d</u></b>         | 156,500 6,995,550  |
| <b>MPS Group <u>a</u></b>            | 643,500 | 7,889,310  | Frozen Food Express                   |                    |
| Manpower                             | 65,800  | 3,178,140  | Industries <u>a</u>                   | 286,635 3,697,591  |
| Monster Worldwide <u>a,d</u>         | 79,000  | 2,657,560  | Hub Group Cl. A <u>a</u>              | 77,000 4,020,940   |
| New Horizons Worldwide <u>a</u>      | 96,600  | 541,926    | Landstar System <u>a</u>              | 5,600 412,384      |
| Pemstar <u>a,d</u>                   | 381,900 | 691,239    | Patriot Transportation                |                    |
| RemedyTemp Cl. A <u>a</u>            | 77,500  | 794,375    | Holding <u>a</u>                      | 101,300 4,557,386  |
| Renaissance Learning                 | 15,000  | 278,400    | Swift Transportation                  |                    |
| Reynolds & Reynolds                  |         |            | Company <u>a,d</u>                    | 31,000 665,880     |
| Company Cl. A                        | 27,000  | 715,770    | UTI Worldwide                         | 35,000 2,380,700   |
| Rollins                              | 87,000  | 2,289,840  |                                       |                    |
| Spherion Corporation <u>a,d</u>      | 3,000   | 25,200     |                                       |                    |
| TRC Companies <u>a</u>               | 42,000  | 714,000    | <b>Other Industrial Services -</b>    |                    |
| Viad Corporation                     | 87,550  | 2,494,299  | 0.5%                                  |                    |
| Watson Wyatt & Company               |         |            | Landauer                              | 117,900 5,388,030  |
| Holdings                             | 81,000  | 2,182,950  |                                       |                    |
| West Corporation <u>a</u>            | 75,000  | 2,483,250  | <b>Total (Cost \$87,827,562)</b>      | <b>143,216,859</b> |
|                                      |         | <hr/>      |                                       |                    |
|                                      |         | 56,013,786 |                                       |                    |
|                                      |         | <hr/>      |                                       |                    |
| <b>Engineering and</b>               |         |            | <b>Natural Resources □ 9.2%</b>       |                    |
| <b>Construction - 2.1%</b>           |         |            | <b>Energy Services - 4.2%</b>         |                    |
| Champion Enterprises <u>a,d</u>      | 120,000 | 1,418,400  | Atwood Oceanics <u>a</u>              | 19,700 1,026,370   |
| EMCOR Group <u>a</u>                 | 51,900  | 2,344,842  | <b>Carbo Ceramics</b>                 | 105,600 7,286,400  |
| Fleetwood Enterprises <u>a,d</u>     | 234,300 | 3,153,678  | Core Laboratories <u>a</u>            | 10,000 233,500     |
| Insituform Technologies Cl.          |         |            | ENSCO International                   | 6,443 204,501      |
| A <u>a</u>                           | 202,200 | 4,583,874  | Global Industries <u>a,d</u>          | 119,500 990,655    |
| Jacobs Engineering Group <u>a</u>    | 47,000  | 2,246,130  | Hanover Compressor                    |                    |
|                                      |         |            | Company <u>a,d</u>                    | 160,000 2,260,800  |
|                                      |         |            | Helmerich & Payne                     | 197,400 6,719,496  |
|                                      |         |            | Input/Output <u>a,d</u>               | 669,100 5,914,844  |
|                                      |         |            | Key Energy Services <u>a,d</u>        | 10,000 118,000     |
|                                      |         |            | Precision Drilling <u>a</u>           | 29,500 1,852,600   |
|                                      |         |            | TETRA Technologies <u>a</u>           | 42,750 1,209,825   |
|                                      |         |            | Tidewater                             | 55,600 1,979,916   |
|                                      |         |            | Universal Compression                 |                    |
|                                      |         |            | Holdings <u>a</u>                     | 115,000 4,014,650  |
|                                      |         |            | Veritas DGC <u>a</u>                  | 38,700 867,267     |
|                                      |         |            | Willbros Group <u>a,d</u>             | 289,600 6,675,280  |

41,354,104

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

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## ROYCE VALUE TRUST

### Schedule of Investments

|  | SHARES  | VALUE      |   | SHARES  | VALUE        |
|--|---------|------------|---|---------|--------------|
| <b>Natural Resources (continued)</b>                   |         |            |   |         |              |
| <b>Oil and Gas - 2.7%</b>                              |         |            |   |         |              |
| Chesapeake Energy                                      | 60,000  | \$ 990,000 | KEMET Corporation <sup>a,d</sup>        | 173,000 | \$ 1,548,350 |
| Cimarex Energy <sup>a</sup>                            | 127,041 | 4,814,854  | Kronos <sup>a</sup>                     | 38,775  | 1,982,566    |
| Delta Petroleum <sup>a,d</sup>                         | 39,000  | 611,520    | Mercury Computer Systems <sup>a,d</sup> | 22,000  | 652,960      |
| EOG Resources  | 5,000   | 356,800    | Methode Electronics                     | 50,000  | 642,500      |
| Holly Corporation                                      | 10,000  | 278,700    | Metrologic Instruments <sup>a,d</sup>   | 15,000  | 318,750      |
| Houston Exploration Company (The) <sup>a</sup>         | 50,000  | 2,815,500  | Nam Tai Electronics                     | 43,000  | 827,750      |
| Penn Virginia  | 35,000  | 1,419,950  | Newport Corporation <sup>a,d</sup>      | 152,900 | 2,155,890    |
| Pioneer Drilling Company <sup>a,d</sup>                | 128,800 | 1,299,592  | Perceptron <sup>a</sup>                 | 397,400 | 2,901,020    |
| Plains Exploration & Production Company <sup>a,d</sup> | 76,500  | 1,989,000  | Plexus Corporation <sup>a</sup>         | 398,700 | 5,187,087    |
| Remington Oil & Gas <sup>a,d</sup>                     | 78,500  | 2,139,125  | Radiant Systems <sup>a</sup>            | 32,500  | 211,575      |
| <b>SEACOR Holdings <sup>a</sup></b>                    | 159,500 | 8,517,300  | REMEC <sup>a,d</sup>                    | 189,200 | 1,364,132    |
| Toreador Resources <sup>a,d</sup>                      | 90,300  | 2,003,757  | SafeNet <sup>a,d</sup>                  | 36,240  | 1,331,458    |
|  |         |            | SanDisk Corporation <sup>a,d</sup>      | 11,000  | 274,670      |
|  |         |            | Symbol Technologies                     | 165,400 | 2,861,420    |
|  |         |            | TTM Technologies <sup>a</sup>           | 253,600 | 2,992,480    |
|  |         |            | Technitrol <sup>a</sup>                 | 368,900 | 6,713,980    |
|  |         | 27,236,098 | Tektronix                               | 77,480  | 2,340,671    |
|  |         |            | Vishay Intertechnology <sup>a</sup>     | 316,000 | 4,746,320    |
| <b>Precious Metals and Mining - 1.2%</b>               |         |            |   |         |              |
| Bema Gold <sup>a,d</sup>                               | 300,000 | 918,000    | Zebra Technologies Cl. A <sup>a</sup>   | 76,525  | 4,306,827    |
| Glamis Gold <sup>a</sup>                               | 195,000 | 3,346,200  |   |         | 61,449,977   |
| Hecla Mining Company <sup>a,d</sup>                    | 648,000 | 3,777,840  |   |         |              |
| MK Resources Company <sup>a</sup>                      | 431,700 | 884,985    | <b>Distribution - 1.4%</b>              |         |              |
| Meridian Gold <sup>a,d</sup>                           | 124,500 | 2,361,765  | Agilysys                                | 185,125 | 3,173,042    |
| Metallica Resources <sup>a,d</sup>                     | 50,000  | 62,000     | Anixter International <sup>a</sup>      | 41,900  | 1,507,981    |
| Miramar Mining <sup>a</sup>                            | 245,000 | 281,750    | Arrow Electronics <sup>a</sup>          | 145,700 | 3,540,510    |
| Stillwater Mining Company <sup>a</sup>                 | 10,780  | 121,383    | Avnet <sup>a</sup>                      | 52,355  | 954,955      |
|  |         | 11,753,923 | Benchmark Electronics <sup>a,d</sup>    | 13,000  | 443,300      |
|  |         |            | Tech Data <sup>a</sup>                  | 101,500 | 4,608,100    |
| <b>Real Estate - 0.6%</b>                              |         |            |   |         |              |
| Alico <sup>a</sup>                                     | 27,000  | 1,580,040  |   |         | 14,227,888   |
| <b>Internet Software and Services - 1.1%</b>           |         |            |   |         |              |
| CB Richard Ellis Group Cl. A <sup>a</sup>              | 95,000  | 3,187,250  | CNET Networks <sup>a</sup>              | 155,400 | 1,745,142    |
| Consolidated-Tomoka Land                               | 13,564  | 583,252    |   |         |              |



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|                                    |         |            |  |         |           |
|------------------------------------|---------|------------|--|---------|-----------|
| Trammell Crow Company <sup>a</sup> | 46,500  | 842,115    | CryptoLogic                                  | 202,000 | 5,039,900 |
|                                    |         |            | CyberSource Corporation <sup>a</sup>         | 10,000  | 71,500    |
|                                    |         | 6,192,657  | DoubleClick <sup>a</sup>                     | 181,700 | 1,413,626 |
|                                    |         |            | Lionbridge Technologies <sup>a,d</sup>       | 37,500  | 252,000   |
| Other Natural Resources - 0.5%     |         |            | Openwave Systems <sup>a,d</sup>              | 32,000  | 494,720   |
| PICO Holdings <sup>a</sup>         | 218,200 | 4,532,014  | RealNetworks <sup>a,d</sup>                  | 85,400  | 565,348   |
|                                    |         |            | Satyam Computer Services<br>ADR <sup>b</sup> | 20,000  | 482,600   |
| <b>Total</b> (Cost \$55,423,877)   |         | 91,068,796 | Vastera <sup>a</sup>                         | 140,000 | 368,200   |

**Technology** □ **21.5%**

**Aerospace and Defense - 0.7%**

|   |         |           |   |         |           |
|---|---------|-----------|---|---------|-----------|
| Allied Defense Group (The) <sup>a</sup> | 67,600  | 1,504,100 | <b>IT Services - 4.8%</b>               |         |           |
| Armor Holdings <sup>a</sup>             | 27,000  | 1,269,540 | answerthink <sup>a</sup>                | 655,000 | 3,052,300 |
| Astronics Corporation <sup>a</sup>      | 52,400  | 266,192   | BearingPoint <sup>a</sup>               | 524,000 | 4,207,720 |
| Ducommun <sup>a</sup>                   | 117,200 | 2,443,620 | Black Box                               | 47,000  | 2,256,940 |
| Herley Industries <sup>a</sup>          | 2,000   | 40,680    | CACI International Cl. A <sup>a,d</sup> | 10,000  | 681,300   |
| Integral Systems                        | 49,800  | 968,610   | CGI Group Cl. A <sup>a,d</sup>          | 106,700 | 709,555   |
|   |         | 6,492,742 | CIBER <sup>a</sup>                      | 10,000  | 96,400    |
|   |         |           | Computer Task Group <sup>a</sup>        | 101,100 | 566,160   |

**Components and Systems - 6.2%**

|                                      |         |           |   |         |            |
|--------------------------------------|---------|-----------|---|---------|------------|
| American Power Conversion            | 151,200 | 3,235,680 | Covansys Corporation <sup>a</sup>         | 251,600 | 3,849,480  |
| Analogic Corporation                 | 21,000  | 940,590   | DiamondCluster International <sup>a</sup> | 80,400  | 1,152,132  |
| Belden CDT                           | 57,800  | 1,340,960 | Forrester Research <sup>a</sup>           | 95,300  | 1,709,682  |
| Checkpoint Systems <sup>a</sup>      | 103,000 | 1,859,150 | Gartner Cl. A <sup>a</sup>                | 316,000 | 3,937,360  |
| Dionex Corporation <sup>a,d</sup>    | 81,000  | 4,590,270 | <b>Keane</b> <sup>a</sup>                 | 480,000 | 7,056,000  |
| Excel Technology <sup>a,d</sup>      | 168,500 | 4,381,000 | MAXIMUS <sup>a</sup>                      | 145,900 | 4,540,408  |
| Hutchinson Technology <sup>a,d</sup> | 15,000  | 518,550   | Perot Systems Cl. A <sup>a</sup>          | 165,100 | 2,646,553  |
| Imation Corporation                  | 15,700  | 499,731   | Sapient Corporation <sup>a,d</sup>        | 719,400 | 5,690,454  |
| InFocus Corporation <sup>a</sup>     | 79,000  | 723,640   | Syntel                                    | 148,500 | 2,604,690  |
|                                      |         |           | Unisys Corporation <sup>a</sup>           | 325,000 | 3,308,500  |
|                                      |         |           |   |         | 48,065,634 |

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

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**DECEMBER 31, 2004**

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|  | SHARES  | VALUE      |  | SHARES  | VALUE      |
|--|---------|------------|--|---------|------------|
| <b>Technology (continued)</b>            |         |            | Powerwave Technologies <sup>a,d</sup>    | 105,000 | \$ 890,400 |
| Semiconductors and<br>Equipment - 3.2%   |         |            | Scientific-Atlanta                       | 140,300 | 4,631,303  |
| BE Semiconductor Industries <sup>a</sup> | 58,000  | \$ 324,220 | Time Warner Telecom Cl. A <sup>a,d</sup> | 179,000 | 780,440    |
| Cabot Microelectronics <sup>a,d</sup>    | 170,800 | 6,840,540  | Tollgrade Communications <sup>a</sup>    | 20,000  | 244,800    |
| CEVA <sup>a,d</sup>                      | 31,666  | 288,382    |  |         |            |
| Cognex Corporation                       | 118,400 | 3,303,360  |  |         | 17,392,155 |
| Conexant Systems <sup>a,d</sup>          | 11,980  | 23,840     |  |         |            |

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|  |         |            |   |            |                         |
|--|---------|------------|---|------------|-------------------------|
| Credence Systems <u>a,d</u>                            | 53,600  | 490,440    | <b>Total</b> (Cost \$157,815,599)   |            | 213,256,828             |
| Cymer <u>a,d</u>                                       | 14,500  | 428,330    |   |            |                         |
| DSP Group <u>a,d</u>                                   | 115,000 | 2,567,950  | <b>Utilities - 0.2%</b>   |            |                         |
| DuPont Photomasks <u>a</u>                             | 35,000  | 924,350    | CH Energy Group   | 44,500     | 2,138,225               |
| Exar Corporation <u>a</u>                              | 245,700 | 3,486,483  | Southern Union <u>a</u>   | 11,025     | 264,380                 |
| Fairchild Semiconductor International Cl. A <u>a,d</u> | 51,200  | 832,512    | <b>Total</b> (Cost \$2,127,416)   |            | 2,402,605               |
| Helix Technology                                       | 36,900  | 641,691    |   |            |                         |
| Integrated Circuit Systems <u>a</u>                    | 75,000  | 1,569,000  | <b>Miscellaneous - 5.0%</b>   |            |                         |
| Intevac <u>a,d</u>                                     | 100,550 | 760,158    | <b>Total</b> (Cost \$43,411,236)  |            | 49,571,124              |
| Kulicke & Soffa Industries <u>a,d</u>                  | 105,800 | 911,996    |   |            |                         |
| Lattice Semiconductor <u>a,d</u>                       | 254,000 | 1,447,800  | <b>TOTAL COMMON STOCKS</b>  |            |                         |
| Mentor Graphics <u>a,d</u>                             | 225,700 | 3,450,953  | (Cost \$743,756,285)  |            | 1,109,674,922           |
| National Semiconductor                                 | 76,400  | 1,371,380  |   |            |                         |
| Novellus Systems <u>a</u>                              | 12,000  | 334,680    | <b>PREFERRED STOCK - 0.1%</b>   |            |                         |
| Semitool <u>a,d</u>                                    | 50,000  | 464,000    | Aristotle Corporation   |            |                         |
| Silicon Storage Technology <u>a,d</u>                  | 76,000  | 452,200    | 11.00% Conv.  | 4,800      | 39,120                  |
| Veeco Instruments <u>a,d</u>                           | 65,000  | 1,369,550  | <b>TOTAL PREFERRED STOCK</b>  |            |                         |
|  |         |            | (Cost \$31,005)   |            | 39,120                  |
|  |         | 32,283,815 |   |            |                         |
|  |         |            |   |            |                         |
| <b>Software - 2.3%</b>                                 |         |            |   |            | <b>PRINCIPAL AMOUNT</b> |
| ANSYS <u>a,d</u>                                       | 20,000  | 641,200    | <b>CORPORATE BONDS - 0.1%</b>   |            |                         |
| Aspen Technology <u>a</u>                              | 27,100  | 168,291    | Dixie Group 7.00% Conv. Sub. Deb. due 5/15/12   | \$ 490,000 | 470,400                 |
| Autodesk   | 122,000 | 4,629,900  | Richardson Electronics 7.25% Conv. Sub. Deb. due 12/15/06   | 1,157,000  | 1,157,000               |
| Business Objects ADR <u>a,b,d</u>                      | 20,500  | 519,470    |   |            |                         |
| JDA Software Group <u>a,d</u>                          | 99,900  | 1,360,638  |   |            |                         |
| MRO Software <u>a</u>                                  | 46,000  | 598,920    |   |            |                         |
| Macromedia <u>a</u>                                    | 51,600  | 1,605,792  | <b>TOTAL CORPORATE BONDS</b>  |            |                         |
| ManTech International Cl. A <u>a</u>                   | 135,000 | 3,204,900  | (Cost \$1,450,159)  |            | 1,627,400               |
| Manugistics Group <u>a</u>                             | 49,200  | 141,204    |   |            |                         |
| Novell <u>a,d</u>                                      | 95,000  | 641,250    | <b>U.S. TREASURY OBLIGATIONS - 2.6%</b>   |            |                         |
| Progress Software <u>a</u>                             | 30,500  | 712,175    | U. S. Treasury Notes 5.625% due 2/15/06   | 25,000,000 | 25,773,450              |
| SPSS <u>a</u>  | 179,600 | 2,808,944  |   |            |                         |
| Sybase <u>a</u>  | 82,600  | 1,647,870  | <b>TOTAL U.S. TREASURY OBLIGATIONS</b>  |            |                         |
| Transaction Systems Architects Cl. A <u>a</u>          | 213,150 | 4,231,027  | (Cost \$25,987,715)   |            | 25,773,450              |
|  |         | 22,911,581 |   |            |                         |
|  |         |            | <b>REPURCHASE AGREEMENT - 6.7%</b>  |            |                         |
| <b>Telecommunications - 1.8%</b>                       |         |            | State Street Bank & Trust Company, 1.80% dated 12/31/04, due 1/3/05, maturity value \$66,829,023 (collateralized by Federal Home Loan |            |                         |
| Broadwing Corporation <u>a</u>                         | 1,000   | 9,110      |   |            |                         |
| Catapult Communications <u>a</u>                       | 75,100  | 1,814,416  |   |            |                         |
| Covad Communications Group <u>a,d</u>                  | 35,000  | 75,250     |   |            |                         |

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|   |         |           |  |            |
|---|---------|-----------|--|------------|
| Globecomm Systems <sup>a,d</sup>            | 233,700 | 1,486,332 | Mortgage Corp., 2.875% due 9/15/05 and Federal National Mortgage Association, 3.25% due 8/15/08, valued at \$68,163,003) |            |
| IDT Corporation <sup>a</sup>                | 25,000  | 367,000   |  |            |
| IDT Corporation Cl. B <sup>a,d</sup>        | 40,000  | 619,200   |  |            |
| ITT Educational Services <sup>a</sup>       | 113,000 | 5,373,150 | (Cost \$66,819,000)  | 66,819,000 |
| Level 3 Communications <sup>a,d</sup>       | 280,400 | 950,556   |  |            |
| Metro One Telecommunications <sup>a,d</sup> | 25,000  | 39,750    |  |            |
| PECO II <sup>a</sup>                        | 93,600  | 110,448   |  |            |

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

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**ROYCE VALUE TRUST**

**DECEMBER 31, 2004**

**Schedule of Investments**

|  | <b>VALUE</b>          |
|--|-----------------------|
| <b>COLLATERAL RECEIVED FOR SECURITIES LOANED □ 7.3%</b>      |                       |
| U.S. Treasury Bonds 8.125%-12.00% due 8/15/13-5/15/21        | \$ 39,733             |
| U.S. Treasury Notes 3.375% due 11/15/08                      | 28,684                |
| Money Market Funds   |                       |
| State Street Navigator Securities Lending Prime Portfolio    | 72,121,380            |
|  | <u>72,189,797</u>     |
| (Cost \$72,189,797)  | <u>72,189,797</u>     |
| <b>TOTAL INVESTMENTS □ 128.5%</b>                            |                       |
| (Cost \$910,233,961)   | 1,276,123,689         |
| <b>LIABILITIES LESS CASH AND OTHER ASSETS □ (6.3%)</b>       | (62,819,260)          |
| <b>PREFERRED STOCK □ (22.2%)</b>                             | (220,000,000)         |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS □ 100.0%</b> | <u>\$ 993,304,429</u> |

<sup>a</sup> Non-income producing.

<sup>b</sup> American Depository Receipt.

<sup>c</sup> At December 31, 2004, the Fund owned 5% or more of the Company's outstanding voting securities thereby making the Company an Affiliated Company as that term is defined in the Investment Company Act of 1940.

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A portion of these securities were on loan at December 31, 2004. Total market value of loaned securities at December 31, 2004, was \$70,152,378.

When Issued.

□ New additions in 2004.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2004, market value.**

**INCOME TAX INFORMATION:**The cost of total investments for Federal income tax purposes was \$912,095,358. At December 31, 2004, net unrealized appreciation for all securities was \$364,028,331, consisting of aggregate gross unrealized appreciation of \$400,021,845 and aggregate gross unrealized depreciation of \$35,993,514. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and amortization of discount for book and tax purposes.

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

**ROYCE VALUE TRUST**

**DECEMBER 31, 2004**

**Statement of Assets and Liabilities**

**ASSETS:**

Investments at value (including collateral on loaned securities)\*

Non-Affiliates (cost \$835,378,422)

\$ 1,203,391,753

Affiliated Companies (cost \$8,036,539)

5,912,936

Total investments at value

1,209,304,689

Repurchase agreement (at cost and value)

66,819,000

Cash

227,027

Receivable for investments sold

12,524,033

Receivable for dividends and interest

1,404,388

**Total Assets**

**1,290,279,137**

**LIABILITIES:**

Payable for collateral on loaned securities

72,189,797

Payable for investments purchased

3,123,651

Payable for investment advisory fee

1,092,809

Preferred dividends accrued but not yet declared

288,449

Accrued expenses

280,002

**Total Liabilities**

**76,974,708**

**PREFERRED STOCK:**

5.90% Cumulative Preferred Stock □ \$0.001 par value, \$25 liquidation value per share;

8,800,000 shares outstanding

220,000,000

**Total Preferred Stock**

**220,000,000**

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS**

**\$ 993,304,429**

**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|   |                |
|---|----------------|
| Common Stock paid-in capital □ \$0.001 par value per share; 52,415,890 shares outstanding (150,000,000 shares authorized) | \$ 621,085,067 |
| Accumulated net realized gain (loss) on investments   | 6,618,083      |
| Net unrealized appreciation (depreciation) on investments   | 365,889,728    |
| Preferred dividends accrued but not yet declared  | (288,449)      |

|  |                |
|--|----------------|
| Net Assets applicable to Common Stockholders (net asset value per share □ \$18.95) | \$ 993,304,429 |
|--|----------------|

|   |                |
|---|----------------|
| *Investments at identified cost (including \$72,189,797 of collateral on loaned securities) | \$ 843,414,961 |
|---|----------------|

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

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**ROYCE VALUE TRUST****YEAR ENDED DECEMBER 31, 2004****Statement of Operations****INVESTMENT INCOME:**

|                      |              |
|----------------------|--------------|
| Income:              |              |
| Dividends            |              |
| Non-Affiliates       | \$ 7,523,733 |
| Affiliated Companies | 80,748       |
| Interest             | 1,345,616    |
| Securities lending   | 129,238      |

|              |           |
|--------------|-----------|
| Total income | 9,079,335 |
|--------------|-----------|

## Expenses:

|   |            |
|---|------------|
| Investment advisory fees                      | 12,476,948 |
| Stockholder reports                           | 388,775    |
| Custody and transfer agent fees               | 258,635    |
| Directors' fees                               | 122,268    |
| Administrative and office facilities expenses | 108,546    |
| Professional fees                             | 54,676     |
| Other expenses                                | 119,494    |

|                |            |
|----------------|------------|
| Total expenses | 13,529,342 |
|----------------|------------|

|                              |             |
|------------------------------|-------------|
| Net investment income (loss) | (4,450,007) |
|------------------------------|-------------|

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

|   |             |
|---|-------------|
| Net realized gain (loss) on investments                             |             |
| Non-Affiliates  | 100,856,818 |
| Affiliated Companies  | 7,224,129   |
| Net change in unrealized appreciation (depreciation) on investments | 87,658,900  |

|  |             |
|--|-------------|
| Net realized and unrealized gain (loss) on investments | 195,739,847 |
|--|-------------|

|   |               |
|---|---------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b>                                   | 191,289,840   |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>  | (12,980,000)  |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | \$178,309,840 |

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

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## ROYCE VALUE TRUST

### Statement of Changes in Net Assets

|   | Year ended<br>12/31/04 | Year ended<br>12/31/03 |
|---|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |                        |                        |
| Net investment income (loss)  | \$ (4,450,007)         | \$ (2,493,169)         |
| Net realized gain (loss) on investments   | 108,080,947            | 74,989,675             |
| Net change in unrealized appreciation (depreciation) on investments   | 87,658,900             | 208,275,790            |
| Net increase (decrease) in net assets resulting from investment operations  | 191,289,840            | 280,772,296            |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                        |                        |
| Net realized gain on investments  | (12,980,000)           | (12,252,107)           |
| Quarterly distributions accrued but not yet declared  | □                      | (22,225)               |
| Total distributions to Preferred Stockholders   | (12,980,000)           | (12,274,332)           |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> |                        |                        |
|   | 178,309,840            | 268,497,964            |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Net realized gain on investments  | (78,920,089)           | (61,293,595)           |
| Total distributions to Common Stockholders  | (78,920,089)           | (61,293,595)           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                        |                        |
| Net proceeds from rights offering   | □                      | 54,487,617             |
| Offering costs from issuance of Preferred Stock   | □                      | (7,261,800)            |
| Reinvestment of distributions to Common Stockholders  | 43,141,563             | 35,567,306             |
| Total capital stock transactions  | 43,141,563             | 82,793,123             |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>                                      | 142,531,314            | 289,997,492            |

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|                   |                |                |
|-------------------|----------------|----------------|
| Beginning of year | 850,773,115    | 560,775,623    |
| End of year       | \$ 993,304,429 | \$ 850,773,115 |

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

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**ROYCE VALUE TRUST****Financial Highlights**

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

**Years ended December 31,**

|   | 2004          | 2003          | 2002          | 2001          | 2000          |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>   | \$17.03       | \$13.22       | \$17.31       | \$16.56       | \$15.77       |
| <b>INVESTMENT OPERATIONS:</b>   |               |               |               |               |               |
| Net investment income (loss)  | (0.08)        | (0.05)        | (0.02)        | 0.05          | 0.18          |
| Net realized and unrealized gain (loss) on investments  | 3.81          | 5.64          | (2.25)        | 2.58          | 2.58          |
| <b>Total investment operations</b>  | <b>3.73</b>   | <b>5.59</b>   | <b>(2.27)</b> | <b>2.63</b>   | <b>2.76</b>   |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |               |               |               |               |               |
| Net investment income   | □             | □             | (0.01)        | (0.01)        | (0.03)        |
| Net realized gain on investments  | (0.26)        | (0.26)        | (0.28)        | (0.30)        | (0.30)        |
| <b>Total distributions to Preferred Stockholders</b>  | <b>(0.26)</b> | <b>(0.26)</b> | <b>(0.29)</b> | <b>(0.31)</b> | <b>(0.33)</b> |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | <b>3.47</b>   | <b>5.33</b>   | <b>(2.56)</b> | <b>2.32</b>   | <b>2.43</b>   |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |               |               |               |               |               |
| Net investment income   | □             | □             | (0.07)        | (0.05)        | (0.13)        |
| Net realized gain on investments  | (1.55)        | (1.30)        | (1.44)        | (1.44)        | (1.35)        |
| <b>Total distributions to Common Stockholders</b>   | <b>(1.55)</b> | <b>(1.30)</b> | <b>(1.51)</b> | <b>(1.49)</b> | <b>(1.48)</b> |

**CAPITAL STOCK TRANSACTIONS:**

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|  |                |                |                |                |                 |
|--|----------------|----------------|----------------|----------------|-----------------|
| Effect of reinvestment of distributions by Common Stockholders               | 0.00           | (0.00)         | (0.02)         | (0.08)         | (0.16)          |
| Effect of rights offering and Preferred Stock offering                       | □              | (0.22)         | □              | □              | □               |
| <b>Total capital stock transactions</b>                                      | <b>0.00</b>    | <b>(0.22)</b>  | <b>(0.02)</b>  | <b>(0.08)</b>  | <b>(0.16)</b>   |
| <b>NET ASSET VALUE, END OF PERIOD</b>  | <b>\$18.95</b> | <b>\$17.03</b> | <b>\$13.22</b> | <b>\$17.31</b> | <b>\$ 16.56</b> |
| <b>MARKET VALUE, END OF PERIOD</b>   | <b>\$20.44</b> | <b>\$17.21</b> | <b>\$13.25</b> | <b>\$15.72</b> | <b>\$14.438</b> |
| <b>TOTAL RETURN (a):</b>   |                |                |                |                |                 |
| Market Value   | 29.6%          | 42.0%          | (6.9)%         | 20.0%          | 22.7%           |
| Net Asset Value  | 21.4%          | 40.8%          | (15.6)%        | 15.2%          | 16.6%           |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |                |                |                |                |                 |
| Total expenses (b,c)   | 1.51%          | 1.49%          | 1.72%          | 1.61%          | 1.43%           |
| Management fee expense   | 1.39%          | 1.34%          | 1.56%          | 1.45%          | 1.25%           |
| Other operating expenses   | 0.12%          | 0.15%          | 0.16%          | 0.16%          | 0.18%           |
| Net investment income (loss)   | (0.50)%        | (0.36)%        | (0.09)%        | 0.35%          | 1.18%           |
| <b>SUPPLEMENTAL DATA:</b>  |                |                |                |                |                 |
| Net Assets Applicable to Common Stockholders,                                |                |                |                |                |                 |
| End of Period (in thousands)   | \$993,304      | \$850,773      | \$560,776      | \$689,141      | \$623,262       |
| Liquidation Value of Preferred Stock, End of Period (in thousands)           | \$220,000      | \$220,000      | \$160,000      | \$160,000      | \$160,000       |
| Portfolio Turnover Rate  | 30%            | 23%            | 35%            | 30%            | 36%             |
| <b>PREFERRED STOCK:</b>  |                |                |                |                |                 |
| Total shares outstanding   | 8,800,000      | 8,800,000      | 6,400,000      | 6,400,000      | 6,400,000       |
| Asset coverage per share   | \$137.88       | \$121.68       | \$112.62       | \$132.68       | \$122.38        |
| Liquidation preference per share   | \$25.00        | \$25.00        | \$25.00        | \$25.00        | \$25.00         |
| Average market value per share (d):  |                |                |                |                |                 |
| 5.90% Cumulative   | \$24.50        | \$25.04        | □              | □              | □               |
| 7.80% Cumulative   | □              | \$25.87        | \$26.37        | \$25.70        | \$23.44         |
| 7.30% Tax-Advantaged Cumulative  | □              | \$25.53        | \$25.82        | \$25.37        | \$22.35         |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.21%, 1.19%, 1.38%, 1.30% and 1.12% for the periods ended December 31, 2004, 2003, 2002, 2001 and 2000, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.62%, 1.82%, 1.65% and 1.51% for the periods ended December 31, 2003, 2002, 2001 and 2000, respectively.
- (d) The average of month-end market values during the period that the preferred stock was outstanding.



**Summary of Significant Accounting Policies:**

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Valuation of Investments:**

Securities are valued as of the close of trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange or Nasdaq are valued at their last reported sales price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

**Investment Transactions and Related Investment Income:**

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

**Expenses:**

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

**Taxes:**

fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

**Distributions:**

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

**Repurchase Agreements:**

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

**Securities Lending:**

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

**Capital Stock:**

The Fund issued 2,459,541 and 2,448,904 shares of Common Stock as reinvestment of distributions by

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its

Common Stockholders for the years ended December 31, 2004 and 2003, respectively.

On March 10, 2003, the Fund completed a rights offering of Common Stock to its stockholders at the rate of one common share for each 10

## ROYCE VALUE TRUST

### Notes to Financial Statements (continued)

rights held by stockholders of record on January 28, 2003. The rights offering was fully subscribed, resulting in the issuance of 5,090,083 common shares at a price of \$10.77, and proceeds of \$54,820,194 to the Fund prior to the deduction of estimated expenses of \$332,577. The net asset value per share of the Fund's Common Stock was reduced by approximately \$0.07 per share as a result of the issuance.

On October 10, 2003, the Fund redeemed all (2,400,000 shares) of its then outstanding 7.80% Cumulative Preferred Stock at the redemption price of \$25.00 per share, plus accumulated and unpaid dividends through the redemption date of \$0.0975 per share, and all (4,000,000 shares) of its outstanding 7.30% Tax-Advantaged Cumulative Preferred Stock at the redemption price of \$25.00 per share, plus accumulated and unpaid dividends through the redemption date of \$0.09125 per share. On October 9, 2003, the Fund received net proceeds of \$213,070,000 (after underwriting discounts of \$6,930,000 and before estimated offering expenses of \$331,800) from the public offering of 8,800,000 shares of 5.90% Cumulative Preferred Stock. Commencing October 9, 2008 and thereafter, the Fund, at its option, may redeem the 5.90% Cumulative Preferred Stock, in whole or in part, at the redemption price.

At December 31, 2004, 8,800,000 shares of 5.90% Cumulative Preferred Stock were outstanding. The Fund's Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

#### Investment Advisory Agreement:

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

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common Stockholders, plus the liquidation value of Preferred Stock, for the rolling 60-month period ending with such month (the "performance period"). The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the S&P 600 for the performance period by more than two percentage points. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the S&P 600 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the S&P 600 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

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

The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Shareholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Preferred Stock.

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

For the year ended December 31, 2004, the Fund accrued and paid Royce advisory fees totaling \$12,476,948.

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**DECEMBER 31, 2004**

**Distributions to Stockholders:**

The tax character of distributions paid to stockholders during 2004 and 2003 was as follows:

| Distributions paid from: | 2004                | 2003                |
|--------------------------|---------------------|---------------------|
| Ordinary income          | \$                  | \$ 1,416,811        |
| Long-term capital gain   | 91,900,089          | 72,128,891          |
|                          | <u>\$91,900,089</u> | <u>\$73,545,702</u> |

As of December 31, 2004, the tax basis components of distributable earnings included in stockholder's equity were as follows:

|                                      |                       |
|--------------------------------------|-----------------------|
| Undistributed net investment income  | \$ 2,209,226          |
| Undistributed long-term capital gain | 6,270,254             |
| Unrealized appreciation              | 364,028,331           |
| Accrued preferred distributions      | (288,449)             |
|                                      | <u>\$ 372,219,362</u> |

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book / tax differences. For the year ended December 31, 2004, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

| Undistributed<br>Net<br>Investment<br>Income | Accumulated                 |                    |
|--|-----------------------------|--------------------|
|  | Net Realized<br>Gain (Loss) | Paid-in<br>Capital |
| \$4,450,007                                  | \$(4,700,432)               | \$250,425          |

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2004, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$335,554,494 and \$303,014,891, respectively.

#### Transactions in Shares of Affiliated Companies:

An "Affiliated Company", as defined in the Investment Company Act of 1940, is a company in which a Fund owns 5% or more of the company's outstanding voting securities. The Fund effected the following transactions in shares of such companies during the year ended December 31, 2004:

| Affiliated<br>Company       | Shares<br>12/31/03 | Market<br>Value<br>12/31/03 | Cost of<br>Purchases | Cost of<br>Sales | Realized<br>Gain (Loss) | Dividend<br>Income | Shares<br>12/31/04 | Market<br>Value<br>12/31/04 |
|-----------------------------|--------------------|-----------------------------|----------------------|------------------|-------------------------|--------------------|--------------------|-----------------------------|
| CompX<br>International*     | 482,200            | \$ 3,086,080                | \$ □                 | \$ 944,475       | \$ 1,856,279            | \$ 37,788          |                    |                             |
| Falcon<br>Products          | 761,600            | 3,351,040                   | 368,250              | □                | □                       | □                  | 941,600            | \$ 197,736                  |
| MGP<br>Ingredients*         | 417,322            | 6,572,822                   | □                    | 2,990,704        | 5,346,015               | 42,960             |                    |                             |
| Peerless<br>Manufacturing   | 158,600            | 2,045,940                   | □                    | □                | □                       | □                  | 158,600            | 2,299,700                   |
| Richardson<br>Electronics*  |                    |                             |                      |                  |                         |                    |                    |                             |
| 7.25% Conv.<br>due 12/15/06 | 1,319,000          | 1,213,480                   | □                    | 140,165          | 21,835                  | □                  |                    |                             |
| Synalloy<br>Corporation     | 345,000            | 2,387,400                   | □                    | □                |                         | □                  | 345,000            | 3,415,500                   |
|                             |                    | \$ 18,656,762               |                      |                  | \$ 7,224,129            | \$ 80,748          |                    | \$ 5,912,936                |

\*Not an Affiliated Company at December 31, 2004.

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**Report of Independent Registered Public Accounting Firm**

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

We have audited the accompanying statement of assets and liabilities of Royce Value Trust, Inc., including the schedule of investments, as of December 31, 2004, and the related statement of operations for the year then ended, and the statement of changes in net assets for the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (U.S.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Value Trust, Inc. at December 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

Philadelphia, PA  
January 21, 2005

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**ROYCE MICRO-CAP TRUST**

**DECEMBER 31, 2004**

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**Schedule of Investments**

|  | SHARES  | VALUE     |                                     | SHARES  | VALUE      |
|--|---------|-----------|-------------------------------------|---------|------------|
| <b>COMMON STOCKS</b> □                   |         |           |                                     |         |            |
| <b>102.2%</b>                            |         |           |                                     |         |            |
| <b>Consumer Products</b> □               |         |           |                                     |         |            |
| <b>5.4%</b>                              |         |           |                                     |         |            |
| Apparel and Shoes - 2.6%                 |         |           | Retail Stores - 4.0%                |         |            |
| Ashworth <sup>a</sup>                    | 3,100   | \$ 33,759 | America's Car-Mart <sup>a,c</sup>   | 7,000   | \$ 266,000 |
| <b>Delta Apparel</b>                     | 146,500 | 3,552,625 | Brookstone <sup>a,c</sup>           | 51,750  | 1,011,712  |
| Kleinert's <sup>a,d</sup>                | 14,200  |           | Buckle (The)                        | 36,500  | 1,076,750  |
| Steven Madden <sup>a,c</sup>             | 14,500  | 273,470   | Cato Corporation Cl. A              | 58,000  | 1,671,560  |
| Marisa Christina <sup>a</sup>            | 76,600  | 79,664    | Conn's <sup>a,c</sup>               | 23,000  | 386,860    |
| Oshkosh B'Gosh Cl. A                     | 37,000  | 791,800   | Deb Shops                           | 19,900  | 498,296    |
| Skechers U.S.A. Cl. A <sup>a,c</sup>     | 10,000  | 129,600   | Dress Barn (The) <sup>a</sup>       | 53,660  | 944,416    |
| <b>Weyco Group</b>                       | 60,000  | 2,657,400 | La Senza Corporation                | 99,900  | 996,426    |
|  |         |           | Party City <sup>a,c</sup>           | 43,500  | 562,455    |
|  |         |           | REX Stores <sup>a</sup>             | 8,200   | 124,558    |
|  |         |           | Shoe Carnival <sup>a,c</sup>        | 11,000  | 143,000    |
|  |         | 7,518,318 | <b>Stein Mart</b> <sup>a</sup>      | 213,900 | 3,649,134  |
|  |         |           | United Retail Group <sup>a</sup>    | 60,600  | 262,398    |
|  |         |           |                                     |         | 11,593,565 |
| Collectibles - 0.6%                      |         |           | Other Consumer Services             |         |            |
| Enesco Group <sup>a,c</sup>              | 37,400  | 302,192   | - 0.4%                              |         |            |
| Topps Company (The)                      | 148,500 | 1,447,875 | Ambassadors Group                   | 7,500   | 267,075    |
|  |         | 1,750,067 | Ambassadors                         |         |            |
|  |         |           | International                       | 6,100   | 95,953     |
| Food/Beverage/Tobacco -                  |         |           | Autobytel <sup>a,c</sup>            | 20,000  | 120,800    |
| 0.2%                                     |         |           | EZCORP Cl. A <sup>a,c</sup>         | 15,000  | 231,150    |
| Green Mountain Coffee                    |         |           | Rent-Way <sup>a,c</sup>             | 68,000  | 544,680    |
| Roasters <sup>a,c</sup>                  | 26,600  | 667,660   |                                     |         | 1,259,658  |
|  |         |           |                                     |         |            |
| Home Furnishing and                      |         |           | <b>Total</b> (Cost \$8,431,877)     |         | 15,269,182 |
| Appliances - 0.4%                        |         |           |                                     |         |            |
| Lifetime Hoan                            | 65,554  | 1,042,309 | <b>Diversified Investment</b>       |         |            |
| Stanley Furniture Company                | 2,500   | 112,375   | <b>Companies</b> □ <b>1.6%</b>      |         |            |
|  |         | 1,154,684 | Closed-End Mutual Funds             |         |            |
|  |         |           | - 1.6%                              |         |            |
| Sports and Recreation - 0.6%             |         |           | <b>ASA Bermuda</b>                  | 81,500  | 3,296,675  |
| Monaco Coach                             | 73,900  | 1,520,123 | Central Fund of Canada              |         |            |
| National R.V. Holdings <sup>a</sup>      | 31,800  | 306,234   | Cl. A                               | 237,000 | 1,296,390  |
|  |         | 1,826,357 | <b>Total</b> (Cost \$4,055,600)     |         | 4,593,065  |
|  |         |           |                                     |         |            |
| Other Consumer Products -                |         |           | <b>Financial</b>                    |         |            |
| 1.0%                                     |         |           | <b>Intermediaries</b> □ <b>5.7%</b> |         |            |
| Burnham Holdings Cl. A                   | 1,000   | 26,000    | Banking - 2.0%                      |         |            |
| Cobra Electronics <sup>a</sup>           | 10,000  | 81,100    | Arrow Financial                     | 13,905  | 431,055    |
| Cross (A. T.) Company Cl. A <sup>a</sup> | 100,000 | 495,000   | First Midwest Financial             | 64,800  | 1,503,360  |
| JAKKS Pacific <sup>a</sup>               | 30,000  | 663,300   | First National Lincoln              | 40,200  | 701,530    |
| Lazare Kaplan International <sup>a</sup> | 151,700 | 1,442,667 | FirstBank NW                        | 4,930   | 140,061    |
|  |         |           | Lakeland Financial                  | 22,500  | 893,250    |
|  |         |           |                                     | 43,200  | 755,136    |

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|  |        |                   |   |         |                   |
|--|--------|-------------------|---|---------|-------------------|
|  |        |                   | Pacific Mercantile Bancorp <sup>a,c</sup>       |         |                   |
|  |        | 2,708,067         | Queen City Investments                          | 948     | 583,020           |
|  |        |                   | Sterling Bancorp                                | 21,780  | 615,285           |
| <b>Total</b> (Cost \$7,542,995)                |        | <u>15,625,153</u> |   |         | <u>5,622,697</u>  |
| <b>Consumer Services</b> $\square$ <b>5.2%</b> |        |                   |   |         |                   |
| Direct Marketing - 0.2%                        |        |                   | Insurance - 3.5%                                |         |                   |
| J. Jill Group <sup>a</sup>                     | 3,100  | 46,159            | American Safety Insurance Holdings <sup>a</sup> | 5,000   | 81,700            |
| Sportsman's Guide (The) <sup>a</sup>           | 25,000 | 562,500           | Argonaut Group <sup>a</sup>                     | 30,900  | 652,917           |
| ValueVision Media Cl. A <sup>a,c</sup>         | 5,000  | 69,550            | <b>First Acceptance</b> <sup>a</sup>            | 258,405 | 2,315,309         |
|  |        | <u>678,209</u>    | Independence Holding                            | 33,534  | 618,702           |
|  |        |                   | NYMAGIC   | 65,400  | 1,654,620         |
| Leisure and Entertainment - 0.2%               |        |                   | Navigators Group <sup>a,c</sup>                 | 37,200  | 1,120,092         |
| IMAX Corporation <sup>a,c</sup>                | 25,000 | 206,225           | PXRE Group                                      | 73,164  | 1,844,464         |
| Multimedia Games <sup>a,c</sup>                | 5,000  | 78,800            | ProAssurance Corporation <sup>a,c</sup>         | 29,300  | 1,145,923         |
| Singing Machine Company (The) <sup>a,c</sup>   | 5,000  | 3,500             | Wellington Underwriting                         | 444,712 | 760,410           |
| TiVo <sup>a,c</sup>                            | 20,000 | 117,400           |   |         | <u>10,194,137</u> |
|  |        | <u>405,925</u>    | Securities Brokers - 0.2%                       |         |                   |
|  |        |                   | Sanders Morris Harris Group                     | 21,000  | 374,010           |
| Media and Broadcasting - 0.3%                  |        |                   | Stifel Financial <sup>a</sup>                   | 11,733  | 245,806           |
| Outdoor Channel Holdings <sup>a</sup>          | 69,750 | 969,525           |   |         | <u>619,816</u>    |
| Restaurants and Lodgings - 0.1%                |        |                   | <b>Total</b> (Cost \$9,620,913)                 |         | <u>16,436,650</u> |
| Angelo and Maxie's <sup>a</sup>                | 3,333  | 2,500             |   |         |                   |
| Benihana Cl. A <sup>a</sup>                    | 800    | 13,000            |   |         |                   |
| BUCA <sup>a,c</sup>                            | 30,000 | 208,800           |   |         |                   |
| California Pizza Kitchen <sup>a,c</sup>        | 6,000  | 138,000           |   |         |                   |
|  |        | <u>362,300</u>    |   |         |                   |

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

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## ROYCE MICRO-CAP TRUST

### Schedule of Investments

|   | SHARES  | VALUE        |  | SHARES  | VALUE      |
|---|---------|--------------|--|---------|------------|
| <b>Financial Services</b> □ <b>1.5%</b>       |         |              | On Assignment <sup>a</sup>                     | 26,100  | \$ 135,459 |
| Investment Management -<br>0.6%               |         |              | Quovadx <sup>a</sup>                           | 5,000   | 11,950     |
| MVC Capital                                   | 207,300 | \$ 1,882,284 | RehabCare Group <sup>a,c</sup>                 | 22,000  | 615,780    |
|   |         |              | Sierra Health Services <sup>a,c</sup>          | 40,000  | 2,204,400  |
| <b>Other Financial Services -<br/>0.9%</b>    |         |              | Sun Healthcare Group <sup>a,c</sup>            | 10,000  | 92,110     |
| Clark <sup>a</sup>                            | 20,900  | 324,368      | Superior Consultant<br>Holdings <sup>a</sup>   | 10,000  | 84,400     |
| E-LOAN <sup>a,c</sup>                         | 90,500  | 305,890      | U.S. Physical Therapy <sup>a</sup>             | 10,000  | 154,200    |
| MicroFinancial <sup>a</sup>                   | 10,000  | 37,500       |  |         |            |
| PRG-Schultz International <sup>a,c</sup>      | 365,000 | 1,835,950    |  |         |            |
|   |         |              |  |         |            |
|   |         | 2,503,708    | <b>Medical Products and<br/>Devices - 4.0%</b> |         |            |
|   |         |              | Allied Healthcare<br>Products <sup>a</sup>     | 253,500 | 1,660,425  |
| <b>Total</b> (Cost \$4,177,536)               |         | 4,385,992    | Candela Corporation <sup>a,c</sup>             | 54,000  | 613,440    |
|   |         |              | CONMED Corporation <sup>a,c</sup>              | 3,900   | 110,838    |
| <b>Health</b> □ <b>11.9%</b>                  |         |              | Del Global Technologies <sup>a</sup>           | 168,279 | 429,111    |
| Commercial Services - 2.0%                    |         |              | Exactech <sup>a,c</sup>                        | 60,200  | 1,101,058  |
| First Consulting Group <sup>a,c</sup>         | 274,700 | 1,678,417    | Medical Action Industries<br><sup>a</sup>      | 58,500  | 1,152,450  |
| ICON ADR <sup>a,b</sup>                       | 800     | 30,920       | Molecular Devices <sup>a,c</sup>               | 25,500  | 512,550    |
| <b>PAREXEL International</b> <sup>a,c</sup>   | 121,400 | 2,464,420    | NMT Medical <sup>a</sup>                       | 202,000 | 999,900    |
| TriZetto Group (The) <sup>a</sup>             | 192,000 | 1,824,000    | OrthoLogic Corporation <sup>a</sup>            | 20,000  | 125,000    |
|   |         |              | Orthofix International <sup>a</sup>            | 28,000  | 1,105,412  |
|   |         | 5,997,757    | PLC Systems <sup>a</sup>                       | 105,200 | 83,108     |
| <b>Drugs and Biotech - 2.9%</b>               |         |              | Schick Technologies <sup>a,c</sup>             | 25,000  | 393,750    |
| AXM Pharma <sup>a,c</sup>                     | 107,000 | 356,310      | Synovis Life Technologies<br><sup>a,c</sup>    | 25,000  | 270,250    |
| Able Laboratories <sup>a,c</sup>              | 2,200   | 50,050       | Utah Medical Products                          | 42,300  | 950,481    |
| Arena Pharmaceuticals <sup>a,c</sup>          | 9,500   | 63,555       | Young Innovations                              | 61,450  | 2,072,708  |
| BioSource International <sup>a,c</sup>        | 187,900 | 1,296,510    |  |         |            |
| CancerVax Corporation <sup>a,c</sup>          | 15,000  | 162,750      |  |         | 11,580,481 |
| Cell Genesys <sup>a,c</sup>                   | 10,000  | 81,000       |  |         |            |
| Cerus Corporation <sup>a</sup>                | 20,000  | 59,200       | <b>Personal Care - 1.1%</b>                    |         |            |
| Direct Corporation <sup>a,c</sup>             | 44,100  | 144,648      | CCA Industries                                 | 55,140  | 630,802    |
| DUSA Pharmaceuticals <sup>a</sup>             | 7,400   | 105,820      | Helen of Troy <sup>a,c</sup>                   | 20,000  | 672,200    |
| Emisphere Technologies <sup>a,c</sup>         | 169,700 | 687,285      | Inter Parfums                                  | 40,500  | 643,950    |
| Gene Logic <sup>a</sup>                       | 224,900 | 827,632      | Lifeline Systems <sup>a</sup>                  | 20,900  | 538,384    |
|   |         |              | Nature's Sunshine<br>Products                  | 24,000  | 488,640    |
| Geron Corporation <sup>a,c</sup>              | 6,000   | 47,820       | Nutraceutical<br>International <sup>a</sup>    | 20,000  | 308,200    |
| Hi-Tech Pharmacal <sup>a,c</sup>              | 41,300  | 761,572      |  |         |            |
| Hollis-Eden Pharmaceuticals<br><sup>a,c</sup> | 8,000   | 75,360       |  |         |            |
| Life Sciences Research <sup>a,c</sup>         | 30,000  | 339,000      |  |         | 3,282,176  |
| Matrixx Initiatives <sup>a,c</sup>            | 23,000  | 266,570      |  |         |            |
|   |         |              |  |         |            |
| Maxim Pharmaceuticals <sup>a,c</sup>          | 6,200   | 18,724       | <b>Total</b> (Cost<br>\$22,681,131)            |         | 34,645,153 |
| Maxygen <sup>a,c</sup>                        | 5,000   | 63,950       |  |         |            |
| Momenta Pharmaceuticals<br><sup>a,c</sup>     | 5,000   | 35,300       | <b>Industrial Products</b> □<br><b>15.0%</b>   |         |            |



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|  |         |           |  |         |           |
|--|---------|-----------|--|---------|-----------|
| Myriad Genetics <sup>a,c</sup>           | 26,500  | 596,515   | Automotive - 0.8%                      |         |           |
|  |         |           | Commercial Vehicle                     |         |           |
| Nabi Biopharmaceuticals <sup>a,c</sup>   | 5,000   | 73,250    | Group <sup>a,c</sup>                   | 18,000  | 392,940   |
| Orchid BioSciences <sup>a,c</sup>        | 50,000  | 575,000   | LKQ Corporation <sup>a,c</sup>         | 32,000  | 642,240   |
| Regeneration Technologies <sup>a,c</sup> | 17,000  | 178,160   | Spartan Motors                         | 2,800   | 33,404    |
| SFBC International <sup>a,c</sup>        | 15,000  | 592,500   | Strattec Security <sup>a</sup>         | 3,300   | 206,646   |
| Sangamo BioSciences <sup>a</sup>         | 10,000  | 60,000    | Wecast Industries Cl. A                | 37,900  | 964,593   |
| Theragenics Corporation <sup>a</sup>     | 30,000  | 121,800   |  |         |           |
| VIVUS <sup>a,c</sup>                     | 160,200 | 712,890   |  |         | 2,239,823 |
|  |         | <hr/>     |  |         |           |
|  |         | 8,353,171 | Building Systems and Components - 2.1% |         |           |
|  |         | <hr/>     | Aeon <sup>a</sup>                      | 47,500  | 763,325   |
| Health Services - 1.9%                   |         |           | Juno Lighting                          | 92,200  | 3,872,400 |
| ATC Healthcare Cl. A <sup>a</sup>        | 35,000  | 13,650    | LSI Industries                         | 67,812  | 776,447   |
| Albany Molecular Research <sup>a,c</sup> | 50,000  | 557,000   | Modtech Holdings <sup>a,c</sup>        | 74,700  | 587,889   |
| Bio-Imaging Technologies <sup>a,c</sup>  | 79,800  | 437,304   |  |         |           |
| Covalent Group <sup>a</sup>              | 25,000  | 63,750    |  |         | 6,000,061 |
| Gentiva Health Services <sup>a</sup>     | 13,000  | 217,360   |  |         |           |
|  |         |           | Construction Materials - 1.4%          |         |           |
| MIM Corporation <sup>a,c</sup>           | 63,100  | 400,685   | Ash Grove Cement Company               | 8,000   | 1,144,000 |
| MedCath Corporation <sup>a,c</sup>       | 18,000  | 443,520   | Monarch Cement                         | 50,410  | 1,119,102 |
|  |         |           | Synalloy Corporation <sup>a</sup>      | 171,000 | 1,692,900 |
|  |         |           |  |         | 3,956,002 |
|  |         |           | Industrial Components - 1.2%           |         |           |
|  |         |           | Bel Fuse Cl. A                         | 52,600  | 1,541,180 |
|  |         |           | Plug Power <sup>a,c</sup>              | 1,370   | 8,371     |

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

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DECEMBER 31, 2004

|  | SHARES | VALUE |                                   | SHARES | VALUE |
|--|--------|-------|-----------------------------------|--------|-------|
| <b>Industrial Products (continued)</b> |        |       | <b>Industrial Services</b> □      |        |       |
| Industrial Components (continued)      |        |       | 13.5%                             |        |       |
|  |        |       | Advertising and Publishing - 0.7% |        |       |

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|   |         |            |  |         |              |
|---|---------|------------|--|---------|--------------|
| Powell Industries <sup>a</sup>                    | 50,300  | \$ 930,047 | MDC Partners Cl. A <sup>a</sup>              | 111,600 | \$ 1,204,164 |
| Scientific Technologies <sup>a</sup>              | 10,700  | 45,154     | NetRatings <sup>a</sup>                      | 50,000  | 958,500      |
| Tech/Ops Sevcon                                   | 76,200  | 480,822    |  |         |              |
| II-VI   | 10,000  | 424,900    |  |         | 2,162,664    |
| Woodhead Industries                               | 10,000  | 160,300    |  |         |              |
|   |         | <hr/>      |  |         |              |
|   |         | 3,590,774  | <b>Commercial Services -</b>                 |         |              |
|   |         | <hr/>      | <b>5.4%</b>                                  |         |              |
| <b>Machinery - 2.0%</b>                           |         |            | Administaff <sup>a</sup>                     | 10,000  | 126,100      |
| Astec Industries <sup>a,c</sup>                   | 40,200  | 691,842    | American Bank Note                           |         |              |
| Cascade Corporation                               | 10,400  | 415,480    | Holographics <sup>a</sup>                    | 267,200 | 841,680      |
| Danka Business Systems                            |         |            | Bennett Environmental <sup>a,c</sup>         | 20,900  | 73,777       |
| ADR <sup>a,b,c</sup>                              | 60,000  | 189,600    | <b>Carlisle Holdings</b>                     | 390,000 | 2,823,600    |
| Hardinge  | 77,000  | 1,039,500  | Collectors Universe <sup>a,c</sup>           | 500     | 10,195       |
| Hurco Companies <sup>a</sup>                      | 16,100  | 265,650    | CorVel Corporation <sup>a</sup>              | 28,750  | 769,925      |
| Keithley Instruments                              | 14,000  | 275,800    | Edgewater Technology <sup>a</sup>            | 18,339  | 89,861       |
| Lindsay Manufacturing                             | 10,000  | 258,800    | Exponent <sup>a,c</sup>                      | 68,300  | 1,877,567    |
| MTS Systems                                       | 10,000  | 338,100    | Geo Group (The) <sup>a</sup>                 | 51,200  | 1,360,896    |
| Mueller (Paul) Company                            | 13,650  | 410,961    | iGATE Corporation <sup>a</sup>               | 235,100 | 952,155      |
| Pason Systems                                     | 62,100  | 1,909,816  | Kforce <sup>a,c</sup>                        | 55,000  | 610,500      |
|   |         | <hr/>      | NCO Group <sup>a,c</sup>                     | 20,000  | 517,000      |
|   |         | 5,795,549  | New Horizons Worldwide <sup>a</sup>          | 132,000 | 740,520      |
|   |         | <hr/>      | Pegasus Solutions <sup>a,c</sup>             | 59,700  | 752,220      |
|   |         |            | Pemstar <sup>a,c</sup>                       | 197,900 | 358,199      |
| <b>Metal Fabrication and</b>                      |         |            | RemedyTemp Cl. A <sup>a,c</sup>              | 83,200  | 852,800      |
| <b>Distribution - 2.1%</b>                        |         |            |  |         |              |
| Aleris International <sup>a,c</sup>               | 47,270  | 799,808    | SM&A <sup>a,c</sup>                          | 2,500   | 21,328       |
| Encore Wire <sup>a,c</sup>                        | 15,000  | 199,950    | TRC Companies <sup>a</sup>                   | 29,000  | 493,000      |
| Haynes International <sup>a,c</sup>               | 10,000  | 150,000    | Volt Information Sciences <sup>a</sup>       | 36,600  | 1,075,674    |
| Metals USA <sup>a</sup>                           | 70,000  | 1,298,500  | Westaff <sup>a</sup>                         | 362,500 | 1,366,263    |
| NN  | 148,300 | 1,959,043  |  |         |              |
| Penn Engineering & Manufacturing                  | 56,600  | 1,024,460  |  |         | 15,713,260   |
| Penn Engineering & Manufacturing Cl. A            | 30,800  | 462,000    | <b>Engineering and</b>                       |         |              |
| Universal Stainless & Alloy Products <sup>a</sup> | 7,700   | 114,360    | <b>Construction - 1.4%</b>                   |         |              |
|   |         | <hr/>      | Comfort Systems USA <sup>a</sup>             | 55,000  | 422,400      |
|   |         | 6,008,121  | Devcon International <sup>a</sup>            | 21,700  | 323,547      |
|   |         | <hr/>      | Insituform Technologies Cl. A <sup>a,c</sup> | 80,300  | 1,820,401    |
| <b>Paper and Packaging -</b>                      |         |            | Keith Companies <sup>a</sup>                 | 10,000  | 173,900      |
| <b>0.1%</b>                                       |         |            |  |         |              |
| Mod-Pac Corporation <sup>a,c</sup>                | 23,200  | 296,032    | Skyline Corporation                          | 32,100  | 1,309,680    |
|   |         | <hr/>      |  |         |              |
|   |         |            |  |         | 4,049,928    |
|   |         |            |  |         | <hr/>        |
| <b>Pumps, Valves and</b>                          |         |            | <b>Food and Tobacco</b>                      |         |              |
| <b>Bearings - 0.8%</b>                            |         |            | <b>Processors - 1.1%</b>                     |         |              |
| Gorman-Rupp Company                               | 3,375   | 77,625     | ML Macadamia Orchards L.P.                   | 120,200 | 670,716      |
|   |         |            | <b>Seneca Foods Cl. A <sup>a</sup></b>       | 62,500  | 1,125,000    |
| <b>Sun Hydraulics</b>                             | 145,550 | 2,324,434  | <b>Seneca Foods Cl. B <sup>a</sup></b>       | 42,500  | 775,668      |
|   |         | <hr/>      |  |         |              |
|   |         | 2,402,059  | Star Scientific <sup>a,c</sup>               | 58,500  | 297,473      |
|   |         | <hr/>      | Sunopta <sup>a,c</sup>                       | 60,000  | 430,800      |
| <b>Specialty Chemicals and</b>                    |         |            |  |         |              |
| <b>Materials - 3.0%</b>                           |         |            |  |         |              |
| <b>Aceto</b>                                      | 178,446 | 3,397,612  |  |         |              |
| American Pacific                                  | 36,000  | 306,360    |  |         |              |

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|                                     |         |                   |                                     |         |                  |
|-------------------------------------|---------|-------------------|-------------------------------------|---------|------------------|
| Balchem Corporation                 | 10,000  | 346,900           |                                     |         | 3,299,657        |
| CFC International <sup>a,c</sup>    | 134,100 | 2,102,688         |                                     |         |                  |
| Hawkins                             | 122,667 | 1,452,377         | <b>Industrial Distribution -</b>    |         |                  |
| NuCo2 <sup>a,c</sup>                | 20,000  | 443,800           | <b>0.9%</b>                         |         |                  |
| Park Electrochemical                | 10,000  | 216,800           | Central Steel & Wire                | 1,200   | 630,000          |
| Titanium Metals <sup>a,c</sup>      | 21,000  | 506,940           | Elamex <sup>a</sup>                 | 70,200  | 162,162          |
|                                     |         |                   | Lawson Products                     | 19,500  | 983,385          |
|                                     |         |                   | Strategic Distribution <sup>a</sup> | 59,690  | 796,862          |
|                                     |         | <u>8,773,477</u>  |                                     |         |                  |
|                                     |         |                   |                                     |         | <u>2,572,409</u> |
| <b>Textiles - 0.1%</b>              |         |                   |                                     |         |                  |
| Fab Industries <sup>a</sup>         | 56,400  | 221,088           |                                     |         |                  |
|                                     |         |                   | <b>Printing - 1.0%</b>              |         |                  |
| <b>Other Industrial Products -</b>  |         |                   |                                     |         |                  |
| <b>1.4%</b>                         |         |                   | Bowne & Co.                         | 66,500  | 1,081,290        |
| Color Kinetics <sup>a,c</sup>       | 50,000  | 879,000           | Courier Corporation                 | 15,300  | 794,376          |
| Eastern Company (The)               | 26,500  | 530,000           | Ennis                               | 9,700   | 186,725          |
| Maxwell Technologies <sup>a</sup>   | 15,300  | 155,142           | Schawk                              | 40,500  | 736,290          |
| Myers Industries                    | 32,276  | 413,133           |                                     |         |                  |
| Peerless Manufacturing <sup>a</sup> | 42,200  | 611,900           |                                     |         | <u>2,798,681</u> |
| Quixote Corporation                 | 34,500  | 701,385           |                                     |         |                  |
|                                     |         |                   | <b>Transportation and</b>           |         |                  |
| Raven Industries                    | 40,000  | 852,400           | <b>Logistics - 2.5%</b>             |         |                  |
|                                     |         |                   | AirNet Systems <sup>a,c</sup>       | 196,000 | 684,040          |
|                                     |         | <u>4,142,960</u>  | Forward Air <sup>a</sup>            | 43,800  | 1,957,860        |
|                                     |         |                   | Frozen Food Express                 |         |                  |
|                                     |         |                   | Industries <sup>a</sup>             | 141,000 | 1,818,900        |
| <b>Total</b> (Cost \$25,577,014)    |         | <u>43,425,946</u> |                                     |         |                  |

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

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## ROYCE MICRO-CAP TRUST

### Schedule of Investments

|                                    | SHARES | VALUE      |                                   | SHARES  | VALUE            |
|------------------------------------|--------|------------|-----------------------------------|---------|------------------|
| <b>Industrial Services</b>         |        |            | <b>Other Natural Resources -</b>  |         |                  |
| <b>(continued)</b>                 |        |            | <b>1.3%</b>                       |         |                  |
| Transportation and                 |        |            | <b>PICO Holdings <sup>a</sup></b> | 145,100 | \$ 3,013,727     |
| Logistics (continued)              |        |            | Pope Resources L.P.               | 33,000  | 825,000          |
| Hub Group Cl. A <sup>a</sup>       | 6,500  | \$ 339,430 |                                   |         |                  |
| Knight Transportation <sup>c</sup> | 34,487 | 855,278    |                                   |         |                  |
| MAIR Holdings <sup>a,c</sup>       | 8,600  | 79,120     |                                   |         | <u>3,838,727</u> |
| Marten Transport <sup>a,c</sup>    | 4,000  | 90,920     |                                   |         |                  |

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|  |         |            |   |                   |
|--|---------|------------|---|-------------------|
| Patriot Transportation Holding <sup>a</sup>          | 28,400  | 1,277,688  | <b>Total</b> (Cost \$14,971,456)          | 31,794,448        |
| Vitran Corporation Cl. A <sup>a</sup>                | 5,500   | 94,050     |   |                   |
|  |         | <hr/>      |   |                   |
|  |         | 7,197,286  | <b>Technology</b> $\square$ <b>26.5%</b>  |                   |
|  |         | <hr/>      | Aerospace and Defense - 2.2%              |                   |
| <b>Other Industrial Services - 0.5%</b>              |         |            | Astronics Corporation <sup>a</sup>        | 26,400 134,112    |
| Landauer Team <sup>a</sup>                           | 21,300  | 973,410    | CPI Aerostructures <sup>a</sup>           | 51,000 583,950    |
|  | 23,500  | 365,425    | Ducommun <sup>a</sup>                     | 84,500 1,761,825  |
|  |         | <hr/>      | HEICO Corporation                         | 41,600 939,744    |
|  |         | 1,338,835  | HEICO Corporation Cl. A                   | 4,160 71,926      |
|  |         | <hr/>      | Herley Industries <sup>a,c</sup>          | 81,000 1,647,540  |
| <b>Total</b> (Cost \$22,594,469)                     |         | 39,132,720 | Integral Systems                          | 58,500 1,137,825  |
|  |         | <hr/>      | SIFCO Industries <sup>a</sup>             | 45,800 262,892    |
|  |         |            |   | <hr/>             |
| <b>Natural Resources</b> $\square$ <b>10.9%</b>      |         |            |   | 6,539,814         |
| <b>Energy Services - 4.3%</b>                        |         |            |   | <hr/>             |
| Carbo Ceramics                                       | 12,500  | 862,500    | <b>Components and Systems - 7.0%</b>      |                   |
| Conrad Industries <sup>a</sup>                       | 154,000 | 357,434    | Advanced Photonix Cl. A <sup>a,c</sup>    | 267,900 487,578   |
| Dril-Quip <sup>a,c</sup>                             | 66,500  | 1,613,290  | AlphaSmart <sup>a</sup>                   | 16,200 47,774     |
| Gulf Island Fabrication                              | 59,500  | 1,298,885  | Belden CDT                                | 15,000 348,000    |
| GulfMark Offshore <sup>a,c</sup>                     | 70,200  | 1,563,354  | Bonso Electronics International           | 31,300 165,546    |
| Input/Output <sup>a,c</sup>                          | 168,500 | 1,489,540  | CSP <sup>a</sup>                          | 122,581 1,273,494 |
| Lufkin Industries                                    | 36,000  | 1,436,688  | Celestica <sup>a,c</sup>                  | 25,875 365,096    |
| NATCO Group Cl. A <sup>a</sup>                       | 75,400  | 663,520    | Dot Hill Systems <sup>a,c</sup>           | 69,000 540,960    |
| Trican Well Service <sup>a</sup>                     | 5,000   | 276,369    | <b>Excel Technology</b> <sup>a,c</sup>    | 97,900 2,545,400  |
| Valley National Gases                                | 30,100  | 541,800    | Fargo Electronics <sup>a,c</sup>          | 35,100 526,114    |
| Veritas DGC <sup>a,c</sup>                           | 37,700  | 844,857    | Giga-tronics <sup>a</sup>                 | 3,200 6,944       |
| Willbros Group <sup>a,c</sup>                        | 66,900  | 1,542,045  | InFocus Corporation <sup>a</sup>          | 10,000 91,600     |
|  |         | <hr/>      | International DisplayWorks <sup>a,c</sup> | 43,000 393,450    |
|  |         | 12,490,282 | Kronos <sup>a,c</sup>                     | 17,375 888,384    |
|  |         | <hr/>      | <b>Lowrance Electronics</b>               | 91,000 2,866,409  |
| <b>Oil and Gas - 2.6%</b>                            |         |            | Mobility Electronics <sup>a</sup>         | 1,000 8,580       |
| <b>Bonavista Energy Trust</b>                        | 132,000 | 2,973,319  | MOCON                                     | 22,600 221,231    |
| Contango Oil & Gas Company <sup>a,c</sup>            | 30,000  | 217,200    | Neoware Systems <sup>a</sup>              | 2,600 24,203      |
| Delta Petroleum <sup>a,c</sup>                       | 23,000  | 360,640    | OSI Systems <sup>a,c</sup>                | 25,000 567,750    |
| Gulfport Energy <sup>a,c</sup>                       | 362,176 | 1,195,181  | Performance Technologies <sup>a,c</sup>   | 56,050 521,265    |
| Nuvista Energy <sup>a</sup>                          | 121,000 | 1,066,079  | Plexus Corporation <sup>a</sup>           | 21,500 279,715    |
| Petrohawk Energy <sup>a,c</sup>                      | 18,500  | 158,360    | Printronic <sup>a,c</sup>                 | 25,000 447,750    |
| Pioneer Drilling Company <sup>a,c</sup>              | 84,800  | 855,632    | Radiant Systems <sup>a</sup>              | 64,200 417,942    |
| Plains Exploration & Production Company <sup>a</sup> | 24,140  | 627,640    | REMEC <sup>a,c</sup>                      | 231,500 1,669,115 |
| Toreador Resources <sup>a,c</sup>                    | 300     | 6,657      | Richardson Electronics                    | 202,100 2,144,281 |
|  |         | <hr/>      | SafeNet <sup>a,c</sup>                    | 11,781 432,834    |
|  |         | 7,460,708  | TTM Technologies <sup>a,c</sup>           | 100,000 1,180,000 |
|  |         | <hr/>      | TransAct Technologies <sup>a</sup>        | 78,600 1,678,896  |
| <b>Precious Metals and Mining - 1.5%</b>             |         |            | Zomax <sup>a</sup>                        | 20,000 82,200     |
| Apex Silver Mines <sup>a,c</sup>                     | 76,100  | 1,307,398  |   | <hr/>             |

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|                                       |         |                  |                                    |        |                  |
|---------------------------------------|---------|------------------|------------------------------------|--------|------------------|
| Brush Engineered Materials <u>a,c</u> | 15,500  | 286,750          |                                    |        | 20,222,511       |
| Etruscan Resources <u>a</u>           | 575,900 | 885,558          |                                    |        |                  |
| Gammon Lake Resources <u>a,c</u>      | 28,000  | 149,520          | Distribution - 1.0%                |        |                  |
| MK Resources Company <u>a</u>         | 513,800 | 1,053,290        | Agilysys                           | 90,000 | 1,542,600        |
| Metallica Resources <u>a,c</u>        | 170,000 | 210,800          | Bell Industries <u>a</u>           | 85,700 | 279,382          |
| Northern Orion Resources <u>a</u>     | 164,500 | 478,695          | Jaco Electronics <u>a</u>          | 31,400 | 125,600          |
|                                       |         | <u>4,372,011</u> | Nu Horizons Electronics <u>a,c</u> | 40,000 | 319,200          |
|                                       |         |                  | PC Mall <u>a,c</u>                 | 20,000 | 447,600          |
|                                       |         |                  | Pomeroy IT Solutions <u>a</u>      | 6,900  | 104,949          |
| Real Estate - 1.2%                    |         |                  |                                    |        | <u>2,819,331</u> |
| HomeFed Corporation <u>a</u>          | 69,352  | 3,467,600        |                                    |        |                  |
| Kennedy-Wilson <u>a,c</u>             | 21,500  | 165,120          |                                    |        |                  |
|                                       |         | <u>3,632,720</u> |                                    |        |                  |

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

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DECEMBER 31, 2004

|                                       | SHARES | VALUE            |  | SHARES  | VALUE             |
|---------------------------------------|--------|------------------|--|---------|-------------------|
| <b>Technology (continued)</b>         |        |                  |  |         |                   |
| Internet Software and Services - 1.0% |        |                  | Pegasystems <u>a,c</u>                                 | 211,600 | \$ 1,804,948      |
| Digitas <u>a,c</u>                    | 98,840 | \$ 943,922       | PLATO Learning <u>a,c</u>                              | 121,142 | 902,508           |
| EDGAR Online <u>a,c</u>               | 10,000 | 15,400           | SPSS <u>a</u>  | 19,800  | 309,672           |
| FindWhat.com <u>a,c</u>               | 10,000 | 177,300          | Synplicity <u>a,c</u>                                  | 4,000   | 23,680            |
| Inforte Corporation <u>a</u>          | 68,300 | 538,204          | <b>Transaction Systems Architects Cl. A <u>a,c</u></b> | 140,100 | 2,780,985         |
| LookSmart <u>a</u>                    | 20,000 | 43,800           | Verity <u>a</u>  | 95,000  | 1,246,400         |
| NIC <u>a,c</u>                        | 26,800 | 136,144          |  |         | <u>10,848,521</u> |
| RealNetworks <u>a,c</u>               | 65,700 | 434,934          | Telecommunications - 3.7%                              |         |                   |
| Register.com <u>a</u>                 | 41,857 | 265,792          | Anaren <u>a</u>  | 94,800  | 1,228,608         |
| Stamps.com <u>a</u>                   | 21,200 | 335,808          | Brooktrout <u>a</u>                                    | 27,500  | 330,275           |
|                                       |        | <u>2,891,304</u> | C-COR.net <u>a</u>                                     | 5,000   | 46,500            |
| IT Services - 5.8%                    |        |                  | Captaris <u>a</u>                                      | 88,000  | 454,080           |
|                                       |        |                  | Centillium Communications <u>a,c</u>                   | 11,000  | 26,730            |

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|   |         |            |  |         |             |
|---|---------|------------|--|---------|-------------|
| Bulldog Technologies <sup>a,c</sup>         | 25,000  | 42,500     | <b>Communications Systems</b>  | 214,600 | 2,577,346   |
| CIBER <sup>a,c</sup>                        | 182,662 | 1,760,862  | Computer Network Technology <sup>a,c</sup>   | 14,000  | 99,400      |
| Computer Task Group <sup>a</sup>            | 381,100 | 2,134,160  | Comtech  |         |             |
| <b>Covansys Corporation</b> <sup>a</sup>    | 227,500 | 3,480,750  | Telecommunications <sup>a,c</sup>  | 2,000   | 75,220      |
| DiamondCluster International <sup>a,c</sup> | 158,100 | 2,265,573  | KVH Industries <sup>a,c</sup>  | 5,000   | 49,000      |
| Forrester Research <sup>a</sup>             | 105,500 | 1,892,670  | MetaSolv <sup>a</sup>  | 5,800   | 15,370      |
| Infocrossing <sup>a,c</sup>                 | 20,000  | 338,600    | Netopia <sup>a,c</sup>   | 93,000  | 293,880     |
| Rainmaker Systems <sup>a,c</sup>            | 10,000  | 12,400     | North Pittsburgh Systems Optical Communication Products <sup>a</sup>   | 15,700  | 388,261     |
| <b>Sapient Corporation</b> <sup>a,c</sup>   | 500,000 | 3,955,000  |  | 45,000  | 112,500     |
| Syntel                                      | 54,300  | 952,422    | PC-Tel <sup>a,c</sup>  | 48,100  | 381,433     |
| Tier Technologies Cl. B <sup>a</sup>        | 6,800   | 62,900     | Radyne ComStream <sup>a</sup>  | 96,400  | 720,108     |
|   |         |            | Spectralink Corporation  | 57,000  | 808,260     |
|   |         |            | ViaSat <sup>a,c</sup>  | 94,200  | 2,286,234   |
|   |         | 16,897,837 | Yak Communications <sup>a,c</sup>  | 115,700 | 893,204     |
|   |         |            |  |         |             |
| <b>Semiconductors and Equipment - 2.1%</b>  |         |            |  |         | 10,786,409  |
| August Technology <sup>a,c</sup>            | 57,500  | 605,475    | <b>Total</b> (Cost \$45,412,470)   |         | 77,046,405  |
| Camtek <sup>a,c</sup>                       | 20,500  | 91,840     |  |         |             |
| ESS Technology <sup>a,c</sup>               | 25,000  | 177,750    | <b>Miscellaneous □ 5.0%</b>  |         |             |
| Electroglas <sup>a,c</sup>                  | 281,700 | 1,338,075  | <b>Total</b> (Cost \$10,937,621)   |         | 14,383,828  |
| Exar Corporation <sup>a</sup>               | 68,500  | 972,015    |  |         |             |
| Helix Technology                            | 9,500   | 165,205    | <b>TOTAL COMMON STOCKS</b>   |         |             |
| Inficon Holding ADR <sup>a,b</sup>          | 10,000  | 73,000     | (Cost \$176,003,082)   |         | 296,738,542 |
| Integrated Silicon Solution <sup>a,c</sup>  | 60,000  | 492,000    |  |         |             |
| Intevac <sup>a,c</sup>                      | 40,550  | 306,558    | <b>PREFERRED STOCKS □ 0.5%</b>   |         |             |
| Monolithic System Technology <sup>a</sup>   | 5,000   | 31,150     | Angelo and Maxie□s 10.00% Conv.  | 6,991   | 16,289      |
| PDF Solutions <sup>a,c</sup>                | 30,000  | 483,300    | <b>Seneca Foods Conv.</b> <sup>a</sup>   | 75,409  | 1,368,673   |
| PLX Technology <sup>a,c</sup>               | 15,000  | 156,000    |  |         |             |
| Photronics <sup>a</sup>                     | 29,750  | 490,875    | <b>TOTAL PREFERRED STOCKS</b>  |         |             |
| QuickLogic Corporation <sup>a</sup>         | 20,000  | 56,820     | (Cost \$957,998)   |         | 1,384,962   |
| Semitool <sup>a,c</sup>                     | 25,500  | 236,640    |  |         |             |
| White Electronic Designs <sup>a</sup>       | 57,500  | 363,975    | <b>REPURCHASE AGREEMENT □ 16.9%</b>  |         |             |
|   |         |            | State Street Bank & Trust Company, 1.80% dated 12/31/04, due 1/3/05, maturity value \$49,166,374 (collateralized by Federal National Mortgage Association, 1.875%-2.875% due 2/15/05-10/15/05, valued at \$50,149,838) (Cost \$49,159,000) |         | 49,159,000  |
|   |         | 6,040,678  |  |         |             |
| <b>Software - 3.7%</b>                      |         |            |  |         |             |
| Aladdin Knowledge Systems <sup>a</sup>      | 27,300  | 675,675    |  |         |             |
| ANSYS <sup>a</sup>                          | 30,800  | 987,448    |  |         |             |
| Applix <sup>a</sup>                         | 20,000  | 102,000    |  |         |             |
| ILOG ADR <sup>a,b,c</sup>                   | 35,000  | 430,500    |  |         |             |

|  |         |         |
|--|---------|---------|
| Indus International <sup>a</sup>       | 19,200  | 41,069  |
| Intellisync Corporation <sup>a,c</sup> | 125,000 | 255,000 |
| InterVideo <sup>a,c</sup>              | 24,500  | 324,135 |
| JDA Software Group <sup>a,c</sup>      | 59,500  | 810,390 |
| Kongzhong Corporation                  |         |         |
| ADR <sup>a,b,c</sup>                   | 2,200   | 21,142  |
| MSC.Software <sup>a,c</sup>            | 12,700  | 132,969 |

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

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## ROYCE MICRO-CAP TRUST

DECEMBER 31, 2004

### Schedule of Investments

|   | VALUE                 |
|---|-----------------------|
| <b>COLLATERAL RECEIVED FOR SECURITIES LOANED</b> □ <b>11.7%</b>     |                       |
| U.S. Treasury Bonds   |                       |
| 6.00%-8.75% due 8/15/19-2/15/27                                     | \$ 6,007              |
| Money Market Funds  |                       |
| State Street Navigator Securities Lending                           |                       |
| Prime Portfolio   | 34,064,689            |
|   | <hr/>                 |
| (Cost \$34,070,696)   | 34,070,696            |
|   | <hr/>                 |
| <b>TOTAL INVESTMENTS</b> □ <b>131.3%</b>                            |                       |
| (Cost \$260,190,776)  | 381,353,200           |
| <b>LIABILITIES LESS CASH AND OTHER ASSETS</b> □ <b>(10.7)%</b>      | (30,989,562)          |
| <b>PREFERRED STOCK</b> □ <b>(20.6)%</b>                             | (60,000,000)          |
|   | <hr/>                 |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> □ <b>100.0%</b> | <b>\$ 290,363,638</b> |
|   | <hr/>                 |

<sup>a</sup> Non-income producing.

<sup>b</sup> American Depository Receipt.

A portion of these securities were on loan at December 31, 2004. Total market value of loaned securities at December 31, 2004 was \$32,907,834.

<sup>c</sup> December 31, 2004 was \$32,907,834.

<sup>d</sup> A security for which market quotations are no longer readily available represents 0% of net assets. This security has been valued at its fair value under procedures established by the Fund's Board of Directors.

□ New additions in 2004.

**Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2004 market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$262,274,289. At December 31, 2004, net unrealized appreciation for all securities was \$119,078,911, consisting of aggregate gross unrealized appreciation of \$122,516,330 and aggregate gross unrealized depreciation of \$3,437,419. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and amortization of discount for book and tax purposes.

## ROYCE MICRO-CAP TRUST

**DECEMBER 31, 2004**

### Statement of Assets and Liabilities

#### ASSETS:

|   |                |
|---|----------------|
| Investments at value (including collateral on loaned securities)* | \$ 332,194,200 |
| Repurchase agreement (at cost and value)                          | 49,159,000     |
| Cash  | 319,166        |
| Receivable for investments sold                                   | 4,244,480      |
| Receivable for dividends and interest                             | 176,814        |

|              |             |
|--------------|-------------|
| Total Assets | 386,093,660 |
|--------------|-------------|

#### LIABILITIES:

|  |            |
|--|------------|
| Payable for collateral on loaned securities      | 34,070,696 |
| Payable for investments purchased                | 1,119,915  |
| Payable for investment advisory fee              | 336,603    |
| Preferred dividends accrued but not yet declared | 80,000     |
| Accrued expenses                                 | 122,808    |

|                   |            |
|-------------------|------------|
| Total Liabilities | 35,730,022 |
|-------------------|------------|

#### PREFERRED STOCK:

|  |            |
|--|------------|
| 6.00% Cumulative Preferred Stock □ \$0.001 par value, \$25 liquidation value per share; 2,400,000 shares outstanding | 60,000,000 |
|--|------------|

|                       |            |
|-----------------------|------------|
| Total Preferred Stock | 60,000,000 |
|-----------------------|------------|

|   |                       |
|---|-----------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 290,363,638</b> |
|---|-----------------------|

#### ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:

|   |                |
|---|----------------|
| Common Stock paid-in capital □ \$0.001 par value per share; 20,243,386 shares outstanding (150,000,000 shares authorized) | \$ 162,091,331 |
| Accumulated net realized gain (loss) on investments   | 7,189,883      |
| Net unrealized appreciation (depreciation) on investments   | 121,162,424    |



|   |                |
|---|----------------|
| Preferred dividends accrued but not yet declared  | (80,000)       |
| Net Assets applicable to Common Stockholders (net asset value per share □ \$14.34)          | \$ 290,363,638 |
| *Investments at identified cost (including \$34,070,696 of collateral on loaned securities) | \$ 211,031,776 |

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

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## ROYCE MICRO-CAP TRUST

YEAR ENDED DECEMBER 31, 2004

### Statement of Operations

#### INVESTMENT INCOME:

|   |              |
|---|--------------|
| Income:   |              |
| Dividends   | \$ 2,314,568 |
| Interest  | 421,694      |
| Securities lending  | 76,320       |
| Total income  | 2,812,582    |
| Expenses:   |              |
| Investment advisory fees  | 3,803,971    |
| Custody and transfer agent fees   | 157,777      |
| Stockholder reports   | 126,464      |
| Directors' fees   | 58,148       |
| Professional fees   | 34,881       |
| Administrative and office facilities expenses                                     | 31,740       |
| Other expenses  | 85,683       |
| Total expenses  | 4,298,664    |
| Net investment income (loss)  | (1,486,082)  |
| <b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>                        |              |
| Net realized gain (loss) on investments   | 25,396,860   |
| Net change in unrealized appreciation (depreciation) on investments               | 26,164,677   |
| Net realized and unrealized gain (loss) on investments                            | 51,561,537   |
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b> | 50,075,455   |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b>                                    | (3,600,000)  |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>    |              |

**RESULTING FROM INVESTMENT OPERATIONS**

\$ 46,475,455

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**THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.****ROYCE MICRO-CAP TRUST****Statement of Changes in Net Assets**

|   | Year Ended<br>12/31/04 | Year Ended<br>12/31/03 |
|---|------------------------|------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |                        |                        |
| Net investment income (loss)  | \$ (1,486,082)         | \$ (1,643,163)         |
| Net realized gain (loss) on investments   | 25,396,860             | 30,865,842             |
| Net change in unrealized appreciation (depreciation) on investments   | 26,164,677             | 67,143,086             |
| Net increase (decrease) in net assets resulting from investment operations  | 50,075,455             | 96,365,765             |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                        |                        |
| Net realized gain on investments  | (3,600,000)            | (3,236,104)            |
| Quarterly distributions accrued but not yet declared  | □                      | (11,111)               |
| Total distributions to Preferred Stockholders   | (3,600,000)            | (3,247,215)            |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> |                        |                        |
|   | 46,475,455             | 93,118,550             |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                        |                        |
| Net realized gain on investments  | (25,919,005)           | (16,874,985)           |
| Total distributions to Common Stockholders  | (25,919,005)           | (16,874,985)           |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                        |                        |
| Offering costs from issuance of Preferred Stock   | □                      | (2,097,350)            |
| Reinvestment of distributions to Common Stockholders  | 16,382,136             | 11,707,658             |
| Total capital stock transactions  | 16,382,136             | 9,610,308              |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>                                      |                        |                        |
|   | 36,938,586             | 85,853,873             |

**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|  |                |                |
|--|----------------|----------------|
| Beginning of year  | 253,425,052    | 167,571,179    |
| End of year (including undistributed net investment income of \$3,449,948 in 2003) | \$ 290,363,638 | \$ 253,425,052 |

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

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**ROYCE MICRO-CAP TRUST****Financial Highlights**

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

**Years ended December 31,**

|   | <b>2004</b> | <b>2003</b> | <b>2002</b> | <b>2001</b> | <b>2000</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>                       | \$13.33     | \$9.39      | \$11.83     | \$10.14     | \$11.00     |
| <b>INVESTMENT OPERATIONS:</b>                                     |             |             |             |             |             |
| Net investment income (loss)                                      | (0.08)      | (0.09)      | (0.13)      | (0.05)      | 0.09        |
| Net realized and unrealized gain (loss) on investments            | 2.62        | 5.28        | (1.29)      | 2.57        | 1.23        |
| Total investment operations                                       | 2.54        | 5.19        | (1.42)      | 2.52        | 1.32        |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>                   |             |             |             |             |             |
| Net investment income   | □           | □           | □           | □           | (0.01)      |
| Net realized gain on investments                                  | (0.19)      | (0.18)      | (0.18)      | (0.19)      | (0.22)      |
| Total distributions to Preferred Stockholders                     | (0.19)      | (0.18)      | (0.18)      | (0.19)      | (0.23)      |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON</b> |             |             |             |             |             |

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b>                     | 2.35      | 5.01      | (1.60)    | 2.33      | 1.09      |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>                                 |           |           |           |           |           |
| Net investment income  | □         | □         | □         | □         | (0.09)    |
| Net realized gain on investments   | (1.33)    | (0.92)    | (0.80)    | (0.57)    | (1.63)    |
| Total distributions to Common Stockholders                                   | (1.33)    | (0.92)    | (0.80)    | (0.57)    | (1.72)    |
| <b>CAPITAL STOCK TRANSACTIONS:</b>   |           |           |           |           |           |
| Effect of Preferred Stock Offering   | □         | (0.11)    | □         | □         | □         |
| Effect of reinvestment of distributions by Common Stockholders               | (0.01)    | (0.04)    | (0.04)    | (0.07)    | (0.23)    |
| Total capital stock transactions   | (0.01)    | (0.15)    | (0.04)    | (0.07)    | (0.23)    |
| <b>NET ASSET VALUE, END OF PERIOD</b>  | \$14.34   | \$13.33   | \$9.39    | \$11.83   | \$10.14   |
| <b>MARKET VALUE, END OF PERIOD</b>   | \$15.24   | \$12.60   | \$8.44    | \$10.50   | \$8.625   |
| <b>TOTAL RETURN (a):</b>   |           |           |           |           |           |
| Market Value   | 33.4%     | 63.6%     | (12.7)%   | 28.8%     | 15.3%     |
| Net Asset Value  | 18.7%     | 55.6%     | (13.8)%   | 23.4%     | 10.9%     |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |           |           |           |           |           |
| Total expenses (b,c)   | 1.62%     | 1.82%     | 1.96%     | 1.78%     | 1.32%     |
| Management fee expense   | 1.43%     | 1.59%     | 1.59%     | 1.57%     | 1.08%     |
| Other operating expenses   | 0.19%     | 0.23%     | 0.37%     | 0.21%     | 0.24%     |
| Net investment income (loss)   | (0.56)%   | (0.82)%   | (1.23)%   | (0.43)%   | 0.74%     |
| <b>SUPPLEMENTAL DATA:</b>  |           |           |           |           |           |
| Net Assets Applicable to Common Stockholders, End of Period (in thousands)   | \$290,364 | \$253,425 | \$167,571 | \$200,443 | \$163,820 |
| Liquidation Value of Preferred Stock, End of Period (in thousands)           | \$60,000  | \$60,000  | \$40,000  | \$40,000  | \$40,000  |
| Portfolio Turnover Rate  | 32%       | 26%       | 39%       | 27%       | 49%       |
| <b>PREFERRED STOCK:</b>  |           |           |           |           |           |
| Total shares outstanding   | 2,400,000 | 2,400,000 | 1,600,000 | 1,600,000 | 1,600,000 |
| Asset coverage per share   | \$145.98  | \$130.59  | \$129.73  | \$150.28  | \$127.39  |
| Liquidation preference per share   | \$25.00   | \$25.00   | \$25.00   | \$25.00   | \$25.00   |
| Average market value per share (d):  |           |           |           |           |           |
| 6.00% Cumulative   | \$24.66   | \$25.37   | □         | □         | □         |
| 7.75% Cumulative   | □         | \$25.70   | \$25.91   | \$25.30   | \$23.08   |

- (a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.
- (b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.32%, 1.49%, 1.62%, 1.46% and 1.06% for the periods ended December 31, 2004, 2003, 2002, 2001 and 2000, respectively.
- (c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.92%, 2.04% and 1.81% for the periods ended December 31, 2003, 2002 and 2001, respectively.
- (d) The average of month-end market values during the period that the preferred stock was outstanding.

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## ROYCE MICRO-CAP TRUST

DECEMBER 31, 2004

### Notes to Financial Statements

#### Summary of Significant Accounting Policies:

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange or Nasdaq are valued at their last reported sales price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not

fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

#### Distributions:

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 9% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 2.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may

readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

#### **Investment Transactions and Related Investment Income:**

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

#### **Expenses:**

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

#### **Taxes:**

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its

include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

#### **Repurchase Agreements:**

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

#### **Securities Lending:**

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

#### **Capital Stock:**

The Fund issued 1,228,046 and 1,173,282 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December 31, 2004 and 2003, respectively.

On October 20, 2003, the Fund redeemed all (1,600,000 shares) of its then outstanding 7.75% Cumulative Preferred Stock at the redemption

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## **ROYCE MICRO-CAP TRUST**

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### **Notes to Financial Statements (continued)**

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price of \$25.00 per share, plus accumulated and unpaid dividends through the redemption date of \$0.15069 per share. On October 16, 2003, the Fund

#### **Investment Advisory Agreement:**

As compensation for its services under the Investment Advisory Agreement, Royce & Associates,

received net proceeds of \$58,110,000 (after underwriting discounts of \$1,890,000 and before estimated offering expenses of \$207,350) from the public offering of 2,400,000 shares of 6.00% Cumulative Preferred Stock. Commencing October 16, 2008 and thereafter, the Fund, at its option, may redeem the 6.00% Cumulative Preferred Stock, in whole or in part, at the redemption price.

At December 31, 2004, 2,400,000 shares of 6.00% Cumulative Preferred Stock were outstanding. The Fund's Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Shareholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Preferred Stock.

LLC (Royce) receives a fee comprised of a Basic Fee (Basic Fee) and an adjustment to the Basic Fee based on the investment performance of the Fund in relation to the investment record of the Russell 2000.

The Basic Fee is a monthly fee equal to 1/12 of 1% (1% on an annualized basis) of the average of the Fund's month-end net assets applicable to Common Stockholders, plus the liquidation value of Preferred Stock, for the rolling 36-month period ending with such month (the performance period). The Basic Fee for each month is increased or decreased at the rate of 1/12 of .05% for each percentage point that the investment performance of the Fund exceeds, or is exceeded by, the percentage change in the investment record of the Russell 2000 for the performance period by more than two percentage points. The performance period for each such month is a rolling 36-month period ending with such month. The maximum increase or decrease in the Basic Fee for any month may not exceed 1/12 of .5%. Accordingly, for each month, the maximum monthly fee rate as adjusted for performance is 1/12 of 1.5% and is payable if the investment performance of the Fund exceeds the percentage change in the investment record of the Russell 2000 by 12 or more percentage points for the performance period, and the minimum monthly fee rate as adjusted for performance is 1/12 of .5% and is payable if the percentage change in the investment record of the Russell 2000 exceeds the investment performance of the Fund by 12 or more percentage points for the performance period.

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

For the year ended December 31, 2004, the Fund accrued and paid Royce advisory fees totaling \$3,803,971.

**Distributions to Stockholders:**

The tax character of distributions paid to stockholders during 2004 and 2003 was as follows:

| Distributions paid from: | 2004                 | 2003                 |
|--------------------------|----------------------|----------------------|
| Ordinary income          | \$ 3,410,255         | \$ 3,217,774         |
| Long-term capital gain   | 26,108,750           | 16,893,315           |
|                          | <u>\$ 29,519,005</u> | <u>\$ 20,111,089</u> |

As of December 31, 2004, the tax basis components of distributable earnings included in stockholder's equity were as follows:

|                                      |                       |
|--------------------------------------|-----------------------|
| Undistributed net investment income  | \$ 2,446,218          |
| Undistributed long-term capital gain | 6,827,178             |
| Unrealized appreciation              | 119,078,911           |
| Accrued preferred distributions      | (80,000)              |
|                                      | <u>\$ 128,272,307</u> |

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book / tax differences. For the year ended December 31, 2004, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

| Undistributed<br>Net<br>Investment<br>Income | Accumulated<br>Net Realized<br>Gain (Loss) | Paid-in<br>Capital |
|--|--|--------------------|
| <u>\$(1,963,866)</u>                         | <u>\$1,955,209</u>                         | <u>\$8,657</u>     |

#### Purchases and Sales of Investment Securities:

For the year ended December 31, 2004, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$89,157,225 and \$108,571,028, respectively.

## ROYCE MICRO-CAP TRUST

### Report of Independent Registered Public Accounting Firm

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



We have audited the accompanying statement of assets and liabilities of Royce Micro-Cap Trust, Inc., including the schedule of investments, as of December 31, 2004, and the related statement of operations for the year then ended, and the statement of changes in net assets for the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (U.S.). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Micro-Cap Trust, Inc. at December 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER, & BAKER

Philadelphia, PA  
January 21, 2005

## ROYCE FOCUS TRUST

DECEMBER 31, 2004

### Schedule of Investments

|                                    | SHARES | VALUE        |  | SHARES  | VALUE        |
|------------------------------------|--------|--------------|--|---------|--------------|
| <b>COMMON STOCKS</b> □ 99.3%       |        |              | <b>Machinery - 7.0%</b>                          |         |              |
| <b>Consumer Products</b> □ 5.8%    |        |              | <b>Lincoln Electric Holdings</b>                 | 75,000  | \$ 2,590,500 |
| Sports and Recreation - 2.4%       |        |              | <b>Pason Systems</b>                             | 100,000 | 3,075,389    |
| <b>Winnebago Industries</b>        | 65,000 | \$ 2,538,900 | Woodward Governor Company                        | 24,400  | 1,747,284    |
|                                    |        |              |  |         | 7,413,173    |
| Other Consumer Products - 3.4%     |        |              | <b>Metal Fabrication and Distribution - 8.7%</b> |         |              |
| Matthews International Cl. A       | 42,500 | 1,564,000    | <b>IPSCO</b>                                     | 80,000  | 3,824,000    |
| Yankee Candle Company <sup>a</sup> | 60,000 | 1,990,800    | Metal Management                                 | 75,000  | 2,015,250    |
|                                    |        |              | <b>Schnitzer Steel Industries Cl. A</b>          | 100,000 | 3,393,000    |
|                                    |        | 3,554,800    |  |         |              |

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|   |         |           |  |  |            |
|---|---------|-----------|--|--|------------|
| <b>Total</b> (Cost \$3,224,509)                 |         | 6,093,700 |  |  | 9,232,250  |
| <b>Consumer Services</b> $\square$ <b>5.4%</b>  |         |           |  | <b>Total</b> (Cost \$12,153,818)                 | 24,405,223 |
| Direct Marketing - 3.8%                         |         |           |  | <b>Industrial Services</b> $\square$ <b>8.4%</b> |            |
| <b>Nu Skin Enterprises Cl. A</b>                | 159,900 | 4,058,262 |  | Commercial Services - 3.6%                       |            |
|   |         |           |  | <b>Carlisle Holdings</b> <sup>b</sup>            | 300,000    |
| Retail Stores - 1.6%                            |         |           |  | West Corporation <sup>a</sup>                    | 50,000     |
| Big Lots <sup>a</sup>                           | 60,000  | 727,800   |  |  | 3,827,500  |
| Pier 1 Imports                                  | 50,000  | 985,000   |  |  |            |
|   |         |           |  | Engineering and Construction                     |            |
|   |         |           |  | - 1.7%   |            |
| <b>Total</b> (Cost \$3,217,534)                 |         | 5,771,062 |  | Dycom Industries <sup>a</sup>                    | 60,000     |
|   |         |           |  |  | 1,831,200  |
| <b>Financial Intermediaries</b> $\square$       |         |           |  | Industrial Distribution - 1.3%                   |            |
| <b>8.9%</b>                                     |         |           |  | Ritchie Bros. Auctioneers                        | 40,000     |
| Insurance - 7.0%                                |         |           |  | Transportation and Logistics -                   |            |
| <b>Alleghany Corporation</b> <sup>a</sup>       | 12,546  | 3,578,746 |  | 1.8%   |            |
|   |         |           |  | Nordic American Tanker                           |            |
| ProAssurance Corporation <sup>a</sup>           | 47,155  | 1,844,232 |  | Shipping   | 50,000     |
| White Mountains Insurance                       | 3,000   | 1,938,000 |  |  | 1,952,500  |
| Group   |         |           |  | <b>Total</b> (Cost \$4,843,551)                  | 8,933,600  |
|   |         |           |  |  |            |
| Other Financial Intermediaries -                |         |           |  | <b>Natural Resources</b> $\square$ <b>21.9%</b>  |            |
| 1.9%  |         |           |  | Energy Services - 11.4%                          |            |
| TSX Group                                       | 45,000  | 2,008,187 |  | <b>Ensign Resource Service</b>                   |            |
|   |         |           |  | <b>Group</b>                                     | 150,000    |
| <b>Total</b> (Cost \$4,090,283)                 |         | 9,369,165 |  | <b>Input/Output</b> <sup>a,b</sup>               | 325,000    |
|   |         |           |  | Tesco Corporation <sup>a</sup>                   | 150,000    |
| <b>Financial Services</b> $\square$ <b>6.4%</b> |         |           |  | <b>Trican Well Service</b> <sup>a</sup>          | 80,000     |
| Information and Processing -                    |         |           |  |  |            |
| 3.4%  |         |           |  |  |            |
| <b>eFunds Corporation</b> <sup>a</sup>          | 150,000 | 3,601,500 |  |  | 12,058,079 |
|   |         |           |  | Precious Metals and Mining -                     |            |
| Investment Management - 3.0%                    |         |           |  | 10.5%  |            |
| Gabelli Asset Management Cl. A                  | 41,500  | 2,013,580 |  | <b>Glamis Gold</b> <sup>a</sup>                  | 160,000    |
| U.S. Global Investors Cl. A <sup>a,b</sup>      | 295,605 | 1,211,981 |  | <b>Goldcorp</b>                                  | 200,000    |
|   |         |           |  | <b>Hecla Mining Company</b> <sup>a,b</sup>       | 500,000    |
|   |         |           |  | <b>Meridian Gold</b> <sup>a</sup>                | 130,000    |
| <b>Total</b> (Cost \$4,309,131)                 |         | 6,827,061 |  |  | 2,466,100  |
|   |         |           |  | <b>Total</b> (Cost \$14,912,112)                 | 23,192,779 |
| <b>Health</b> $\square$ <b>9.6%</b>             |         |           |  |  |            |
| Drugs and Biotech - 7.8%                        |         |           |  | <b>Technology</b> $\square$ <b>9.8%</b>          |            |
| <b>Endo Pharmaceuticals</b>                     |         |           |  | Components and Systems -                         |            |
| <b>Holdings</b> <sup>a</sup>                    | 114,900 | 2,415,198 |  | 2.9%   |            |
|   |         |           |  | Lowrance Electronics                             | 56,100     |
| <b>Lexicon Genetics</b> <sup>a</sup>            | 300,000 | 2,326,500 |  |  | 1,767,094  |
| Myriad Genetics <sup>a,b</sup>                  | 75,000  | 1,688,250 |  |  |            |

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|   |         |                   |                                     |         |                  |
|---|---------|-------------------|-------------------------------------|---------|------------------|
| Orchid BioSciences <sup>a</sup>                   | 160,000 | 1,840,000         | Richardson Electronics              | 120,000 | 1,273,200        |
|   |         | <u>8,269,948</u>  |                                     |         | <u>3,040,294</u> |
| Medical Products and Devices - 1.8%               |         |                   | IT Services - 1.3%                  |         |                  |
| Arrow International                               | 60,000  | 1,859,400         | Syntel                              | 80,000  | 1,403,200        |
|   |         | <u>10,129,348</u> | Semiconductors and Equipment - 1.8% |         |                  |
| <b>Total</b> (Cost \$7,253,935)                   |         |                   | CEVA <sup>a,b</sup>                 | 89,600  | 815,987          |
|   |         |                   | Exar Corporation <sup>a</sup>       | 75,000  | 1,064,250        |
| <b>Industrial Products</b> $\square$ <b>23.1%</b> |         |                   |                                     |         | <u>1,880,237</u> |
| Building Systems and Components - 4.0%            |         |                   |                                     |         |                  |
| <b>Simpson Manufacturing</b>                      | 120,000 | 4,188,000         |                                     |         |                  |
|   |         | <u>3,571,800</u>  |                                     |         |                  |
| Construction Materials - 3.4%                     |         |                   |                                     |         |                  |
| <b>Florida Rock Industries</b>                    | 60,000  | 3,571,800         |                                     |         |                  |

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

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ROYCE FOCUS TRUST

DECEMBER 31, 2004

Schedule of Investments

|   | SHARES  | VALUE              |  | VALUE        |
|---|---------|--------------------|--|--------------|
| <b>Technology (continued)</b>                     |         |                    | <b>REPURCHASE AGREEMENT</b> $\square$  |              |
| Software - 3.8%                                   |         |                    | <b>1.4%</b>  |              |
| ManTech International Cl. A <sup>a</sup>          | 75,000  | \$ 1,780,500       | State Street Bank & Trust Company  |              |
| PLATO Learning <sup>a,b</sup>                     | 35,000  | 260,750            | 1.80% dated 12/31/04, due 1/3/05, maturity value \$1,443,216   |              |
| Transaction Systems Architects Cl. A <sup>a</sup> | 100,100 | 1,986,985          | (collateralized by Federal National Mortgage Association, 3.875% due 2/15/05, valued at \$1,473,452) |              |
|   |         | <u>4,028,235</u>   | (Cost \$1,443,000)   | \$ 1,443,000 |
| <b>Total</b> (Cost \$7,426,264)                   |         | <u>10,351,966</u>  |  |              |
| <b>TOTAL COMMON STOCKS</b>                        |         |                    | <b>COLLATERAL RECEIVED FOR SECURITIES LOANED</b> $\square$   |              |
| (Cost \$61,431,137)                               |         | <u>105,073,904</u> | <b>3.9%</b>  |              |
|   |         |                    | Money Market Funds   |              |
|   |         |                    | State Street Navigator Securities Lending  |              |
|   |         |                    | Prime Portfolio  |              |

|  |                             |   |                       |
|--|-----------------------------|---|-----------------------|
|  | <b>PRINCIPAL<br/>AMOUNT</b> | (Cost \$4,105,436)                                      | 4,105,436             |
| <b>CORPORATE BONDS</b> □                           |                             |   |                       |
| <b>1.4%</b>  |                             | <b>TOTAL INVESTMENTS</b> □ <b>127.3%</b>                |                       |
| E*TRADE Financial 6.00%                            |                             | (Cost \$89,558,371)                                     | 134,766,100           |
| Conv. Sub. Note due                                |                             |   |                       |
| 2/1/07   | \$ 1,500,000                | 1,531,875   |                       |
|  |                             |   |                       |
| <b>TOTAL CORPORATE<br/>BONDS</b>                   |                             | <b>LIABILITIES LESS CASH</b>                            |                       |
| (Cost \$1,250,459)                                 | 1,531,875                   | <b>AND OTHER ASSETS</b> (3.7)%                          | (3,913,508)           |
|  |                             | <b>PREFERRED STOCK</b> □ (23.6)%                        | (25,000,000)          |
| <b>GOVERNMENT BONDS</b> □                          |                             |   |                       |
| <b>11.6%</b>                                       |                             | <b>NET ASSETS APPLICABLE TO<br/>COMMON STOCKHOLDERS</b> |                       |
| (Principal Amount shown                            |                             | 100.0%  | <b>\$ 105,852,592</b> |
| in local currency.)                                |                             |   |                       |
| Canadian Government                                |                             |   |                       |
| Bond   |                             |   |                       |
| 3.00% due 6/1/07                                   | 6,150,000                   | 5,096,970   |                       |
| New Zealand Government                             |                             |   |                       |
| Bond   |                             |   |                       |
| 6.50% due 02/15/06                                 | 10,000,000                  | 7,197,725   |                       |
|  |                             |   |                       |
| <b>TOTAL GOVERNMENT<br/>BONDS</b>                  |                             |   |                       |
| (Cost \$10,869,061)                                | 12,294,695                  |   |                       |
|  |                             |   |                       |
| <b>U.S. TREASURY<br/>OBLIGATIONS</b> □ <b>9.7%</b> |                             |   |                       |
| U.S. Treasury Notes                                |                             |   |                       |
| Treasury Inflation Index                           |                             |   |                       |
| Protection   |                             |   |                       |
| Security 2.0% due 7/15/14                          | 10,000,000                  | 10,317,190  |                       |
|  |                             |   |                       |
| <b>TOTAL U.S. TREASURY<br/>OBLIGATIONS</b>         |                             |   |                       |
| (Cost \$10,459,278)                                | 10,317,190                  |   |                       |

- a Non-income producing.
- b A portion of these securities were on loan at December 31, 2004. Total market value of loaned securities at December 31, 2004, was \$4,007,576.
- New additions in 2004.
- Bold indicates the Fund's largest 20 equity holdings in terms of December 31, 2004, market value.**

**INCOME TAX INFORMATION:** The cost of total investments for Federal income tax purposes was \$89,863,427. At December 31, 2004, net unrealized appreciation for all securities was \$44,902,673, consisting of aggregate gross unrealized appreciation of \$45,044,761 and aggregate gross unrealized depreciation of \$142,088. The primary differences in book and tax basis cost is the timing of the recognition of losses on securities sold and amortization of discount for book and tax purposes.

## ROYCE FOCUS TRUST

DECEMBER 31, 2004

## Statement of Assets and Liabilities

**ASSETS:**

|   |                |
|---|----------------|
| Investments at value (including collateral on loaned securities)* | \$ 133,323,100 |
| Repurchase agreement (at cost and value)                          | 1,443,000      |
| Receivable for dividends and interest                             | 394,178        |

|              |             |
|--------------|-------------|
| Total Assets | 135,160,278 |
|--------------|-------------|

**LIABILITIES:**

|  |           |
|--|-----------|
| Payable for collateral on loaned securities      | 4,105,436 |
| Payable for investment advisory fee              | 109,129   |
| Preferred dividends accrued but not yet declared | 33,333    |
| Accrued expenses                                 | 59,788    |

|                   |           |
|-------------------|-----------|
| Total Liabilities | 4,307,686 |
|-------------------|-----------|

**PREFERRED STOCK:**

|  |            |
|--|------------|
| 6.00% Cumulative Preferred Stock □ \$0.001 par value, \$25 liquidation value per share; 1,000,000 shares outstanding | 25,000,000 |
|--|------------|

|                       |            |
|-----------------------|------------|
| Total Preferred Stock | 25,000,000 |
|-----------------------|------------|

|   |                       |
|---|-----------------------|
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b> | <b>\$ 105,852,592</b> |
|---|-----------------------|

**ANALYSIS OF NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:**

|   |               |
|---|---------------|
| Common Stock paid-in capital □ \$0.001 par value per share; 10,855,871 shares outstanding (100,000,000 shares authorized) | \$ 59,319,123 |
| Undistributed net investment income (loss)  | (15,000)      |
| Accumulated net realized gain (loss) on investments   | 1,374,073     |
| Net unrealized appreciation (depreciation) on investments   | 45,207,729    |
| Preferred dividends accrued but not yet declared  | (33,333)      |

|   |                |
|---|----------------|
| Net Assets applicable to Common Stockholders (net asset value per share □ \$9.75) | \$ 105,852,592 |
|---|----------------|

|  |               |
|--|---------------|
| *Investments at identified cost (including \$4,105,436 of collateral on loaned securities) | \$ 88,115,371 |
|--|---------------|

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

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## ROYCE FOCUS TRUST

YEAR ENDED DECEMBER 31, 2004

## Statement of Operations

**INVESTMENT INCOME:**

|                    |              |
|--------------------|--------------|
| Income:            |              |
| Interest           | \$ 1,011,895 |
| Dividends          | 653,844      |
| Securities lending | 6,304        |

|              |           |
|--------------|-----------|
| Total income | 1,672,043 |
|--------------|-----------|

## Expenses:

|   |           |
|---|-----------|
| Investment advisory fees                      | 1,197,732 |
| Custody and transfer agent fees               | 84,136    |
| Stockholder reports                           | 53,143    |
| Professional fees                             | 29,543    |
| Directors' fees                               | 21,062    |
| Administrative and office facilities expenses | 11,463    |
| Other expenses                                | 49,389    |

|                |           |
|----------------|-----------|
| Total expenses | 1,446,468 |
|----------------|-----------|

|                              |         |
|------------------------------|---------|
| Net investment income (loss) | 225,575 |
|------------------------------|---------|

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

|   |            |
|---|------------|
| Net realized gain (loss) on investments                             | 16,972,445 |
| Net change in unrealized appreciation (depreciation) on investments | 9,319,147  |

|  |            |
|--|------------|
| Net realized and unrealized gain (loss) on investments | 26,291,592 |
|--|------------|

|   |            |
|---|------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM INVESTMENT OPERATIONS</b> | 26,517,167 |
|---|------------|

|  |             |
|--|-------------|
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS</b> | (1,500,000) |
|--|-------------|

|   |              |
|---|--------------|
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | \$25,017,167 |
|---|--------------|

## Statement of Changes in Net Assets

|   | Year Ended<br>12/31/04 | Year<br>Ended<br>12/31/03 |
|---|------------------------|---------------------------|
| <b>INVESTMENT OPERATIONS:</b>   |                        |                           |
| Net investment income (loss)  | \$ 225,575             | \$ 735,458                |
| Net realized gain (loss) on investments   | 16,972,445             | 8,288,351                 |
| Net change in unrealized appreciation (depreciation) on investments   | 9,319,147              | 24,687,435                |
| Net increase (decrease) in net assets resulting from investment operations  | 26,517,167             | 33,711,244                |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                        |                           |
| Net investment income   | (21,150)               | (153,283)                 |
| Net realized gain on investments  | (1,478,850)            | (1,355,105)               |
| Quarterly distributions accrued but not yet declared  | □                      | (221)                     |
| Total distributions to Preferred Stockholders   | (1,500,000)            | (1,508,609)               |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | 25,017,167             | 32,202,635                |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                        |                           |
| Net investment income   | (242,185)              | (582,175)                 |
| Net realized gain on investments  | (16,948,411)           | (5,147,260)               |
| Total distributions to Common Stockholders  | (17,190,596)           | (5,729,435)               |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                        |                           |
| Offering costs from issuance of Preferred Stock   | □                      | (984,000)                 |
| Reinvestment of distributions to Common Stockholders  | 11,013,943             | 3,566,912                 |
| Total capital stock transactions  | 11,013,943             | 2,582,912                 |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS</b>                                      | 18,840,514             | 29,056,112                |
| <b>NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b>  |                        |                           |
| Beginning of year   | 87,012,078             | 57,955,966                |
| End of year (including undistributed net investment income (loss) of (\$15,000) in 2004.)                           | \$ 105,852,592         | \$ 87,012,078             |

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

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## ROYCE FOCUS TRUST

### Financial Highlights

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

|   | Years ended December 31, |         |         |         |         |
|---|--------------------------|---------|---------|---------|---------|
|   | 2004                     | 2003    | 2002    | 2001    | 2000    |
| <b>NET ASSET VALUE, BEGINNING OF PERIOD</b>   | \$ 9.00                  | \$ 6.27 | \$ 7.28 | \$ 6.77 | \$ 5.94 |
| <b>INVESTMENT OPERATIONS:</b>   |                          |         |         |         |         |
| Net investment income (loss)  | 0.02                     | 0.08    | (0.01)  | 0.05    | 0.12    |
| Net realized and unrealized gain (loss) on investments  | 2.63                     | 3.57    | (0.74)  | 0.79    | 1.26    |
| Total investment operations   | 2.65                     | 3.65    | (0.75)  | 0.84    | 1.38    |
| <b>DISTRIBUTIONS TO PREFERRED STOCKHOLDERS:</b>   |                          |         |         |         |         |
| Net investment income   | (0.00)                   | (0.02)  | (0.03)  | (0.04)  | (0.03)  |
| Net realized gain on investments  | (0.15)                   | (0.14)  | (0.13)  | (0.13)  | (0.14)  |
| Total distributions to Preferred Stockholders   | (0.15)                   | (0.16)  | (0.16)  | (0.17)  | (0.17)  |
| <b>NET INCREASE (DECREASE) IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM INVESTMENT OPERATIONS</b> | 2.50                     | 3.49    | (0.91)  | 0.67    | 1.21    |
| <b>DISTRIBUTIONS TO COMMON STOCKHOLDERS:</b>  |                          |         |         |         |         |
| Net investment income   | (0.02)                   | (0.06)  | (0.02)  | (0.03)  | (0.06)  |
| Net realized gain on investments  | (1.72)                   | (0.56)  | (0.07)  | (0.11)  | (0.28)  |
| Total distributions to Common Stockholders  | (1.74)                   | (0.62)  | (0.09)  | (0.14)  | (0.34)  |
| <b>CAPITAL STOCK TRANSACTIONS:</b>  |                          |         |         |         |         |
| Effect of Preferred Stock Offering  | □                        | (0.11)  | □       | □       | □       |
| Effect of reinvestment of distributions by Common Stockholders  | (0.01)                   | (0.03)  | (0.01)  | (0.02)  | (0.04)  |
| Total capital stock transactions  | (0.01)                   | (0.14)  | (0.01)  | (0.02)  | (0.04)  |



|  |    |           |    |           |    |         |    |         |    |         |
|--|----|-----------|----|-----------|----|---------|----|---------|----|---------|
| <b>NET ASSET VALUE, END OF PERIOD</b>  | \$ | 9.75      | \$ | 9.00      | \$ | 6.27    | \$ | 7.28    | \$ | 6.77    |
| <b>MARKET VALUE, END OF PERIOD</b>   | \$ | 10.47     | \$ | 8.48      | \$ | 5.56    | \$ | 6.65    | \$ | 5.69    |
| <b>TOTAL RETURN <sup>(a)</sup>:</b>  |    |           |    |           |    |         |    |         |    |         |
| Market Value   |    | 47.3%     |    | 64.0%     |    | (15.1)% |    | 19.7%   |    | 27.9%   |
| Net Asset Value  |    | 29.2%     |    | 54.3%     |    | (12.5)% |    | 10.0%   |    | 20.9%   |
| <b>RATIOS BASED ON AVERAGE NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS:</b> |    |           |    |           |    |         |    |         |    |         |
| Total expenses <sup>(b,c)</sup>  |    | 1.53%     |    | 1.57%     |    | 1.88%   |    | 1.47%   |    | 1.44%   |
| Management fee expense   |    | 1.27%     |    | 1.14%     |    | 1.13%   |    | 1.11%   |    | 1.00%   |
| Other operating expenses   |    | 0.26%     |    | 0.43%     |    | 0.75%   |    | 0.36%   |    | 0.44%   |
| Net investment income (loss)   |    | 0.24%     |    | 1.07%     |    | (0.16)% |    | 0.70%   |    | 1.93%   |
| <b>SUPPLEMENTAL DATA:</b>  |    |           |    |           |    |         |    |         |    |         |
| Net Assets Applicable to Common Stockholders,                                |    |           |    |           |    |         |    |         |    |         |
| End of Period (in thousands)   | \$ | 105,853   | \$ | 87,012    | \$ | 57,956  | \$ | 66,654  | \$ | 60,933  |
| Liquidation Value of Preferred Stock, End of Period (in thousands)           | \$ | 25,000    | \$ | 25,000    | \$ | 20,000  | \$ | 20,000  | \$ | 20,000  |
| Portfolio Turnover Rate  |    | 52%       |    | 49%       |    | 61%     |    | 54%     |    | 69%     |
| <b>PREFERRED STOCK:</b>  |    |           |    |           |    |         |    |         |    |         |
| Total shares outstanding   |    | 1,000,000 |    | 1,000,000 |    | 800,000 |    | 800,000 |    | 800,000 |
| Asset coverage per share   | \$ | 130.85    | \$ | 112.01    | \$ | 97.44   | \$ | 108.32  | \$ | 101.17  |
| Liquidation preference per share   | \$ | 25.00     | \$ | 25.00     | \$ | 25.00   | \$ | 25.00   | \$ | 25.00   |
| Average market value per share <sup>(d)</sup> :                              |    |           |    |           |    |         |    |         |    |         |
| 6.00% Cumulative   | \$ | 24.83     | \$ | 25.45     |    | □       |    | □       |    | □       |
| 7.45% Cumulative   |    | □         | \$ | 25.53     | \$ | 25.64   | \$ | 25.09   | \$ | 22.23   |

(a) The Market Value Total Return is calculated assuming a purchase of Common Stock on the opening of the first business day and a sale on the closing of the last business day of each period reported. Dividends and distributions, if any, are assumed for the purposes of this calculation, to be reinvested at prices obtained under the Fund's Distribution Reinvestment and Cash Purchase Plan. Net Asset Value Total Return is calculated on the same basis, except that the Fund's net asset value is used on the purchase and sale dates instead of market value.

(b) Expense ratios based on total average net assets including liquidation value of Preferred Stock were 1.21%, 1.20%, 1.43%, 1.11% and 1.05% for the periods ended December 31, 2004, 2003, 2002, 2001 and 2000, respectively.

(c) Expense ratios based on average net assets applicable to Common Stockholders before waiver of fees by the investment adviser would have been 1.73%, 2.06%, 1.69% and 1.81% for the periods ended December 31, 2003, 2002, 2001 and 2000, respectively.

(d) The average of month-end market values during the period that the preferred stock was outstanding.

### Summary of Significant Accounting Policies:

Royce Focus Trust, Inc. (the Fund) is a diversified closed-end investment company. The Fund commenced operations on March 2, 1988 and Royce & Associates, LLC (Royce) assumed investment management responsibility for the Fund on November 1, 1996.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### Valuation of Investments:

Securities are valued as of the close of trading on the New York Stock Exchange (generally 4:00 p.m. Eastern time) on the valuation date. Securities that trade on an exchange or Nasdaq are valued at their last reported sales price taken from the primary market in which each security trades or, if no sale is reported for such day, at their bid price. Other over-the-counter securities for which market quotations are readily available are valued at their bid price. Securities for which market quotations are not readily available are valued at their fair value under procedures established by the Fund's Board of Directors. Bonds and other fixed income securities may be valued by reference to other securities with comparable ratings, interest rates and maturities, using established independent pricing services.

### Investment Transactions and Related Investment Income:

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

### Expenses:

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

### Taxes:

fiscal year. The Schedule of Investments includes information regarding income taxes under the caption "Income Tax Information".

### Distributions:

The Fund currently has a policy of paying quarterly distributions on the Fund's Common Stock. Distributions are currently being made at the annual rate of 5% of the rolling average of the prior four calendar quarter-end NAVs of the Fund's Common Stock, with the fourth quarter distribution being the greater of 1.25% of the rolling average or the distribution required by IRS regulations. Distributions to Preferred Stockholders are recorded on an accrual basis and paid quarterly. The Fund is required to allocate long-term capital gain distributions and other types of income proportionately to distributions made to holders of shares of Common Stock and Preferred Stock. To the extent that distributions are not paid from long-term capital gains, net investment income or net short-term capital gains, they will represent a return of capital. Distributions are determined in accordance with income tax regulations that may differ from accounting principles generally accepted in the United States of America. Permanent book and tax basis differences relating to stockholder distributions will result in reclassifications within the capital accounts. Undistributed net investment income may include temporary book and tax basis differences, which will reverse in a subsequent period. Any taxable income or gain remaining undistributed at fiscal year end is distributed in the following year.

### Repurchase Agreements:

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

### Securities Lending:

The Fund loans securities to qualified institutional investors for the purpose of realizing additional income. Collateral on all securities loaned for the Fund is accepted in cash and is invested temporarily by the custodian. The collateral is equal to at least 100% of the current market value of the loaned securities.

### Capital Stock:

The Fund issued 1,182,493 and 432,353 shares of Common Stock as reinvestment of distributions by Common Stockholders for the years ended December

As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the Fund is not subject to income taxes to the extent that it distributes substantially all of its taxable income for its

31, 2004 and 2003, respectively.

On October 20, 2003, the Fund redeemed all (800,000 shares) of its then outstanding 7.45% Cumulative Preferred Stock at the redemption

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**ROYCE VALUE TRUST**
**DECEMBER 31, 2004**


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**Notes to Financial Statements (continued)**


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price of \$25.00 per share, plus accumulated and unpaid dividends through the redemption date of \$0.14486 per share. On October 17, 2003, the Fund received net proceeds of \$24,212,500 (after underwriting discounts of \$787,500 and before estimated offering expenses of \$196,500) from the public offering of 1,000,000 shares of 6.00% Cumulative Preferred Stock. Commencing October 17, 2008 and thereafter, the Fund, at its option, may redeem the 6.00% Cumulative Preferred Stock, in whole or in part, at the redemption price.

At December 31, 2004, 1,000,000 shares of 6.00% Cumulative Preferred Stock were outstanding. The Fund's Cumulative Preferred Stock is classified outside of permanent equity (net assets applicable to Common Stockholders) in the accompanying financial statements in accordance with Emerging Issues Task Force (EITF) Topic D-98, Classification and Measurement of Redeemable Securities, that requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity to the extent that the redemption is at a fixed or determinable price and at the option of the holder or upon the occurrence of an event that is not solely within the control of the issuer.

The Fund is required to meet certain asset coverage tests with respect to the Cumulative Preferred Stock as required by the 1940 Act. In addition, pursuant to the Rating Agency Guidelines established by Moody's, the Fund is required to maintain a certain discounted asset

**Distributions to Stockholders:**

The tax character of distributions paid to stockholders during 2004 and 2003 was as follows:

| Distributions paid from: | 2004       | 2003         |
|--------------------------|------------|--------------|
| Ordinary income          | \$ 263,335 | \$ 1,622,760 |
| Long-term capital gain   | 18,427,261 | 5,615,063    |

coverage. If the Fund fails to meet these requirements and does not correct such failure, the Fund may be required to redeem, in part or in full, the Cumulative Preferred Stock at a redemption price of \$25.00 per share, plus an amount equal to the accumulated and unpaid dividends, whether or not declared on such shares, in order to meet these requirements. Additionally, failure to meet the foregoing asset coverage requirements could restrict the Fund's ability to pay dividends to Common Shareholders and could lead to sales of portfolio securities at inopportune times. The Fund has met these requirements since issuing the Preferred Stock.

**Investment Advisory Agreement:**

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

For the year ended December 31, 2004, the Fund accrued and paid Royce advisory fees totaling \$1,197,732.

\$18,690,596    \$7,237,823

As of December 31, 2004, the tax basis components of distributable earnings included in stockholder's equity were as follows:

|                                      |              |
|--------------------------------------|--------------|
| Undistributed long-term capital gain | \$ 1,664,129 |
| Unrealized appreciation              | 44,902,673   |
| Accrued preferred distributions      | (33,333)     |
|                                      | \$46,533,469 |

For financial reporting purposes, capital accounts and distributions to shareholders are adjusted to reflect the tax character of permanent book / tax differences. For the year ended December 31, 2004, the Fund recorded the following permanent reclassifications, which relate primarily to the current net operating losses. Results of operations and net assets were not affected by these reclassifications.

|  |  |
|--|--|
| Undistributed<br>Net<br>Investment<br>Income | Accumulated<br>Net Realized<br>Gain (Loss) |
| \$22,760                                     | \$(22,760)                                 |

#### **Purchases and Sales of Investment Securities:**

For the year ended December 31, 2004, the cost of purchases and proceeds from sales of investment securities, other than short-term securities and collateral received for securities loaned, amounted to \$61,719,366 and \$56,634,211, respectively.

## **ROYCE FOCUS TRUST**

### **Report of Independent Registered Public Accounting Firm**

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

We have audited the accompanying statement of assets and liabilities of Royce Focus Trust, Inc., including the schedule of investments, as of December 31, 2004, and the related statement of operations for the year then ended, and the statement of changes in net assets for the two years in the period then ended and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (U.S.). Those standards require that we plan and perform the

audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities owned as of December 31, 2004, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above and audited by us present fairly, in all material respects, the financial position of Royce Focus Trust, Inc. at December 31, 2004, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER, & BAKER

Philadelphia, PA  
January 21, 2005

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## **DISTRIBUTION REINVESTMENT AND CASH PURCHASE OPTIONS FOR COMMON STOCKHOLDERS**

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### **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 generally 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, 2005.

### 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.

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## DIRECTORS AND OFFICERS

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**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 (65), Director\* and President  
**Term Expires:** 2006  
**Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen:** 21  
**Non-Royce Directorships:** Director of Technology Investment Capital Corp.

**NAME AND POSITION:** Arthur S. Mehlman (63), Director  
**Term Expires:** 2004  
**Tenure:** Since 2004  
**Number of Funds Overseen:** 21  
**Non-Royce Directorships:** Director/Trustee of registered investment companies constituting the 23 Legg Mason Funds and Director of Municipal Mortgage & Equity, LLC.

**Principal Occupation(s) During Past Five Years:** President, Chief Investment Officer and Member of Board of Managers of Royce & Associates, LLC (Royce) (since October 2001), the Trust's investment adviser.

**Principal Occupation(s) During Past Five Years:** Director of The League for People with Disabilities, Inc.; Director of University of Maryland Foundation and University of Maryland College Park Foundation (nonprofits) and Partner, KPMG LLP (international accounting firm) (1972-2002).

**NAME AND POSITION:** Mark R. Fetting (50), Director\*  
**Term Expires:** 2004  
**Tenure:** Since 2001

**NAME AND POSITION:** David L. Meister (65), Director

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**Number of Funds Overseen: 21** **Non-Royce Directorships:** Director/Trustee of the registered investment companies constituting the 23 Legg Mason Funds.

**Term Expires:** 2004 **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**Principal Occupation(s) During Past Five Years:** Executive Vice President of Legg Mason, Inc.; Member of Board of Managers of Royce (since October 2001); 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. Fetting's prior business experience includes having served as Partner, Greenwich Associates and Vice President, T. Rowe Price Group, Inc.

**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. Meister's 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:** Donald R. Dwight (73), Director  
**Term Expires:** 2005 **Tenure:** Since 1998  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**NAME AND POSITION:** G. Peter O'Brien (59), Director

**Term Expires:** 2006 **Tenure:** Since 2001  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** Director/Trustee of registered investment companies constituting the 23 Legg-Mason Funds; Director of Renaissance Capital Greenwich Fund and Director of Technology Investment Capital Corp.

**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. Dwight's 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 Eaton Vance Funds.

**Principal Occupation(s) During Past Five Years:** Trustee of Colgate University; President of Hill House, Inc.; Director/Trustee of certain Legg Mason retail funds; Managing Director/Equity Capital Markets Group of Merrill Lynch & Co. (from 1971 to 1999).

**NAME AND POSITION:** Richard M. Galkin (66), Director  
**Term Expires:** 2004 **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**NAME AND POSITION:** John D. Diederich (53), 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.

**Principal Occupation(s) During Past Five Years:** Private investor. Mr. Galkin's 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:** Jack E. Fockler, Jr. (46), Vice President  
**Tenure:** Since 1995 (RVT), 1995 (RMT), 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:** Stephen L. Isaacs (65), Director  
**Term Expires:** 2005 (RVT), 2005 (RMT), 2004 (FUND) **Tenure:** Since 1986 (RVT), 1993 (RMT), 1996 (FUND)  
**Number of Funds Overseen: 21** **Non-Royce Directorships:** None

**NAME AND POSITION:** W. Whitney George (46), Vice President  
**Tenure:** Since 1995 (RVT), 1995 (RMT), 1996 (FUND)  
**Principal Occupation(s) During Past Five Years:** Managing Director and Vice President of Royce, having been employed by Royce since October 1991.

**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. Isaacs's 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:** Daniel A. O'Byrne (42), Vice President and Assistant Secretary  
**Tenure:** Since 1994 (RVT), 1994 (RMT), 1996 (FUND)  
**Principal Occupation(s) During Past Five Years:** Vice President of Royce, having been employed by Royce since October 1986.

**NAME AND POSITION:** William L. Koke (70), Director  
**Term Expires:** 2004 (RVT), 2004 (RMT), 2005 (FUND) **Tenure:** Since 2001 (RVT), 2001 (RMT), 1997 (FUND)  
**Non-Royce Directorships:** None

**NAME AND POSITION:** John E. Denneen (37), 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 Legal and Compliance Officer and Secretary of Royce (1996-2001 and since April 2002); Principal of Credit Suisse First Boston Private Equity (2001-2002).

**Number of Funds**

**Overseen:** 21

**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.

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\* Interested Director

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## OTHER IMPORTANT INFORMATION

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### 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.

### Authorized Share Transactions

Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust may each repurchase up to 300,000 shares of its respective common stock and up to 10% of the issued and outstanding shares of its respective preferred stock during the year ending December 31, 2005. 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.

### Proxy Voting

A copy of the policies and procedures that The Royce Funds use to determine how to vote proxies relating to portfolio securities is available, without charge, by calling 1-800-221-4268 (toll-free) and on the website of the Securities and Exchange Commission ("SEC"), at [www.sec.gov](http://www.sec.gov). Information regarding how each of The Royce Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is also available without charge, by calling 1-800-221-4268 (toll-free), on the website of the SEC, at [www.sec.gov](http://www.sec.gov), and on The Royce Funds' website at [www.roycefunds.com](http://www.roycefunds.com).

### Form N-Q Filing



Edgar Filing: ROYCE FOCUS TRUST INC - Form N-CSR

The Funds file their complete schedules of investments with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Funds' Forms N-Q are available on The Royce Funds' website at www.roycefunds.com and on the SEC's website at www.sec.gov. The Funds' Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. To find out more about this public service, call the SEC at 1-800-732-0330. The Funds' complete schedules of investments are updated quarterly, and are available at www.roycefunds.com.

**Annual Certifications**

As required, the Funds have submitted to the New York Stock Exchange (NYSE) for Royce Value Trust, Royce Micro-Cap Trust and Royce Focus Trust, and to Nasdaq for Royce Focus Trust, respectively, the annual certification of the Funds' Chief Executive Officer that he is not aware of any violation of the NYSE's or Nasdaq's Corporate Governance listing standards. The Funds also have included the certification of the Funds' Chief Executive Officer and Chief Financial Officer required by section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to the Funds' Form N-CSR for the year ended December 31, 2004, filed with the Securities and Exchange Commission.

48 | THE ROYCE FUNDS ANNUAL REPORT 2004

**STOCKHOLDER MEETING RESULTS**

| ROYCE VALUE TRUST, INC.   |                    |  |            |  |                 |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
|---|--------------------|--|------------|--|-----------------|--|--|--|--|--|--|--|-----------|--|-----------------|--|--|--|--|--|------------------|--|------------|--|---------|--|--|--|--|--|--------------------|--|------------|--|---------|--|--|--|--|--|-------------------|--|-----------|--|--------|--|--|--|--|--|--------------------|--|------------|--|---------|--|--|--|--|--|--------------------|--|-----------|--|--------|--|--|--|--|
| At the 2004 Annual Meeting of Stockholders held on September 28, 2004, the Fund's stockholders elected five Directors, consisting of:   |                    |  |            |  |                 |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
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|   |                    |  | Votes For  |  | Votes Abstained |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
|   | Mark R. Fetting*   |  | 54,308,032 |  | 432,961         |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
|   | Richard M. Galkin* |  | 54,325,149 |  | 415,844         |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
|   | William L. Koke**  |  | 7,659,862  |  | 67,338          |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
|   | Arthur S. Mehlman* |  | 54,331,600 |  | 409,393         |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
|   | David L. Meister** |  | 7,650,962  |  | 76,238          |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
| * Common Stock and Preferred Stock voting together as a single class.   |                    |  |            |  |                 |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |
| ** Preferred Stock voting as a separate class.  |                    |  |            |  |                 |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |  |                  |  |            |  |         |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                   |  |           |  |        |  |  |  |  |  |                    |  |            |  |         |  |  |  |  |  |                    |  |           |  |        |  |  |  |  |

| ROYCE MICRO-CAP TRUST, INC.  |  |  |           |  |                 |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |
|--|--|--|-----------|--|-----------------|--|--|--|--|--|--|--|-----------|--|-----------------|--|--|--|--|
| At the 2004 Annual Meeting of Stockholders held on September 28, 2004, the Fund's stockholders elected five Directors, consisting of:  |  |  |           |  |                 |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |
| <table border="1"> <thead> <tr> <th></th> <th></th> <th></th> <th>Votes For</th> <th></th> <th>Votes Abstained</th> <th></th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> </tbody> </table> |  |  |           |  |                 |  |  |  |  |  |  |  | Votes For |  | Votes Abstained |  |  |  |  |
|  |  |  | Votes For |  | Votes Abstained |  |  |  |  |  |  |  |           |  |                 |  |  |  |  |

|   |                    |  |            |  |         |  |  |
|---|--------------------|--|------------|--|---------|--|--|
|   | Mark R. Fetting*   |  | 20,558,869 |  | 142,202 |  |  |
|   | Richard M. Galkin* |  | 20,542,698 |  | 158,193 |  |  |
|   | William L. Koke**  |  | 1,961,756  |  | 19,834  |  |  |
|   | Arthur S. Mehlman* |  | 20,567,831 |  | 133,510 |  |  |
|   | David L. Meister** |  | 1,963,956  |  | 17,634  |  |  |
| * Common Stock and Preferred Stock voting together as a single class. |                    |  |            |  |         |  |  |
| ** Preferred Stock voting as a separate class.                        |                    |  |            |  |         |  |  |

| ROYCE FOCUS TRUST, INC.   |                     |  |                  |  |                        |  |  |
|---|---------------------|--|------------------|--|------------------------|--|--|
| At the 2004 Annual Meeting of Stockholders held on September 28, 2004, the Fund's stockholders elected five Directors, consisting of: |                     |  |                  |  |                        |  |  |
|   |                     |  | <b>Votes For</b> |  | <b>Votes Abstained</b> |  |  |
|   | Mark R. Fetting*    |  | 9,105,495        |  | 107,025                |  |  |
|   | Richard M. Galkin*  |  | 9,105,926        |  | 107,224                |  |  |
|   | Stephen L. Isaacs** |  | 987,606          |  | 6,693                  |  |  |
|   | Arthur S. Mehlman*  |  | 9,106,894        |  | 105,626                |  |  |
|   | David L. Meister**  |  | 986,706          |  | 7,593                  |  |  |
| * Common Stock and Preferred Stock voting together as a single class.   |                     |  |                  |  |                        |  |  |
| ** Preferred Stock voting as a separate class.  |                     |  |                  |  |                        |  |  |

## TheRoyceFunds

### Wealth Of Experience

With approximately \$20.9 billion in open- and closed-end fund assets under management, Royce & Associates is committed to the same small-company investing principles that have served us well for more than 30 years. Charles M. Royce, our Chief Investment Officer, enjoys one of the longest tenures of any active mutual fund manager. Royce's investment staff includes six other Portfolio Managers, as well as eight assistant portfolio managers and analysts, and six traders..

### Multiple Funds, Common Focus

Our goal is to offer both individual and institutional investors the best available small-cap value portfolios. Unlike a lot of mutual fund groups with broad product offerings, we have chosen to concentrate on small-company value investing by providing investors with a range of funds that take full advantage of this large and diverse sector.

### **Consistent Discipline**

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

### **Co-Ownership Of Funds**

It is important that our employees and shareholders share a common financial goal; our officers, employees and their families currently have approximately \$74 million invested in The Royce Funds.

#### **General Information**

Additional Report Copies  
and Fund Inquiries  
(800) 221-4268

#### **EquiServe**

Transfer Agent and Registrar  
(800) 426-5523

#### **Broker/Dealer Services**

For Fund Materials and Performance Updates,  
(800) 59-ROYCE (597-6923)

#### **Advisor Services**

For Fund Materials, Performance Updates,  
Transactions or Account Inquiries  
(800) 33-ROYCE (337-6923)

**[www.roycefunds.com](http://www.roycefunds.com)**

**CE-REP-1204**

**Item 2: Code(s) of Ethics** As of the end of the period covered by this report, the Registrant had adopted a code of ethics, as defined in Item 2 of Form N-CSR, applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is filed as an exhibit to this Form N-CSR. No substantive amendments were approved or waivers were granted to this code of ethics during the period covered by this report.

### **Item 3: Audit Committee Financial Expert** □

- (a)(1) The Board of Directors of the Registrant has determined that it has an audit committee financial expert.
- (a)(2) Arthur S. Mehlman was designated by the Board of Trustees as the Registrant's Audit Committee Financial Expert, effective April 15, 2004. Mr. Mehlman is

independent as defined under Item 3 of Form N-CSR.

**Item 4: Principal Accountant Fees and Services.**

- (a) Audit Fees:  
Year ended December 31, 2004 - \$21,300  
Year ended December 31, 2003 - \$20,200
- (b) Audit-Related Fees:  
Year ended December 31, 2004 - \$1,500 Preparation of reports to rating agency for Preferred Stock  
Year ended December 31, 2003 - \$6,000 Preparation of reports to rating agency for Preferred Stock
- (c) Tax Fees:  
Year ended December 31, 2004 - \$2,500 Preparation of tax returns  
Year ended December 31, 2003 - \$2,500 Preparation of tax returns
- (d) All Other Fees:  
Year ended December 31, 2004 - \$0  
Year ended December 31, 2003 - \$7,500 Services in connection with Registration Statement on  
Form N-2 for  
newly issued  
Preferred  
Stock

(e)(1) Annual Pre-Approval: On an annual basis, the Registrant's independent auditor submits to the Audit Committee a schedule of proposed audit, audit-related, tax and other non-audit services to be rendered to the Registrant and/or investment adviser(s) for the following year that require pre-approval by the Audit Committee. This schedule provides a description of each type of service that is expected to require pre-approval and the maximum fees that can be paid for each such service without further Audit Committee approval. The Audit Committee then reviews and determines whether to approve the types of scheduled services and the projected fees for them. Any subsequent revision to already pre-approved services or fees (including fee increases) are presented for consideration at the next regularly scheduled Audit Committee meeting, as needed.

If subsequent to the annual pre-approval of services and fees by the Audit Committee, the Registrant or one of its affiliates determines that it would like to engage the Registrant's independent auditor to perform a service not already pre-approved, the request is to be submitted to the Registrant's Chief Financial Officer, and if he or she determines that the service fits within the independence guidelines (e.g., it is not a prohibited service), he or she will then arrange for a discussion of the proposed service and fee to be included on the agenda for the next regularly scheduled Audit Committee meeting so that pre-approval can be considered.

Interim Pre-Approval: If, in the judgment of the Registrant's Chief Financial Officer, a proposed engagement needs to commence before the next regularly scheduled Audit Committee meeting, he or she shall submit a written summary of the proposed engagement to all members of the Audit Committee, outlining the services, the estimated maximum cost, the category of the services (e.g., audit, audit-related, tax or other) and the rationale for engaging the Registrant's independent auditor to perform the services. To the extent the proposed engagement involves audit, audit-related or tax services, any individual member of the Audit Committee who is an independent Board member is authorized to pre-approve the engagement. To the extent the proposed engagement involves non-audit services other than audit-related or tax, the Chairman of the Audit Committee is authorized to

pre-approve the engagement. The Registrant's Chief Financial Officer will arrange for this interim review and coordinate with the appropriate member(s) of the Committee. The independent auditor may not commence the engagement under consideration until the Registrant's Chief Financial Officer has informed the auditor in writing that pre-approval has been obtained from the Audit Committee or an individual member who is an independent Board member. The member of the Audit Committee who pre-approves any engagements in between regularly scheduled Audit Committee meetings is to report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next regularly scheduled meeting.

(e)(2) Not Applicable

(f) Not Applicable

(g) Year ended December 31, 2004 - \$4,000  
Year ended December 31, 2003 - \$16,000

(h) No such services were rendered during 2004 or 2003.

**Item 5: Not Applicable.**

**Item 6: Not Applicable.**

**Item  
7:**

June 5, 2003

**Royce & Associates Proxy Voting  
Guidelines and Procedures**

These procedures apply to Royce & Associates, LLC ( Royce ) and all funds and other client accounts for which it is responsible for voting proxies, including all open and closed-end registered investment companies ( The Royce Funds ), limited partnerships, limited liability companies, separate accounts, other accounts for which it acts as investment adviser and any accounts for which it acts as sub-adviser that have directly or indirectly delegated proxy voting authority to Royce. The Boards of Trustees/Directors of The Royce Funds have delegated all proxy voting decisions to

Royce.

Receipt of Proxy Material. Under the continuous oversight of the Head of Administration, an Administrative Assistant designated by him is responsible for monitoring receipt of all proxies and ensuring that proxies are received for all securities for which Royce has proxy voting responsibility. All proxy materials are logged in upon receipt by Royce's Librarian.

Voting of Proxies. Once proxy material has been logged in by Royce's Librarian, it is then promptly reviewed by the designated Administrative Assistant to evaluate the issues presented. Regularly recurring matters are usually voted as recommended by the issuer's board of directors or management. The Head of Administration, in consultation with the Chief Investment Officer, develops and updates a list of matters Royce treats as regularly recurring and is responsible for ensuring that the designated Administrative Assistant has an up-to-date list of these matters at all times, including instructions from Royce's Chief Investment Officer on how to vote on those matters on behalf of Royce clients. Examples of regularly recurring matters include non-contested elections of directors and non-contested approval of independent auditors. Non-regularly recurring matters are brought to the attention of the portfolio manager(s) for the account(s) involved by the designated Administrative Assistant, and, after giving some consideration to advisories from Proxy Master (a service provided by Institutional Shareholder Services), the portfolio manager directs that such matters be voted in a way that he or she believes should better protect or enhance the value of the investment. If the portfolio manager determines that information concerning any proxy requires analysis, is missing or incomplete, he or she then gives the proxy to an analyst or another portfolio manager for review and analysis.

- a. From time to time, it is possible that one Royce portfolio manager will decide (i) to vote shares held in client accounts he or she manages differently from the vote of another Royce portfolio

manager whose client accounts hold the same security or (ii) to abstain from voting on behalf of client accounts he or she manages when another Royce portfolio manager is casting votes on behalf of other Royce client accounts.

The designated Administrative Assistant reviews all proxy votes collected from Royce's portfolio managers prior to such votes being cast. If any difference exists among the voting instructions given by Royce's portfolio managers, as described above, the designated Administrative Assistant then presents these proposed votes to the Head of Administration and the Chief Investment Officer. The Chief Investment Officer, after consulting with the relevant portfolio managers, either reconciles the votes or authorizes the casting of differing votes by different Royce portfolio managers. The Head of Administration maintains a log of all votes for which different portfolio managers have cast differing votes, that describes the rationale for allowing such differing votes and contains the initials of both the Chief Investment Officer and Head of Administration allowing such differing votes. The Head of Administration performs a weekly review of all votes cast by Royce to confirm that any conflicting votes were properly handled in accordance with the above-described procedures.

- b. There are many circumstances that might cause Royce to vote against an issuer's board of directors or "management" proposal. These would include, among others, excessive compensation, unusual management stock options, preferential voting, poison pills, etc. Royce's portfolio managers decide these issues on a case-by-case basis as described above.
- c. A Royce portfolio manager may, on occasion, determine to abstain from voting a proxy or a specific proxy item when he or she concludes that the potential benefit of voting is outweighed by the cost, when it is not in the client account's best interest to vote.
- d. When a client has authorized Royce to vote proxies on its behalf, Royce will generally not accept instructions from the clients regarding how to vote proxies.

Custodian banks are authorized to release all shares held for Royce client account portfolios to Automated Data Processing Corporation ("ADP") for voting, utilizing ADP's "Proxy Edge" software system. Substantially all portfolio companies utilize ADP to collect their proxy votes. However, for the limited number of portfolio companies that do not utilize ADP, Royce attempts to register at least a portion of its clients holdings as a physical shareholder in order to ensure its receipt of a physical proxy.

Under the continuous oversight of the Head of Administration, the designated Administrative Assistant is responsible for voting all proxies in a timely manner. Votes are returned to ADP using Proxy Edge as ballots are received, generally two weeks before the scheduled meeting date. The issuer can thus see that the shares were voted, but the actual vote cast is not released to the company until 4pm on the day before the meeting. If proxies must be mailed, they go out at least ten business days before the meeting date.

**Conflicts of Interest.** The designated Administrative Assistant reviews reports generated by Royce's portfolio management system ("Quest PMS") that set forth by record date, any security held in a Royce client account which is issued by a (i) public company that is, or a known affiliate of which is, a separate account client of Royce (including sub-advisory relationships), (ii) public company, or a known affiliate of a public company, that has invested in a privately-offered pooled vehicle managed by Royce or (iii) public company, or a known affiliate of a public company, by which the spouse of a Royce employee or an immediate family member of a Royce employee living in the household of such employee is employed, for the purpose of identifying any potential proxy votes that could present a conflict of interest for Royce. The Head of Administration develops and updates the list of such public companies or their known affiliates which is used by Quest PMS to generate these daily reports. This list also contains information regarding the source of any potential conflict relating to such companies. Potential conflicts identified on the "conflicts reports" are brought to the attention of the Head of Administration by the designated Administrative Assistant, who then reviews them to determine if business or personal relationships exist between Royce, its officers, managers or employees and the company that could present a material conflict of interest. Any such identified material conflicts are voted by Royce in accordance with the recommendation given by an independent third party research firm (Institutional Shareholder Services). The Head of Administration maintains a log of all such conflicts identified, the analysis of the conflict and the vote ultimately cast. Each entry in this log is signed by the Chief Investment Officer before the relevant votes are cast.

Recordkeeping. A record of the issues and how they are voted is stored in the Proxy Edge system. Copies of all physically executed proxy cards, all proxy statements and any other documents created or reviewed that are material to making a decision on how to vote proxies are retained in the Company File maintained by Royce's Librarian.

**Item 8: Not Applicable.**

**Item 9: Not Applicable.**

**Item 10: Controls and Procedures.**

(a) Disclosure Controls and Procedures. The Principal Executive and Financial Officers concluded that the Registrant's Disclosure Controls and Procedures are effective based on their evaluation of the Disclosure Controls and Procedures as of a date within 90 days of the filing date of this report.

(b) Internal Control over Financial Reporting. There were no significant changes in Registrant's internal control over financial reporting or in other factors that could significantly affect this control subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

**Item 11:** Exhibits attached hereto.

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ROYCE FOCUS TRUST, INC.**

BY: /s/ Charles M. Royce  
**Charles M. Royce**  
**President**

Date: February 28, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

**ROYCE FOCUS TRUST, INC.**

BY: /s/ Charles M. Royce  
**Charles M. Royce**  
**President**

Date: February 28, 2005

**ROYCE FOCUS TRUST, INC.**

BY: /s/ John D. Diederich  
**John D. Diederich**  
**Chief Financial Officer**

Date: February 28, 2005